

AUDIT COMMITTEE MEETING

CITY OF COMPTON

JULY 30TH, 2025 AT 3 P.M.

Dollarhide Center

310 N. Tamarind Ave , Compton, CA. 90220

Room 101 (Half Room)

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

NEW BUSINESS

- A) PROGRESS ON FY2023-2024 AUDIT – UPDATE
- B) FY 2025 TO FY2028 AUDITOR RFP – UPDATE
- C) PROGRESS ON FY2024-2025 AUDIT - UPDATE
- D) FINANCE SOFTWARE UPGRADE – UPDATE
- E) INTERNAL AUDIT DIVISION AND OTHER CONTROLLER DEPARTMENT
STAFFING VACANCIES
- F) FRAUD HOTLINE AND FRAUD INVESTIGATION VENDOR IMPLEMENTATION
- UPDATE
- G) OTHER ON-GOING AUDITS DISCUSSION
 - a. AQMD AUDIT
 - b. STATE AUDITOR INQUIRIES
 - c. AGREED UPON PROCEDURES AUDIT OF CITY REVENUES

- d. SALES TAX, TRANSIENT OCCUPANCY TAX, AND UTILITY USER TAX AUDITS
- e. MTA AUDIT
- H) REQUEST FOR APPROVAL OF MINUTES

AUDIENCE COMMENTS

AUDIT COMMITTEE MEMBER COMMENTS

ADJOURNMENT

The next regular meeting of the Audit Committee is scheduled for Wednesday, September 24th, 2025 at 3 p.m.



City of Compton

INTERNAL AUDITOR

Department: City Controller

Class Code:

1044

Revised Date: September 2008

FLSA Status:

Exempt

Personnel Board Approved: 07/09/09

Bargaining Unit:

AFSCME - 2325

Council Approved: 07/20/10

Resolution No. 23,161

GENERAL PURPOSE: Under the general direction of the City Controller, performs professional financial and performance audits, prepares audit documents, and audits accounting and related records of City departments to determine the accuracy of departmental financial accounts and/or adequacy of internal controls; evaluates the effectiveness and efficiency of program operations; assists with the general accounting and annual external audit processes; and performs related work as assigned.

SUPERVISION RECEIVED/EXERCISED: Works under the general direction of the City Controller; does not have supervisory responsibilities.

PRIMARY DUTIES AND RESPONSIBILITIES:

The following essential functions are those that are critical, integral, necessary, crucial, primary and fundamental to the job. Incumbents who possess the requisite skill, experience, education, and other job-related requirements of a position are expected to perform the essential functions of the job with or without a reasonable accommodation.

*The following duties **ARE NOT** intended to serve as a comprehensive list of all duties performed by all employees in this classification, only a representative summary of the primary duties and responsibilities. Incumbent(s) may not be required to perform all duties listed and may be required to perform additional, position-specific duties.*

- Audits accounting systems and related records of City departments to determine compliance with stated goals and objectives; prepares task plan and specific audit procedures to cover each audit task; discusses audit plan with head of unit to be audited, executes audit based on audit procedures plan and writes report of findings and recommendations.
- Performs business/functional process reviews and recommends possible improvements in methods of operation, performance, accounting and/or record keeping.
- Performs fieldwork and interviews to obtain data relating to audits of organization programs and operations and prepares supporting documentation.
- Examines journals, ledgers, invoices, contracts, reports of independent external auditors and other related records.
- Prepares work papers and consolidates findings on prescribed forms for review by the supervisor, including source, purpose and conclusion.
- Prepares draft and final written narrative reports, and presents audit findings.
- Performs accounting duties including review of journal entries before posting to general ledger; reviews fixed asset schedules; reviews a variety of accounting transactions including accounts payable listings and general ledger balances.
- Reviews and codes accounts receivable transactions from various City departments.
- Assists with yearly audit process including assistance with Comprehensive Annual Financial Report reporting; investigation and clearance of findings and issues raised by the external auditors.
- Performs other duties as assigned or required.

City of Compton Internal Auditor

MINIMUM QUALIFICATIONS:

Education and Experience:

Possession of a Bachelor's Degree from an accredited college or university in Accounting, Finance, Business Administration or related field; AND three (3) years governmental auditing experience; OR an equivalent combination of education and experience.

Required Licenses or Certifications:

- Must possess a valid California Class C Driver's License.

Required Knowledge of:

- Public administration, organization and systems theory, practices of commercial and governmental accounting, budgeting concepts and practices, and Generally Accepted Accounting Principles (G.A.A.P.).
- Theory, principles and practices of auditing City/government organizations, including the methods and procedures used to examine, verify and analyze operational records, statements, and reports.
- Standards for the professional practices of Internal Auditing (Institute of Internal Auditors); Generally Accepted Auditing Standards (American Institute of Certified Public Accountants); and Information Systems Auditing standards.
- Rules and regulations governing accounting activities.
- Accounting software relative to local government operations.
- General research and analytical techniques.
- Report writing techniques.

Required Skill in:

- Establishing and maintaining effective working relationships with staff, City departments, elected officials, outside agencies, community groups, local businesses, and the general public.
- Performing and coordinating a variety of professional accounting functions.
- Monitoring and ensuring compliance with accounting regulations, policies, and standards.
- Collecting, compiling, analyzing and interpreting data.
- Understanding and applying instructions, and legal and contractual requirements to audit work.
- Understanding, using and explaining complex legal provisions in conducting audits.
- Conducting necessary research, using a variety of research techniques.
- Documenting audit findings in a variety of work papers; identifying problems and solutions.
- Writing summaries in report format or for audit findings, and preparing detailed and complex draft and final reports.
- Reconciling general ledgers, bank accounts, and monthly benefits.
- Analyzing data and preparing financial statements and reports.
- Preparing standard accounting reports.

Physical Demands / Work Environment:

- Work is primarily performed indoors in a standard office environment.
- Work requires frequent light lifting, sorting, filing, and typing.
- Moderate finger dexterity and near vision is required.
- May be exposed to minor amounts of dust and occasional sounds of office equipment running.

City of Compton: Internal Auditor Salary Range 161A, Salary \$81,347.40 (Step A)
to \$95,369.70 (Step E)

Human Resources Analyst	150	150 A	150 A
Internal Auditor	159	159 A	161 A

	\$6,728.95	\$7,054.15	\$7,341.18	\$7,637.88	\$7,947.48
161A	\$81,347.40	\$84,649.80	\$88,094.10	\$91,654.50	\$95,369.70
	\$6,778.95	\$7,054.15	\$7,341.18	\$7,637.88	\$7,947.48
	\$3,128.74	\$3,255.77	\$3,388.24	\$3,525.17	\$3,668.06
	39.1094	40.6970	42.3530	44.0647	45.8508

OCC CODE	POSITION TITLE	RANGE	HARBOR/ UTILITIES	ASSOCIATION	MINIMUM HOURLY	MAXIMUM HOURLY	MINIMUM ANNUAL RANGE	MAXIMUM ANNUAL RANGE
AW2NN	CHIEF OF LABOR RELATIONS	E82		MGMT-UNREP	82.267	99.203	171702.985	207050.837
A23NN	CHIEF OF POLICE	E56		LBMA	142.328	149.531	297058.875	312092.565
L81NN	CHIEF OF STAFF-COUNCIL	E12		MGMT-UNREP	38.713	67.749	80799.563	141401.844
L82NN	CHIEF OF STAFF-MAYOR	E84		MGMT-UNREP	61.457	85.850	128269.541	179181.218
D25NN	CHIEF OF STAFF-PROSECUTOR	E84		MGMT-UNREP	61.457	85.850	128269.541	179181.218
N09NN	CHIEF OPERATING OFFICER	E64	H	MGMT-UNREP	146.707	205.389	306198.473	428676.193
AW0NN	CHIEF RISK OFFICER	E40	H	LBMA	75.284	105.398	157128.466	219980.687
AC0NN	CHIEF TECH OFFICER-PROSECUTOR	E75		LBMA	50.812	72.588	106051.905	151501.529
AW8NN	CHRONIC DISEASE & INJURY OFCR	E75		LBMA	50.812	72.588	106051.905	151501.529
P01NN	CITY ATTORNEY	980		MGMT-UNREP	181.774	181.774	379388.314	379388.314
P02NN	CITY AUDITOR	960		MGMT-UNREP	135.248	135.248	282281.903	282281.903
P03NN	CITY CLERK	950		MGMT-UNREP	114.423	114.423	238817.152	238817.152
AL6NN	CITY CLERK BUREAU MANAGER	E10		LBMA	67.749	89.524	141401.844	186849.381
AD8NN	CITY CONTROLLER	E25		LBMA	82.267	99.203	171702.985	207050.837
A24NN	CITY ENGINEER	E16		LBMA	89.524	108.881	186849.381	227250.206
AD4NN	CITY HEALTH OFFICER	E26		LBMA	114.671	114.671	239334.763	239334.763
P04NN	CITY MANAGER	990		MGMT-UNREP	177.509	177.509	370486.649	370486.649
P12NN	CITY MAYOR	940		MGMT-UNREP	91.402	91.402	190769.035	190769.035
P05NN	CITY PROSECUTOR	970		MGMT-UNREP	142.184	142.184	296758.326	296758.326
AS9NN	CITY TRAFFIC ENGINEER	E10		LBMA	67.749	89.524	141401.844	186849.381
A64NN	CITY TREASURER	E25		LBMA	82.267	99.203	171702.985	207050.837
AJ3NN	CLINICAL SERVICES OFFICER	E70		LBMA	65.329	82.267	136350.959	171702.985
KA7NN	CODE ENFORCEMENT OFFICER	E75		LBMA	50.812	72.588	106051.905	151501.529
AW7NN	COMMUN DISEASE SUV & CTRL OFCR	E75		LBMA	50.812	72.588	106051.905	151501.529
EH5NN	COMMUNICATIONS CENTER OFFICER	E75		LBMA	50.812	72.588	106051.905	151501.529
AW6NN	COMMUNITY IMPACT OFFICER	E75		LBMA	50.812	72.588	106051.905	151501.529
L70NN	COMMUNITY INFORMATION OFFICER	E75		LBMA	50.812	72.588	106051.905	151501.529
AS0NN	CONSTITUTIONAL POLICING ADMN	E70		LBMA	65.329	82.267	136350.959	171702.985
AH5NN	CONSTRUCTION SERVICES OFFICER	E70		LBMA	65.329	82.267	136350.959	171702.985
AV9NN	CURRENT PLANNING OFFICER	E70		LBMA	65.329	82.267	136350.959	171702.985
L41NN	CUSTOMER RELATIONS OFFICER	E75		LBMA	50.812	72.588	106051.905	151501.529

RESOLUTION NO. 26,175

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RESCINDING RESOLUTION NUMBER 25,971 AND AUTHORIZING THE CITY MANAGER TO ENTER INTO A FIVE-YEAR AGREEMENT BETWEEN THE CITY OF COMPTON AND LIGHT-HOUSE SERVICES LLC TO PROVIDE FRAUD HOTLINE SERVICES TO THE CITY OF COMPTON AND TO ISSUE A PURCHASE ORDER FOR AN AMOUNT OF FIFTEEN- THOUSAND FIVE-HUNDRED DOLLARS (\$15,500).

WHEREAS, the State Controller's Audit Report of March 2018 found that there was an embezzlement that occurred from May 2010 through December 2016 that totaled \$3.72 million, this remained undetected until 2016, and

WHEREAS, the City desires to have a Fraud Hotline that will give employees access to make anonymous reports of potential frauds, abuses and misappropriation of City assets, and

WHEREAS, the City's Audit Committee invited 2 of the prior responsive candidates for the purpose of hiring a professional fraud hotline service firm, and

WHEREAS, these candidates went through a bidding process, they were independently evaluated and rated, and

WHEREAS, Light-House Services LLC received the highest rating at this time and was selected because of the company's background, technical expertise, experience, cost, service delivery, completeness and accuracy, and

WHEREAS, the fiscal impact of this agreement for fraud hotline services shall be a total cost of Fifteen- Thousand Five- Hundred Dollars (\$15,500) for a Five-Year Contract, and

WHEREAS, it is recommended that the City Council adopt the Resolution and authorize the City Manager to enter into an agreement with Light-House Services LLC, to provide Fraud Hotline services for a five-year period and to open a purchase order from account number 1001-650-000-4266, (General Fund – Contract services account) for Light-House Services LLC.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That the City Manager is hereby authorized to enter into a professional services agreement with Light-House Services LLC to provide Fraud Hotline service to enable City employees to report incidents of suspected fraud.

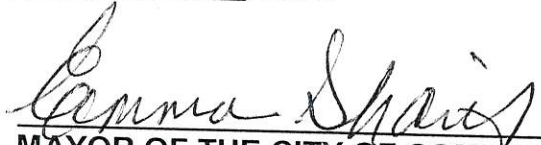
SECTION 2. That this Fraud Hotline service agreement shall be a five-year term beginning January 1, 2025 and ending January 31, 2030 at a total cost of Fifteen-Thousand Five-Hundred dollars (\$15,500.00).

SECTION 3. That a purchase order is authorized to be issued to Light-House Services LLC in an amount of Fifteen-Thousand Five-Hundred dollars (\$15,500), from funds available in the City Controller's budget for Fiscal-Year 2024-2025 in account number 1001-650-000-4266, (General Fund – Contract services account).

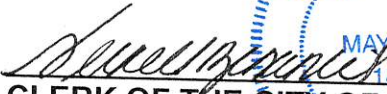
SECTION 4. That a copy of this Resolution shall be filed in the offices of the City Clerk, City Attorney, City Manager, and City Controller.

SECTION 5. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this 17th day of DECEMBER, 2024


MAYOR OF THE CITY OF COMPTON

ATTEST:


CLERK OF THE CITY OF COMPTON



STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES)
CITY OF COMPTON) ss

I, Vernell McDaniel, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on this 17th day of DECEMBER, 2024.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCILMEMBERS - DUHART, SPICER, BOWERS, DARDEN, SHARIF
NOES: COUNCILMEMBERS - NONE
ABSTAIN: COUNCILMEMBERS - NONE
ABSENT: COUNCILMEMBERS - NONE


CITY CLERK OF THE CITY OF COMPTON



RESOLUTION NO. 26,197

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO A MULTI-YEAR AGREEMENT BETWEEN THE CITY OF COMPTON AND JL GROUP LLC TO PROVIDE FRAUD INVESTIGATION SERVICES TO THE CITY OF COMPTON AND TO ISSUE A PURCHASE ORDER FOR AN AMOUNT OF TWO HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$225,000) FOR A THREE-YEAR CONTRACT.

WHEREAS, the State Controller's Audit Report of March 2018 found that there was an embezzlement that occurred from May 2010 through December 2016 that totaled \$3.72 million, this remained undetected until 2016, and

WHEREAS, the City is in need of a fraud investigator to conduct independent investigations of reports of potential frauds, abuses, and misappropriation of City assets, and

WHEREAS, the City's Audit Committee published Request for Proposal (RFP) for the purpose of hiring a professional fraud investigator service firm, and

WHEREAS, bids were received by three candidates, and were independently evaluated and rated, and

WHEREAS, JL Group LLC received the highest ranking and is being recommended for an agreement because of the background, technical expertise, experience, cost, service delivery, completeness and accuracy, and

WHEREAS, the fiscal impact of this agreement for fraud investigation services is being recommended to be a total cost of Two Hundred Twenty-Five Thousand Dollars (\$225,000) over three years, and

WHEREAS, it is recommended that the City Council adopt the attached Resolution to authorize the City Manager to enter into an agreement with JL Group LLC to provide Fraud Investigation services for a Three-year period and to authorize the City Manager to open a purchase order for JL Group LLC to provide Fraud Investigation services.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That the City Manager is hereby authorized to enter into a multi-year professional services agreement (Fiscal Years 2024-25, 2025-26, and 2026-27) with JL Group LLC to provide Fraud Investigation services.

SECTION 2. That a purchase order is authorized to be issued to JL Group LLC for Fraud Investigation services in an amount not to exceed Two Hundred Twenty-Five Thousand Dollars (\$225,000).

SECTION 3. That the amount of Two Hundred Twenty-Five Thousand Dollars (\$225,000) is available in the City Controller's Fiscal-Year 2024-2025 Office Budget in account number 1001-650-000-4266, General Fund Contractual Services account.

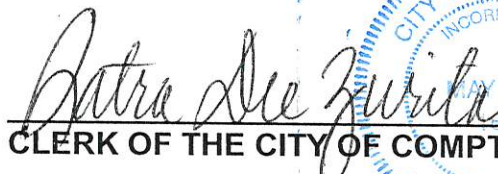
SECTION 4. That a copy of this Resolution shall be filed in the offices of the City Clerk, City Attorney, City Manager, and City Controller.

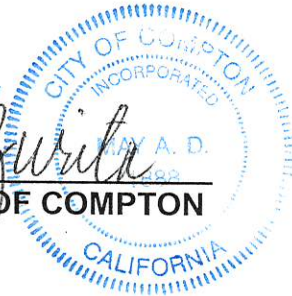
SECTION 5. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this 4th day of FEBRUARY, 2025.


MAYOR OF THE CITY OF COMPTON

ATTEST:


CLERK OF THE CITY OF COMPTON



STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF COMPTON)

I, Satra D. Zurita, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on this 4th day of FEBRUARY, 2025.

That said Resolution was adopted by the following vote, to wit:

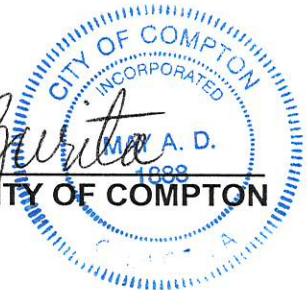
AYES: COUNCILMEMBERS - DUHART, SPICER, BOWERS, SHARIF

NOES: COUNCILMEMBERS - NONE

ABSTAIN: COUNCILMEMBERS -NONE

ABSENT: COUNCILMEMBERS - DARDEN


CITY CLERK OF THE CITY OF COMPTON



**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON
TO RECEIVE AND FILE INTERNAL CONTROL POLICIES RELATING TO
INTERNAL AUDIT, WHISTLEBLOWER PROTOCOL, AND FRAUD.**

WHEREAS, the City Controller's Department has prepared an Internal Audit, Whistleblower Policy and Fraud Hotline Policy to address deficiencies and weaknesses in internal controls surrounding an Internal Audit, Whistleblower and Fraud Hotline practices that are performed within various departments of the City. These policies which are attached as Exhibit A include (a) provisions for proper separation of duties to avoid conflicts of interest, and (b) provisions for proper procedures to be put in place to ensure that appropriate staff perform their internal audit, whistleblower, and fraud hotline management functions effectively and efficiently. The provisions contained in the policies directly address audit findings that the City has received in the past from the State Auditor's Office, the State Controller's Office, as well as from its external auditors, Eadie and Payne, LLP.

WHEREAS, additionally, the Standard Operating Manual policies, and other financial policies and procedures currently in place to address these issues were not sufficient and it is proposed that they be appended or replaced with the attached policies. Per staff review there were no existing policies that were previously adopted by the City Council that addressed these needs and therefore these do not conflict with already adopted policies on these matters.

WHEREAS, per the City's FY2020 Single Audit Report, Finding No. 2014-108B is stated as follows:

#2014-108B: Policies and Procedures (General Applications) (MW)

Criteria: *Control activities are regularly evaluated to ensure that they are still appropriate and working as intended.*

Condition: *Outside the City Controller's Office, most of the employees that the SCO interviewed were unaware of control activities in place or how they are being applied.*

Recommendation: *We recommend that the City continue to review and update its Administrative Policies and Procedures manuals to ensure consistency with current processes and organizational structure; and perform periodic and ongoing reviews to ensure proper documentation, accuracy, and completeness in its financial transactions and records. When completed, the updated Administrative Policies and Procedures manuals should be readily available to all responsible employees. The manuals should clearly state the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records.*

WHEREAS, this audit finding and recommendation demonstrated the need for the implementation of policies affecting internal controls.

WHEREAS, other findings and recommendations listed in the FY2020 Single Audit report demonstrate the need for many of the provisions contained in these policies, such as having risk identification procedures, risk analysis procedures, evaluation procedures, as well as how to avoid inciting repeated or new audit findings in the future.

WHEREAS, each of the findings and recommendations in the FY2020 Single Audit display deviation from at least one of the five elements of proper internal control. The five elements of proper internal controls are (1) Control Environment, (2) Monitoring Activities, (3) Risk Assessment, (4) Control Activities, and (5) Information and Communication. The provisions in these policies, if implemented properly by staff, will help minimize risk for the City as they cover a wide array of situations that pose a risk to proper internal control and the City's financial position and operations. It is also important to know that policies may need to change to keep up with current environment or any unforeseen circumstances.

WHEREAS, training will be provided to staff so that they can understand the various provisions of the policy.

WHEREAS, it is recommended that the City Council adopt the attached Resolution to receive and file the attached policies.

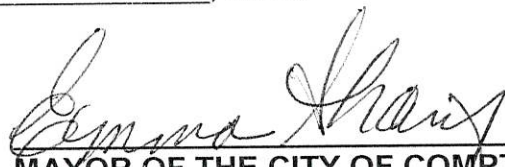
NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the City Council of the City of Council receive and file the following policies: (i) Internal Audit Policy; (ii) Whistleblower Policy; and (iii) Fraud Hotline Policy.

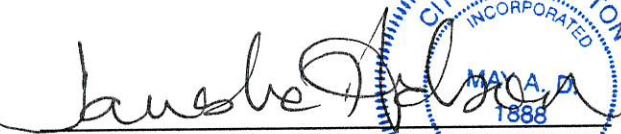
Section 2. That a copy of this Resolution shall be filed in the offices of the City Clerk, City Attorney, City Manager, and City Controller.

Section 3. That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

ADOPTED this 6th day of FEBRUARY, 2023.


MAYOR OF THE CITY OF COMPTON

ATTEST:


CLERK OF THE CITY OF COMPTON

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON

) ss
)



I, Vernell McDaniel, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on this 6th day of FEBRUARY, 2024.

That said Resolution was adopted by the following vote, to wit:

AYES: COUNCILMEMBERS - DUHART, SPICER, BOWERS, DARDEN, SHARIF
NOES: COUNCILMEMBERS - NONE
ABSTAIN: COUNCILMEMBERS - NONE
ABSENT: COUNCILMEMBERS - NONE


CITY CLERK OF THE CITY OF COMPTON





**CITY OF COMPTON
INTERNAL AUDIT OFFICE
POLICIES AND PROCEDURES MANUAL
July 6, 2023**

CITY OF COMPTON
INTERNAL AUDIT POLICIES AND PROCEDURES

1. ORGANIZATION AND POLICY

- 1.1 Purpose
- 1.2 Mission
- 1.3 Independence
- 1.4 Responsibility
- 1.5 Audit Plan
- 1.6 Scope
- 1.7 Authority
- 1.8 Standards of Audit Practice

2. TYPES OF AUDIT SERVICES

- 2.1 Compliance Audits
- 2.2 Performance Reviews
- 2.3 Unannounced Audits
- 2.4 External Audit Assistance
- 2.5 Fraud, Waste and Abuse Investigations
- 2.6 Special Reviews
- 2.7 Requests for Internal Audit Services

3. METHOD OF OPERATION AND DOCUMENTATION

- 3.1 Working Papers
- 3.2 Audit Report
- 3.3 Audit Report Distribution
- 3.4 Audit Follow-up
- 3.5 Records Disposition

4. WHISTLEBLOWER POLICY

- 4.1 Objective
- 4.2 Reporting and Responsibility
- 4.3 Acting in Good Faith
- 4.4 Reporting Concerns

- 4.5 Handling Reported Violations
- 4.6 No Retaliation
- 4.7 Confidentiality

5. SPECIFIC AUDITS

- 5.1 Compliance Audits
- 5.2 Performance Reviews
- 5.3 Unannounced Audits
- 5.4 External Audit Assistance

6. Internal Audit Office Reporting Structure

7. Selection of Audit Areas

- 7.1 Selection based on Risk Assessment
- 7.2 Annual Audit Plan
- 7.3 Special Projects
- 7.4 Non-audit Service
- 7.5 Types of Non-audit Service

8. Fraud

- 8.1 Characteristics of Fraud
- 8.2 Fraud Examples and Audit Activities
- 8.3 Fraud Deterrence
- 8.4 Fraud Detection
- 8.5 Fraud Investigation
- 8.6 Reporting Fraud

INTRODUCTION:

The Internal Audit Office Policy and Procedures Manual defines how the Internal Audit Office shall achieve its mission. The audits performed by the Internal Audit Office will be conducted in conformity with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing (Standards)*, and in accordance with the United States *Generally Accepted Government Auditing Standards (GAGAS)*. Investigation conducted by the Internal Audit Office will utilize the Generally Accepted Principles and Quality Standards for Investigations established by the Office of Inspector General (OIG). The City of Compton shall employ at least one Internal Auditor who will regularly review and test the accuracy and completeness of accounting and internal control systems. The Internal Auditor shall report to the City Controller and the Audit Committee. Using knowledge and professional judgment, the Internal Auditor provides an independent appraisal of financial, operational, and control activities. The Internal Auditor reports on the adequacy of internal controls, the accuracy and propriety of transactions, the extent to which assets are accounted for and safeguarded, and compliance with institutional policies and government laws and regulations. Additionally, the Internal Auditor is responsible for providing analysis, recommendations, counsel, and information concerning the activities reviewed.

1. ORGANIZATION AND POLICY

1.1 PURPOSE

This policy and procedure manual establishes the official policies and procedures for the Internal Audit Office of the City of Compton. It explains the purpose, authority and responsibility of the internal audit function and the duties of the Internal Audit Office. This manual describes the audit function, and documents how the City of Compton Internal Audit Office shall meet and comply with generally accepted government auditing standards (GAGAS) as set forth in the Government Auditing Standards, December 2011 Revision, commonly referred to as the Yellow Book, issued by the U.S. Government Accountability Office. The Audit Manual references GAGAS, and helps Office of the City Auditor staff plan, organize, and conduct required audits, and informs staff how to develop and report audit findings in accordance with Government Auditing Standards.

1.2 MISSION STATEMENT

The mission of the Internal Audit Office is to provide independent, objective assurance and consulting services designed to add value and improve the City of Compton's operations. The Internal Audit Office helps the management team of the City of Compton to accomplish its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process. To provide quality audit services in an independent, objective manner to assure financial and operational integrity, accountability, efficiency, effectiveness, and compliance with laws and regulations and agency policies and procedures.

The scope of work of the internal audit activity is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.
- Opportunities for improving management control, accountability, and the organization's image may be identified during audits. These opportunities will be communicated to the appropriate level of management.

1.3 INDEPENDENCE

Independence is an essential element of objectivity. It is imperative that Internal Auditors maintain independence in appearance as well as in fact. Independence could be compromised if Internal Auditors participate directly in the development, installation, preparation or reconstruction of accounting systems, data, or records, or by engaging in activities that would normally be reviewed by Internal Auditors.

1.4 RESPONSIBILITY

The Internal Audit Office has the responsibility to:

- Develop a flexible, risk-based annual plan of Internal Audit Office work.
- Implement the approved annual audit plan.
- Evaluate governance and risk management related to operations at City of Compton consistent with Internal Audit Policies and Procedures and with the approved Annual Audit Plan. This may include evaluating significant new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Report significant issues related to governance and risk management related to operations at City of Compton, including potential improvements, and provide information concerning such issues all the way through to resolution.
- Maintain a professional Internal Audit staff with sufficient knowledge, skills, and other competencies to meet the requirements of the policies and procedures stated in this document.

- Periodically provide information to the City Council and Audit Committee on Internal Audit Office activities and results relative to the Annual Audit Plan, as well as the sufficiency of the Internal Audit Office resources.
- Inform the Audit Committee of significant emerging trends and successful practices in Internal Auditing.
- Report the most critical issues to the Audit Committee, along with management's progress toward resolving them. Critical issues typically have a reasonable likelihood of causing substantial financial or reputation damage to the City. For complex issues, the responsible manager may participate in the discussion. Such reporting is critical to ensure the function is respected, that the proper "tone at the top" exists in the organization, and to expedite resolution of such issues.

Opportunities for improving City of Compton operations may be identified by the Internal Audit Office. They will be communicated to the Audit Committee and the appropriate levels of management.

Internal Audit has no direct responsibility or any authority over any of the activities or operations it reviews. Internal Audit is a managerial control that functions by measuring and evaluating the effectiveness of other controls. Management is not relieved of any assigned responsibilities because Internal Auditors perform the evaluative reviews with which they have been charged.

1.5 AUDIT PLAN

The Internal Audit Office has responsibility to develop a flexible, risk-based annual plan of work, considering the input of management, and submit that plan and significant interim changes to the Audit Committee for review and approval. The plan should include but not be limited to the following items:

- Compliance Audits
- Performance Reviews
- Unannounced Audits
- External Audit Assistance
- Fraud, Waste and Abuse Investigations

In order to determine a list of appropriate audits for the year, the Internal Audit Office begins by identifying possible audits. These items are then evaluated for the risks and possible benefits that are associated with each one. Priority is then given to higher-risk and higher-benefit projects, required audits and Council requests, subject to the skills and resources of the Internal Audit Office.

1.6 SCOPE

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. This enables the Internal Audit Office to determine whether the agency's risk management, control, and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Financial, managerial, and operating information is accurate, reliable, and timely.

- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- That the City assets are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Recommendations for improving management control, accountability shall be made to the appropriate level of management.

Internal Audit functions in an advisory capacity; it does not have authority to make operating decisions or to direct anyone to take action.

1.7 AUTHORITY

Management of the Internal Audit Office is authorized to:

- Have unrestricted access to all programs, records, property, and personnel as needed.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to fulfill its mission and responsibilities.
- Make copies of all required files for the purpose of the audit work.

Management and staff of the Internal Audit Office are **NOT** authorized to:

- Perform any operational duties for City of Compton.
- Make management decisions external to the Internal Audit Office. The Council, Directors and management have primary responsibility for control of City of Compton decisions.
- Initiate or approve fiscal transactions external to the Internal Audit Office.
- Direct the activities of any City of Compton employee not employed by the Internal Audit Office/City Controller's Office, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
- Make changes to existing departmental records

1.8 STANDARDS OF AUDIT PRACTICE

The Internal Audit Office is guided by the City of Compton Code of Ethics and will meet or exceed the Standards for the Professional Practice of Internal Auditing established by The Institute of Internal Auditors. It is the policy of the Office of the City Auditor to follow generally accepted government auditing standards (GAGAS), as provided in Government Auditing Standards, December 2011 Revision, issued by the U.S. Government Accountability Office—more commonly referred to as the Yellow Book.

This section documents the four general standards and provides guidance for performing financial audits, attestation engagements, and performance audits. These general standards deal with:

- Independence
- Professional Judgment
- Competence
- Quality Control and Assurance

2. TYPES OF AUDIT SERVICES

The following are general descriptions of the types of services provided by the Internal Audit Office. The annual audit plan can include any combination of these types.

2.1 COMPLIANCE AUDITS

Compliance audit determines whether, and to what degree there is conformance to certain specific requirements of policy, procedures, standards, or laws and governmental regulations. The Internal Audit Office may conduct compliance audits, which are generally performed to ensure compliance with Federal or State laws and/or requirements of any City agreements. These can include reviews of management or third party or vendor practices and financial data to determine the extent to which a unit complies with applicable laws, government regulations and standards, contracts, and policies and procedures.

2.2 PERFORMANCE REVIEWS

The Internal Audit Office may conduct performance audits in order to provide an independent assessment of the performance of the organization, a program or activity. Performance audits provide information to improve risk management and control systems within the various areas by evaluating compliance with policies and procedures. Performance audits include, but are not limited to, reviews of program procedures and operations to determine whether:

- Duties and responsibilities are being performed in the most efficient and economical (cost effective) manner
- Activities are properly authorized by appropriate personnel
- Management has the capacity to ensure compliance with applicable laws, regulations, contracts and policies
- Operations actually conform in all material respects to applicable laws, government regulations and standards, contracts, and policies and procedures.

2.3 UNANNOUNCED AUDITS

The Internal Audit Office may conduct unannounced audits, which are an effective way to prevent or detect fraud. These audits could include reviews of petty cash, incentive and bus tokens, cash receipts/deposits, fixed asset additions/deletions, employees and their benefits verification, and operating parts and supplies inventory etc.

2.4 EXTERNAL AUDIT ASSISTANCE

The Internal Audit Office may provide audit assistance to the external auditors/monitors as well as City Controller's office during any City of Compton external audits/monitoring visits. Internal Audit will review all resulting management letter comments to determine if there is any impact upon the annual Internal Audit Plan.

2.5 FRAUD, WASTE AND ABUSE INVESTIGATIONS

Loss/Fraud investigations are conducted to determine existing control weaknesses, assist in determining the amount of loss/fraud, waste, and abuse and recommend corrective measures to prevent or detect subsequent recurrences. The Internal Audit Office will investigate all credible fraud, waste and abuse tips that could affect the organization and that can be handled within the expertise of the Internal Audit staff. However, allegations of a serious criminal act (e.g., theft, robbery, assault, violence etc.) should be promptly reported to the appropriate officials and proper law enforcement agency. Refer to Policies and Procedures #4 below (Whistleblower Policy) for further information.

2.6 SPECIAL REVIEWS

The Internal Audit Office may conduct special reviews, which are audit activities that result from requests to Internal Audit from the Audit Committee, the City Council or other management. Special reviews are carried out in conformance with the specifications and concerns of the requestor. These include reviews and analyses of particular areas of a program's operation to provide an independent appraisal of its effectiveness, efficiency, adequacy of internal control and compliance with appropriate regulations. For example, special reviews might be undertaken to consult with management on specific financial or performance questions. This could also involve Assets verification or Information Technology. To verify accountability, physical safeguards, and valid use of distributed assets. To evaluate the accuracy, effectiveness, efficiency and security of electronic and information processing systems, etc.

2.7 REQUESTS FOR INTERNAL AUDIT SERVICES

Program Directors or Managers requiring the services of the Internal Audit Office should direct all such requests, preferably in writing, to the Internal Audit Office, the City Controller or Audit Committee and it will be determined whether the requested assistance can be provided and when it can be scheduled.

3. METHOD OF OPERATION AND DOCUMENTATION

The Internal Audit Office plans to use the following procedures when conducting most reviews/audits; however, performing all steps for every review/audit would be impractical, for instance, audit reports will not be issued for reviews that are performed weekly. The practicality of performing all steps will be determined as required.

3.1 WORKING PAPERS

The Internal Audit Office must document relevant information (on paper or in electronic format) to support the conclusions and results of engagements; therefore, Internal Auditors will prepare working papers whenever an engagement is being conducted. Working papers document the information obtained, the analyses made, and the support for the conclusion and engagement results. Internal audit management reviews the prepared working papers. Engagement working papers generally:

- Aid in the planning, performance, and review of engagements
- Provide the principal support for engagement results

- Document whether engagement objectives were achieved
- Support the accuracy and completeness of the work performed
- Provide a basis for the internal audit activity's quality assurance and improvement program
- Facilitate third-party reviews

The organization, design, and content of engagement working papers depend on the engagement's nature and objectives and the organization's needs. The Internal Audit Office must maintain a good system of filing/indexing for working papers, so that they can be easily located if needed.

3.2 AUDIT REPORT

Upon completion of fieldwork, the Internal Auditor will prepare an original draft of the audit report. The report will communicate to management of the program audited, in a clear and concise manner, the results of the audit or review. The format of the report will depend upon the type of audit performed. When preparing and completing the Audit Report, the Internal Audit Office will follow the steps listed below:

- The Internal Audit Office will review the original draft and make any changes deemed appropriate.
- A copy of the resulting draft normally will be submitted to appropriate management (usually management of the program that was audited).
- Internal Audit and appropriate management may hold a conference to discuss the draft report. Changes to the draft report may result from this "exit" conference. In some instances, holding an "exit" conference may not be possible or may not be an efficient use of time. In these cases, management will be responsible for contacting the Internal Audit Office with any questions, comments or concerns that they may have.
- Official written responses to specific audit report recommendations will be requested from appropriate management to be included in the final and issued version of the report. The responses should include the degree of agreement or acceptance of each recommendation. The preferred responses are:

* "We concur." Management is in full agreement with the recommendation; or "We partially concur." Management is in agreement with a portion of the recommendation;

* "We concur with reservations." Management is in agreement with the recommendation, but there are circumstances that could affect its implementation which have to be resolved; and

* "We do not concur." Management is in total disagreement with the recommendation.

* Management is encouraged to provide an explanation in support of the positions taken, if considered necessary.

* Responses should be accompanied by a target implementation date and the individual or position responsible for implementation.

Two weeks are usually allowed for management to provide written responses to the recommendations. If management does not appear to make a good faith effort to provide responses, the final version of the report may be issued without responses at the discretion of the Internal Audit Office.

3.3 AUDIT REPORT DISTRIBUTION

The normal report distribution will be to the Audit Committee (at the next meeting), the Council and senior program management. Any other programs or other entities identified in the report may be included in the distribution.

3.4 AUDIT FOLLOW-UP

Within twelve months after the issuance of an audit report, the Internal Audit Office shall initiate a follow-up review to determine the extent of actions subsequently taken by management in response to the findings and recommendations included in the report. The distribution of the follow-up report shall be the same as that of the original report.

3.5 RECORDS DISPOSITION

The Internal Audit Office shall retain for the required number of years a complete file of each audit report and each report of other examinations, investigations, surveys and reviews made under its authority in accordance with any applicable Federal and/or contract regulations. The file should include audit working papers and other supportive material directly pertaining to the report. Files which contain confidential personnel information will be kept secure for a period of five years.

4. WHISTLEBLOWER POLICY

This policy governs reporting and investigation of allegations of suspected improper accounting activities. Acts of fraud, waste, and abuse are considered a deliberate act or failure to act with the intention of obtaining an unauthorized benefit. Examples of such conduct include, but are not limited to:

- Forgery or alteration of documents;
- Unauthorized alteration or manipulation of computer files;
- Fraudulent financial reporting;
- Pursuit of a benefit or advantage in violation of City's Policies and Procedures;
- Misappropriation or misuse of City's resources, such as funds, supplies, or other assets;
- Authorizing or receiving compensation for goods not received or services not performed; and
- Authorizing or receiving compensation for hours not worked

4.1 OBJECTIVE

City of Compton is committed to operating in compliance with all applicable laws, rules and regulations, including those concerning accounting and auditing, and prohibits fraudulent practices by any of its Council members, officers, or employees. This policy serves to outline procedures for employees to report actions that an employee reasonably believes violate a law or regulation or that constitutes fraud. This policy applies to any matter which is related to City of Compton business. In addition, it is the objective of the City of Compton to establish a policy that protects any person reporting organizational wrongdoing, from retaliation, harassment, or adverse employment consequences.

4.2 REPORTING AND RESPONSIBILITY

Each employee of the City has an obligation to report in accordance with this Whistleblower Policy any act believed to violate a law or regulation or constitute fraud.

4.3 ACTING IN GOOD FAITH

Anyone reporting a concern must act in good faith and have reasonable grounds for believing the information reported indicates a violation of the law, or constitutes an inappropriate accounting or financial practice. The act of making allegations that prove to be unsubstantiated, and that prove to have been made maliciously, recklessly, or with the foreknowledge that the allegations are false, will be viewed as a serious disciplinary offense and may result in discipline, up to and including termination of employment.

4.4 REPORTING CONCERNS

City of Compton employees with any concerns or information pertaining to fraud, waste, or abuse are encouraged to anonymously speak with someone at the City's Fraud Hotline or speak with someone in Internal Audit or Human Resources.

4.5 HANDLING OF REPORTED VIOLATIONS

All reports will be addressed and investigated by Internal Audit or City appointed personnel. Appropriate corrective action will be recommended to the City Council through the Audit Committee, if warranted by the investigation.

4.6 NO RETALIATION

The Whistleblower Policy is intended to encourage and enable employees to raise concerns within the organization for investigation and appropriate action. With this goal in mind, no employee who, in good faith, reports a concern shall be subject to retaliation or adverse employment consequences related to whistleblower complaints. Moreover, an employee who retaliates against someone who has reported a concern in good faith is subject to discipline up to and including termination of employment.

4.7 CONFIDENTIALITY

All reports on concerns, and investigations pertaining thereto, shall be kept confidential to the extent practical. Disclosure of reports of concerns to individuals not involved in the investigation will be viewed as a serious disciplinary offense and may result in discipline, up to and including termination of employment.

5. SPECIFIC AUDIT PROCEDURES

5.1 COMPLIANCE AUDITS

Internal Audit staff will perform examinations of programs and test compliance with terms, provisions, and requirements of grant agreements. The frequency of conducting program audits will be based upon adequacy of staffing, time, and resources. Formal steps listed in Policy and Procedures 3.1-3.5 are followed.

The review of programs ensures that:

- Programs are operating efficiently
- Programs have sufficient controls in place to prevent fraud, abuse or waste.
- Program reports are completed accurately and timely
- Grant expenditures are allowable, allocable, and reasonable
- Participants/client files are completed accurately and timely
- Federal Grants comply with OMB A-133 compliance requirements.

5.2 PERFORMANCE REVIEWS

Bank Reconciliations

Frequency: Quarterly

Bank reconciliations are completed monthly by the Controller's Office to ensure that no material differences between the bank balance and the general ledger balance exist. The Internal Audit Office will review the bank reconciliations quarterly to ensure that:

- Variances are reasonable
 - Reconciliations are completed in a timely manner
 - Balances reflected on the reconciliations are accurate
- Additionally, any unusual or material reconciling items will be investigated; reconciling items should be traced to supporting documentation. Explanations of these types of items must be reasonable and complete.

Payroll Timesheet Review

Frequency: Reviews are completed every pay period, and each department is reviewed at least once each quarter.

Each pay period, two to three department timesheets are selected for review. Timesheets are reviewed for:

- Accuracy of hours calculated
- Appropriate signatures (employee, management, etc.)
- Agreement to the Employer Contribution Reports (ECR) and MOUS'

All exceptions should be tagged and reported to Payroll.

Payroll Review

Frequency: Annually or as needed

A review of payroll should be completed annually, provided that there is adequate staffing, time and resources. Formal steps listed above in this Policy number 3.1 to 3.5 are followed.

The review of payroll includes audits of the following areas:

- The proper functioning of payroll and personnel processes and operations
- Calculation of earnings, special payments, employee benefits and employee taxes
- Compliance with applicable federal/state laws relating to employment taxes, tax and non-tax reporting requirements
- Accounting for payroll transactions (properly classified and posted to GL)

Mileage Review

Frequency: A reasonable number of mileage payment documentation are haphazardly selected and reviewed quarterly. Mileage and expenses calculated are traced from the mileage sheet and agreed to the GL. The bases of mileage payment calculation is reviewed to ensure legality and accuracy. There may be re-computation of the mileage and the reason for such expenses should be obtained. The outcome should be reported to the City Controller.

AP Check Review

Frequency: Weekly

All checks over \$25,000 are reviewed, and an additional 25 checks are haphazardly selected for review. Checks are reviewed to ensure the following:

- All checks greater than \$25,000 have all required signature
 - All checks on the check listing are accounted for
 - Proper support is attached as backup for each check. Support includes invoices, contract agreements, bids, etc.
 - Receipt of goods or performance is indicated
- All exceptions should be tagged and reported to the City Controller.

AP EFT Review

Frequency: Every other week

All EFTs over \$25,000 are reviewed, and an additional 25 EFTs are haphazardly selected for review. EFTs are reviewed to ensure the following:

- Proper support is attached as backup for each EFT. Support includes invoices, contract agreements, bids, etc.

- Receipt of goods or performance is indicated
- Vendor name on the EFT agrees to the attached EFT backup
- Account and Project coding are appropriate
- Invoices/contracts are authorized by appropriate individuals, and the invoice/contract amount is within the authorized signer's limit

All exceptions should be tagged and reported to the City Controller.

Fixed Assets Inventory

Frequency: Every other year

Once every two years, all fixed assets should be observed. The observation ensures that recorded assets exist, that fixed assets which have been disposed of get removed from the system and that any unrecorded assets get entered into the fixed asset system.

The Internal Audit Office will obtain the fixed asset inventory listing from financial system prior to observing fixed assets. The fixed asset inventory list includes information about the fixed assets such as location, description, tag number, date of acquisition, cost and last date of observation. The location, description and tag number on the inventory list is then matched to the physical asset, and any differences are noted.

After an asset is observed, the fixed asset system is updated to reflect this. The auditor will enter into the accounting system the date and location where the asset was observed. Additionally, any changes to fixed assets will be updated in the accounting system at this time, such as a change in location. For any assets that cannot be observed/located, a follow-up review and inquiry should be performed to determine if there is a reasonable explanation for the lack of observation, such as disposal of the asset. Any findings will be reported in a memo to the City Controller

Accounts Payable Review

Frequency: Annually or as needed

A review of accounts payable should be completed annually, provided that there is adequate staffing, time and resources. Formal steps listed in this Policy and Procedures Manual #3:1-.5 shown above are followed.

The review of accounts payable includes audits of the following areas:

- Determine if adequate controls exist to provide reasonable assurance that payments cannot be made to an incorrect vendor
- Determine if adequate controls exist to provide reasonable assurance that payment of invoices are made in a timely manner to the vendor
- Determine if adequate controls exist to provide reasonable assurance that correct payment is made to the vendor

- Determine if adequate controls exist to provide reasonable assurance that duplicate payments cannot be made to the vendor

Accounts Payable New Vendor Review

Frequency: Twice a year

A review of the AP New Vendor process should be completed twice a year. The set up process of new vendors and related internal controls is reviewed. The review ensures that appropriate documentation is obtained for each new vendor and that only authorized personnel have the ability to set up/delete/edit vendors in the system.

Working papers are completed in order to record the processes and documents that are reviewed.

Information Systems Audits

The Internal Audit Office may conduct information systems audits, which determine whether existing or new computer applications and hardware function in an accurate and efficient manner, and include adequate internal controls. These audits could include reviews of general controls which affect all computer applications. Examples include computer security, disaster recovery, program change controls and quality control procedures.

5.3 UNANNOUNCED AUDITS

Petty Cash Review

Frequency: Twice a year

A review of petty cash is performed twice a year for all custodians having a balance of \$100 or more in petty cash. The petty cash review consists of counting cash and ensuring that receipts are retained and expenditures are appropriate. In addition to counting and documenting the amount of petty cash, the internal auditor will keep a record of all receipts on hand making sure to include the amount, date and location where the petty cash was spent. After the petty cash form is filled out completely, signatures from both the internal auditor and custodian are required.

After all petty cash counts are completed, the petty cash forms are reviewed for any significant findings. Findings include a large variance between the cash counted and the amount recorded in the general ledger, missing receipts, cash not being kept in a secure location or any other item the internal auditor deems significant. Any findings are reported in a memo directed to the City Controller.

5.4 EXTERNAL AUDIT ASSISTANCE

Program-Specific Audits (CDBG, Home, DOJ, LHA etc.)

Frequency: Annually

Internal Audit will provide assistance to the external auditors conducting the annual program-specific audits. This assistance includes performing account analysis and maintaining working papers.

The Internal Audit Office may be responsible for any of the following:

- Reviewing participant files for completeness and accuracy
- Gathering fixed asset information
- Gathering documentation requested by the external auditor
- Reviewing External Audit Program-Specific Audit Drafts

Single-Audit Schedules

Frequency: Annually

Internal Audit will provide assistance to the external auditors conducting the annual Single Audit (OMB A-133). This assistance includes performing account analysis and maintaining working papers.

The Internal Audit Office may be responsible for any of the following:

- Review and analyze program abstracts provided by the Controller's Office
- Prepare the Schedule of Federal Awards
- Prepare Debt Covenant Testing (if needed)
- Prepare Debt Service Coverage Ratio (if needed)
- Prepare and analyze account schedules
- Prepare the Schedule of Rents
- Prepare the Accounts Receivable Analysis
- Prepare the Account Confirmation Letters
- Prepare Fixed Asset Roll forward report
- Gather documentation requested by the external auditor
- Prepare the Federal Audit Clearinghouse form SF-SAC for submission
- Review External Auditor's Single Audit Draft
- Prepare the distribution list for the Single Audit

The Internal Audit Office plans to develop additional audit procedures in the future based upon organizational needs, management requests and workload of the Internal Audit Office. All additional procedures will be added to Section 5. Furthermore, Internal Audit reserves the right to update any of the specific audit procedures (included in Sec. 5) as needed.

6. INTERNAL AUDIT OFFICE REPORTING STRUCTURE

6.1 The Internal Auditor shall report administratively to the Audit Committee, and functionally to the City Controller and Audit Committee. In addition, the Internal Audit Office shall have the support of senior management. (GAGAS 3.57; IIA 1110, 1130)

6.2 Functional reporting to the City Controller and Audit Committee helps assure Internal Audit's independence, authority, ensures broad audit coverage, adequate communication, and appropriate engagement recommendations (GAGAS 3.20, 8.26; IIA 1130). The Audit Committee duties shall include:

- Approval of the City of Compton Internal Audit Policy and Procedure. (IIA 1000)
- Approval of the internal audit risk assessment and related audit plan.

- Meet with the Internal Auditor without the presence of management. The Internal Auditor shall have open and direct access to the Audit Committee and regularly attend committee meetings (IIA 1111).
- Inquire of management and the Internal Auditor to determine if there are budgetary or scope limitations that may impede the Internal Audit Office's ability to execute their responsibilities (IIA 1110).

7.0 HOW INTERNAL AUDIT OFFICE SELECTS AREAS TO AUDIT

The Internal Audit Office uses different methods in determining which areas to audit. Audit engagements are primarily chosen based on the annual risk assessment, which results in the annual audit plan. Information is gathered throughout the year by the Internal Auditor to help conduct the risk assessment. Additionally, the Internal Auditor conducts interviews with senior management and other stakeholders in order to help identify and consider their expectations when developing the annual risk-based audit plan (IIA 2010.A2).

Contingency audit hours are available to conduct special projects assigned by the City Manager and/or Financial Oversight and Audit Committee, which may include fraud investigations (IIA 2010.C1).

7.1 Selection Based On Risk Assessment

The primary method of selecting an area to audit is by performing a risk assessment. A risk assessment uses several risk criteria to evaluate risk. Examples of criteria include; management interest; financial impact, length of time since the department's last audit; and changes within the department. The potential audit areas are scored using the criteria. The areas with the highest score are ranked as the greatest risk potential. These areas are given the highest priority when generating the annual audit plan. The Risk Areas are: Management Interest, High Level Decentralization, Legal Claims, Strategic Risk, Compliance Risk, Budget Risk, Reputation Risk, Time Last Audited, and Change in Management. See attachment "A" Risk Assessment for an example (IIA 2010).

7.2 Annual Audit Plan

Internal Audit Plan is the list of Audit engagements to be conducted each fiscal year to ensure efficient and effective conduct of the audit. Each fiscal year Internal Audit Office prepares the annual audit plan and presents it to the Audit Committee and Executive Management for approval. The Annual Audit Plan identifies audit projects for the year. It also outlines the resources in staff and time required for each project. The Internal Auditor must review and adjust the plan, as necessary, in response to changes in the City risk, operations, programs, systems, and controls (IIA 2010). The Annual Audit Plan may be amended during the fiscal year for requested audits, projects, or changes in priorities. Internal Audit plan should include certain common elements:

- Define the audit universe (by division, location department, grants etc.)
- Conduct a risk assessment
- Prioritize audits based on risk assessment
- Determine available resources to conduct the audit
- Prepare the audit plan for the define period
- Assign resources for engagement planning

7.3 Special Projects

On occasion, the Internal Audit Office will deviate from the Annual Audit Plan schedule to work on special projects that require immediate attention, for example fraud, areas of special interest to management, and consulting engagements. The auditor should consider accepting proposed engagements based on engagement's potential to improve management of risk, add value, and improve the City's operation (2010.C1).

7.4 Non-audit Services

Non-audit (also known as consulting or advisory) are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the client. The agreed upon scope will be documented in an Engagement Letter or in a documented meeting memo.

Non-audit services may be accepted dependent upon availability of resources and impact to the completion of the audit plan. The Internal Auditor should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations (IIA 2010.C1). Those engagements that have been accepted must be included in the plan under Contingency Hours. Non-audit services must not be done as a substitute to completing an audit listed in the Audit Plan.

If internal auditors have potential impairments to independence or objectivity relating to proposed non-audit services, disclosure must be made to the engagement client prior to accepting the engagement. (GAGAS 3.83, 5.10; IIA 1130.C2)

In determining whether providing a non-audit service would create a threat to independence, the auditor should determine that the audited entity has designated an individual who possesses suitable skill, knowledge, or experience, and that the individual understands the services to be performed sufficiently to oversee them. The auditor should document consideration of management's ability to effectively oversee non-audit services to be performed (GAGAS 3.73) by utilizing the Auditor's Objectivity Statement for *(The auditor shall perform a balanced assessment of all relevant circumstances)*

The Internal Auditor must decline the non-audit services or obtain competent advice and assistance if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement. (IIA 1210.C1).

7.5 There are three types of non-audit services:

1) *Services that impair independence – the Internal Audit Office must not engage in any of the activities:*

- Maintaining or preparing the audited entity's records;
- Posting transactions to the entity's financial records;
- Determining account balances or capitalization criteria;
- Providing payroll services that are subject to audit and /or involve in making management decisions.
- Designing, developing, installing, or operating the entity's accounting or information Systems.
- Developing an entity's performance measurements system when the system is material or significant to the audit.
- Developing an entity's policies, procedures, and internal controls.
- Carrying out internal audit functions when performed by external auditors; and
- Sit on the source selection as a voting member.

2) Services that do not impair independence:

When providing non-audit services, the Internal Audit Office must evaluate whether providing non-audit services creates independence impairment either in fact or appearance with respect to the entities they audit, by applying the following overarching principles:

- The Internal Audit Office must not provide non-audit services that involve performing management functions or making management decisions Internal Auditor's function is to assist management in establishing or improving risk management processes, and must refrain from assuming any management responsibility by actually managing risk(GAGAS 3.76; IIA 2120.C3); and
- The Internal Audit Office must not audit their own work, therefore, the non-audit services must not produce something that would need to be audited in the future. The Internal Audit Office must not provide non-audit services in situations where the non-audit services are significant to the subject matter of audits. An independence evaluation must be documented in all non-audit services project files. (GAGAS 3.83)

3) Services that will not impair independence if safeguards are used:

The following non-audit services can be provided by the Internal Audit Office staff as long as the Internal Audit Office complies with the supplemental safeguards (GAGAS 3.84).

- Basic accounting assistance;
- Limited payroll services;
- Advisory services on Information Technology;
- Assist in evaluating potential candidates (panel of at least three);
- Preparing routine tax filings based on information provided by the entity; and
- Can participate as a non-voting member in an advisory role but not as a voting member.

For allowable non-audit services, the following safeguards must be complied with (GAGAS 3.86, 3.107).

- a) Document that the overarching independence principles have not been violated;

- b) Establish an understanding with the auditee regarding objectives, scope of work, product or deliverables and management's responsibility for (1) the subject matter of the non-audit services, (2) the substantive outcome of the work, and (3) making any decisions that involve management functions related to non-audit service and accepting full responsibility for such decision (GAGAS 3.77, 3.98; IIA 2201.C1).
- c) Do not reduce the scope and extent of the audit work below the level that would be appropriate.

Non-audit services project requirements:

For all non-audit services, auditors must:

- Address risk, controls, consistent with engagement's objectives and be alert to the existence of other significant risks, and control issues (GAGAS 3.116; IIA 2120.C1, 2220.C2);
- Ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement (IIA 2220.C1);
- Consider needs and expectations of clients, including the nature, timing and communication of engagement results (IIA 1220.C1);
- Consider relative complexity and extent of work needed to achieve the engagement's objectives; and
- Consider cost of the consulting engagement in relation to potential benefits (IIA 1220.C1).
- Incorporate knowledge of risk gained from consulting engagement into their evaluation of the organization's risk management processes (IIA 2120.C2);
- Incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes (IIA 2130.C1);
- Evaluate possible management participation threats that could impair independence and any applied safeguards (GAGAS 3.98).

For all non-audit services, auditors must:

- Address risk, controls, consistent with engagement's objectives and be alert to the existence of other significant risks, and control issues (GAGAS 3.116; IIA 2120.C1, 2220.C2)
- Ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement (IIA 2220.C1)
- Consider needs and expectations of clients, including the nature, timing and communication of engagement results (IIA 1220.C1).
- Consider relative complexity and extent of work needed to achieve the engagement's objectives; and
- Consider cost of the consulting engagement in relation to potential benefits (IIA 1220.C1).
- Incorporate knowledge of risk gained from consulting engagement into their evaluation of the organization's risk management processes (IIA 2120.C2).
- Incorporate knowledge of controls gained from consulting engagements into evaluation of the organization's control processes (IIA 2130.C1).
- Evaluate possible management participation threats that could impair independence and any applied safeguards (GAGAS 3.98).

Non-audit services objectives must:

- Be consistent with the organization's values, strategies, and objectives (IIA 2210.C2).
- Address governance, risk management, and control processes to the extent agreed upon with the client (GAGAS 3.76; IIA 2210.C1).

Work programs for non-audit services may vary in form and content depending upon the nature of the engagement. (IIA 2240.C1)

The Internal Audit Office must monitor the disposition of consulting results to the extent agreed upon with the client (IIA 2500.C1). Communication of the progress and results may vary in form and content depending upon the nature of the engagement (GAGAS 6.48; IIA 2410.C1). The Internal Auditor is responsible for communicating the final results of the consulting engagements to clients (IIA 2440.C1). During engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the Audit Committee (IIA 2440.C2).

8.0 FRAUD

Internal Auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud (IIA 1210.A2). If during the course of performing an engagement, significant deficiencies; material weaknesses; instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements; or abuse come to the auditors' attention that warrant the attention of those charged with governance, auditors should communicate such matters to the Chief Internal Auditor (GAGAS 8.25). The Internal Auditor will contact the City Manager, appropriate senior management members, and applicable external parties to determine whether an audit or investigation in the suspected areas of wrongdoing is appropriate. (GAGAS 9.45).

8.1 Characteristics of Fraud

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. It can be perpetrated for the benefit of, or to the detriment of, the organization; and by persons outside as well as inside the organization.

Periodic audit training, distribution of audit publications, and other communication methods are in place to apprise auditors of the nature of fraud and the control environment in which fraud may occur.

Fraud designed to benefit the organization generally produces benefit by exploiting an unfair or dishonest advantage that also may deceive an outside party. Perpetrators of such frauds usually benefit indirectly, since the personal benefit usually accrues when the organization is aided by the act.

Audit activities are specifically designed in a manner, which provides review of the control environment and the inherent potential for fraud. Audit risk analysis and audit selection is based on the degree of change and "pressure" in operating units. Where appropriate, financial and operating systems are tied to related accounting and reporting information to validate propriety.

8.2 Fraud Examples and Related Audit Activity

- Sale or assignment of fictitious or misrepresented assets.

Asset audits include steps to validate asset accounting and evaluate the propriety of asset purchases, transfers and disposals.

- Improper payments such as illegal political contributions, bribes, kickbacks, and payoffs to government officials, intermediaries of government officials, customers, or suppliers.

Certain audits (e.g., purchasing) review control environments in order to detect unwarranted potential for personal benefit. Government compliance reviews includes specific control steps to evaluate potential illegal relationships and payments.

- Intentional, improper misrepresentation or valuation of transactions, assets, liabilities, or income.

Revenue cycle, disbursement cycle, and asset audits include validation steps for proper valuation and recognition.

- Intentional, improper transfer pricing (e.g., valuation of goods exchanged between related entities or departments). By purposely structuring pricing techniques improperly, management can improve the operating results of an organization involved in the transaction to the detriment of the other organization.

The audit will include analysis of inter-fund accounting and pricing. Certain government compliance audits may also focus on the propriety of costs for inter-fund or inter departmental transfers.

- Intentional, improper related party transactions in which one party receives some benefit not obtainable in an "arm's length" transaction.

Organization control review steps in audits may be concerned with related party risk. When a specific concern is identified, audit or investigation work may be performed.

- Intentional failure to record or disclose significant information to improve the financial picture of the organization to outside parties.

External reporting practices are reviewed in detail by the external auditors, and internal auditors may assist in the year-end close external audit to support this objective. Validating the integrity of accounting and financial reporting accuracy are common program steps in audits.

- Prohibited business activities such as those which violate government statutes, rules, regulations or contracts.

Government compliance audits and reviews evaluate preventative and detective controls and related compliance under applicable laws, regulations, rules, and contracts.

- Fraud perpetrated to the detriment of the organization generally is for the direct or indirect benefit of an employee, outside individual, or another firm. Some examples are:

Acceptance of bribes or kickbacks.

Diversion to an employee or outsider of a potentially profitable transaction that would normally generate profits for the organization.

Embezzlement, as typified by the misappropriation of money or property, and falsification of financial records to cover up the act, thus making detection difficult.

Intentional concealment or misrepresentation of events or data. Claims submitted for services or goods not actually provided to the organization.

Auditors will receive periodic training in the area of fraud indicators and related methods, and all auditors should remain aware of the potential for fraud in all of the noted areas such as bribes, kickbacks, diversion, embezzlement, concealment and misrepresentation. System reviews in the core business cycles (revenue, disbursement, conversion/inventory/cost, payroll/benefits, and capital assets) will evaluate the overall control environment and related potential for fraudulent actions to take place. When a specific concern is identified from the normal audit process or by an employee or management concern, auditors may become involved in audit or investigative work in these areas (IIA 1210.A2).

8.3 Fraud Deterrence

Deterrence consists of those actions taken to discourage the perpetration of fraud and limit the exposure if fraud does occur. The principal mechanism for deterring fraud is control. Management is responsible for the maintenance of an effective control environment. Auditors are tasked to evaluate the control environment at audited locations to determine the adequacy of internal control in selected systems.

Internal auditing is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of controls, commensurate with the extent of potential exposure/risk in the various segments of the entity's operations (IIA 2120.A2). In carrying out this responsibility, internal auditing should, for example, determine whether:

- The organizational environment fosters control consciousness.

The organizational environment is considered along with other appropriate factors in the risk analysis process leading to audit selection and audit program development.

- Realistic organizational goals and objectives are set.

Audit actions such as system reviews evaluate the adequacy of the total system of the internal controls including review of strategic plans, annual plans, and quarterly budgets.

- Written corporate policies (e.g., code of conduct) exist that describe prohibited activities and the action required whenever violations are discovered.

Certain audits include evaluation of location practices and supporting controls versus established Standards of Business Conduct.

- Appropriate authorization policies for transactions are established.

Authorization practices are commonly audited including procedure reviews, management interviewing to determine authorization expectations and detailed compliance testing to determine authorization compliance.

- Policies, practices, procedures, reports and other mechanisms are developed to monitor activities and safeguard assets, particularly in high-risk areas.

Audit objectives commonly include adequacy and compliance reviews of policies, procedures, reports and monitoring activities. Asset safeguarding practices are evaluated in normal internal control review and during asset audits.

- Communication channels provide management with adequate and reliable information.

Two-way communication and reporting is commonly evaluated, and certain information system audits include tests for information adequacy and usefulness.

- Recommendations need to be made for the establishment or enhancement of cost-effective controls to help deter fraud.

Whenever appropriate, potential risk/impact/effect statements in audit reports highlight irregularity risks. All recommendations are written with cost justification in mind. Often the audit client is contacted to establish cost/benefit impacts.

8.4 Fraud Detection

Detection consists of identifying indicators of fraud sufficient to warrant recommending an investigation. These indicators may arise as a result of controls established by management, tests conducted by auditors, and other sources both within and outside the organization. Auditors should:

- Have sufficient knowledge of fraud to be able to identify indicators that fraud might have been committed. This knowledge includes the characteristics of fraud, the techniques used to commit fraud, and the types of frauds associated with the activities audited.
- Be alert to opportunities, such as control weaknesses, that could allow fraud. If significant control weaknesses are detected, additional tests conducted by internal auditors should include tests directed toward identification of fraud indicators with the concurrence of the CAE (IIA 2120.C1).

If significant control weaknesses are detected, additional tests may be performed to identify other indicators of fraud (GAGAS 8.72). All audit and investigation activity will be carefully coordinated with the approval/involvement of the City Attorney's Office and Law Enforcement as appropriate.

The Internal Auditors will review potential fraud indicators derived from fieldwork or from employee or management contact, and work with the City Manager and/or City Attorney's Office to determine if investigative or further audit work is appropriate by members of the Internal Audit Office.

- Internal auditors are not expected to have knowledge equivalent to that of a person whose primary responsibility is detecting and investigating fraud. Also, audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

8.5 Fraud Investigation

Avoiding interference with investigations or legal proceedings is important in pursuing indications of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse. Laws, regulations, or policies may require auditors to report indications of certain types of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse to law enforcement or investigatory authorities before performing additional audit procedures. When investigations or legal proceedings are initiated or in process, auditors should evaluate the impact on the current examination engagement. In some cases, it may be appropriate for the auditors to work with investigators or legal authorities, or withdraw from or defer further work on the examination engagement or a portion of the examination engagement to avoid interfering with an ongoing investigation or legal proceeding. (GAGAS 8.28, 8.29)

Investigation consists of performing extended auditing procedures necessary to determine whether fraud, as suggested by the indicators, has occurred. It includes gathering sufficient evidential matter about the specific details of a discovered fraud. Internal auditors, lawyers, investigators, security personnel, and other specialists from inside or outside the City are the parties that usually conduct or participate in fraud investigations.

When an investigation is deemed necessary, Internal Auditor will confer with the City Manager and Audit Committee leading to a decision as to the appropriate mix of internal or external resources to complete the investigation based on required expertise or competency.

Auditors involved in a fraud investigation assess the probable level and the extent of fraud within the City to help ensure auditors avoid providing information to, or obtaining misleading information from, persons who may be involved. If it is determined that internal auditors will be involved in an investigation, the Internal Auditor determines the knowledge, skills, and disciplines needed to effectively carry out the investigation. It is most common for the Internal Auditor or a Supervisor or Manager to be personally involved in the investigation to help assure the most effective and professional results. Outside resources may be used in an internal investigation.

The Internal Audit Office will coordinate its activities internally and with other components of the City to assure effective and efficient use of available resources.

A written program will be used to detail carefully designed procedures to attempt to identify the perpetrators, extent, techniques, and cause of fraud.

Auditors involved in the investigations must be cognizant of the rights of alleged perpetrators and personnel within the scope of the investigation and the reputation of the City itself.

Once a fraud investigation is concluded, Internal Audit assesses the facts in order to:

- Determine if controls need to be implemented or strengthened to reduce future vulnerability.
- Help meet the internal auditor's responsibility to maintain sufficient knowledge of fraud and thereby be able to identify future indicators of fraud.

8.6 Reporting Fraud

If the Internal Audit Office receives a credible allegation or other evidence of a significant and immediate danger to the health or safety of people or property, the Internal Audit Office will inform appropriate individuals as soon as possible, consistent with confidentiality requirements. The form, nature, and timing of appropriate fraud investigation communication to City Controller and external parties will be predetermined by the Internal Auditor.

A preliminary or final report may be drafted at the conclusion of the detection phase. The report should include the Internal Auditor's conclusion as to whether sufficient information exists to conduct an investigation. It should also summarize findings that serve as the basis for such decision.

When the incidence of significant fraud has been established to a reasonable certainty, the City Manager will be notified immediately.

If fraud investigation results are determined to materially affect the reported financial statement results, the Internal Auditor will advise the City Controller. Significant misstatements would be included in the category of important control issues communicated to top management as appropriate.

Written reports are issued to communicate the results of Internal Audit involvement in the investigation phase. It will include findings, conclusions, recommendations and, where appropriate, corrective action taken.

If management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation, the Internal Audit Office will first communicate the failure to report such information to the Audit Committee. If the audited entity still does not report this information to the specified external parties as soon as practicable after the auditors' communication with the Audit Committee, then the Internal Audit Office will report the information directly to the specified external parties. (GAGAS 9.45a).

If management fails to take timely and appropriate steps to respond to known or likely fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that (1) is likely to have a material effect on the subject matter or an assertion about the subject matter and (2) involves funding received directly or indirectly from a government agency, auditors should first report management's failure to take timely and appropriate steps to the Audit Committee. If the City still does not take timely and appropriate steps as soon as practicable after the auditors' communication with the Audit Committee, then the auditors should report the entity's failure to take timely and appropriate steps directly to the funding agency. (GAGAS 9.45b)

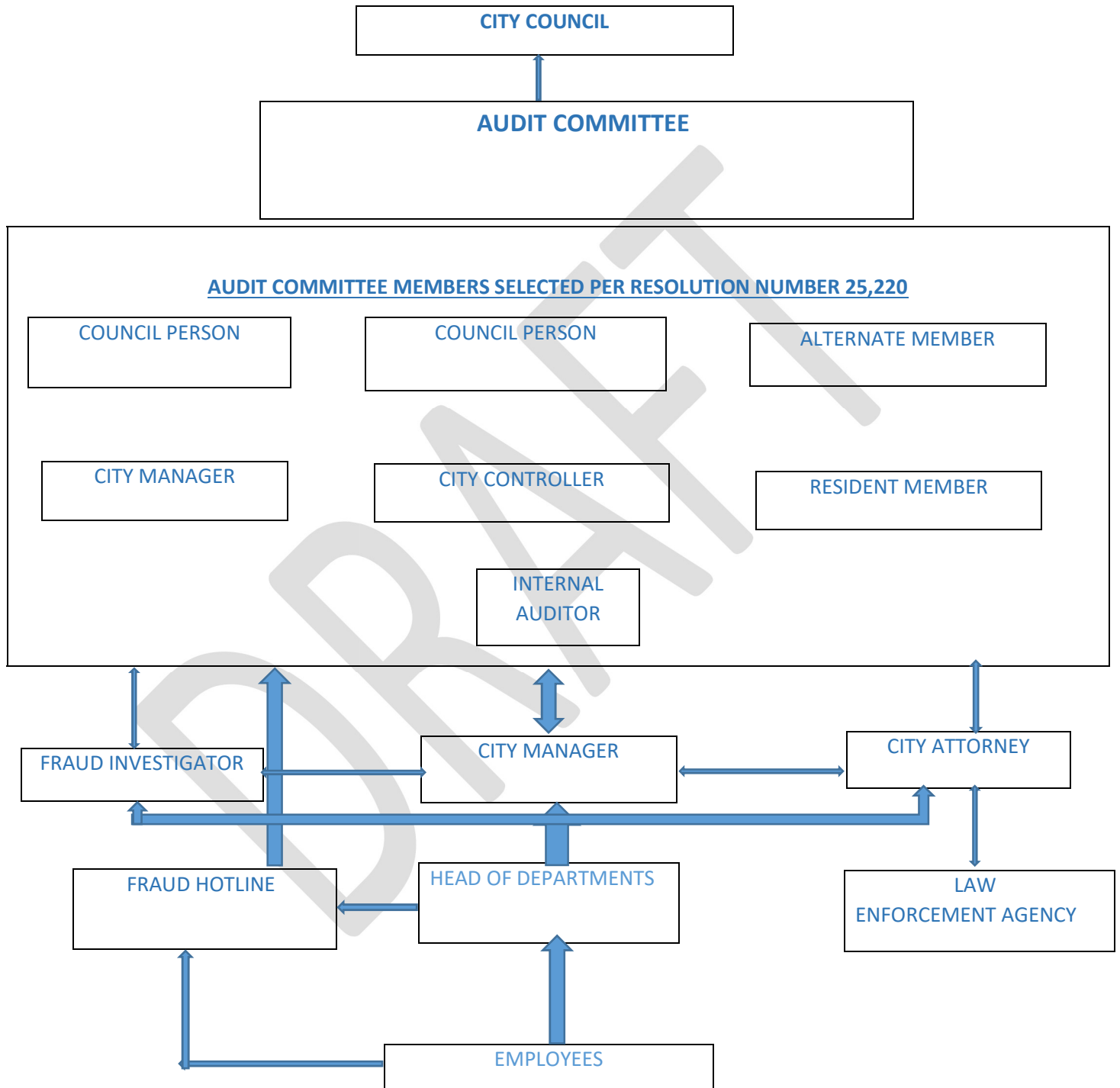


**CITY OF COMPTON
FRAUD POLICY
SEPTEMBER 27, 2023**

Table of Contents

1	Audit Committee Organizational Chart
2	Introduction
2	Purpose
3	Audit Committee
3	Definitions
4	Scope
5	Examples of Fraudulent Behavior
6	Responsibility
9	Procedures for Reporting Suspected Wrong Doing
10	Investigation and Action
11	Fraud, Waste and Abuse Hotline
12	Appendix A – Types of Fraud

ORGANIZATIONAL CHART FOR FRAUD AND INVESTIGATION REPORTING



Introduction:

City of Compton (“City”) is committed to protecting its assets against risk of loss or misuse. The City upholds a zero-tolerance approach regarding fraud and corruption. The City will identify and promptly investigate any suspected fraudulent or related dishonest activity. The City will take appropriate disciplinary and legal actions to include the possibility of termination of employment, restitution, and forwarding information to the appropriate authorities for prosecution. Any allegations of fraud will be taken seriously, with no exceptions. All individuals, regardless of position, title, or tenure with the City of Compton are expected to remain vigilant and report any suspicious activity to the City Fraud Hotline. This policy is required to raise awareness of fraud within the City of Compton, to define roles and responsibilities for detecting and preventing fraud, to reinforce personal responsibility and accountability, to detail the procedures for reporting and investigating suspected fraud, and to better understand the limitations in existing control procedures that allow fraud to occur.

Purpose

The purpose of this policy is to promote a culture founded on fraud prevention, awareness, and accountability, and clarify acts that are considered to be suspicious. The policy supports a culture of operating within a comprehensive framework of internal controls, complete with documented and formalized policies, procedures, processes, and other supporting safeguards as needed. The policy provides guidance to prevent, detect, report, and investigate fraud when fraudulent acts are suspected and subsequently proven. An organizational fraud risk management policy defines fraudulent behavior, establishes that fraudulent behavior is unacceptable, helps safeguard City resources through improved management of fraud risk, and provides guidelines for the development, implementation, and monitoring of internal controls that aid in the detection and prevention of fraud. This policy delineates management’s responsibility for instituting and maintaining a system of internal control to prevent and detect fraud, misappropriations and other irregularities, and to be alert for any indications of such misconduct.

This policy has been established to ensure employees are aware of the following:

1. The types of acts considered to be fraudulent,
2. Procedures for reporting suspected fraudulent acts,
3. Steps to be taken when fraud or other related dishonest activities are suspected
4. Consequences to expect when a dishonest act is reported.

The impact of misconduct and dishonesty may include:

- The actual financial loss incurred
- Damage to the reputation of the City and its employees
- Negative publicity
- The cost of investigation
- Loss of employees
- Loss of customers

- Damaged relationships with our contractors and suppliers
- Litigation
- Damaged employee morale

The City's goal is to establish and maintain a business environment of fairness, ethics and honesty for its employees, customers, suppliers and anyone else with whom the City has a relationship. To maintain such an environment requires the active assistance of every employee and manager every day.

Audit Committee:

On January 31, 2018, the City of Compton received a draft report from the State Controller's Office (SCO) review of the City's administrative and internal accounting controls system for the Fiscal Years (FY) 2013-14, FY 2014-15 and FY 2015-16. As part of this report, the SCO referenced the Los Angeles County Civil Grand Jury's 2012 report that recommended charter cities within Los Angeles County to establish formal finance and audit committees. The Government Finance Officers Association (GFOA) Best Practices on Audit Committee (2008) makes the following recommendations (in part) regarding the establishment of audit committees by state and local governments.

The audit committee should be formally established by charter, enabling resolution, or other appropriate legal means and made directly responsible for the appointment, compensation, retention, and oversight of the work of any independent accountants engaged for the purpose of preparing or issuing an independent audit report or performing other independent audit, review, or attest services. Likewise, the audit committee should be established in such a manner that all accountants thus engaged report directly to the audit committee. The written documentation establishing the audit committee should prescribe the scope of the committee's responsibilities, as well as its structure, processes, and membership requirements. The audit committee should itself periodically review such documentation, no less than once every five years, to assess its continued adequacy.

Resolution number 25,220 requires that the Audit Ad Hoc Committee consists of two (2) appointed members of the City Council (inclusive of the Mayor), the City Controller, the City Manager and one member/resident from the public. The City's Internal Auditor will serve as the designated staff member liaison and coordinator and will attend the meetings.

Definitions:

1. Fraud - is defined as an intentional deception designed to obtain a benefit or advantage or to cause some benefit that is due to be denied.
2. Waste - is the loss or misuse of City resources that results from deficient practices, system controls, or decisions.

3. Abuse - is the intentional, wrongful, or improper use of resources or misuse of rank, position, or authority that causes the loss or misuse of resources, such as tools, vehicles, computers, copy machines, etc.
4. Theft - is defined as the act of taking something from someone unlawfully.
5. Employee – In this context, employee refers to any individual or group of individuals who receive compensation, either full- or part-time, from the City. The term also includes any volunteer who provides services to the City through an official arrangement with the City or a City organization.
6. Manager or Management – In this context, manager or management refers to any administrator, manager, director, supervisor, or other individual who manages or supervises funds or other resources, including human resources.
7. Fraud Investigator – In this context, Fraud Investigator refers to any person or persons assigned by the Audit Committee to investigate any fraud or similar activity.
8. Internal Auditor – Internal auditor refers to a staff of the City Controller's Office who may be assigned to investigate any reported act to determine whether in actual fact, a fraudulent act has occurred and advise the Audit Committee for any subsequent action.
9. External Auditor – In this context, External Auditor refers to independent audit professionals who perform annual audits of the City's financial statements.
10. Retaliation – Unlawful discrimination that occurs when an employee is harassed or suffers an adverse employment action for assisting in an investigation of unlawful or fraudulent employment practices. Also referred to as unlawful retaliation or retaliatory harassment.

Scope

This policy applies to all members of the City workforce, including staff, interns, and temporary employees, independent contractors, appointed commission members and elected officials. This policy also applies to third parties and grant recipients who receive City services or funding. It also applies to volunteers who provides services to the City through an official arrangement with the City or a City department

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Each member of the management team shall be familiar with the types of improprieties that might occur within their areas of responsibility and be alert for indications of fraud. See Diagram 1 for an overview of fraud detection and prevention processes.

Diagram 1 – Fraud Detection and Prevention Processes



Examples of Fraudulent Behavior

Fraud – Fraud and other similar irregularities include but are not limited to:

1. Disbursement Fraud: This is when a person is paid for fictitious goods or services, inflated invoices, or invoices for personal purchases. Additionally it includes claim for reimbursement of expenses that are not job-related or authorized by the current Purchasing Policy, Travel Policy and/or applicable Administrative policy or governing law.
2. Forgery or unauthorized alteration of documents (checks, promissory notes, time sheets, independent contractor agreements, purchase orders, budgets, etc.).
3. Misappropriation fraud involves stealing cash, or asset (Supplies, Inventory, Equipment or Information) belonging to the City. In many cases the perpetrator tries to conceal the theft usually by adjusting the records.
4. Skimming fraud occurs when cash is stolen from the City before it is recorded in the book of accounts and records. Sometimes with intent to pay it back in the future.
5. Financial Statement fraud involves misrepresentation of the financial statement, often by overstating assets or revenue or understating liabilities or expenses.
6. Corruption involves misuse of entrusted power for private gain. Corruption includes bribery and other improper uses of power. It includes embezzlement, favoritism, patronage, nepotism, dishonesty, blackmail, cronyism, etc.

7. Bribery is fraud that involves offering, giving, receiving or soliciting for anything of value to influence an outcome. Bribes may be offered to key employees or managers such as purchasing agents who have discretion in awarding contracts.
8. Expense reimbursement fraud involves payment for fictitious or inflated expenses, authorizing or receiving payment for goods not received or services not performed.
9. Related-party activity involves a situation where benefit is given to a person that is obtainable in a normal arm's-length transaction.
10. Computer-related activity involving unauthorized alteration, destruction, forgery, or manipulation of data or misappropriation of City-owned software.
11. Any apparent violation of Federal, State, or local laws related to dishonest activities or fraud.
12. Seeking or accepting anything of material value from those doing business with the City including vendors, consultants, contractors, lessees, applicants, and grantees.

Responsibilities:

A. City Council, Council Mayor, and City Counsel Responsibilities:

- If a Council member has reason to suspect that a fraud has occurred, they shall immediately contact the City Manager or Audit Committee, or make a direct report through the Fraud Hotline.
- If it's a matter that involves the City Manager, the Council should report such matter through the Fraud Hotline.
- The Council shall not attempt to investigate the suspected fraud or discuss the matter with anyone else other than the City Manager or the report through Fraud Hotline respectively.
- The alleged fraud or audit investigation shall not be discussed with the media by any person other than through the City Manager in consultation with the City's Legal Counsel and the Internal Auditor.

B. Management Responsibilities

- According to the City's Municipal Code section 2-2.7. Powers and Duties. [Added by Ord. #1335, 2-1006 --- 2-1006.12], Section "j.", it says, "Investigations and Complaints. It shall be the duty of the City Manager to make investigations into the affairs of the City, and any department or division thereof, and any contract or the proper performance of any obligations of the City."
- Management is responsible for being alert to and reporting fraudulent or related dishonest activities in their areas of responsibility to the City Manager.
- Each manager should be familiar with the types of improprieties that might occur in his or her area and be alert for any indication that improper activity, misappropriation, or dishonest activity is or was in existence in his or her area.

- When an improper activity is detected or suspected, management should determine whether an error or mistake has occurred or if there may be dishonest or fraudulent activity.
- If management determines that a suspected activity may involve fraud or related dishonest activity, they should alert the City Manager or call the Fraud Hotline.
- Management should not attempt to conduct individual investigations, interviews, or interrogations. However, management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of improper actions.
- Management should support the City's responsibilities and cooperate fully with the Internal Auditor/Fraud Investigator, other involved departments, and law enforcement agencies in the detection, reporting, and investigation of criminal acts, including the prosecution of offenders.
- Management must give full and unrestricted access to the Fraud Investigator or Internal Auditor for all necessary records and personnel. All City furniture and contents, including desks and computers, shall be open for inspection at any time. There is no assumption of privacy.
- In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore, management should avoid the following:
 - a. Incorrect accusations.
 - b. Alerting suspected individuals that an investigation is underway.
 - c. Treating employees unfairly.
 - d. Making statements that could lead to claims of false accusations or other offenses.
- **In handling dishonest or fraudulent activities, management has the responsibility to:**
 - i) Make no contact (unless required by law) with the suspected individual to determine facts or demand restitution. Under no circumstances should there be any reference to "what you did", "the crime", "the fraud", "the misappropriation", etc.
 - ii) Avoid discussing the case, facts, suspicions, or allegations with anyone outside the City, unless specifically directed to do so by the City Attorney.
 - iii) Avoid discussing the case with anyone inside the City other than employees who have a need to know such as the City Manager, Internal Auditor, or City's Legal Counsel or law enforcement personnel.
 - iv) Direct all inquiries from the suspected individual, or his or her representative, to the City Manager or City Attorney's office. All inquiries by an attorney of the suspected individual should be directed to the City Attorney's office. All inquiries from the media should be directed to the City Manager.
 - v) Take appropriate corrective and disciplinary action, up to and including dismissal, after consulting with the City Manager, in conformance with the City's Personnel Policies and Procedures or the appropriate Memorandum of Understanding.

C. Employee Responsibilities

- A suspected non fraudulent incident or practice observed by, or made known to, an employee must be reported to the employee's supervisor for reporting to the proper management official.

- When the employee believes the supervisor may be involved in the inappropriate activity, the employee shall make the report directly to the next higher level of management and/or the City Manager. If the City Manager is suspected then the employee should call the fraud hotline.
- The reporting employees shall refrain from further investigation of the incident, confrontation with the alleged violator, or further discussion of the incident with anyone, unless requested by the City Manager, Internal Auditor, City's Legal Counsel or law enforcement personnel.
- Every employee is responsible for reading and obtaining an understanding of this Policy. Employees uncertain about the application or interpretation of the contents of this Policy should obtain clarification from their immediate supervisor.

D. Internal Auditor Responsibilities

- Upon assignment by the City Manager and/or City Controller and/or Audit Committee, the Internal Auditor or Fraud Investigator will promptly investigate the fraud case.
 - i. Throughout the investigation, the City Manager and the Internal Auditor will inform the Audit Committee of pertinent investigative findings.
- In all circumstances where there appears to be reasonable grounds for suspecting that a fraud has taken place, the Internal Auditor, in consultation with the City Attorney, will contact the Police Department.
- The Internal Auditor shall be available and receptive to receiving relevant, confidential information to the extent allowed by law.
- If evidence is uncovered showing possible dishonest or fraudulent activities, the Internal Auditor will proceed as follows:
 - i. Discuss the findings with City Controller and/or City Manager and the head of the Department.
 - ii. Advise the City Controller, if the case involves staff members, to meet with the City Manager (or his/her designated representative) to determine if disciplinary actions should be taken.
 - iii. Report to the External Auditor such activities in order to assess the effect of the illegal activity on the City's financial statements.
 - iv. Coordinate with the City's Risk Management Division regarding notification to insurers and filing of insurance claims.
 - v. Take immediate action, in consultation with the City Attorney's office, to prevent the theft, alteration, or destruction of evidentiary records. Such action shall include, but is not limited to:
 - 1 Removing the records and placing them in a secure location or limiting access to the location where the records currently exist.
 - 2 Preventing the individual suspected of committing the fraud from having access to the records.

- In consultation with the City Attorney and the Police Department, the City Manager and/or the Internal Auditor may disclose particulars of the investigation with potential witnesses if such disclosure would further the investigation.
- If the Internal Auditor is contacted by the media regarding an alleged fraud or audit investigation, the Internal Auditor shall direct the requester to the City Manager/City Controller and the City Attorney, as appropriate, and shall not release any information.
- At the conclusion of the investigation, the City Manager and/or the Internal Auditor will document the results in a confidential memorandum report to the Audit Committee. If the report concludes that the allegations are founded, the City Attorney's office will be involved and the report will be forwarded to the Police Department.
- Unless exceptional circumstances exist, a person under investigation for fraud is to be given notice in writing of essential particulars of the allegations following the conclusion of the audit. Where notice is given, the person against whom allegations are being made may submit a written explanation to the Audit Committee through the Internal Auditor no later than seven calendar days after notice is received.
- The Internal Auditor will be required to make recommendations to the appropriate department for assistance in the prevention of future similar occurrences.
- Upon completion of the investigation, including all legal and personnel actions, all records, documents, and other evidentiary materials, obtained from the department under investigation will be returned by the Internal Auditor to that department.

Procedures for Reporting Workplace Wrong Doing

A. Employees can report wrongdoing in a safe and confidential manner, and without fear of retaliation, as follows:

- If an employee is aware of any acts of wrongdoing, an employee is encouraged to discuss his or her complaint with his or her immediate supervisor.
- If an employee is unable to discuss the complaint with his or her immediate supervisor or if his or her immediate supervisor is the source of the problem, condones the problems or ignores the problem, the employee should immediately contact his or her Department Head.
- If neither of the above alternatives is satisfactory the employee should immediately contact the Human Resources or the City Manager regarding their complaint.

In no circumstances is an employee required to confront the person who is the source of the complaint before notifying any of the individuals listed above

B. Employees will be granted whistle-blower protection when acting in accordance with this policy. When informed of a suspected impropriety, neither the City nor any person acting on

behalf of the City shall treat the staff contrary to the provisions of the Workplace Harassment Policy as contained in Policy # (3.13 of 2012): It includes:

- Dismissal or threatening to dismiss the employee reporting the impropriety
- Disciplining, suspending, or threatening to discipline or suspend that employee
- Impose any penalty upon that employee
- Intimidate or coerce an employee for that employee's role in reporting the suspected impropriety.
- Instances of fraud, waste or abuse can be reported anonymously and without fear of retribution by using the City of Compton Fraud Hotline.

This section is intended to protect employees from retaliation for reporting suspected improprieties. It shall not be construed as absolving an employee of responsibility for his or her own fraudulent activity; any such fraudulent activity shall be subject to disciplinary and/or legal action. Violations of the whistle-blower protection will result in discipline up to and including dismissal.

Investigation and Action

According to the City's Municipal Code section 2-2.7. Powers and Duties. [Added by Ord. #1335, 2-1006 --- 2-1006.12], Section "j.", it says, "Investigations and Complaints. It shall be the duty of the City Manager to make investigations into the affairs of the City, and any department or division thereof, and any contract or the proper performance of any obligations of the City."

The City Controller's office as stated in the Financial Policies and Procedures Manual Section 3: Policy 3.4 has the primary obligation of investigating reported incidents of fraud within the City of Compton in accordance with the procedures defined in this policy. All fraud allegations and collected information shall be reviewed by the Internal Auditor to determine if there is adequate "predication" or "probable cause" to proceed with an investigation. The Internal Auditor may conduct the investigation, collaborate with management, other internal or external investigators, and/or City Attorney's Office, or any other appointed by the Audit Committee and/or City Manager. The City Manager in consultation with the City Attorney may refer the matter to the appropriate law enforcement agency as may be required. The Internal Auditor does not participate in employee disciplinary action which is the responsibility of the City Manager and Human Resources Director in compliance with collective bargaining agreements, contracts and the City's Code of Conduct.

Conclusions to fraud investigations are supported with evidence that is relevant, reliable and sufficient. Investigators shall be alert to the possibility of conjecture, unsubstantiated opinion and bias of witnesses and others, and shall consider both exculpatory and inculpatory evidence.

Professional Ethics makes clear that an investigator's report may conclude on a person's conduct; however, conclusions may not include the investigator's opinion regarding the legal guilt or innocence of any person or party. That determination is made by a judge or jury.

There are four possible outcomes to a fraud investigation: substantiated; unsubstantiated; unsolved; unfounded.

- Substantiated: there is sufficient evidence to conclude that the alleged facts occurred, that these facts could constitute wrongdoing, and that the identified subject committed them.
- Unsubstantiated: there is insufficient evidence to conclude whether the alleged facts occurred and/or the facts could constitute wrongdoing, and/or whether the identified subject committed them.
- Unsolved: there is sufficient evidence to conclude that the alleged facts occurred, that the facts could constitute wrongdoing, but the subject did not commit them (i.e. she/he was cleared) or was never identified.
- Unfounded: there is sufficient evidence to conclude that the alleged facts did not occur, or the established facts did not constitute wrongdoing.

Internal control weaknesses, deficiencies or gaps may be identified during a fraud investigation. A minor internal control issue may be included in the investigative report for management's consideration. A significant internal control matter may result in a new audit issue requiring a management action plan, or an audit around the deficient process may be added to the Audit Plan with the audit committee approval.

Fraud, Waste and Abuse Hotline

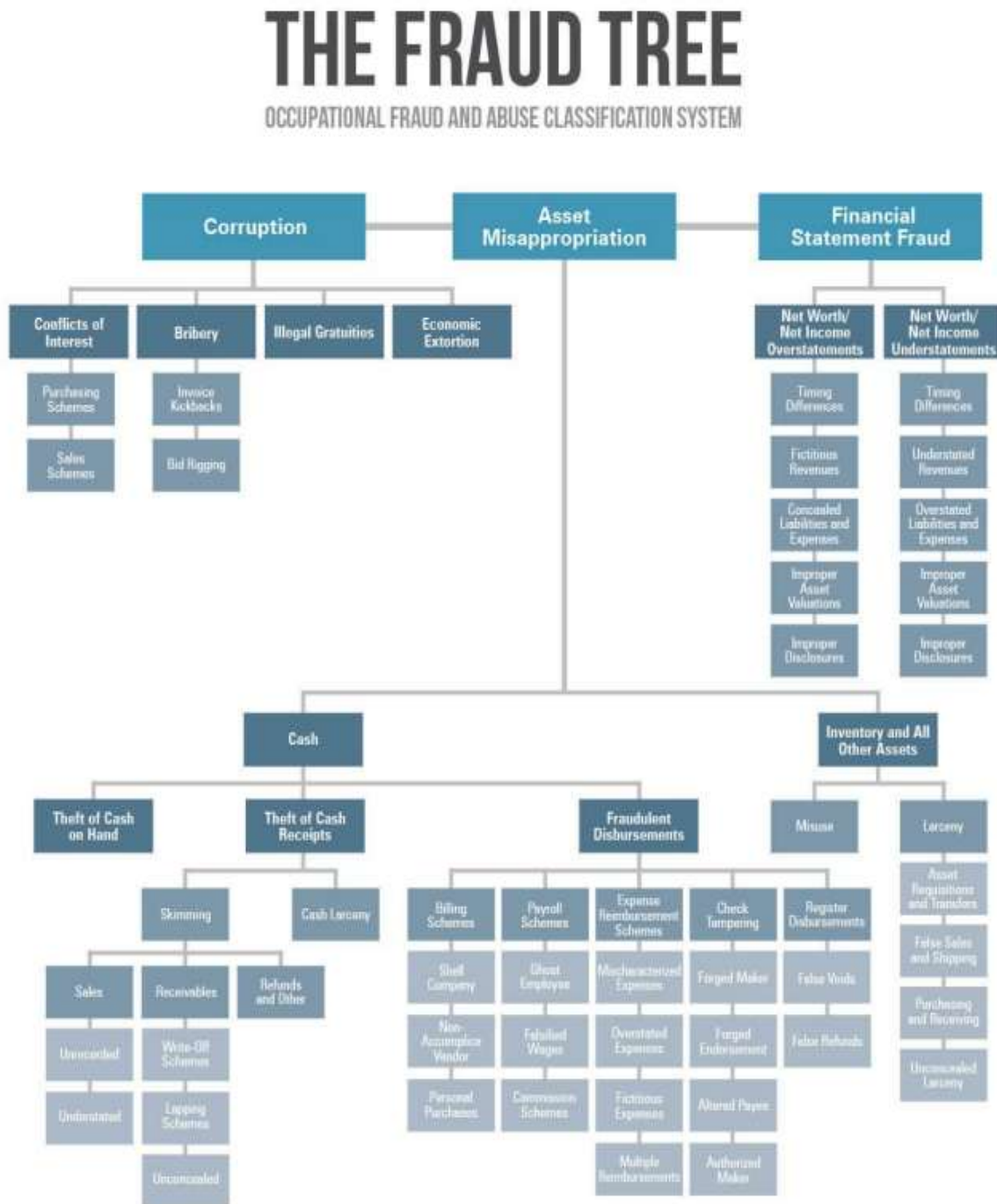
The Internal Auditor shall provide the necessary procedures and policies to govern the effective management of the City's fraud, waste and abuse hotline as passed by City Council. This policy will be updated whenever a new vendor is contracted to provide the service. The anonymous Hotline is presently hosted by Ethico LLC. <https://www.Ethico-services.com/cityofcompton>. Hotline matters that are not within the jurisdiction of the Internal Auditor's Office (such as HR) complaints, or matters under State purview) shall be referred to the appropriate office or investigator. Occasionally the Internal Auditor's Office through Fraud Hotline receives reports that are not related to fraud allegations, i.e. Human Resources.

Other Fraud Hotline Reports Not Related to Fraud Allegations

1. The City Manager will determine how best to investigate the suspected activity; typically, either the Department Head or the HR Manager, or a designated representative, will be assigned to conduct the investigation.
2. At the conclusion of the investigation, the investigator will report to the Department Head, City Manager, and HR Manager.
3. If evidence is uncovered showing possible dishonest or fraudulent activities, the City Manager shall proceed as follows:
 - a Advise management, if the case involves staff members, to meet with the HR Manager (or his/her designated representative) to determine if disciplinary actions should be taken.
 - b Report to the City Controller such activities in order to assess the effect of the illegal activity on the City's financial statements.
 - c Coordinate with the City's Risk Manager regarding notification to insurers and filing of insurance claims.
 - d Take immediate action, in consultation with the City Attorney, to prevent the theft, alteration, or destruction of evidentiary records. Such action shall include, but is not limited to:
 - i. Removing the records and placing them in a secure location or limiting access to the location where the records currently exist.
 - ii. Preventing the individual suspected of committing the fraud from having access to the records.
4. The City Manager, following review of investigation results, will take appropriate action regarding employee misconduct. Disciplinary action may include referral of the case to the City Attorney's Office for possible prosecution.
5. The City will pursue every reasonable effort, including court ordered restitution, to obtain recovery of City losses from the offender or other appropriate sources.

Appendix A – Types of Fraud

The Association of Certified Fraud Examiners lists fraud schemes into three broad categories: asset misappropriation, corruption, and financial statement fraud. Below is the ACFE fraud tree that summarizes fraud schemes.



City of Compton
Audit Committee Meeting Minutes: 06-11-25
Special Meeting
June Meeting

Willie Hopkins	City Manager
Andre Spicer	Councilman
Tamara Binns	Assistant City Manager
Lillie P. Darden	Councilwoman
Stephanie Smith	Chairperson
Sharon Rahban	City Controller
Jocelyn Logan	Deputy City Controller
Jessica Gonzalez	Administrative Specialist
Eden Casareno	Eadie and Payne LLP Partner

Start time: 3:02 pm

Location: City Council Chambers

205 S. Willowbrook Ave.

Compton, CA 90220

Meeting Agenda

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

NEW BUSINESS

- 1) A REQUEST TO RECONSIDER AND SELECT A NEW CHAIRPERSON
- 2) A REQUEST TO MAKE A RECOMMENDATION ON THE REPORTING AUTHORITY OF THE AUDIT COMMITTEE TO THE CITY COUNCIL
- 3) FY 2022-2023 AUDIT COMPLETE - UPDATE
- 4) PROGRESS ON FY 2023-2024 AUDIT-UPDATE
- 5) FY 2022-2023 AUDITOR EADIE AND PAYNE LLP OUT OF SCOPE COSTS PRESENTATION, DISCUSSION, AND RECOMMENDATION
- 6) FY 2023-2024 AUDITOR EADIE AND PAYNE LLP PROPOSED OUT OF SCOPE COSTS PRESENTATION, DISCUSSION, AND RECOMMENDATION
- 7) FY 2025 TO FY 2028 AUDITOR RFP DISCUSSION AND RECOMMENDATION
- 8) FINANCE SOFTWARE UPGRADED DISCUSSION
- 9) OTHER ON-GOING AUDITS DISCUSSION
- 10) REQUEST FOR APPROVAL OF MINUTES

City of Compton
Audit Committee Meeting Minutes: 06-11-25
Special Meeting
June Meeting

A REQUEST TO RECONSIDER AND SELECT A NEW CHAIRPERSON

- A. Audit committee suggested a new chairperson be named. Councilwoman Lillie Darden nominated Councilman Andre Spicer. All in favor.

Motion: DARDEN 2nd: HOPKINS

CM Darden: I CM SPICER: I City Controller Rahban: I Resident Smith I City Manager Hopkins I

A REQUEST TO MAKE A RECOMMENDATION ON THE REPORTING AUTHORITY OF THE AUDIT COMMITTEE TO THE CITY COUNCIL

- B. Sharon wants to ask Council if there's preference when determining if Internal Auditor reports to Council. Position is still vacant. Other cities, IA reports to Council. Councilman Spicer suggested it gets brought to the unions attention and have a meet and confer to bring it to the personnel board.

Motion: _____ 2nd: _____

CM Darden: ____ CM SPICER: ____ CC Rahban: ____ Resident Smith ____ City Manager Hopkins

FY2022-2023 AUDIT COMPLETE – UPDATE

- C. FY 2022-2023 Audit was completed early June. Agenda and Audit Financial Statements are expected to be published for next week's Council meeting.

Motion: _____ 2nd: _____

CM Darden: ____ CM SPICER: ____ City Controller Rahban: ____ Resident Smith ____ City Manager Hopkins

City of Compton
Audit Committee Meeting Minutes: 06-11-25
Special Meeting
June Meeting

PROGRESS ON FY2023-2024 AUDIT – UPDATE

- D. FY 2023-2024 Audit is in progress; Sharon expects it to take about three months to be completed, but depends on department staffing.

Motion: _____ 2nd: _____

CM Darden: ____ CM SPICER: ____ City Controller Rahban: ____ Resident Smith ____ City Manager Hopkins

- E. Edén presents and gives recommendations for the City to ensure that financial statements be prepared and submitted in a timely manner, that policies be adopted to ensure that those policies are aligned with requirements, that more personnel be hired and properly trained to ensure no more delays occur and to make sure the City is up to date with audits. She also mentioned that there were no disagreements with management and they plan to make sure they communicate better with Sharon when it comes to out scope charges. Sharon stated that we have been hiring more employees but it is a bit difficult to do so when the eligibility list is not long enough and there is turnover. Spicer asked Sharon about her opinion if what she could do to improve recruitment in the Controller's Department, Sharon recommends that the City follow the State Auditor recommendations to improve recruiting outcomes.

Motion: SPICER 2nd: DARDEN

CM Darden: I CM SPICER: I CC Rahban: I Resident Smith I City Manager Hopkins I

- F. In regards to out of scope costs, Councilman Spicer questioned "getting" an invoice from September/October in February. He asks why is Council seeing that invoice so late and who is approving for this work to be done by Eadie and Payne. Sharon stated that there have been issues that were not previously contemplated and/or included in the initial proposal/contract. Auditors were presented with problems with documentation for such as licenses and permits and for legal inquiries not being responded to in a timely manner which caused for the auditors to do extra work. Sharon also informed that invoices were presented to the audit committee at a prior meeting before coming to Council for FY 22 audit and now for FY 23 audit. Councilman Spicer asks if we're getting an "all-inclusive price" why are we still receiving invoices for out of scope work. The auditor answered and gave examples of out of scope charges such as city staff preparedness and responsiveness, Sharon read aloud from the audit contract section for out of scope fees.

Motion: SPICER 2nd: DARDEN

City of Compton
Audit Committee Meeting Minutes: 06-11-25
Special Meeting
June Meeting

CM Darden: I CM SPICER: I City Controller Rahban: I Resident Smith I City Manager Hopkins I

- G. For future Audits, it is recommended that we go back to an RFP. Some audit committee members expressed that they think that Council should be aware of these out of scope charges before anyone proceeds with out of scope work. The auditor affirmed that prior notice in detail would be given and work would be stopped before incurring anyone out of scope work.

Motion: SPICER 2nd: SMITH

CM Darden: I CM SPICER: I City Controller Rahban: I Resident Smith I City Manager Hopkins I

- H. Central Square contract is being implemented but delayed. Our software has not been updated since 1998. We need a consultant to assist us with implementing this software. There were no funds for us to implement this service so we have to go back to Council to find funding source. Funds were transferred out of the Controller's Adopted budget for FY 25 that would have covered this cost but were not transferred back. Therefore, Council approval for the consultant contract could not be sought after until the budget issue was resolved.

Motion: _____ 2nd: _____

CM Darden: _____ CM SPICER: _____ City Controller Rahban: _____ Resident Smith _____ City Manager Hopkins _____

- I. Other ON-GOING Audits discussion: Sharon mentioned that there is an on-going AQMD audit and ongoing questions being asked from State Auditor staff.

Motion: _____ 2nd: _____

CM Darden: _____ CM SPICER: _____ City Controller Rahban: _____ Resident Smith _____ City Manager Hopkins _____

- J. Request for approval of minutes from previous meeting: CM Willie Hopkins, Councilwoman Lillie Darden, Councilman Andre Spicer, Chairperson Stephanie Smith, City Controller Sharon Rahban were all in favor.

City of Compton
Audit Committee Meeting Minutes: 06-11-25
Special Meeting
June Meeting

Motion: DARDEN 2nd: HOPKINS

CM Darden: I CM SPICER: I City Controller Rahban: I Resident Smith I City Manager Hopkins I

Audience Comments: No comments

Council Comments: No comments

Adjournment: 3:50pm