

State Auditor's Report: Corrective Action Plan

Richmond City Council Meeting

December 20, 2022

Overview

- Introduction
- Corrective Action Plan
- Next Steps

Introduction

- June 2021, Joint Legislative Committee approved an audit of the City of Richmond to confirm whether the City is at high risk.
- April 2022, California State Auditor commenced the audit of the City
- October 2022, California State Auditor issued a draft report and invited the City to submit response within a week.
- November 2022, The Audit report is published with a total of 11 recommendations and indicates next steps:
 - City shall submit a corrective action plan by January 9, 2023, to address the recommendations
 - City shall submit a status update every 6 months from November 2022, first status update due in May 2023.

State Audit –Corrective Action Plan

	Topic	Description	Responsible for Implementation	Time Frame	Corrective Action Plan
Budget Strategy					
1	Review/Update Fund Balance Reserve Policy	To help ensure that Richmond maintains appropriate reserves for times of fiscal uncertainty, City staff should, by June 2023, review Richmond's reserve policy to determine whether a higher reserve target is appropriate. As part of the review, staff should consider all the factors the Government Finance Officers' Association (GFOA) recommends for setting a reserve target. Once that review is complete, City staff should present proposals to the City Council for modifying the City's policy.	Delmy Cuellar, Director of Finance	6/30/2023	Schedule City Council review/consideration of updated General Fund reserve policy in March 2023 for implementation in the Fiscal Year (FY) 2023-2024 Budget, for adoption by June 2023.
2	Identify Contingent Long-term Budget Balancing Options	To decrease the risk that Richmond will deplete its reserves, City staff should, by June 2023, present to the City Council a list of proposed budget actions that would help ensure balanced budgets and eliminate projected deficits.	Delmy Cuellar, Director of Finance	6/30/2023	Present contingent, long-term budget balancing options with the FY 2023-2024 proposed budget, by June 2023.
3	Expand 5 Year Financial Projection Model with Risk Scenarios	Richmond should include multiple scenarios in its financial projections, including scenarios with potential additional risks, such as economic downturns or recessions, and how the City would continue to fund its operations under those circumstances.	Delmy Cuellar, Director of Finance	On Going	Present expanded 5-year financial projection with the FY 2023-2024 Proposed Budget, by June 2023.

State Audit – Corrective Action Plan

	Topic	Description	Responsible for Implementation	Time Frame	Corrective Action Plan
4	Review/Update Pension Funding Policy	To ensure that Richmond is able to fund its retirement-related costs, City staff should, by June 2023, propose to the City Council a specific policy regarding funding of its pension trust fund for this purpose. Staff should report to the City Council on estimated long-term savings from increasing its direct payments to CalPERS compared to investing the same amounts in its pension trust fund. Staff members should use this information to inform their recommendations related to funding targets for the pension trust fund and should consider recommending that the Council increase the City's payments directly to CalPERS.	Delmy Cuellar, Director of Finance	6/30/2023	Schedule City Council review/consideration of updated Pension funding policy in March 2023 for implementation in the FY 2023-2024 Budget, for adoption by June 2023.
5	Review/Update OPEB Funding Policy	To improve the City's ability to pay other post-employment benefits, Richmond should, by June 2023 and annually thereafter, implement a policy identifying funds, such as surpluses or one-time revenues that should be contributed to the OPEB trust fund. Staff should conduct an annual analysis to determine whether any funds available to the City are applicable under the City's policy and should present a proposal to the City Council to apply those funds to the trust fund.	Delmy Cuellar, Director of Finance	6/30/2023	Schedule City Council review/consideration of updated OPEB funding policy in March 2023 for implementation in the FY 2023-2024 Budget, for adoption by June 2023.
6	Update Workforce/ Position Analysis	To mitigate the costs of increasing salaries, the City should perform a workforce analysis by June 2024. Based on the results of the analysis, the City Council should consider eliminating vacant positions that it deems no longer necessary. Additionally, the City should assess its need for each vacant position before it seeks to fill the positions and eliminate any positions that it does not need.	Nickie Mastay, Deputy City Manager	6/30/2024	The City is issuing a Request for Proposal for a professional firm to conduct a formal workforce analysis. While the City evaluates the professional firms that replied to the Request for Proposal, the City will do an annual analysis of funded positions proposed by departments during the annual budget process, starting with the FY 2023-24 budget, by June 2023.

State Audit –Corrective Action Plan

	Topic	Description	Responsible for Implementation	Time Frame	Corrective Action Plan
Housing Authority					
7	Complete Housing Authority Recovery Agreement Actions	To ensure compliance with federal requirements, Richmond should dedicate the resources necessary to provide records needed for an independent auditor to complete all outstanding single audits of the housing authority within the next fiscal year. To comply with existing legal obligations, Richmond should make available sufficient resources to enable the Housing authority to resolve all past due requirements of the recovery agreement and to meet the remaining deadlines in a timely manner by January 2024.	Nannette Beacham, Executive Director Richmond Housing Authority & Delmy Cuellar, Director of Finance	1/1/2024	Identify and assign resources to complete Housing Authority Single Audit backlog by June 30, 2023. Identify and assign resources to complete Housing Authority Recovery Agreement actions by January 2024.
8	Execute Housing Authority/ City Administration Agreement	To define Richmond's responsibility related to the housing authority, Richmond should immediately enter into a written agreement with the housing authority defining each entity's financial responsibilities and draft plans to resolve past tax liabilities and prevent unnecessary new liabilities.	Nannette Beacham, Executive Director Richmond Housing Authority & Delmy Cuellar, Director of Finance	2/28/2023	Draft and Schedule City Council consideration of Housing Authority Administration Agreement by February 2023.
Operations					
9	Review/Update Contract Compliance Documentation Process	To ensure that Richmond is receiving the best value when entering into contracts, City staff should immediately begin documenting that they are following the contracting requirements in the City's municipal code and contracting policies for all contracts.	Delmy Cuellar, Director of Finance	6/30/2023	Draft and implement Contract Compliance Documentation processes by June 2023.
10	Review/Update Contract Compliance Checklist	To reduce potential errors and omissions by City staff members when contracting for goods and services, by January 2023 Richmond should require its finance department to create a comprehensive checklist of required documentation for contract files that other departments must follow when conducting procurements.	Delmy Cuellar, Director of Finance	6/30/2023	Draft and implement Contract Compliance Checklist by June 2023.
11	Review/Update Fee Schedule Policy	To ensure that City fees appropriately cover the cost of providing services, by June 2023, Richmond should determine a cost-effective frequency for updating its fee schedule to reflect all allowable costs, including adjusting fees for inflation as appropriate. Richmond should then revise its municipal code as necessary.	Delmy Cuellar, Director of Finance	6/30/2023	Review and update the Fee Schedule policy for City Council consideration and update of Municipal Code as needed by June 2023.

Next Steps

- Corrective Action Plan due on January 9, 2023
- Status Update due every six months, first report due on May 10, 2023

Thank you!

Questions?