

CITY OF PASADENA

Audit Report

OPEN MEETINGS ACT/BROWN ACT REFORM PROGRAM

Chapter 641, Statutes of 1986;
and Chapters 1136 through 1138, Statutes of 1993

July 1, 2005, through June 30, 2012



BETTY T. YEE
California State Controller

September 2019



BETTY T. YEE
California State Controller

September 9, 2019

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Matthew Hawkesworth, Director of Finance
City of Pasadena
100 North Garfield Avenue, 3rd Floor
Pasadena, CA 91101

Dear Mr. Hawkesworth:

The State Controller's Office (SCO) audited the costs claimed by the City of Pasadena for the legislatively mandated Open Meetings Act/Brown Act Reform Program for the period of July 1, 2005, through June 30, 2012.

The city claimed \$463,850 for the mandated program. Our audit found that \$398,225 is allowable and \$65,625 is unallowable because the city overstated its standard-time costs by misstating the number of eligible agenda items and applying incorrect productive hourly rates to eligible agenda items, and overstated its flat-rate costs by claiming costs for unsupported and ineligible meeting agendas. The State made no payments to the city. The State will pay \$398,225, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the city of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/as

Matthew Hawkesworth,
Director of Finance

-2-

September 9, 2019

cc: The Honorable Terry Tornek, Mayor
City of Pasadena
Robert S. Ridley, CPA, Controller
City of Pasadena
Mark Jomsky, City Clerk
City of Pasadena
Jane Guo, Principal Accountant
City of Pasadena
Chris Hill, Principal Program Budget Analyst
Local Government Unit
California Department of Finance
Steven Pavlov, Finance Budget Analyst
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California Department of Finance
Debra Morton, Manager
Local Government Programs and Services Division
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Pasadena for the legislatively mandated Open Meetings Act/Brown Act Reform Program for the period of July 1, 2005, through June 30, 2012.

The city claimed \$463,850 for the mandated program. Our audit found that \$398,225 is allowable and \$65,625 is unallowable because the city overstated its standard-time costs by misstating the number of eligible agenda items and applying incorrect productive hourly rates (PHRs) to eligible agenda items, and overstated its flat-rate costs by claiming costs for unsupported and ineligible meeting agendas. The State made no payments to the city. The State will pay \$398,225, contingent upon available appropriations.

Background

Open Meetings Act Program

Chapter 641, Statutes of 1986, added Government Code (GC) sections 54954.2 and 54954.3. GC section 54954.2 requires the legislative body of a local agency, or its designee, to post an agenda containing a brief general description of each item or business to be transacted or discussed at the regular meeting, subject to exceptions stated therein, specifying the time and location of the regular meeting. It also requires that the agenda to be posted at least 72 hours before the meeting in a location freely accessible to the public. GC section 54954.3 requires members of the public to be provided an opportunity to address the legislative body on specific agenda items or an item of interest that is within the subject matter jurisdiction of the legislative body. The legislation requires that this opportunity be stated on the posted agenda.

Open Meetings Act/Brown Act Reform Program

Chapters 1136 through 1138, Statutes of 1993, amended GC sections 54952, 54954.2, 54957.1, and 54957.7, expanding the types of legislative bodies that are required to comply with the notice and agenda requirements of GC sections 54954.2 and 54954.3. These sections also require all legislative bodies to perform additional activities related to the closed session requirements of the Brown Act.

The Commission on State Mandates (Commission) determined that the Open Meetings Act Program (October 22, 1987) and the Open Meetings Act/Brown Act Reform Program (June 28, 2001) resulted in state-mandated costs that are reimbursable under GC section 17561.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted parameters and guidelines on September 22, 1988 (last amended on November 30, 2000) for the Open Meetings Act Program, and on April 25, 2002, for the Open Meetings Act/Brown Act Reform Program. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

The Open Meetings Act Program became effective January 1, 1987. Commencing in fiscal year (FY) 1997-98, a local agency may claim costs using the actual time reimbursement option, the standard-time reimbursement option, or the flat-rate reimbursement option as specified in the parameters and guidelines. The Open Meetings Act/Brown Act Reform Program became effective in FY 2001-02.

Based on the passage of Proposition 30, adopted by the voters on November 7, 2012, the California Department of Finance filed a request for redetermination of the Open Meetings Act/Brown Act Reform Program. On January 23, 2015, the Commission found that the Open Meetings Act/Brown Act Reform Program no longer constitutes a reimbursable state-mandated program, effective November 7, 2012.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Open Meetings Act/Brown Act Reform Program. Specifically, we conducted this audit to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The audit period was July 1, 2005, through June 30, 2012.

To achieve our objective, we performed the following procedures:

- Reviewed the annual mandated cost claims filed by the city for the audit period and identified the material cost components claimed. For standard-time option costs, these included the number of agenda items, the minutes per agenda item, and the blended PHRs. For flat-rate costs, these included the number of agenda items and the uniform cost allowance. Determined whether there were any mathematical errors or any unusual or unexpected variances from year to year, and whether the claims adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key city staff members. Discussed the claim preparation process with city staff to determine what information was obtained, who obtained it, and how it was used;

Standard-time option

- Selected a judgmental non-statistical sample from the population of 4,267 meeting agenda items claimed for the City Council, ranging from 26% to 30% for each fiscal year of the audit period;
- Counted the number of eligible agenda items identified on the sampled meeting agendas, compared the results to the number of agenda items claimed for that meeting, and determined an error percentage for each year of the audit period;
- Consistent with the American Institute of Certified Public Accountants' (AICPA) *Audit Sampling Guide* (May 1, 2017 edition), projected the results from the sample by applying each fiscal year's error rate to the total population for that fiscal year;

- Held discussions with city representatives to determine which employee classifications performed the reimbursable activities and the extent of the mandated activities;
- Recalculated the PHR calculations for FY 2005-06 through FY 2011-12 for all employee classifications that performed the mandated activities, using documentation from the city's payroll system;

Flat-rate option

- Selected a judgmental non-statistical sample of meeting agendas claimed, ranging from 27.31% to 32.68% for each fiscal year of the audit period:
 - Verified the existence of meeting agendas claimed and compared the number of supported meetings to the number claimed (we excluded from consideration meetings that did not include a provision for public comment); and
 - Developed error rates for each fiscal year based on the number of eligible meeting agendas. Consistent with the *AICPA Audit Sampling Guide*, we applied the error rate to the total costs claimed for that fiscal year.

GC sections 12410, 17558.5, and 17561 provide the legal authority to conduct this audit. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We limited our review of the city's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the city's financial statements.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We did not find that the city claimed costs that were funded by other sources; however, we found that it claimed unsupported and ineligible costs, as quantified in the Schedule and described in the Findings and Recommendations section of this audit report.

For the audit period, the City of Pasadena claimed \$463,850 for the legislatively mandated Open Meetings Act/Brown Act Reform Program. Our audit found that \$398,225 is allowable and \$65,625 is unallowable. The State made no payments to the city. The State will pay \$398,225, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the city of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

**Follow-up on
Prior Audit
Findings**

We have not previously conducted an audit of the city's legislatively mandated Open Meetings Act/Brown Act Reform Program.

**Views of
Responsible
Officials**

We issued a draft audit report on July 26, 2019. Matthew Hawkesworth, Director of Finance, responded by email on August 5, 2019 (Attachment), agreeing with the audit results. This final audit report includes the city's response.

Restricted Use

This audit report is solely for the information and use of the City of Pasadena, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

September 9, 2019

Schedule—
Summary of Program Costs
July 1, 2005, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Standard rate	\$ 23,758	\$ 26,489	\$ 2,731	Finding 1
Flat rate	23,741	19,942	(3,799)	Finding 2
Total direct costs	47,499	46,431	(1,068)	
Indirect costs ²	1,980	-	(1,980)	Finding 1
Total program costs	<u>\$ 49,479</u>	46,431	<u>\$ (3,048)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 46,431</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Standard rate	\$ 26,166	\$ 28,219	\$ 2,053	Finding 1
Flat rate	31,577	26,784	(4,793)	Finding 2
Total direct costs	57,743	55,003	(2,740)	
Indirect costs ²	2,181	-	(2,181)	Finding 1
Total program costs	<u>\$ 59,924</u>	55,003	<u>\$ (4,921)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 55,003</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Standard rate	\$ 26,528	\$ 28,492	\$ 1,964	Finding 1
Flat rate	30,935	26,257	(4,678)	Finding 2
Total direct costs	57,463	54,749	(2,714)	
Indirect costs ²	2,211	-	(2,211)	Finding 1
Total program costs	<u>\$ 59,674</u>	54,749	<u>\$ (4,925)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 54,749</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Standard rate	\$ 23,768	\$ 21,596	\$ (2,172)	Finding 1
Flat rate	32,525	28,188	(4,337)	Finding 2
Total direct costs	56,293	49,784	(6,509)	
Indirect costs ²	1,981	-	(1,981)	Finding 1
Total program costs	<u>\$ 58,274</u>	49,784	<u>\$ (8,490)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 49,784</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2009, through June 30, 2010</u>				
Standard rate	\$ 46,351	\$ 41,203	\$ (5,148)	Finding 1
Flat rate	34,775	21,988	(12,787)	Finding 2
Total program costs	<u>\$ 81,126</u>	63,191	<u>\$ (17,935)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 63,191</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Standard rate	\$ 37,217	\$ 40,434	\$ 3,217	Finding 1
Flat rate	34,471	21,864	(12,607)	Finding 2
Total program costs	<u>\$ 71,688</u>	62,298	<u>\$ (9,390)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 62,298</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Standard rate	\$ 50,524	\$ 40,537	\$ (9,987)	Finding 1
Flat rate	33,161	26,232	(6,929)	Finding 2
Total program costs	<u>\$ 83,685</u>	66,769	<u>\$ (16,916)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 66,769</u>		
<u>Summary: July 1, 2005, through June 30, 2012</u>				
Standard rate	\$ 234,312	\$ 226,970	\$ (7,342)	Finding 1
Flat rate	221,185	171,255	(49,930)	Finding 2
Total direct costs	455,497	398,225	(57,272)	
Total indirect costs ²	8,353	-	(8,353)	Finding 1
Total program costs	<u>\$ 463,850</u>	398,225	<u>\$ (65,625)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 398,225</u>		

¹ See the Findings and Recommendations section.

² Indirect cost rates were already incorporated in the blended PHRs used to claim costs under the standard-time option for FY 2005-06 through FY 2008-09.

³ Payment amount current as of July 12, 2019.

Findings and Recommendations

FINDING 1— Overstated standard- time option and related indirect costs

The city claimed \$234,312 under the standard-time option for the preparation and posting of agenda items and \$8,353 of related indirect costs for the Open Meetings Act/Brown Act Reform Program for the Pasadena City Council for the audit period. The city claimed costs based on the number of council meeting agenda items multiplied by the standard-time allowance of 30 minutes per agenda item for the City Council multiplied by the blended PHR. The blended PHR includes related benefits and indirect costs for the employee classifications that performed the reimbursable activity.

During testing, we found that \$226,970 is allowable and \$15,695 is unallowable. The costs are unallowable because the city applied incorrect PHRs to eligible agenda items and claimed duplicate indirect costs, as indirect costs had already been included in the city's blended PHR calculations.

Testing Methodology

We used non-statistical sampling to test meeting agendas claimed during the audit period under the standard-time option. This included:

- Determining that the population of items for testing included 4,267 agenda items claimed under the standard-time option.
- Judgmentally selecting meeting agendas claimed under the standard-time option as follows:
 - FY 2005-06: 196 out of 689 agenda items
 - FY 2006-07: 200 out of 723 agenda items
 - FY 2007-08: 174 out of 678 agenda items
 - FY 2008-09: 172 out of 577 agenda items
 - FY 2009-10: 165 out of 621 agenda items
 - FY 2010-11: 124 out of 449 agenda items
 - FY 2011-12: 151 out of 530 agenda items;
- Reviewing copies of as many meeting agendas for selected meetings as possible, available on the city's website or requested from the city;
- Counting the number of eligible agenda items for meeting agendas provided under the standard-time option based on the requirements of the parameters and guidelines. Compared the testing results to the number of agenda items claimed per fiscal year; and
- Projecting the results from the samples selected for each year by applying each year's error percentage to the total population for that year.

City Council

The city claimed \$234,312 under the standard-time option for preparing and posting 4,267 agenda items and \$8,353 of related indirect costs for the City Council during the audit period. We found that \$226,970 is allowable and \$15,695 is unallowable. The costs are unallowable because the city understated the number of eligible agenda items by 438 items and overstated the blended PHRs for the entire audit period. The city misstated the elements of the blended PHR calculations (employee annual salaries and benefits, productive hours, and the percentage of various staff members’ involvement in the reimbursable activities). The city also claimed related indirect costs of \$8,353 for FY 2005-06 through FY 2008-09, although the city had already included a component for indirect costs in its blended PHR calculations.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the City Council for the standard-time option costs claimed by fiscal year:

	Fiscal Year							Total
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
Number of claimed agenda items	689	723	678	577	621	449	530	
Standard-time (hour) per agenda	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	
Total claimed hours	344.50	361.50	339.00	288.50	310.50	224.50	265.00	
Claimed PHR	× 68.97	× 72.38	× 78.26	× 82.39	× 149.28	× 165.78	× 190.66	
Totals	\$ 23,760	\$ 26,165	\$ 26,530	\$ 23,770	\$ 46,351	\$ 37,218	\$ 50,525	\$ 234,319
Claim calculation errors ¹	(2)	1	(2)	(2)	-	(1)	(1)	(7)
Total direct costs	23,758	26,166	26,528	23,768	46,351	37,217	50,524	234,312
Related indirect costs ²	1,980	2,181	2,211	1,981	-	-	-	8,353
Total claimed costs	\$ 25,738	\$ 28,347	\$ 28,739	\$ 25,749	\$ 46,351	\$ 37,217	\$ 50,524	\$ 242,665
Number of allowable agenda items	822	811	739	597	626	575	535	
Standard-time (hour) per agenda	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	
Total allowable hours	411.00	405.50	369.50	298.50	313.00	287.50	267.50	
Allowable blended PHR	× 64.45	× 69.59	× 77.11	× 72.35	× 131.64	× 140.64	× 151.54	
Total allowable direct costs	\$ 26,489	\$ 28,219	\$ 28,492	\$ 21,596	\$ 41,203	\$ 40,434	\$ 40,537	\$ 226,970
Allowable related indirect costs ²	-	-	-	-	-	-	-	-
Total allowable costs	\$ 26,489	\$ 28,219	\$ 28,492	\$ 21,596	\$ 41,203	\$ 40,434	\$ 40,537	\$ 226,970
Audit adjustment ³	\$ 751	\$ (128)	\$ (247)	\$ (4,153)	\$ (5,148)	\$ 3,217	\$ (9,987)	\$ (15,695)

¹Minor claim calculation variances due to rounding errors.

²Indirect costs for FY 2005-06 through FY 2008-09 were already included as a component of the city’s blended PHR calculations.

³These audit adjustments include the claim rounding errors.

Misstated Agenda Items

The city claimed costs for preparing 4,267 agenda items for its City Council meetings during the audit period. We found that 4,705 agenda items are allowable and the city understated the number of eligible agenda items by 438 during the audit period. We judgmentally selected agendas from City Council meetings during each year of the audit period; the sample comprised agenda items ranging from 26% to 30% of the number of agenda items claimed per year. We reviewed the board meeting agendas to determine the number of eligible items. Following the requirements of the parameters and guidelines, we did not count items such as “public comments,” “next meetings,” “adjournment,” “general discussion matters,” as these are regular repetitive items.

We followed guidance contained in the AICPA *Audit Sampling Guide* to apply audit sampling in accordance with Clarified Statement on Auditing

Standards AU-C section 530 (Audit Sampling). The objective of our testing was to determine if the counts of eligible agenda items (4,267) claimed under the standard-time option were correct. We defined deviations as agenda items ineligible for reimbursement per the parameters and guidelines.

The population consisted of the 4,267 agenda items claimed for the City Council meetings during the seven-year audit period. We determined that the City Council was eligible to claim costs under the standard-time option. We judgmentally selected approximately 28% of City Council standard-time agendas, which comprised 1,182 agenda items, for testing. The number of claimed agenda items remained constant throughout the audit period (ranging from 449 to 689). Therefore, we selected 124 to 200 agenda items per year for testing. The tolerable misstatement, or error variance, is an error rate of ineligible agenda items within 15%. Our initial testing and discussions with city staff revealed that the number of claimed agenda items was reasonable and not excessive; therefore, we accepted the number of claimed agenda items. In addition, we counted and included an additional 22 meeting agendas containing 438 agenda items that the city did not claim initially.

Overstated Productive Hourly Rates

The city claimed blended PHRs and applied them to the following employee job classifications for all years of the audit period:

- City Clerk
- Senior Assistant City Clerk
- Assistant City Clerk
- Two Staff Assistants
- City Manager
- Two Assistant City Managers
- City Attorney

We met with representatives of the City Clerk's Office and, based on these discussions, we determined which employee classifications performed the reimbursable activities and the extent of their involvement. We also requested actual payroll information from the Payroll Office for the staff performing the reimbursable activities during the audit period, and used this information to re-calculate blended PHRs. We found that the city overstated the claimed rates for all years of the audit period.

The following table summarizes the actual participation percentages for city staff members performing the reimbursable activities during the audit period:

Employee Classification	Fiscal Year						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
City Clerk	15%	15%	15%	15%	15%	15%	15%
Senior Assistant City Clerk A	65%	65%	65%	0%	0%	0%	0%
Senior Assistant City Clerk B	5%	5%	5%	65%	65%	65%	65%
Assistant City Clerk	0%	0%	0%	5%	5%	5%	5%
Staff Assistant A	12%	12%	12%	12%	12%	12%	12%
Staff Assistant B	3%	3%	3%	3%	3%	3%	3%

We used salary, benefit, and indirect cost information that the city provided to re-calculate its PHRs. We then multiplied the PHRs by the actual participation percentages to compute blended PHRs for the audit period.

The following table shows the calculation of the blended PHR used to calculate allowable costs for FY 2008-09:

Employee Classification	Annual Salary [a]	Productive Hours [b]	PHR c=(a/b)	Indirect Cost Rate d=(c × 10%)	Benefit Rate e=(c × 20%)	Total PHR f=(c+d+e)	Activity % [g]	Total PHR [f × g]
City Clerk	\$136,744.51	1,917.5	\$ 71.31	\$ 7.13	\$ 14.26	\$ 92.70	15%	\$ 13.91
Senior Assistant City Clerk B ¹	106,732.89	1,807.5	59.05	5.91	11.81	76.77	65%	49.90
Assistant City Clerk	72,251.93	1,765.5	40.92	4.09	8.18	53.19	5%	2.66
Staff Assistant A	53,344.57	1,763.5	30.25	3.03	6.05	39.33	12%	4.72
Staff Assistant B	51,439.95	1,723.5	29.85	2.99	5.97	38.81	3%	1.16
Totals								<u>\$ 72.35</u>

¹Beginning in FY 2008-09, the city had only one Senior Assistant City Clerk.

We performed a similar calculation for all of the other years of the audit period. We then applied allowable blended PHRs to allowable agenda items for each fiscal year.

The following table presents the calculation of total allowable costs under the standard-time option for City Council meetings during the audit period by fiscal year:

Allowable Agenda Items [a]	Standard Time Allowance [b]	Claimed Blended PHR	Audited/ Allowable Blended PHR [c]	Total Allowable Costs [a] × [b] × [c]
822	0.5	\$ 68.97	\$ 64.45	\$ 26,489
811	0.5	72.38	69.59	28,219
739	0.5	78.26	77.11	28,492
597	0.5	82.39	72.35	21,596
626	0.5	149.28	131.64	41,203
575	0.5	165.78	140.64	40,434
535	0.5	190.66	151.54	40,537
<u>4,705</u>				<u>\$ 226,970</u>

Criteria

Section IV. (A) (Reimbursable Activities – Agenda Preparation and Posting Activities) of the parameters and guidelines, states that reimbursable activities include “Prepar[ing] a single agenda for a regular meeting of a legislative body of a local agency” and “Post[ing] a single agenda 72 hours before a meeting...”

Section V. (A) (2) (a) (Claim Preparation and Submission – Reimbursement Options for Agenda Preparation and Posting, Including Closed Session Agenda Items – Standard Time – Main Legislative Body Meetings of Counties and Cities) of the parameters and guidelines states, in part:

List the meeting name and dates. For each meeting, multiply the number of agenda items, excluding standard agenda items [emphasis added] such as “adjournment”, “call to order”, “flag salute”, and “public comments”, by 30 minutes and then by the blended productive hourly rate of the involved employees.

Section VI. (A) (Supporting Data – Source Documents) of the parameters and guidelines require that “all incurred costs claimed must be traceable to source documents that show evidence of their validity and relationship to the reimbursable activities.” Section VI. (A) also states:

For those entities that elect reimbursement pursuant to the standard time methodology, option 2 in section V.A, documents showing the calculation of the blended productive hourly rate and copies of agendas shall be sufficient evidence.

Recommendation

No recommendation is applicable for this finding, as the period of reimbursement for the legislatively mandated Open Meetings Act/Brown Act Reform Program ended on November 7, 2012 with the passage of Proposition 30. For other mandated programs, we recommend that the city:

- Follow the mandated program’s parameters and guidelines and claiming instructions when preparing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City’s Response

The City has reviewed the draft report and accepts it. We do not have any additional comments or objections.

FINDING 2— Overstated flat-rate costs

The city claimed \$221,185 under the flat-rate option allowable per the parameters and guidelines for the Open Meetings Act/Brown Act Reform Program for the audit period. During testing, we found that \$171,255 is allowable and \$49,930 is unallowable.

Claimed costs under the flat-rate option are determined by multiplying an annual uniform cost allowance by the number of meetings. The uniform cost allowance is adjusted each year by the Implicit Price Deflator referenced in GC section 17523.

The costs are unallowable because the city overstated the number of meetings claimed in all years of the audit period. We worked with city representatives and searched the city’s website, but the city did not provide some of the meeting agendas claimed. In addition, some meeting agendas were ineligible for claiming purposes because the meetings were canceled, or did not include items for public comment. The city could not explain how those errors occurred because it relied on a consultant to prepare its claims.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the flat-rate option by fiscal year:

	Fiscal Year							Total
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
Claimed agendas	175	224	205	210	223	216	201	1,454
Flat rate	× 135.66	× 140.97	× 150.90	× 154.88	× 155.94	× 159.59	× 164.98	
Total claimed costs	<u>23,741</u>	<u>31,577</u>	<u>30,935</u>	<u>32,525</u>	<u>34,775</u>	<u>34,471</u>	<u>33,161</u>	\$221,185
Allowable agendas	147	190	174	182	141	137	159	1,130
Flat rate	× 135.66	× 140.97	× 150.90	× 154.88	× 155.94	× 159.59	× 164.98	
Total allowable costs	<u>19,942</u>	<u>26,784</u>	<u>26,257</u>	<u>28,188</u>	<u>21,988</u>	<u>21,864</u>	<u>26,232</u>	171,255
Audit adjustment	<u>\$ (3,799)</u>	<u>\$ (4,793)</u>	<u>\$ (4,678)</u>	<u>\$ (4,337)</u>	<u>\$ (12,787)</u>	<u>\$ (12,607)</u>	<u>\$ (6,929)</u>	<u>\$ (49,930)</u>

Overstated Agendas

The city claimed costs for preparing agendas for 1,454 meetings during the audit period. We found that 1,130 agendas are allowable and 324 are unallowable.

The city claimed agendas encompassing eight city departments during the audit period. We judgmentally selected 29.15% of meeting agendas for legislative bodies within those departments for testing. We used non-statistical sampling to test meeting agendas claimed during the audit period under the flat-rate option. This included:

- Verifying that the population of items for testing included 1,454 meeting agendas claimed under the flat-rate option;
- Judgmentally selecting meeting agendas claimed under the flat-rate option as follows:
 - FY 2005-06: 50 out of 175 agendas
 - FY 2006-07: 70 out of 224 agendas
 - FY 2007-08: 67 out of 205 agendas
 - FY 2008-09: 59 out of 210 agendas
 - FY 2009-10: 62 out of 223 agendas
 - FY 2010-11: 59 out of 216 agendas
 - FY 2011-12: 57 out of 201 agendas

- Reviewing copies of as many meeting agendas for selected meetings as possible, available on the city's website or requested from the city;
- Verifying the existence of meeting agendas for the meetings claimed under the flat-rate option and comparing the number of supported meetings to the number claimed. We excluded from consideration meetings that did not include a provision for public comment; and
- Projecting the results from the samples selected for each year by applying each year's allowable agenda variance to the total population for each department for that year.

Allowable agendas are those associated with meetings that actually occurred and the city supported. Unallowable agendas are those associated with meetings that the city did not support, canceled meetings, or meetings that did not include a provision for public comment. Based on the testing results, we developed error variances for each of the eight departments based on the number of eligible agendas compared to the number claimed. We applied these variances to the number of agendas claimed by each city department for each fiscal year of the audit period.

The table on the following page presents the agendas claimed, the allowable agenda variance percentage, the number of allowable agendas, the number of unallowable agendas, and the audit adjustment for each year of the audit period.

City Department	Claimed Agendas	Agenda Variance %	Allowable Agendas	Unallowable Agendas	Flate Rate	Audit Adjustment (\$)
<u>FY 2005-06</u>						
City Clerk	14	80.00%	11	(3)	\$ 135.66	\$ (407)
Fire and Police Retirement System	12	100.00%	12	-	135.66	-
Human Services and Recreation	45	75.00%	34	(11)	135.66	(1,492)
Libraries and Information Services	10	66.67%	7	(3)	135.66	(407)
Planning and Development	70	84.21%	59	(11)	135.66	(1,492)
Public Works	10	100.00%	10	-	135.66	-
Transportation	14	100.00%	14	-	135.66	-
Subtotal	175		147	(28)		(3,798)
Rounding adjustment	-		-	-		(1)
Total – FY 2005-06	175		147	(28)		\$ (3,799)
<u>FY 2006-07</u>						
City Clerk	16	60.00%	10	(6)	140.97	\$ (846)
Fire and Police Retirement System	10	100.00%	10	-	140.97	-
Human Services and Recreation	41	84.21%	35	(6)	140.97	(846)
Libraries and Information Services	12	100.00%	12	-	140.97	-
Planning and Development	122	82.35%	100	(22)	140.97	(3,101)
Public Works	10	100.00%	10	-	140.97	-
Transportation	13	100.00%	13	-	140.97	-
Total – FY 2006-07	224		190	(34)		\$ (4,793)
<u>FY 2007-08</u>						
City Clerk	20	83.33%	17	(3)	150.90	\$ (453)
Fire and Police Retirement System	10	100.00%	10	-	150.90	-
Human Services and Recreation	42	73.68%	31	(11)	150.90	(1,660)
Libraries and Information Services	11	100.00%	11	-	150.90	-
Planning and Development	112	87.88%	98	(14)	150.90	(2,113)
Public Works	10	66.67%	7	(3)	150.90	(453)
Subtotal	205		174	(31)		(4,679)
Rounding adjustment	-		-	-		1
Total – FY 2007-08	205		174	(31)		\$ (4,678)
<u>FY 2008-09</u>						
City Clerk	19	100.00%	19	-	154.88	\$ -
Fire and Police Retirement System	11	100.00%	11	-	154.88	-
Human Services and Recreation	42	75.00%	32	(10)	154.88	(1,549)
Libraries and Information Services	11	100.00%	11	-	154.88	-
Planning and Development	105	89.66%	94	(11)	154.88	(1,704)
Public Works	11	100.00%	11	-	154.88	-
Transportation	11	33.33%	4	(7)	154.88	(1,084)
Total – FY 2008-09	210		182	(28)		\$ (4,337)
<u>FY 2009-10</u>						
Human Services and Recreation	42	27.27%	11	(31)	155.94	\$ (4,834)
Planning and Development	174	71.74%	125	(49)	155.94	(7,641)
Transportation	7	100.00%	5	(2)	155.94	(312)
Total – FY 2009-10	223		141	(82)		\$ (12,787)
<u>FY 2010-11</u>						
Human Services and Recreation	48	33.33%	16	(32)	159.59	(5,107)
Planning and Development	144	67.50%	97	(47)	159.59	(7,501)
Transportation	24	100.00%	24	-	159.59	-
Subtotal	216		137	(79)		\$ (12,608)
Rounding adjustment	-		-	-		1
Total – FY 2010-11	216		137	(79)		\$ (12,607)
<u>FY 2011-12</u>						
City Clerk	25	100.00%	25	-	164.98	\$ -
Finance	6	100.00%	6	-	164.98	-
Human Services and Recreation	24	57.14%	14	(10)	164.98	(1,650)
Planning and Development	126	74.29%	94	(32)	164.98	(5,279)
Transportation	20	100.00%	20	-	164.98	-
Total – FY 2011-12	201		159	(42)		\$ (6,929)
Grand Total	1,454		1,130	(324)		\$ (49,930)

Criteria

Section I. (Summary of Mandate) of the parameters and guidelines states:

Statutes of 1986, chapter 641 also added Government Code section 54954.3 to provide an opportunity for members of the public to address the legislative body on specific agenda items or any item of interest that is within the subject matter jurisdiction of the legislative body, and this opportunity for comment must be stated on the posted agenda.

Section IV. (A) (Reimbursable Activities – Agenda Preparation and Posting Activities) of the parameters and guidelines, states that reimbursable activities include “Prepar[ing] a single agenda for a regular meeting of a legislative body of a local agency” and “Post[ing] a single agenda 72 hours before a meeting....”

Section V. (A) (3) (Claim Preparation and Submission – Reimbursement Options for Agenda Preparation and Posting, Including Closed Session Agenda Items – Flat Rate) of the parameters and guidelines states, “List the meeting names and dates. Multiply the uniform cost allowance...by the number of meetings.”

Section VI. (A) (Supporting Data – Source Documents) of the parameters and guidelines states that “all incurred costs claimed must be traceable to source documents that show evidence of their validity and relationship to the reimbursable activities.” Section VI. (A) also states that “For those entities that elect reimbursement pursuant to the flat-rate methodology, option 3 in section V.A, copies of agendas shall be sufficient evidence.”

Recommendation

No recommendation is applicable for this finding, as reimbursement for the legislatively mandated Open Meetings Act/Brown Act Reform Program ended on November 7, 2012, with the passage of Proposition 30.

For other mandated programs, we recommend that the city:

- Follow the mandated program’s parameters and guidelines and claiming instructions when preparing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City’s Response

The City has reviewed the draft report and accepts it. We do not have any additional comments or objections.

**Attachment—
City's Response to Draft Audit Report**

From: Hawkesworth, Matthew <mhawkesworth@cityofpasadena.net>
Sent: Monday, August 5, 2019 9:05 AM
To: Goncharenko, Vladimir <VGoncharenko@sco.ca.gov>; Guo, Jane <jguo@cityofpasadena.net>
Cc: Venneman, Jim <jvenneman@sco.ca.gov>; Ridley, Robert <rridley@cityofpasadena.net>; Holden, Ruthe <rholden@cityofpasadena.net>
Subject: RE: Draft Report

Mr. Goncharenko,
The City has reviewed the draft report and accepts it. We do not have any additional comments or objections.

Thank you,
Matt Hawkesworth



Matthew E. Hawkesworth

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