The Beverly Hills City Council Liaison / Audit and Finance Committee will conduct a Special Meeting, at the following time and place, and will address the agenda listed below:

CITY HALL
455 North Rexford Drive
4th Floor Conference Room A
Beverly Hills, CA 90210

February 19, 2020
3:30 p.m.

AGENDA

1) Public Comment
   a. Members of the public will be given the opportunity to directly address the Committee on any item listed on the agenda.


3) Investigation Protocols for TIP Complaints Made Against City Council Members

4) Performance Audit Selection

5) Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2019

6) FY18/19 Independent Auditor’s Report

7) Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards

8) Independent Accountant’s Report Applying Agreed-Upon Procedures

9) Single Audit for fiscal year ended June 30, 2019

10) Adjournment

Huma Ahmed, City Clerk

Posted: February 18, 2020

A DETAILED LIAISON AGENDA PACKET IS AVAILABLE FOR REVIEW IN THE LIBRARY AND CITY CLERK’S OFFICE

Pursuant to the Americans with Disabilities Act, the City of Beverly Hills will make reasonable efforts to accommodate persons with disabilities. If you require special assistance, please call (310) 285-1014 (voice) or (310) 285-6881 (TTY). Providing at least forty-eight (48) hours advance notice will help to ensure availability of services. City Hall, including 4th Floor Conference Room A, is wheelchair accessible.
About the Trust & Innovation Portal:

The Office of the City Auditor manages the City’s Trust & Innovation Portal (TIP). TIP is an online tool designed to encourage residents and employees to:

1) Share innovative ideas about improving City services; and
2) Report suspected cases of improper activity in City operations.

TIP enhances trust by safeguarding public monies and resources and holding City officials and employees accountable as stewards.

Per the City of Beverly Hills Municipal Code Title 2, Chapter 3, Article 13, effective 10-6-2017, City Auditor duties include investigating allegations of fraud, abuse, or illegal acts.

TIP is operated pursuant to California Government Code §53087.6. California Government Code §53087.6 establishes the City Auditor’s authority to maintain a whistleblower hotline to receive information regarding fraud, waste or abuse. The Statute defines fraud, waste, or abuse as, "any activity by a local agency or employee that is undertaken in the performance of the employee’s official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct."

The City Auditor will maintain confidentiality to the greatest extent possible of all complaints, associated reports, working papers, and other documents. Similarly, Departments investigating allegations shall also maintain the confidentiality of all complaints.

The City of Beverly Hills will not retaliate, nor will it tolerate retaliation, against those who, in good faith report suspected wrongdoing or who participate in an investigation of wrongdoing. An act of retaliation should be reported immediately to the City Auditor. In addition, those who bring matters to the Office of the City Auditor are protected through the state Whistleblower Protection Act.

The City Auditor reviews all non-fraud related complaints made to TIP and makes a determination as to the appropriate referral. The City Auditor refers all complaints pertaining to employee relations, discrimination, harassment, and personnel related complaints to the Human Resources Department Director. In other cases, non-fraud related complaints are referred to the City Manager or his designee for further review and investigation. The City Auditor sends the affected Department Director a memorandum notifying him or her of the complaint, requesting a response, and, if necessary, advise of the process for resolving the complaint. The Office of the City Auditor ensures, through monitoring and reminders to the designated Department head, that timely investigative and resolution activities are undertaken in response to complaints received through the portal.
Definitions

Terms used in this report are defined as follows:

**Abuse** – Official City action that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary under the circumstances.

**Corrective Action** – Action taken to remedy an allegation or situation.

**Fraud** – Any intentional act or omission designed to deceive others, resulting in the victim (City of Beverly Hills) suffering a loss and/or the perpetrator achieving a personal gain.

**Out of Purview** – Not within the jurisdiction of the City of Beverly Hills.

**Substantiated** – A preponderance of the evidence established that the allegation is true.

**Unfounded** – A preponderance of the evidence established that the allegation is or without merit.

**Unsubstantiated** – There is insufficient evidence to determine whether the alleged conduct occurred.

**Waste** – The intentional or unintentional, thoughtless or careless expenditure, consumption, mismanagement, use, or squandering of City resources. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls.
In September 2019, the City Auditor launched the Trust and Innovation Portal (TIP), an online tool designed to encourage residents and employees to:

1. Report suspected cases of improper activity in City operations; and
2. Share innovative ideas about improving City services.

The TIP portal can be accessed at www.beverlyhills.org/TIP; tips or innovative ideas can be submitted at TIP@beverlyhills.org; or at (310) 285-2TIP.

In order to keep the City Council, City employees, and residents informed about the volume of TIP activity, this report summarizes the number of TIP submissions received, cases reviewed, investigative status, and case outcome. This report covers TIP activity from September 17, 2019 to December 31, 2019. This report is broken down by TIP submission type regarding potential improper activity; and potential innovative ideas to improve City operations.

**Reports Received in the Second Quarter of FY 2019/20**

Since the launch of the Trust & Innovation Portal (TIP) on September 17, 2019 and through December 31, 2019 (second quarter of Fiscal Year 2019/20), the Office of the City Auditor received a total of 25 TIP submissions.

- 8 TIP submissions concerning improper activity (Tables 1 and 4)
- 17 TIP submissions concerning innovative ideas (Tables 2, 3, 5, and 6)

Importantly, the Office of the City Auditor has closed all cases regarding improper activity, and 13 of the 17 innovative idea submissions.

**The First 105 Days of TIP Activity**

- 8 tips concerning improper activity
  - No reported improper activity was substantiated.
  - One tip resulted in improved customer service regarding permit issuance.
- 17 submissions regarding innovative ideas
  - Seven suggestions were referred to Departments for corrective action concerning traffic safety and quality of life issues (sanitation).
Four innovative ideas merit further review that can result in:
- Improving performance of a City program;
- Reducing costs; and
- Improving transparency and accountability.

- TIP was introduced on Beverly Hills View and at Team Beverly Hills. TIP was also featured in the November 2019 publication of In Focus.

**Table 1: Case Overview of Suspected Improper Activity**

<table>
<thead>
<tr>
<th>Improper Activity</th>
<th>Number of Cases</th>
<th>Outcome</th>
<th>Out of Purview</th>
<th>Unfounded</th>
<th>Unsubstantiated</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abuse</td>
<td>5</td>
<td></td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Fraud</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste</td>
<td></td>
<td></td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8</strong></td>
<td></td>
<td><strong>2</strong></td>
<td><strong>3</strong></td>
<td><strong>2</strong></td>
<td><strong>1</strong></td>
</tr>
</tbody>
</table>

**Table 2: Innovative Ideas to Improve City Government by Department**

<table>
<thead>
<tr>
<th>Ideas by Department</th>
<th>Number of Submissions</th>
<th>Under Review</th>
<th>Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverly Hills Unified School District</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Citywide</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>City Auditor</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Community Development</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Community Services</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Human Resources</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Police</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Public Works</td>
<td>5</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17</strong></td>
<td><strong>4</strong></td>
<td><strong>13</strong></td>
</tr>
</tbody>
</table>

**Table 3: Categories of Innovative Ideas to Improve City Government by Department**

<table>
<thead>
<tr>
<th>Improvement Categories</th>
<th>Number of Submissions</th>
<th>Under Review</th>
<th>Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Programs</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Community Character</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Economic Sustainability and Viability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhancing Quality of Life</td>
<td>9</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Operational Efficiency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protecting City Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce Costs</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Service Delivery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Transparency and Accountability</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17</strong></td>
<td><strong>4</strong></td>
<td><strong>13</strong></td>
</tr>
</tbody>
</table>
Summary of Suspected Cases of Improper Activity Second Quarter Of FY 2019/20

Table 4 summarizes the eight reports of suspected improper activity submitted to the Trust & Innovation Portal. The table includes the incident type, the report number, the date the report was received, a general description of the report, the outcome, and the current case status. We should note that California state law limits the amount of information that be disclosed concerning improper activity complaints.¹

Table 4: Suspected Cases of Improper Activity

<table>
<thead>
<tr>
<th>No.</th>
<th>Incident Type</th>
<th>Report Number</th>
<th>Date Received</th>
<th>Outcome</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Abuse</td>
<td>RIA 2019-01</td>
<td>9/18/2019</td>
<td>Unsubstantiated</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td>2</td>
<td>Fraud</td>
<td>RIA 2019-02</td>
<td>10/8/2019</td>
<td>Unfounded</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Abuse</td>
<td>RIA 2019-03</td>
<td>10/24/2019</td>
<td>Unsubstantiated</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td>4</td>
<td>Miscellaneous</td>
<td>RIA 2019-04</td>
<td>10/25/2019</td>
<td>Unfounded</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td>5</td>
<td>Abuse</td>
<td>RIA 2019-05</td>
<td>11/13/2019</td>
<td>Out of Purview</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>6</td>
<td>Abuse</td>
<td>RIA 2019-06</td>
<td>11/15/2019</td>
<td>Out of Purview</td>
<td>Closed</td>
</tr>
<tr>
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</tr>
</tbody>
</table>

An allegation regarding unspecified abuse of power by a Department head was reviewed and determined to be unsubstantiated. No contact information was provided and the case was closed with no further action necessary.

An allegation regarding espionage was reviewed and determined not to be in the purview of the Trust & Innovation Portal. The case was closed with no further action necessary.

An allegation regarding abuse of power by multiple City employees was reviewed and determined to be unsubstantiated. The case was closed with no further action necessary.

A comment was submitted, but did not include an allegation of fraud, waste, or abuse within City operations that would permit an investigation. As a result, the report was deemed unfounded and was closed.

A report regarding animal abuse at a private business outside of the City of Beverly Hills was out of the purview of the Trust & Innovation Portal to investigate. The reporter was referred to the store owner for further concerns.

An allegation regarding abuse related to a criminal complaint was reviewed and determined to be out of the purview of the Trust & Innovation Portal to investigate. The case was closed with no further action necessary.

¹ The City’s Trust & Innovation Portal is operated pursuant to California Government Code §53087.6. The Statute requires that investigations conducted pursuant to its authority be confidential except to issue any report of an investigation that has been substantiated, or to release any findings resulting from a completed investigation that are deemed necessary to serve the interests of the public. In any event, the identity of the individual or individuals reporting the improper government activity, and the subject employee or employees, shall be kept confidential.
A report of a City employee not following proper policy and procedure was investigated and substantiated. The department took the appropriate corrective action by retraining the identified employee.

An allegation regarding abuse between two external parties was unfounded. No contact information was provided and the case was closed with no further action necessary.

Summary of Innovative Ideas to Improve City Government Second Quarter of FY 2019/20

Residents submitted 17 tips to improve City government and/or make City staff aware of potentially hazardous conditions in the City. Table 5 summarizes the 13 innovative ideas that are now closed or referred to the appropriate department for action and Table 6 summarizes the four innovative ideas that are currently under review. The tables include the department, the report number, the date the suggestion was received, a general description of the suggestion, the current status of the suggestion, and the outcome.

Table 5: Innovative Ideas To Improve City Government That Are Closed

<table>
<thead>
<tr>
<th>No.</th>
<th>Department</th>
<th>Report Number</th>
<th>Date Received</th>
<th>Status</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Police</td>
<td>SIG 2019-02</td>
<td>9/18/2019</td>
<td>Closed</td>
<td>The report lacked sufficient information and no contact information was provided to receive additional details. The case was closed with no further action necessary.</td>
</tr>
<tr>
<td>2</td>
<td>City Auditor</td>
<td>SIG 2019-04</td>
<td>9/20/2019</td>
<td>Closed</td>
<td>A suggestion to update the acknowledgment received upon completing a submission to the Trust &amp; Innovation Portal. The suggestion was reviewed and discussed with the software vendor. The vendor does not currently support this function but is working with us to find a solution to have this implemented for future submissions.</td>
</tr>
<tr>
<td>3</td>
<td>Public Works</td>
<td>SIG 2019-05</td>
<td>9/23/2019</td>
<td>Closed</td>
<td>A submission to improve City sanitation by providing additional garbage cans along South Robertson Blvd. The submission was referred to the Public Works Department, and according to Department staff, additional receptacles were added in the requested area.</td>
</tr>
<tr>
<td>4</td>
<td>Public Works</td>
<td>SIG 2019-06</td>
<td>9/23/2019</td>
<td>Closed</td>
<td>A submission to improve City safety in relation to speeding on residential streets on South Clark Dr. The submission was referred to the Public Works Department and according to Department staff, the speed bumps installed on South Clark Dr. comply with Fire Department requirements.</td>
</tr>
<tr>
<td></td>
<td>Agency</td>
<td>SIG</td>
<td>Date</td>
<td>Status</td>
<td></td>
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<tr>
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</tr>
<tr>
<td>5</td>
<td>Community Development</td>
<td>SIG 2019-07</td>
<td>11/3/2019</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A submission to improve City safety relating to overgrown greenery along Loma Vista Dr. by the Greystone Mansion which reduces visibility while coming downhill.</td>
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<tr>
<td></td>
<td>The submission was referred to the Community Development Department and there was a Code Enforcement Officer assigned to the case. Per the Code Enforcement Officer, the identified homeowner complied with the necessary tree and hedge trimmings and there are currently no further enforcement actions or open cases related to the identified address.</td>
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<tr>
<td>6</td>
<td>Public Works</td>
<td>SIG 2019-08</td>
<td>11/14/2019</td>
<td>Closed</td>
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</tr>
<tr>
<td></td>
<td>An anonymous inquiry regarding procedures related to City reimbursements for the Purple Line Extension.</td>
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<tr>
<td></td>
<td>The inquiry was reviewed and the reimbursements for the Purple Line Extension are detailed in the Memorandum of Agreement for Contract C1045 of the Purple Line Extension Project-Segment 1 Between the City of Beverly Hills and the Los Angeles County Metropolitan Transportation Authority. City Reimbursements are noted from page 12-14, Article XI &quot;Manner In Which The City Will Be Reimbursed For Costs&quot;.</td>
<td></td>
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</tr>
<tr>
<td>7</td>
<td>Police</td>
<td>SIG 2019-09</td>
<td>11/15/2019</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A concern about traffic safety in the City related to traffic control signs that are being violated and not enforced on the corner of Elevado Ave. and Doheny Rd.</td>
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<tr>
<td></td>
<td>The submission was referred to the Beverly Hills Police Department and according to a Police Department official, they will discuss the issue with Traffic Sergeants and will direct Motor Officers to conduct more enforcements in that area.</td>
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<tr>
<td>8</td>
<td>Public Works</td>
<td>SIG 2019-10</td>
<td>11/18/2019</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A concern regarding safety and sanitation at Arnaz Park due to damage in the rubber flooring, the playground constantly appearing dirty, and the fountain being out of operation.</td>
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<tr>
<td></td>
<td>The submission was referred to the Public Works Department and per Public Works staff, they are currently working with Project Management to get new equipment for Arnaz Park as it is a Captial Improvement Project. The equipment is currently being cleaned weekly and they are also coordinating with a vendor to have repairs made to the fountain.</td>
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</tr>
<tr>
<td>9</td>
<td>Beverly Hills Unified School District</td>
<td>SIG 2019-12</td>
<td>11/19/2019</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A suggestion to have the high school track open at 5:30 am instead of 6 am.</td>
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<tr>
<td></td>
<td>The suggestion was forwarded to the Beverly Hills Unified School District (BHUSD) and per the Athletic Director, the track hours have been, and will remain as, 5:30 am daily.</td>
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</tr>
<tr>
<td>10</td>
<td>Community Development</td>
<td>SIG 2019-14</td>
<td>11/20/2019</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>An anonymous concern from a resident regarding a large and overgrown palm tree on a neighboring home.</td>
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<tr>
<td></td>
<td>The submission was referred to the Community Development Department. Code Enforcement does not have control over tree height in the City and there was no contact information provided for additional details. The case was closed with no further action necessary.</td>
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</tr>
</tbody>
</table>
A comment regarding the accuracy and process of the Business Tax Renewal Form E for property owners.

As per the Finance Department staff, matching is occurring between Business Tax Renewal Form E and annual Rent Stabilization lists. Future steps include testing the accuracy of reported rental income.

A suggestion involving more speed bumps being installed on South Clark Dr. as there is currently a gap for cars to drive through.

The submission was referred to the Public Works Department and the submitting party was notified that a 3" wheel gap needs to be maintained for Fire Department requirements.

An anonymous suggestion in regards to hiring practices.

The submission received was inappropriate and was closed with no further action necessary.

### Table 6: Innovative Ideas to Improve City Government that are Under Review

The suggestions below are currently under review and will be presented to the Audit and Finance Committee for further direction.

<table>
<thead>
<tr>
<th>No.</th>
<th>Department</th>
<th>Report Number</th>
<th>Date Received</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Community Services</td>
<td>SIG 2019-01</td>
<td>Received prior to TIP launch</td>
<td>Under Review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Police</td>
<td>SIG 2019-03</td>
<td>9/20/2019</td>
<td>Under Review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>3</td>
<td>Citywide</td>
<td>SIG 2019-11</td>
<td>11/18/2019</td>
<td>Under Review</td>
</tr>
<tr>
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<tr>
<td>4</td>
<td>Community Services</td>
<td>SIG 2019-13</td>
<td>11/19/2019</td>
<td>Under Review</td>
</tr>
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<td></td>
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</tr>
</tbody>
</table>

A review and cost analysis of the Park Ranger Program was submitted with options to cut costs by utilizing ambassadors to patrol parks or by increasing training programs.

A suggestion to use the Trust & Innovation Portal for reports made to the Beverly Hills Police Department form currently used for comments, complaints, and commendations.

A suggestion to update the City’s address database in order to save costs as multiples of the same mailer are being received by residents.

An anonymous concern regarding the Dial-A-Ride Shuttle Program call hold times, the amount of dispatchers and drivers, pick up locations, and generally the program not being used to its maximum capacity as it once was for residents.
MEMORANDUM

TO: Audit and Finance Committee Liaisons
FROM: Eduardo Luna, City Auditor
DATE: February 19, 2020
SUBJECT: Investigative Protocols for TIP Complaints Made Against City Council Members
ATTACHMENT: 1. Investigative Protocols for TIP Complaints Made Against City Council Members

The September 17, 2019 City Council Study Session included a presentation on the launch of the Trust and Innovation Portal (TIP), which is an online tool for reporting improper activity and submitting suggestions for improving City operations. As part of the discussion, City Council directed me to enhance the investigative protocols for addressing complaints against City Council members. The TIP Fraud Manual (September 2019), Section II Processing Hotline Complaints B (4) stated:

*If a complaint is made against the Mayor or a City Council Member, the City Auditor will confer with either the Mayor or Vice Mayor and the City Attorney.*

The City Council discussed the sufficiency and completeness of the above procedure and raised concerns about a potential conflict of interest for any such investigation to be handled internally, since the City Auditor, City Manager and City Attorney are all City Council appointees. In the event a complaint is made against a City Council member, a best practice is to engage an outside law firm to conduct an independent investigation.

In consultation with the City Attorney and Human Resources Department Director, five law/investigative firms were contacted to solicit interest and availability to develop investigative protocols. In November 2019, Burke, Williams, & Sorensen, LLP (BWS) was selected to develop the protocols for $10,000.¹

BWS developed the draft investigative protocols to ensure compliance with all applicable laws. The City Attorney and Human Resources Department Director also reviewed and provided feedback, which were addressed and incorporated in Attachment 1.

Once these protocols are accepted, they will be incorporated into the TIP Fraud Procedures Manual.

¹ The original contract was amended by $5,000 on February 4, 2020.
Attachment 1
I. OBJECTIVE

The City of Beverly Hills is committed to ethical practice of government in service of its residents and community.

These protocols are intended to supplement the Trust & Innovation Portal Fraud Procedures Manual with respect to confidential complaints received through the City’s Trust & Innovation Portal (“TIP”) against the City’s elected officials. California Government Code §53087.6 establishes the authority of the City Auditor to maintain a whistleblower hotline to receive information regarding fraud, waste, or abuse. Per Municipal Code Title 2, Chapter 3, Article 13, effective October 6, 2017, the City Auditor’s duties include investigating allegations of fraud, waste, abuse and other similar misconduct or unlawful activity. Because the City Auditor is a City Council appointee, in order to avoid any actual or perceived conflict of interest with investigations of allegations made against the City’s elected officials, or against the City Auditor himself or herself, such allegations and investigations shall be handled pursuant to these protocols.

These protocols also address the handling of complaints made against an elected official outside the purview of the TIP.

II. MISCONDUCT ALLEGATIONS COVERED BY THE TIP

A. Terms & Definitions

The term “abuse” refers to official City action that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary under the circumstances.

The term “bribery” refers to the corrupt payment, receipt, or solicitation of a private favor or payment for official action.

The term “coercion” refers to compulsion by physical force or threat of physical force; threat of taking or withholding official action or causing an official to take or withhold an action.

The term “conversion” refers to the wrongful possession of or interference with the City’s property as if it were one’s own.

The term “corruption” refers to dishonest or fraudulent conduct or other impairment of a public official’s duties, such as by bribery.

The term “fraud” refers to any intentional act or omission designed to deceive others, resulting in the victim (City of Beverly Hills) suffering a loss and/or the perpetrator achieving a personal gain.

The phrase “fraud, waste, or abuse” refers to any activity undertaken in the performance of official duties, including activities deemed to be outside the scope of official duties, that is in violation of any local, state, or federal law or regulation relating to corruption, malf...
bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct.

The term “fraudulent claim” refers to a misrepresentation of facts in a claim to receive compensation.

The term “gross misconduct” refers to an indifference to, or a blatant violation of, a legal duty with respect to the rights of others.

The term “malfeasance” refers to wrongdoing or misconduct by a City official.

The term “malicious prosecution” refers to intentionally (and maliciously) instituting and pursuing (or causing to be instituted or pursued) a legal action that is brought without probable cause and dismissed in favor of the victim that caused damages.

The term “misuse of government property” refers to the wrongful misuse of the City’s property.

The term “remedial action” refers to any action taken to address or correct issues or claims substantiated through the complaint investigation process.

The term “resolution” refers to the results of the investigation and the remedial action taken in response, if any.

The term “theft of government property” refers to unauthorized taking into one’s possession of property owned by the City.

The term “waste” refers to the intentional or unintentional, thoughtless or careless expenditure, consumption, mismanagement, use, or squandering of City resources. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls.

The term “willful omission to perform duty” refers to the intentional failure to take action required by law or contract.

B. Making Complaints Through The TIP

City employees and the general public can access the TIP at www.beverlyhills.org/TIP to enter specific information about alleged improper activity by an elected official. In order to process a complaint or make a report, the following information is generally requested:

1. A description of the alleged misconduct;
2. Name(s) of the individual(s) involved, if known;
3. Where the alleged misconduct occurred;
4. The specific or approximate time the alleged misconduct occurred;
5. How long the alleged misconduct has been going on;
6. How the complainant became aware of the alleged misconduct;
7. Identification of any prior contacts with the City concerning the alleged misconduct and any prior effort made to address it; and
8. Any supporting documentation.
City employees and the general public can also make complaints or reports directly to the City Auditor in person, by telephone, email, or written correspondence. The dedicated phone number for receiving calls is (310) 288-2847 and the dedicated email address for receiving electronic communications is TIP@beverlyhills.org.

Incomplete reports will result in a request for additional information. The case will close if the necessary details are not provided within 30 days.

C. Receipt And Control Of Complaints

All information received through the TIP is directed to the City Auditor. The City Auditor shall review the submitted complaint and any related materials to determine whether the complaint falls within the purview of the TIP or the Human Resources Director. The initial receipt and assessment by the City Auditor shall be limited to reviewing the allegations to determine their nature and to assess whether the complaint will be handled pursuant to Section II of these protocols or referred to the Director of Human Resources for handling pursuant to Section III of these protocols.

Complaints received through the TIP that allege labor/management issues (e.g., discrimination, harassment, retaliation, abusive conduct, or other potential policy violations) shall be referred to the Director of Human Resources with no further action or involvement by the City Auditor, pursuant to Section III of these protocols.

If the complaint pertains to an elected official or the City Auditor, the City Auditor shall refer the complaint to the City Attorney, for handling pursuant to Section II-D of these protocols, with no further action or involvement by the City Auditor.

D. Investigation Of Complaints Against Elected Officials Or City Auditor

Upon receiving a complaint through the TIP that an elected official or the City Auditor has engaged in alleged misconduct within the purview of the TIP, the City Auditor shall delegate his or her authority to conduct or oversee an investigation of the matter to the City Attorney, without any further involvement from the City Auditor. Complaints outside the purview of the TIP will be handled pursuant to Section III of these protocols.

1. Referral To Outside Attorney

The City shall establish a panel of qualified outside law firms to which matters under this section shall be referred for an independent, third-party investigation. The City Attorney shall select an attorney from the panel (“Outside Attorney Investigator”) to conduct a preliminary assessment of the complaint to determine whether the complaint warrants investigation based on the materials submitted by the complainant, any other materials available and deemed relevant to the issues alleged, and any necessary follow up with the complainant. An investigation will only be initiated when there is sufficient predication that a member of the City Council or the City Auditor has committed an intentional or reckless act of fraud, waste, or abuse.

If the Outside Attorney Investigator determines that an investigation is not warranted by the information presented, he or she shall so state, including the basis for his or her conclusion, in a memorandum addressed to the City Attorney with a copy to the City Auditor and the Human Resources Director. If the Outside Attorney Investigator’s initial assessment determines that the allegation is without merit or is unsupported by the facts, or there is insufficient information or
evidence after appropriate follow up with the complainant, the preliminary inquiry will be closed, and the complainant will be notified in writing, if the complainant has provided his or her name and contact information. Depending on the nature of the allegations, notification to the subject concerning the investigation and its disposition will be made at the discretion of the City based on the circumstances presented.

For complaints deemed by the Outside Attorney Investigator proper for investigation, the Attorney Investigator shall proceed with conducting an investigation pursuant to the remainder of this Section.

The Outside Attorney Investigator shall not have any prior personal or professional relationship with the complainant or subject(s) of the investigation.

2. Legal Services Agreement And Scope Of Investigation

The scope of the investigation shall be set forth in a legal services agreement between the City and the outside law firm. Any new issues or concerns raised or discovered during the investigation shall be reported to the City Attorney. The scope of the investigation may change or expand only upon a written amendment to the legal services agreement. Generally, the scope of the investigation shall be to make a factual finding as to whether the alleged conduct occurred. The decision whether to expand the scope of the investigation shall be made on a case-by-case basis, and rests solely with the City Attorney and in compliance with City policy.

3. Process

Outside attorney investigations shall generally follow the procedures recommended by the Fraud Examiners’ Manual for any allegations of improper financial activity or fraud, waste, or abuse. Due to the unique nature of each case, the scope and complexity of some investigations, unexpected events that may occur, and privacy or confidentiality considerations, flexibility may be required to ensure that each investigation is properly conducted and each complaint is evaluated on its own merit.

The Outside Attorney Investigator shall bring his or her skill, legal expertise, and professional judgment to bear in conducting the investigation. The Outside Attorney Investigator will use his or her legal expertise to identify pertinent facts, interview witnesses, collect and review pertinent evidence, synthesize the evidence, make factual findings about what occurred or did not occur, and prepare a written report. The Outside Attorney Investigator will personally perform the investigation and all related professional services. He or she will make factual findings, utilizing his or her legal skills, knowledge, and experience in so doing.

The Outside Attorney Investigator will not render a legal determination whether there was any violation of law, statute, or regulation. He or she will make only factual findings as to whether the alleged conduct occurred or did not occur, based on a preponderance of the evidence.

The City will make available all witnesses, documents, information, or materials requested by the Outside Attorney Investigator and deemed relevant to the investigation to permit him or her to thoroughly perform the independent investigation.

Upon discussion and agreement between the City Attorney and the Outside Attorney Investigator, investigation interviews may be recorded.
4. **Timing**

All investigations should be conducted as promptly as possible after an allegation is received to preserve relevant information and documentation and prevent the continuation of the alleged wrongdoing or the occurrence of other incidents. To this end, the investigator(s) should strive to complete the investigation, including the report, within ninety days. Although expediency is an important consideration, Outside Attorney Investigators must not be pressured to meet unreasonable deadlines, and time constraints must not affect the due care of the Outside Attorney Investigator.

5. **Notice**

For matters referred to an Outside Attorney Investigator, the City Attorney may advise the Council that a complaint has been received and referred for investigation pursuant to these protocols, and may keep the Council apprised of any significant developments, as appropriate and consistent with applicable confidentiality restrictions and the privacy rights of those involved in the complaint and investigation. In the event that the matter presents a conflict of interest for the City Attorney to update or advise the Council on the investigation, its outcome, or appropriate remedial measures, the City may retain special outside counsel for that limited purpose.

All witnesses to be interviewed and any subject(s) of the investigation shall be given at least five days prior notice of the date and time of the interview. Witnesses and the subject(s) shall be provided with a basic description of the nature or summary of the allegations. Subjects, and witnesses who are City employees, may bring a representative of his or her choice to the interview. Any representative present during the investigation may not impede or disrupt the proceedings in any way.

6. **Duty To Cooperate**

All subjects and witnesses who are City employees have a duty to cooperate during the investigation process and to answer all questions truthfully and completely. It is improper for anyone to destroy or tamper with documents or other evidence, mislead investigators, retaliate against a City employee who has provided information or participated in an investigation, or violate the confidentiality of the investigative proceeding.

The City will implement anti-retaliation measures to protect any City employee who makes a complaint against an elected official or who participates in an investigation against an elected official.

7. **Findings**

Findings of fact shall be based upon a preponderance of the evidence, as follows:

- **Unfounded** – A preponderance of the evidence established that the allegation is or without merit.

- **Unsubstantiated** – There is inconclusive evidence to determine whether the alleged conduct occurred.
Substantiated – A preponderance of the evidence established that the allegation is true.

The findings in the report shall be based on the totality of the evidence and a thorough analysis of all the facts and evidence, and, where necessary, credibility determinations shall be made.

8. Investigation Report

The outside attorney investigator shall prepare a confidential written report which includes, at minimum, a statement of the scope, a summary of the evidence reviewed, a summary of witness statements, and findings and analysis as to each allegation investigated.

Where an allegation has been sustained, or where a public report is deemed necessary to serve the interests of the public, at the direction of the City Attorney, the Outside Attorney Investigator shall also prepare a non-confidential report to be shared with the public, pursuant to Section II-G of these protocols.

9. Internal Remedial Action

Based upon the findings of the investigation, members of the City Council who were not subjects of the investigation, in conjunction with the City Attorney, shall determine whether remedial action is warranted or necessary. Remedial measures may include, but are not necessarily limited to addressing or correcting any internal control weaknesses that allowed the fraud, waste, or abuse to occur, or censure of any elected official who engaged in the fraud, waste, or abuse.

E. Referral To Outside Agency

If, at any time during the investigation, the Outside Attorney Investigator determines the allegations may involve criminal conduct, the Outside Attorney Investigator shall confer with the City Attorney. If the facts and circumstances so justify, the matter may be referred to the appropriate government authority or law enforcement agency for review and possible investigation and/or prosecution. For complaints referred to an outside government authority or law enforcement agency, the Outside Attorney Investigator will make no further investigative efforts without the full concurrence of the agency to which the matter has been referred. The investigator may provide assistance and/or related investigative materials, upon request, to the authority or agency receiving the referral.

The Outside Attorney Investigator will be the point of contact for dissemination of investigation documents to the receiving authority or agency. The Outside Attorney Investigator shall keep a log of all documents requested and provided to such receiving authority or agency and shall confer with the City Attorney or Human Resource Director, as appropriate, to ensure that the confidentiality of personnel information is maintained. The log shall include the date of the request, the source of the record, the custodian of the record, a description of the record, and the conclusion regarding disclosure (disclose, redact and disclose, or do not disclose without a court order or unless otherwise legally compelled to produce).

In some instances, upon request from the authority or agency receiving the referral, it may be necessary for the Outside Attorney Investigator or other City officials to work with those authorities conducting a criminal investigation. In other cases, the City Auditor, in consultation with the City Attorney, may close the matter based on the referral to an outside agency or
authority. A status of “no further action necessary” may be used for public reporting purposes when TIP complaints are referred to an outside agency.

In all instances where the outside agency to which the matter has been referred requests assistance, the City and its Outside Attorney Investigator will fully cooperate.

The identity of the complainant shall not be disclosed without their written permission, unless disclosure is to a law enforcement agency conducting a criminal investigation.

Alleged violations of the Political Reform Act of 1974 may be referred to the California Fair Political Practices Commission, 1102 Q Street, Suite 3000, Sacramento, CA 95811. Other violations may be referred to the Beverly Hills Police Department, California Attorney General, Los Angeles County District Attorney, local grand jury, or other government agency.

If the specific allegation is in regard to alleged misconduct that occurred under the jurisdiction of another public agency, the information shall be provided to the appropriate representative for that public agency.

Notice to the Council of the referral of a complaint or investigation to an outside government authority or law enforcement agency for review and possible investigation and/or prosecution may be made by the City Attorney or outside special counsel retained pursuant to Section II-D-5 of these protocols, in accordance with the wishes of the law enforcement agency and based on the need to maintain the integrity of the criminal investigation or other determination by the law enforcement agency.

F. Confidentiality

During the initial receipt and assessment of a complaint received through the TIP or directly to the City Auditor, the City Auditor will hold the information disclosed in confidence, including the identity of the complainant disclosing the information and the parties identified by the complainant.

Upon referral to an Outside Attorney Investigator for investigation, the Outside Attorney Investigator will not disclose the identity of the complainant without the complainant’s written permission, unless the disclosure is to a law enforcement agency that is conducting a criminal investigation. Outside Attorney Investigators must take reasonable precautions to protect any confidential information obtained during the course of an investigation, as well as the identities of the person(s) under investigation, the person who reported the allegation(s), and anyone who provides relevant information or documentation during the investigation.

Any investigation conducted pursuant to these protocols shall be kept confidential, except to issue any report of an investigation that has been substantiated, or to release any findings resulting from a completed investigation that are deemed necessary by the City Council to serve the interests of the public.

City personnel or Outside Attorney Investigators involved in an investigation referred by the City Auditor shall not share the substance of the complaint with anyone except those directly involved in and essential to conducting the investigation. Any personnel provided with this information are required to hold and maintain such information as confidential.
The City Attorney and Outside Attorney Investigator will disclose the nature or a summary of the allegation(s) to the subject or witnesses in the investigation only to the extent necessary to receive the information sought to conduct a thorough investigation. No information shall be provided to compromise the complainant’s identity or otherwise violate any confidentiality requirements.

All complaints, reports, working papers, documents, emails, and other materials related to the investigation shall be maintained confidentially at all times by the Outside Attorney Investigator and shall prominently be marked “CONFIDENTIAL.” Completed investigation reports and all materials relied upon by the Outside Attorney Investigator in making his or her findings shall be provided to the City Attorney and will thereafter be confidentially maintained in the City Attorney’s office.

G. Public Reporting

Any investigation conducted pursuant to these protocols shall be kept confidential. However, where an allegation has been sustained, or where a public report is deemed necessary to serve the interests of the public, at the direction of the City Attorney and/or City Auditor, the Outside Attorney Investigator shall also prepare a non-confidential report to be shared with the public. The public report may release aggregated or summary information established during the investigation.

Any public report will not include any confidential information that cannot be disclosed under applicable laws, such as personnel matters. The complainant’s identity shall remain confidential in any public report, unless the complainant has given his or her written permission to disclose his or her identity. Likewise, names of City employees and other witnesses who participated in the investigation shall remain confidential in any public report. However, the identity of the subject(s) of the investigation conducted pursuant to these protocols may be disclosed in a public report.

A public report may be posted on the City Auditor’s website, and such information may be included in the Quarterly Report of Fraud Hotline Activities provided to the Audit Committee.

Notwithstanding the above, the City Attorney or special outside counsel retained pursuant to Section II-D-5 of these protocols, may disclose the results of, or in appropriate circumstances, provide a copy of an investigation report completed by an outside attorney investigator, or portions thereof, including the identities of the subject(s) and other pertinent information concerning the investigation, for purposes of advising the Council and taking remedial action. The identity of the complainant shall remain confidential, but the scope of other confidential information that may be revealed in connection with such advice from the City Attorney or special outside counsel shall be determined on a case-by-case basis.

In order to protect the confidentiality and integrity of investigations, complainants who make allegations will not be given details or updates regarding the investigation except for the information provided in publically issued reports.
III. MISCONDUCT ALLEGATIONS RELATED TO LABOR/MANAGEMENT RELATIONS OR PERSONNEL ISSUES

A. Referral To Human Resources Director

Complaints received through the TIP that allege labor/management relations or personnel issues (e.g., discrimination, harassment, retaliation, abusive conduct, or other violations of City policies) against the City’s elected officials or City Auditor shall be referred to the Director of Human Resources, with a copy to the City Attorney, with no further action or involvement by the City Auditor. The City Auditor will send the Director of Human Resources a standardized department referral email, along with the TIP complaint and supporting materials as soon as practicable.

Upon receipt of the complaint and related information from the City Auditor, the Director of Human Resources shall confer with the City Attorney to conduct a preliminary assessment to determine whether the complaint warrants investigation based on the materials submitted, any other materials available to them and deemed relevant to the issues alleged, and any necessary follow up with the complainant.

If the complaint pertains to the Human Resources Director, the complaint will be referred to the City Attorney for handling consistent with these protocols, with no further involvement from the Human Resources Director.

B. Investigation Of Complaints Against Elected Officials

1. Referral To Outside Attorney

The City shall establish a panel of qualified outside law firms to which matters under this section shall be referred for an independent, third-party investigation. The Human Resources Director shall select an Outside Attorney Investigator from the panel (“Outside Attorney Investigator”) to conduct a preliminary assessment of the complaint to determine whether the complaint warrants investigation based on the materials submitted by the complainant, any other materials available and deemed relevant to the issues alleged, and any necessary follow up with the complainant. Unless the complaint and supporting materials submitted through the TIP clearly establish that an investigation is warranted, the initial assessment will always be conducted by the Outside Attorney Investigator.

If the Outside Attorney Investigator determines that an investigation is not warranted by the information presented, he or she shall so state, including the basis for his or her conclusion, in a memorandum addressed to the City Attorney, with a copy to the City Auditor and Human Resources Director. If the Outside Attorney Investigator’s initial assessment determines that the allegation is without merit or is unsupported by the facts, or there is insufficient information or evidence after appropriate follow up with the complainant, the preliminary inquiry will be closed, and the complainant will be notified in writing, if the complainant has provided his or her name and contact information.

For complaints deemed by the Outside Attorney Investigator proper for investigation, the Attorney Investigator shall proceed with conducting an investigation pursuant to the remainder of this Section.
The Outside Attorney Investigator shall not have any prior personal or professional relationship with the complainant or subject(s) of the investigation.

2. Legal Services Agreement And Scope Of Investigation

The scope of the investigation shall be set forth in a legal services agreement between the City and the outside law firm. Any new issues or concerns raised or discovered during the investigation shall be reported to the Director of Human Resources and City Attorney. The scope of the investigation may change or expand only upon a written amendment to the legal services agreement. Generally, the scope of the investigation shall be to make a factual finding as to whether the alleged conduct occurred. The decision whether to expand the scope of the investigation shall be made on a case-by-case basis in consultation between the outside attorney investigator, the City Attorney, and the Director of Human Resources. The legal services agreement shall specify that the City intends to establish an attorney-client relationship with the outside attorney investigator, that the City’s communications with the outside attorney investigator are intended to be privileged, and that the report prepared by the outside attorney investigator is subject to the attorney-client privilege.

3. Process

Outside attorney investigations shall generally follow the procedures and best practices established by the Equal Employment Opportunity Commission, Department of Fair Employment and Housing, and/or the Association of Workplace Investigators. Due to the unique nature of each case, the scope and complexity of some investigations, unexpected events that may occur, and privacy or confidentiality considerations, flexibility may be required to ensure that each investigation is properly conducted and evaluated on its own merit.

The Outside Attorney Investigator shall bring his or her skill, legal expertise, and professional judgment to bear in conducting the investigation. The Outside Attorney Investigator will use his or her legal expertise to identify pertinent facts, interview witnesses, collect and review pertinent evidence, synthesize the evidence, make factual findings about what occurred, and prepare a written report. The Outside Attorney Investigator will personally perform the investigation and all related professional services. He or she will make factual findings, utilizing his or her legal skills, knowledge, and experience in so doing.

The Outside Attorney Investigator will not render a legal determination whether there was any violation of law, statute, regulation, or policy. He or she will make only factual findings as to whether the alleged conduct occurred or did not occur, based on a preponderance of the evidence.

The City will make available all witnesses, documents, information, or materials requested by the outside attorney investigator and deemed relevant to the investigation to permit him or her to thoroughly perform the independent investigation.

Upon discussion and agreement between the Human Resources Director, City Attorney, and the Outside Attorney Investigator, investigation interviews may be recorded.

4. Timing

All investigations should be conducted as promptly as possible after an allegation is received to preserve relevant information and documentation and prevent the continuation of the alleged
wrongdoing or the occurrence of other incidents. Although expediency is an important consideration, Outside Attorney Investigators must not be pressured to meet unreasonable deadlines, and time constraints must not affect the due care of the investigator.

5. Notice

For matters referred to an Outside Attorney Investigator, the City Attorney and/or the Director of Human Resources may advise the Council that a complaint has been received and referred for investigation pursuant to these protocols, and may keep the Council apprised of any significant developments, as appropriate and consistent with applicable confidentiality restrictions and the privacy rights of those involved in the complaint and investigation. In the event that the matter presents a conflict of interest for the City Attorney and/or Director of Human Resources to update or advise the Council on the investigation, its outcome, or appropriate remedial measures, the City may retain special outside counsel for that limited purpose.

All witnesses to be interviewed and any subject(s) of the investigation shall be given at least five days prior notice of the date and time of the interview. Witnesses and the subject(s) shall be provided with a basic description of the nature or summary of the allegations. Additional information concerning the allegations may be disclosed to witnesses or the subject(s) of the investigation where necessary to enable adequate preparation by the witness or subject(s) or to ensure a thorough and impartial investigation.

Subjects, and witnesses who are City employees, may bring a representative of his or her choice to the interview. Any representative present during the investigation may not impede or disrupt the proceedings in any way.

Depending on the nature of the allegations, notification to the subject concerning the investigation and its disposition will be made consistent with City practices concerning investigations related to labor/management or personnel issues.

6. Duty To Cooperate

All witnesses who are City employees have a duty to cooperate during the investigation process and to answer all questions truthfully and completely. Although elected officials may not be compelled to participate in the investigation, his or her good faith participation is requested in order to ensure a thorough and fair investigation of the allegations.

It is improper for anyone to destroy or tamper with documents or other evidence, mislead investigators, retaliate against City employee who has provided information or participated in an investigation, or violate the confidentiality of the investigative proceeding.

7. Interim Measures

The Director of Human Resources and the City Attorney shall confer about whether any interim measures, such as modification of duties, reassignment, administrative leave, or revision of City policies or procedures, are necessary or should be implemented during the pendency of the investigation. In the event that the matter presents a conflict of interest for the Director of Human Resources and/or the City Attorney to update or advise the Council on the investigation, its outcome, or appropriate remedial measures, the City may retain special outside counsel for that limited purpose.
The City will implement anti-retaliation measures to protect any City employee who makes a complaint against an elected official or who participates in an investigation against an elected official. All participants in an investigation shall be notified of the City’s policy against retaliation and directed to report any actual or perceived retaliation to the Director of Human Resources.

8. Findings

Findings of fact shall be based upon a preponderance of the evidence, as follows:

- **Unfounded** – A preponderance of the evidence established that the allegation is not true. A preponderance of the evidence established that the allegation is or without merit.

- **Unsubstantiated** – There is insufficient evidence to determine whether the alleged conduct occurred.

- **Substantiated** – A preponderance of the evidence established that the allegation is true.

The findings in the report shall be based on the totality of the evidence and a thorough analysis of all the facts and evidence, and, where necessary, credibility determinations shall be made.

9. Investigation Report

The outside attorney investigator shall prepare a confidential written report which includes, at minimum, a statement of the scope, a summary of the evidence reviewed, a summary of witness statements, and findings and analysis as to each allegation investigated.

10. Remedial Action

Based upon the findings of the investigation, the City Attorney and Human Resources Director, in conjunction with the members of the City Council who were not a subject of the investigation, shall determine whether remedial action is warranted or necessary. Remedial measures may include policy revision, training, or censure of any elected official who engaged in the alleged misconduct or violation of City policy.

C. Confidentiality And Disclosure

The investigation will be treated as a confidential personnel matter, and will be kept as confidential as possible under the circumstances, however, complete confidentiality cannot be guaranteed due to the need to thoroughly investigate and remediate any substantiated allegations. City personnel or outside attorney investigators involved in a personnel investigation involving an elected official shall not share the substance of the complaint with anyone except those directly involved in and essential to conducting the investigation. Any personnel provided with this information are required to hold and maintain such information as confidential.

Notwithstanding the above, these protocols may not infringe with the rights of City employees to engage in protected, associational, or concerted activity, including but not limited to, discussing wages, hours, working conditions, and other aspects of employment with the City. Moreover, disclosure of some or all of the investigation report, information contained in the investigation report, or the findings set forth in the report may be necessary for taking remedial action,
disclosure pursuant to the Public Records Act, or when otherwise compelled by law, policy, or the public interest.

All complaints, reports, working papers, documents, emails, and other materials related to the investigation shall be maintained confidentially at all times by the outside attorney investigator and shall prominently be marked “CONFIDENTIAL” and/or “ATTORNEY-CLIENT PRIVILEGED.” Completed investigation reports and all materials relied upon by the Outside Attorney Investigator in making his or her findings shall be provided to the City Attorney and will thereafter be confidentially maintained in the City Attorney’s office.

Whether and to what extent information developed during an investigation, the outcome of an investigation, or the report itself shall be disclosed to the complainant, the subject(s), or the public may depend on the nature or severity of the allegations, whether the allegations have been sustained, and what remedial actions may be appropriate or warranted under the circumstances, taking into account all requisite privacy, due process, and public interest concerns.
TO: Audit and Finance Committee Liaisons
FROM: Eduardo Luna, City Auditor
DATE: February 19, 2020
SUBJECT: Performance Audit Selection

The July 16, 2019 City Council Study Session included a presentation of the proposed Office of the City Auditor Annual Audit Work Plan for FY 2019/20. At that time, the proposed work plan recommended five performance audits and identified four specific audit projects. I informed the City Council that I would meet with the Audit and Finance Committee Liaisons to select the fifth audit after the office had made progress with completing the work plan.

The Annual Audit Work Plan for FY 2019/20 included a list of potential audits (see Attachment 1) based on categories and risk level. After considering the risk rankings, City management input, and the results of the recent Police Department Patrol Vehicle Usage Review, my recommendation is to undertake an audit of the Beverly Hills Police Department take-home use of City vehicles. We are able to commence the newly selected audit in March 2020, have field work substantially completed by the end of the fiscal year, and a report released by mid-summer. We will provide an updated timeline once the audit is underway.
Attachment 1
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<th>Category</th>
<th>Potential Audits</th>
<th>Risk Level</th>
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<td>Earthquake and fire preparedness</td>
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<td>Outside support groups: RDC, BHCC, and CVB</td>
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<td></td>
<td>Farmer’s Market cash collections</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Finance Department fiscal policies</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>P&amp;M Real Estate and Property Management</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Public safety overtime—limitations, shift trades, mutual aid, reimbursement for special events</td>
<td>Medium</td>
</tr>
<tr>
<td>Economy &amp; Efficiency</td>
<td>Citywide Fleet Review—servicing of vehicles, take-home vehicles, fuel policy, funding, number of vehicles/mileage, and leasing versus buying.</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Review of recruitment process-- automation, electronic personnel actions, best practices, identify bottlenecks and ways to speed up the process.</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Citywide special event process</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Street and sidewalk maintenance</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Grants management</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Citywide Risk Management</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Procurement process</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Centralizing billing and invoices</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Community risk reduction fire inspection billing process</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Water treatment plant remediation</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Operation of City jail</td>
<td>Medium</td>
</tr>
<tr>
<td>Transparency</td>
<td>Public notification process</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Compliance with the Brown Act</td>
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<tr>
<td></td>
<td>Newspaper advertisement</td>
<td>Low</td>
</tr>
<tr>
<td>Compliance</td>
<td>Enforcement</td>
<td>Medium</td>
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<tr>
<td></td>
<td>Permitting</td>
<td>Medium</td>
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<td></td>
<td>Conditional Use Permits</td>
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<tr>
<td></td>
<td>Joint Powers Agreement with School District</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>BHPD Body Camera Camera Use</td>
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</tbody>
</table>
INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Beverly Hills
Beverly Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of contributions - CalPERS plan, and the schedule of changes in total other post-employment benefit liability and related ratios, identified as required supplementary information (RSI) in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules, introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, except for the schedule of capital assets used in the operation of governmental funds for the year ended June 30, 2018, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2019 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, except for the schedule of capital assets used in the operation of governmental funds for the year ended June 30, 2018, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Beverly Hills as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated December 27, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The schedule of capital assets used in the operation of governmental funds, for the year ended June 30, 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 financial statements. The schedule of
capital assets used in the operation of governmental funds for the year ended June 30, 2018, has been subjected to the auditing procedures applied in the
audit of the 2018 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying
accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in
accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of capital assets used in the operation
of governmental funds for the year ended June 30, 2018, is fairly stated in all material respects in relation to the basic financial statements as a whole for
the year ended June 30, 2018.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and
accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2019, on our consideration of the City of Beverly
Hills, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant
agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance
and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an
audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Crowe LLP

Costa Mesa, California
December 9, 2019
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor  
and Members of City Council  
of the City of Beverly Hills  
Beverly Hills, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California, (the City) as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Costa Mesa, California
December 9, 2019
INDEPENDENT ACCOUNTANT’S REPORT
APPLYING AGREED-UPON PROCEDURES

Management and the Honorable Mayor and City Council
City of Beverly Hills
Beverly Hills, California

We have performed the procedures enumerated below, which were agreed to by Management and the Honorable Mayor and City Council related to City of Beverly Hills' compliance with Appropriations Limit under Section 1.5 of Article XIIIB of the California Constitution during the year ended June 30, 2019. City of Beverly Hills' management is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings are as follows:

1. We obtained the Worksheet provided by the City and determined that the 2018-2019 Limit and annual adjustment factors were adopted by Resolution of the Honorable Mayor and City Council by observing resolution to City Council meeting minutes. We also determined whether the population and inflation options were selected by a recorded vote of the Honorable Mayor and City Council by observing resolution to City Council meeting minutes.

Finding: No exceptions were noted as a result of our procedures.

2. We recomputed the 2018-2019 Appropriations Limit by multiplying the 2017-2018 Appropriations Limit by the adjustment factors.

Finding: No exceptions were noted as a result of our procedures.

3. For the Worksheet, we agreed the Per Capita Income, County and City Population Factors to California State Department of Finance Worksheets.

Finding: No exceptions were noted as a result of our procedures.

(Continued)
This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with Section 1.5 of Article XII B of the California Constitution. Accordingly, we do not express such an opinion or conclusion. Had we performed additional audit procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Management and the Honorable Mayor and City Council and is not intended to be, and should not be, used by anyone other than the specified parties.

Crowe LLP
Costa Mesa, California
December 9, 2019
<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Last year's limit</td>
<td>$225,928,319</td>
<td></td>
</tr>
<tr>
<td>B. Adjustment factors:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Population change</td>
<td>1.0367</td>
<td>State Finance</td>
</tr>
<tr>
<td>2. Per capital change</td>
<td>1.0051</td>
<td>State Finance</td>
</tr>
<tr>
<td></td>
<td>0.04199</td>
<td></td>
</tr>
<tr>
<td>C. Annual adjustment</td>
<td>9,486,091</td>
<td>A x B</td>
</tr>
<tr>
<td>D. This year's limit</td>
<td>$235,414,410</td>
<td>A + C</td>
</tr>
</tbody>
</table>
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .......................................................................................................................... 1

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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor
and Members of City Council
of the City of Beverly Hills,
Beverly Hills, California

Report on Compliance for Each Major Federal Program

We have audited the City of Beverly Hills, California (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2019. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its’ major federal programs for the year ended June 30, 2019.
Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 9, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP
Costa Mesa, California
January 16, 2020
### CITY OF BEVERLY HILLS
#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Entity</th>
<th>CFDA Number</th>
<th>Pass-through Entity Identifying Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Housing and Urban Development</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pass-Through from the County of Los Angeles:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CDBG - Entitlement Grants Cluster</td>
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</tr>
<tr>
<td>Community Development Block Grant</td>
<td>14.218</td>
<td>D96095-18</td>
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<tr>
<td>Total CDBG - Entitlement Grants Cluster</td>
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<td></td>
<td>98,614</td>
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<tr>
<td>Total U.S. Department of Housing and Urban Development</td>
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<td></td>
<td>98,614</td>
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<tr>
<td><strong>U.S. Department of Transportation</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Pass-Through from the State of California- Office of Traffic Safety</td>
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<td></td>
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</tr>
<tr>
<td>Selective Traffic Enforcement Program (STEP) - 2018</td>
<td>20.608</td>
<td>PT18011</td>
<td>43,687</td>
</tr>
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<td>Selective Traffic Enforcement Program (STEP) - 2019</td>
<td>20.608</td>
<td>PT19012</td>
<td>63,303</td>
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<tr>
<td>Total Selective Traffic Enforcement Program (STEP)</td>
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<td></td>
<td>106,990</td>
</tr>
<tr>
<td>Highway Safety Cluster</td>
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</tr>
<tr>
<td>Selective Traffic Enforcement Program (STEP) - 2018</td>
<td>20.600</td>
<td>PT18011</td>
<td>33,193</td>
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<td>20.600</td>
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<td>Total Highway Safety Cluster</td>
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<td>55,126</td>
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<tr>
<td>Total U.S. Department of Transportation</td>
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<td>162,116</td>
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<td><strong>U.S. Department of Treasury</strong></td>
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<tr>
<td>Direct Assistance:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equitable Sharing Program</td>
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<td>60,926</td>
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<tr>
<td>Total U.S. Department of Treasury</td>
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<td>60,926</td>
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<tr>
<td><strong>U.S. Department of Justice</strong></td>
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<td></td>
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<tr>
<td>Direct Assistance:</td>
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<tr>
<td>Equitable Sharing Program</td>
<td>16.922</td>
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<td>326,461</td>
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<tr>
<td>Bulletproof Vest Partnership Program</td>
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<td>12,873</td>
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<td>Total U.S. Department of Justice</td>
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<td>339,334</td>
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<tr>
<td><strong>U.S. Department of Homeland Security</strong></td>
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<td></td>
</tr>
<tr>
<td>Pass-Through from the City of Los Angeles:</td>
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</tr>
<tr>
<td>Homeland Security Grant Program</td>
<td>97.067</td>
<td>C-130246</td>
<td>107,001</td>
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<tr>
<td>Total U.S. Department of Homeland Security</td>
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<td>107,001</td>
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<tr>
<td>Total Expenditures of Federal Awards</td>
<td></td>
<td></td>
<td>$767,991</td>
</tr>
</tbody>
</table>

See accompanying notes to schedule of expenditures of federal awards.
NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of Beverly Hills for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Beverly Hills, it does not present the financial position, changes in net position, or cash flows of the City of Beverly Hills.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. City of Beverly Hills has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 - MATCHING COSTS

The nonfederal share of program costs (matching costs) are not included in the accompanying Schedule of Expenditure of Federal Awards.
SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ______ Yes X No

Significant deficiency(ies) identified? ______ Yes X None reported

Noncompliance material to financial statements noted? ______ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? ______ Yes X No

Significant deficiencies identified not considered to be material weaknesses? ______ Yes X None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ Yes X No

Identification of major federal programs:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.922</td>
<td>Equitable Sharing Program</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ______ Yes X No
SECTION I - PRIOR YEAR FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

2018-001 Information System Controls (Material Weakness)

Condition:
We evaluated system access to the City of Beverly Hills (the City) Active Directory as well as the financial reporting system, MUNIS. The Active Directory authenticates and authorizes all users and computers in a Windows domain type network-assigning and enforcing security policies for all computers and installing or updating software. For example, when a user logs into a computer that is part of a Windows domain, Active Directory checks the submitted password and determines whether the user is an authorized user.

Management's Response and Planned Corrective Action:
The City agrees that internal controls are critical to our control environment and will work to implement changes necessary to mitigate the risks identified. The Accounting Manager played a critical role in the implementation of the City's new Enterprise Resource Planning (ERP) system and as such, did have super user rights to the software. As she developed the City's user roles for the software, she had maintained this access subsequent to implementation and has processed necessary user updates, as needed, based on the request of the department and work function/responsibilities. Finance Department staff have operational roles, which require the use of Munis in the course and scope of their duties; therefore, we are working to identify/obtain staff resources who could oversee the administration of the ERP system and provide additional technical support and report writing capabilities on a permanent basis. For the short-term, we worked with Information Technology (IT) Department to transition user access, permissions, and workflow implementation and changes to the Information Technology Department and have provided internal and Munis-led trainings.

Status of Planned Corrective Action:
Implemented.

2018-002 Payroll Segregation of Duties Internal Control (Material Weakness)

Condition:
One employee in the Payroll department has the ability to initiate and approve changes to underlying employee payroll records on a personnel action form without a separate review or approval to verify that the change made was appropriate. The same individual has the ability to process payroll.

Management's Response and Planned Corrective Action:
Management understands and agrees that segregation of duties in the payroll process is important. Management will perform a comprehensive review of the internal controls in the payroll process with the goal of full segregation between HR and payroll. If it is determined system or other limitations prevent full segregation, monitoring review controls will be implemented.

Status of Planned Corrective Action:
Implemented.

(Continued)
2018-003 Financial Reporting Deficiency in Internal Control (Significant Deficiency)

Condition:

During the year-end testing procedures, we identified several adjustments or errors in financial statement disclosures relating to accounts payable, lease revenue, charges for services, capital assets, cash and investments and other post-employment benefits. These adjustments were reflected in the Comprehensive Annual Financial Report (CAFR) to ensure balances were properly accounted and disclosed in accordance with Generally Accepted Accounting Principles.

Management's Response and Planned Corrective Action:

Management agrees that increased level of reviews would elevate the accuracy of the financial reporting. As mentioned above, assuring timeliness of all entries that pertain to a specific fiscal year will also allow more time to be devoted to the review process. In order to avoid future misclassification occurrences, management designed additional schedules that independently calculate reporting categories, reviewed existing formulas in order to avoid prior year figures to be carried forward into future years, and also designed and configured additional correlation rules that will alert the preparer if similar errors occur.

Status of Planned Corrective Action:

Implemented.
SECTION II – PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

2018-004 Equipment and Real Property Management (Material Weakness)

Condition:

The City's capital assets policy defines capital assets as assets with an individual cost of $10,000 or more and an estimated useful life in excess of one year. The policy does not more narrowly define capital assets acquired with federal awards with per-unit acquisition costs equal to $5,000. Further, the capital asset policy does not include equipment management requirements for assets acquired with federal awards in accordance with the Uniform Guidance.

Lastly, the City does not maintain property records that include required identification information for assets acquired with federal awards. As a result, the City did not comply with the following compliance requirements:

- A physical inventory of the property must be taken with the results reconciled with property records at least once every two years.
- Equipment acquired is adequately safeguarded to prevent loss, damage, or theft of the property.
- Adequate maintenance procedures must be developed to keep the property in good working condition.
- Sales procedures are established to ensure the highest possible return.

Management's Response and Planned Corrective Action

Finance Management will work on updating the capital assets policy to include reference to equipment purchased with federal funding that is consistent with the Uniform Administrative requirements established by the Uniform Guidance. Finance Management will establish a practice whereby required equipment inventory is performed at the minimum frequency and reconcile the results of the inventory to the City's underlying records. Department Management will create and/or update historical property records with the information required under the Uniform Guidance and will establish and maintain documentation requirements for the maintenance of assets acquired with Federal funds.

Status of Planned Corrective Action:

Implemented.

2018-005 Procurement and Suspension and Debarment (Material Weakness)

Condition:

The City was subject to the new procurement requirements under the Uniform Administrative Requirements codified under 2 CFR 200, effective December 26, 2014, if it did not elect in its written procedures that it intended to utilize the permitted grace period. The grace period if adopted, would have extended the implementation date for the new procurement requirements from being applicable for the year ended June 30, 2016 to the year ended June 30, 2019.

As the City was subject to the new procurement requirements under the Uniform Administrative Requirements, the City's purchasing and procurement policies were required to be updated to reflect a

(Continued)
number of new Federal regulations. The City has not yet updated its purchasing and procurement policies to reflect the new Federal regulations.
For the two procurements selected for testing, the City utilized two different third parties to conduct the procurement processes on the City’s behalf. The support obtained, from the respective third party entities utilized, only included the pricing information for the vendors selected. The City did not provide evidence it maintained records for the history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Management’s response and planned corrective action:

Finance Management is currently working on updating the existing purchasing and procurement policy to reflect applicable laws and requirements of Uniform Guidance pertaining to procurement standards. Finance Management will work with Department Management to ensure they obtain and maintain records demonstrating compliance with the federal procurement requirements. Finance Management will also work with Department Management to develop written procedures for demonstrating compliance with suspension and debarment requirements.

Status of Planned Corrective Action:

Implemented.