

**North Richmond Mitigation Funds
Summary of Non-Reportable Findings**

No	Area	Step	Condition	Recommendation
A. Governance and Oversight				
1	Define Governance Training and Disclosure Requirements	1	<p>We have identified several compliance issues associated with implementation practices of the North Richmond Mitigation Fund (NRMF) Bylaws:</p> <p>a. "the Committee will be governed by regulations in the Brown Act."</p> <p>Training is fundamental to ensure member understanding and compliance with the Brown Act. The Bylaws do not define the training disclosure requirements.</p> <p>b. "two (2) members of the NRMAC appointed by the Contra Costa County BOS (both of whom must reside in the unincorporated North Richmond area), and one (1) resident from the Committee ..."</p> <p>Based upon the latest NRMF roster we found one instance where a member's address was not consistent with the residency requirement.</p>	<p>Amend the NRMF Bylaws to define:</p> <ul style="list-style-type: none"> - Governance training disclosure requirements. - Residency requirements for the alternative members at large. - Annual certification reporting: by the committee chairperson that the committee members are in compliance with all governance requirements. We suggest the certification results be presented annually at a committee meeting and included in the agenda and minutes.
B. Budget Cycle				
2	Define Reserve Policy	2	<p>As of 02/2011, there is approximately \$1,096,806 (Table-C Page 13) of fund balance that could be committed to mitigation strategies. The fund balance largely reflects the mitigation fee revenue collected in 2006-07, the first year of operation.</p> <p>Without a formal reserve policy the public may not understand the reason for holding onto the funds.</p>	<p>Establish a reserve policy for the fund balance and commit the surplus funds to project strategies. The fund balance reserve policy should carefully consider the implications of revenue deficits, expenditure overages, and necessary working capital.</p>
3	Define the Accounting Fiscal Year End	4	<p>As defined by the NRMF Bylaws the Expenditure plan is based upon a two year reporting cycle. The Committee's current planning practice is to end the cycle on a calendar year. However, each of the stakeholder municipalities accounting records are based upon a fiscal year ending each June.</p> <p>Significant inefficiencies are introduced with the two different reporting cycles as the activity is essentially reported twice. Duplicate effort is also required in reconciling the budgetary and transaction activity between the reporting periods.</p>	<p>Amend the Bylaws to define the accounting period as a fiscal year ending in June to coincide with the reporting entities. This recommendation will help ensure consistency in the accounting records.</p>

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C. Revenue Cycle				
D. Procurement & Expenditure Cycle				
4	Develop Policy on Sub-Contract Reporting	5	<p>The current <u>2010-2011 North Richmond Proposal Guidelines & Application For Mitigation Fee Funding</u> does not require the disclosure of sub-contractors or vendors in the application budget process.</p> <p>Common procurement abuses can include incomplete bid specifications or awarding contracts to friends or relatives. Without formally requiring the definition of the vendors and sub-contractors in the application process the NRMF may fall victim to these abuses.</p>	<p>To ensure the bid and award process is "fair and open" best procurement practices suggest full disclosure of proposal details including the formal naming of subcontractors and vendors. To ensure efficiency a dollar threshold could be established by the project managers. Contract practices for both municipalities and government code section 7550 require the formal naming of sub-contractors if the amount is over \$5k.</p> <p>This recommendation helps to ensure the safeguarding of public funds, compliance with the law, and promotes public confidence.</p>
5	Standardize Contract Monitoring & Management Practices	6	<p>In an effort to balance the contract processing workload the participating municipalities have divided the work. Each of the municipalities have their own contract processing and monitoring practices. The two separate contract monitoring methodologies will result in inconsistencies in contract governance.</p>	<p>To ensure quality outcomes from strategic directives a consistent monitoring methodology should be established. Consider:</p> <ul style="list-style-type: none"> - Both project managers should always approve the final project deliverables. This will require the managers to agree on the deliverables and monitoring methodology at the time of contract origination. - Grantee payment requests should always be tied to project milestones, where the associated deliverables are clearly defined. Payment approval should only occur when the deliverables are clearly achieved. Payment advances should never occur. - Grantees should always present final project results to the Committee as a condition of final payment. This allows the Committee members the opportunity to ask questions related to the project thus developing further insight about the deliverables and challenges.

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E. Records, Books and Reports Cycle				
6	Define Accounting Procedure for Advances and Reimbursements		<p>The City requested an advance in 2007 for expenditures authorized in the first Expenditure Plan. As of the audit report period ending February 2011, two additional reimbursements requests were made.</p> <p>Advances add significant complexity to the accounting, as the payable and receivable activity must always balance between the two entity's accounting records. Untimely inter-agency reimbursement and/or advances also impact the accuracy of the accounting records. Specifically, Intergovernmental receivables and payables have to be recorded and reconciled to ensure completeness of the records.</p>	<p>Establish guidelines on the frequency of reimbursement and the reimbursement should always be by year end. Alternatively, eliminate the reimbursement process by allowing one entity to process all grantee expenditures requests. This latter approach results in process efficiency, as there is only a single source of financial records.</p>
7	Refine the Annual Report Distribution Policy		<p>The 2010 Annual Report for the North Richmond Mitigation Fund was submitted to the CCC Board of Supervisors for approval in November 2011.</p> <p>The North Richmond Mitigation Fund Bylaws do not define when the annual report is due.</p>	<p>To ensure transparency and accountability annual reports need to be prepared and distributed timely to all stakeholders. The North Richmond Mitigation Fund Bylaws, Item 2L suggests:</p> <p>"The Committee shall submit an annual (calendar year) report to the Contra Costa County Board of Supervisors of the Committee's activities, accomplishments, attendance, and a proposed program for the forthcoming year."</p> <p>Consider modifying the bylaws to further define the Annual Report requirements including the due date and stakeholder distribution. It is our opinion that the Association of Government Accountants provides a model report format for Citizen-Centric Reports. See http://www.agacgm.org/citizen/ for more information.</p>