



OFFICE OF THE
CITY MANAGER
ERNIE HERNANDEZ

City of
LYNWOOD

Incorporated 1921

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November 22, 2021

Elaine M. Howle, CPA
State Auditor
621 Capital Mall, Suite 1200
Sacramento, CA 95814

RE: City of Lynwood Corrective Action Plan 2021 related to 2021-808 Audit of the City of Lynwood

Attached please find the City of Lynwood's Corrective Action Plan, which addresses the State Auditor's recommendations contained in the September 23, 2021 report to the Joint Legislative Audit Committee entitled "Despite Taking Some Action to Improve Its Management Practices, the City Continues to Risk Financial Instability and Violations of State Law." In this plan, the City provides a summary of its program to implement the State Auditor's recommendations along with specific timelines for achieving these milestones. Following detailed work by City Staff, additional efficiencies have been achieved by expanding upon the State's recommendations and a fresh review of all policies/procedures. The City is pleased to report that the policy and program changes, when considered together and fully implemented will move the City forward and address the concerns noted in the audit.

The City initially started this process in the fall of 2017, but did not take the necessary actions to address the items identified in the previously submitted corrective action plan. Now in 2021, the City's commitment and focus on addressing the remaining pending or partially addressed issues is of the highest priority to this City Council.

Evidence of the City's commitment are exemplified in the following actions: 1) Days after receiving the State Auditor's 2021-808 Audit of the City of Lynwood report, the City Council of the City of Lynwood held a special meeting on September 27, 2021, to discuss the report's findings and to provide staff with direction on follow-up audit. 2) At this same special City Council meeting held September 27, 2021, the City Council created an ad hoc committee and selected two of its members to preside over said committee to not only ensure that the legislative body keep informed but to provide staff with recommendations on the development and implementation of the corrective action plan. On October 6, 2021, the Audit Report Ad Hoc Committee held its first of

its regular meetings and has since been actively involved in the development and implementation process of the City's corrective action plan; and 3) The City contracted for additional high-level financial staff to help address the remedies identified in the attached corrective action plan.

By its actions, the City Council recognizes that our 70,000+ residents deserve to live in a City that is governed and managed in a professional manner. The City Council is committed to providing full transparency to our residents as we work to correct the issues identified in the most recent report. We believe that by addressing the issues that are noted in the auditor's report, we will demonstrate to them that this City Council is working hard to get the City on the path of financial stability, as well as, proving that we are undoubtedly committed to providing the leadership and service that our residents deserve.

I am confident that the attached corrective action plan will provide a path for the City of Lynwood to address the high-risk issues identified by the State Auditor's Office and to no longer necessitate that level of oversight.

The City looks forward to continuing to work with the State Auditor to remain transparent about the financial condition of the City of Lynwood. Should you have any questions, do not hesitate to contact me at the number listed above or via email at ehernandez@lynwood.ca.us

Sincerely,



Ernie Hernandez
City Manager

cc: Lynwood City Council

Attachment



City of
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CORRECTIVE ACTION PLAN – STATE AUDIT 2021-808

State Auditor Recommendations Lynwood's Financial management Remains Inadequate	City's Corrective Action Plan	Responsible Staff
1. To facilitate ongoing financial stability and guard against short-term revenue shortfalls, Lynwood should revise its reserve policy by December 2021 to align with GFOA best practices.	The City is updating its budget and fiscal policy. This will include upgrading the reserve policy, which will be completed by June 2022. As of June 30, 2021, the City has reserves in excess of the GFOA recommendation.	Delania Whitaker, Senior Management Analyst
2. To ensure that it provides timely budget information to stakeholders, Lynwood should follow the time frames does tasks in its budget calendar in future budget cycles.	The City is updating its budget and fiscal policy which is expected to be completed by June 2022. The update will include a Fiscal Year (FY) Budget Calendar which specifies due dates for various processes in the budget development cycle.	Delania Whitaker, Senior Management Analyst
3. To provide timely and meaningful information to the city council for its budget monitoring, Lynwood should follow its policy of providing quarterly reports to its city council that compare budgeted to actual general fund revenues and expenditures. Lynwood should also strengthen its policy to require that its quarterly reports contain information that aligns with GFOA best practices for budget monitoring, such as analyses of the reasons for any budget deviations.	The City will update our policy which will provide monthly reports to our City Council that will align with GFOA best practices for budget monitoring. This will be implemented in January 2022.	Delania Whitaker, Senior Management Analyst
4. To determine whether projected expenditures can be sustained beyond the current budget cycle. Lynwood should develop and follow a policy by December 2021 to prepare multiyear projections of revenues and expenditures and present them to the city council each year. The city's projections should encompass at least five years of financial activity. The city should also complete its implementation of other budgeting best practices.	The City is updating its budget and fiscal policy which is expected to be completed by June 2022. The budget policy will require a 5-year forecasting for revenue and expenditure.	Delania Whitaker, Senior Management Analyst
5. To substantiate proposed salary increases in the future, Lynwood should follow its salary-setting policy and retain documentation supporting its adherence to the policy.	The City will enforce and adhere to its salary-setting policy and will continue to retain personnel action forms related to any salary increases, while also adhering to applicable provisions of its MOU's and salary schedule. Any subsequent class and comp studies conducted by the City or subsequent firms will utilize comparable data, including cities and or agencies.	Patrick Matson, Director of Human Resources



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CORRECTIVE ACTION PLAN – STATE AUDIT 2021-808

State Auditor Recommendations Despite Improvements in Its Oversight and Practices, Lynwood Remains at Risk of Violating State Law	City's Corrective Action Plan	Responsible Staff
<p>1. To comply with state law and ensure that revenue from property-based fees and charges is not used inappropriately, Lynwood should dissolve the utility authority by June 2022 and discontinue making any lease payments.</p>	<p>While the City's response in February 2019 disagreed with dissolving the Lynwood Utility Authority, the City is preparing to have a cost allocation study done by October 2022 related to monies being paid to the General Fund by the Lynwood Utility Authority entities. This study is going to be done in order to ensure that the City's funds are being appropriately charged and not overly assessed for qualifying costs.</p>	<p>Delania Whitaker, Senior Management Analyst</p>
<p>2. To ensure that its general fund is recovering the appropriate overhead costs, Lynwood should review, revise if necessary, and approve its 2019 draft costs allocation plan by December 2021 or sooner and use it to determine the amount of overhead costs its general fund can recover from its water and sewer funds.</p>	<p>The City is preparing to have a cost allocation study done by October 2022. This study is going to be done in order to ensure that the City's funds are being appropriately charged and not overly assessed for qualifying costs.</p>	<p>Delania Whitaker, Senior Management Analyst</p>
<p>3. To ensure that it seeks opportunities to produce goods and services at the best value, Lynwood should amend its municipal code by December 2021 to require the following:</p> <ul style="list-style-type: none"> · Justification when the city council uses its supermajority vote competitive bidding exception. · Competitive bidding when seeking a garbage collection contract. · Competitive bidding when the city determines that the services it seeks are outside of any existing contract's scope of service. 	<p>The City will consult with our City Attorney and amend the relevant portions of the Municipal Code and Purchasing Ordinance to address the concerns per the auditor's recommendations by July 2022. This modification/update will require a competitive bidding process when seeking a garbage collection contract.</p>	<p>Ernie Hernandez, City Manager</p>
<p>4. To ensure that city staff understand their contracting responsibilities, Lynwood should conduct a training class by December 2021. In addition, the city should ensure that its staff assign only those tasks to contractors that are expressly described within their contracted scope of services.</p>	<p>Lynwood has a Contracts Policy and a Purchasing Ordinance which details how changes to a contract must be made. The City will review, update if necessary, and conduct contract processing training for all managers, project coordinators and administrative personnel to ensure that employees understand their responsibilities when it comes to contracts and contract changes. The first training will be conducted by December 2022.</p>	<p>Delania Whitaker, Senior Management Analyst</p>



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CORRECTIVE ACTION PLAN – STATE AUDIT 2021-808

State Auditor Recommendations Lynwood's Organizational Management Continues to Be Ineffective	City's Corrective Action Plan	Responsible Staff
1. Formalize its goals for the City by February 2022.	The City is in the process of developing a Strategic Plan. Team building meetings are scheduled with the City Council for mid-June 2022. This will include the methods of analyzing personnel and operation needs for the City and its related entities.	Patrick Matson, Director of Human Resources
2. Align its succession planning, budget preparation, and staffing needs assessment with its newly developed goals by May 2022.	Once the Strategic Plan is developed, a large portion of this plan will include methodology for creating and measuring the City's goals. Another part will be the ways to determine if the goals established are met.	Patrick Matson, Director of Human Resources
3. Develop and implement a policy by December 2021 to maintain institutional knowledge, retain documentation of key management decisions, and ensure continuity in city leadership.	The City will update the Records Retention policy by December 2022, this will allow for the continuity of City management creating an environment that will allow for the maintaining of institutional knowledge, retain documentation of key management decisions and ensure staff understands decisions that have been made by the city.	Maria Quinonez, City Clerk