



LAURA DOUD

Long Beach City Auditor's Office

Proposition H Police and Fire Public Safety Oil Production Act

For Fiscal Year Ending September 30, 2015

January 29, 2016

Laura L. Doud
City Auditor

Audit Team:
Deborah K. Ellis
Assistant City Auditor

James C. Lam
Deputy City Auditor

Hannah Morgan
Senior Performance Auditor

Cristi Cao
Performance Auditor

Table of Contents

Executive Summary	1
Results & Recommendations.....	2
1. <i>The Police Department should be able to apply its \$308,604 FY 2015 savings to its FY 2016 budget in the same manner as the Fire Department. One department should not receive an advantage for savings that the other Department did not. In future years, both Departments should be expected to spend their expense budgets to better manage the fund balance.</i>	<i>6</i>
2. <i>The FY 2016 revenue projection should be revised to reflect only the 12% oil production decline projected by the Gas & Oil Department. Adjustments to budgeted revenues should be accompanied by corresponding modifications to budgeted expenses.</i>	<i>6</i>
3. <i>The City should review its process for budgeting and projecting Prop H revenues and expenditures to ensure Prop H funds are reasonably estimated and spent timely.</i>	<i>6</i>
4. <i>If the City determines that its carryover policy is not feasible, it should revise the policy as necessary, including the carryover range and the uses of carryover funds, and provide an explanation for the change.</i>	<i>6</i>
Background	8
Objective, Scope & Methodology	12
Management Comments.....	13

Executive Summary

Since June 2007, the Proposition H (Prop H) special tax has been a critical funding source for public safety services, supporting police officer and firefighters salaries and a variety of related costs, including but not limited to equipment, facilities, and training. This audit of FY 2015 Prop H revenues and expenses confirmed that the City of Long Beach (City) collected a total of \$3,784,796, which represents a 3% increase from the prior fiscal year's revenue total. In addition, the audit confirmed that Prop H funds were expended for appropriate uses as defined in the Municipal Code.

While we determined that FY 2015 Prop H funds remitted by oil producers were properly calculated and that the Police and Fire Departments' Prop H expenditures complied with approved public safety uses, we found unspent Prop H funds have continued to increase. At the end of FY 2015, the Prop H fund balance grew to \$1.24 million, more than three times the maximum amount of \$400,000 established in the Prop H reserve policy. In addition, the City has not been able to meet this fund carryover limit since inception of the policy.

There are a variety of reasons why the carryover balance continues to increase. We recommend the City adopt corrective measures to ensure Prop H funds are spent timely on public safety activities. This includes having the Fire and Police Departments spend all of their Prop H expense budgets, and evaluating and implementing a more accurate process for projecting year-end available balances. Any future changes to the Prop H reserve policy should be based on sound analysis and justification of Departmental needs.

Subsequent to the reporting period that ended on September 30, 2015, the price of oil per barrel significantly dropped. At the time of print, January 27, 2016, the price per barrel was \$32.30. According to the Municipal Code, Prop H revenue will be suspended for any month in which the monthly average price is below \$20.00 per barrel. While the monthly average price has not dropped below \$20.00 per barrel since the inception of Prop H, it is possible that further declines in oil pricing could jeopardize a portion of the \$2.9 million in Prop H revenue projected for FY 2016.

We wish to thank the Financial Management, Fire, Police and Gas & Oil Departments for their assistance and cooperation during this audit.

Results & Recommendations

Finding 1. Prop H revenues received during FY 2015 were properly calculated based on oil producers' reports remitted to the City.

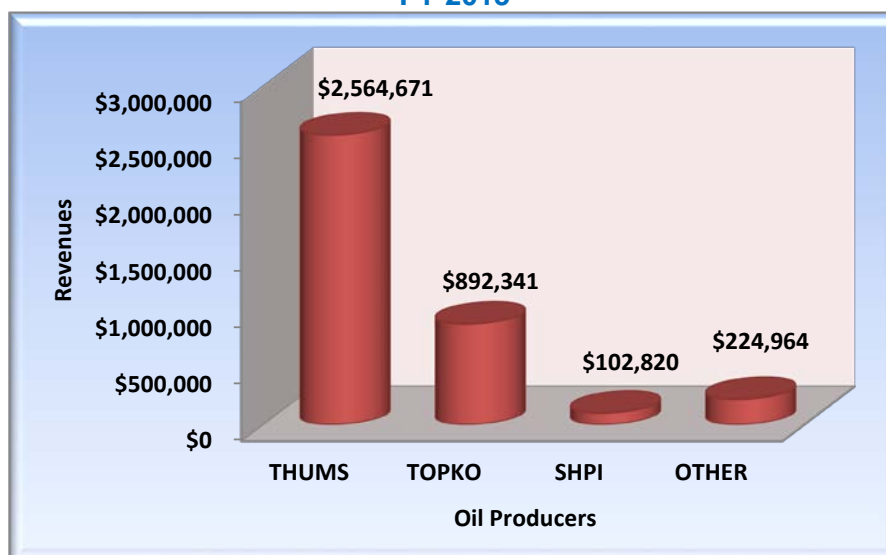
The City received a total of \$3,784,796 of Prop H oil tax revenue, including penalties and interest, during FY 2015, as depicted in the table below. This is a revenue increase of 3% over the prior year. The oil tax revenue received was based on production reports totaling 13,321,018 barrels of oil.

Table 1.
Total Tax Revenues Received
FY 2015

Oil Tax Revenue	Penalties and Interest	Total
\$3,765,058	\$19,738	\$3,784,796

We substantively tested 94% or \$3,553,677 of the special tax revenues received in FY 2015 through confirmations with the oil producers and determined that funds remitted by oil producers were properly calculated based on the reports presented to the City. We also verified that revenues were recorded into the City's financial system. In addition, we reviewed significant revenues received to ensure that penalties were assessed on late payments. Chart 1 is a summary of the Prop H funds received by oil producer during FY 2015.

Chart 1.
Prop H Revenues Received by Oil Producer
FY 2015



The special tax revenues and penalties received were deposited into Fund 121, the Police and Fire Public Safety Oil Production Act Special Revenue Fund, as required by §3.80.225 of the

Municipal Code. The revenues were divided equally between two sub-funds, one for the Police Department and one for the Fire Department.

Finding 2. FY 2015 expenditures of Prop H funds complied with the approved uses set forth in the City's Municipal Code.

Prop H expenditures during FY 2015 totaled \$3,724,902 and were made for eligible costs as defined in the City's Municipal Code.

Police Department

In FY 2015, Prop H expenses for the Police Department totaled \$1,892,499. Salaries and benefits, including workers compensation, for eight Prop H-funded citywide motorcycle officers totaled \$1,260,874 and accounted for 67% of total expenses. \$400,000 of one-time funds carried over from prior years was used to help fund construction for the East Patrol Division substation at Schroeder Hall. In addition, \$189,484 was used to help fund the Police Academy. The remaining Prop H expenses consisted primarily of fleet services charges and some small additional costs for data center, email, and web services. We reviewed \$1,870,841 (99%) of Prop H Police Department expenditures and found that they complied with the approved uses as set forth in the City's Municipal Code.

Fire Department

The Fire Department's FY 2015 Prop H expenditures totaled \$1,832,403. The majority of the expenditures, \$1,636,551, or 89%, were for salaries, benefits and workers compensation charges for nine positions, to provide constant staffing for two daily firefighters posts and one daily fire engineer post on Fire Truck 17. Additionally, \$175,000 was used to help fund the Fire Academy. The remaining Prop H Fire expenditures included data center, email, and web services. We reviewed \$1,811,551 (99%) of Prop H Fire Department expenditures and found that they complied with the approved uses as set forth in the City's Municipal Code.

Finding 3. The amount of unspent Prop H monies on deposit that were carried over into the current fiscal year was more than three times Financial Management's reserve policy maximum.

In response to the FY 2012 Prop H Audit, which first addressed the growing carryover issue, Financial Management developed a Prop H reserve policy for implementation with the FY 2014 budget. The policy establishes a reserve range between \$150,000 and \$400,000 to be available should Prop H oil production revenues decline or for any one-time needs.

The City has exceeded the carryover limit of \$400,000 since inception of the policy. As shown in Table 2 below, the carryover fund balance has increased \$1,040,641 or 525% between FY 2010 and FY 2015. As a result, Prop H funds available for public safety uses remain unspent.

Table 2.
Prop H Carry-Over Fund Balance
FY 2010-2015

Fiscal Year	Prop H Carry-Over at Fiscal Year End
FY 2010	\$ 198,137
FY 2011	637,789
FY 2012	959,749
FY 2013	559,421
FY 2014	1,178,884
FY 2015	1,238,779

In addition, based on FY 2016 budget numbers, the amount of carryover projected at the end of FY 2016 will continue to be more than double the reserve policy maximum, as shown in Table 3.

Table 3.
Prop H Funds Cash Flow
FY 2014-2016

	Police	Fire	Total
FY 2014 Carryover	\$ 681,509	\$ 497,375	\$ 1,178,884
FY 2015 Actual Revenue	1,892,826	1,891,970	3,784,796
FY 2015 Actual Expenditures	(1,892,499)	(1,832,403)	(3,724,902)
FY 2015 Carryover	681,836	556,943	1,238,779
FY 2016 Budgeted Revenue	1,457,210	1,457,210	2,914,420
FY 2016 Budgeted Expenditures	(1,475,908)	(1,756,736)	(3,232,644)
FY 2016 Projected Carryover	663,138	257,417	920,555

Failure to meet the \$400,000 maximum carryover balance in FY 2015 and potentially in FY 2016 is a result of several factors:

1. No mid-year budget adjustments.

For FY 2015, the Financial Management Department projected an end-of-year carryover level that was within its policy parameters, but revenues came in \$195,000 above budgeted levels and expense allocations were not fully met, as shown in Table 4 below, increasing the fund balance by 5% from the prior year to \$1,238,779, more than three times the cap.

Table 4.
Prop H Budget to Actual
FY 2015

	FY 2015 Budget	FY 2015 Actual	Variance
Revenue			
Police Department	\$ 1,805,965	\$ 1,892,826	\$ 86,861
Fire Department	1,784,203	1,891,970	107,767
Total	3,590,168	3,784,796	194,628
Expenditures			
Police Department	2,201,103	1,892,499	(308,604)
Fire Department	2,232,058	1,832,403	(399,655)
Total	4,433,161	3,724,902	(708,259)

It is unclear whether actual revenues received and expenditures incurred were reviewed during the year. However, the City did not perform mid-year budget adjustments for this fund in FY 2015. Without mid-year adjustments, the fund is vulnerable to significant fluctuations, both up and down, should actual activity vary from projected annual numbers.

2. Police Department allocation not fully spent.

The Police Department underspent its allocation in FY 2015 by \$308,604, in part due to a vacancy in its motor team. Since Prop H funds can be used for a wide range of operating expenses, unspent funds could have been used to support other personnel or material expenses.

3. Budget savings not applied equally.

The Fire Department underspent its FY 2015 allocation by \$399,655 due to not purchasing \$400,000 in equipment. The Fire Department was allowed to carry over these funds for use in their FY 2016 budget. However the Police Department's FY 2015 savings of \$308,604, as noted in item 2 above, was not carried over to FY 2016, resulting in Fire Department receiving more funding than the Police Department and over \$300,000 added to the growing Prop H reserve balance.

4. FY 2016 revenue projections are low.

The Gas & Oil Department projected a 12% decline in oil production for FY 2016. Due to timing of when the annual budget is prepared, the Financial Management Department applied the 12% reduction to estimated revenues for FY 2015. However, the FY 2015 estimated revenue figure was 13% lower than the final actuals, resulting in a 23% total decline in FY 2016 projected revenues, considerably more than the Gas & Oil

Department's 12% projection. As a result, the budgeted carryover projection of \$920,555 for FY 2016 could be underestimated by as much as \$416,000.

During the audit, the Financial Management Department expressed a desire to revisit the Prop H reserve policy with the intent of continuing to increase the carryover balance to fund potential future Police and Fire Department budget deficits in addition to mitigating possible declines in oil production. The Municipal Code is silent on the amount of funds that can be held in reserve; however, the intent of the law was to provide immediate additional resources for public safety. Increasing the reserve maximum should only be done if the new figure can be thoroughly supported and justified.

Recommendations:

- 1. The Police Department should be able to apply its \$308,604 FY 2015 savings to its FY 2016 budget in the same manner as the Fire Department. One department should not receive an advantage for savings that the other Department did not. In future years, both Departments should be expected to spend their expense budgets to better manage the fund balance.**
- 2. The FY 2016 revenue projection should be revised to reflect only the 12% oil production decline projected by the Gas & Oil Department. Adjustments to budgeted revenues should be accompanied by corresponding modifications to budgeted expenses.**
- 3. The City should review its process for budgeting and projecting Prop H revenues and expenditures to ensure Prop H funds are reasonably estimated and spent timely.**
- 4. If the City determines that its carryover policy is not feasible, it should revise the policy as necessary, including the carryover range and the uses of carryover funds, and provide an explanation for the change.**

Finding 4: The anticipated projects and programs funded by Prop H revenue in FY 2016 comply with the approved uses set forth in the City's Municipal Code.

Anticipated Activities

In FY 2016, the Police Department intends to use Prop H revenues to fund salaries, benefits, and fleet maintenance expenses for ten Prop H-funded motorcycle officers.

In FY 2016, the Fire Department intends to continue to use Prop H revenues to fund salaries and benefits to provide constant staffing for two daily firefighter positions and one daily fire engineer position on Fire Truck 17 and other fire suppression operations, including workers compensation charges and service charges from other departments.

The above anticipated activities for Prop H funds by the Police and Fire Departments comply with the approved uses as set forth in the City's Municipal Code.

FY 2016 Budgeted Revenues and Expenditures

For FY 2016, budgeted Prop H revenues and expenditures were \$2,914,420 and \$3,232,644 respectively.

Table 5.
Budgeted Revenues and Expenditures
FY 2016

Revenues and Expenditures	Police	Fire	Total
FY 2016 Budgeted Revenues:			
Oil Production Tax	\$ 1,457,110	\$ 1,457,110	\$ 2,914,220
Interest-Pooled Cash	100	100	200
Total Budgeted Revenues:	1,457,210	1,457,210	2,914,420
FY 2016 Budgeted Expenditures:			
Salaries, Wages and Benefits	1,668,972	1,690,312	3,359,284
Worker's Compensation	141,815	44,699	186,514
Internal Support	(334,879)	21,725	(313,154)
Total Budgeted Expenditures:	1,475,908	1,756,736	3,232,644
Revenues Less Expenditures at			
9/30/2016 (Budgeted)	(18,698)	(299,526)	(318,224)
FY 2015 Carryover	681,836	556,943	1,238,779
FY 2016 Projected (FY 2015 Carryover Less FY 2016 Budgeted)	663,138	257,417	920,555

Background

Proposition H

The citizens of Long Beach (City) approved Proposition H (Prop H), the Police and Fire Public Safety Oil Production Act, on May 1, 2007. Prop H amended the City’s Municipal Code to assess an additional 25 cents per barrel special tax on oil producers in Long Beach, with the tax rate to be adjusted annually on June 1 based on the Consumer Price Index (CPI). The special tax became effective on June 1, 2007 and has since been adjusted as follows:

Table 6.
Prop H Tax Rates
FY 2007-2015

Effective Date	Adjustment for CPI	Amount of Special Tax
June 1, 2007	-	\$0.25
June 1, 2008	\$0.01	\$0.26
June 1, 2009	\$0.01	\$0.27
June 1, 2010	\$0.00	\$0.27
June 1, 2011	\$0.00	\$0.27
June 1, 2012	\$0.01	\$0.28
June 1, 2013	\$0.00	\$0.28
June 1, 2014	\$0.00	\$0.28
June 1, 2015	\$0.01	\$0.29

This special tax is in addition to the existing tax of 15 cents per barrel produced and is a legally distinct tax to be used specifically to fund public safety. Specifically, these proceeds may be used only for police officers, firefighters, and related costs, including but not limited to equipment, facilities, and training in order to ensure timely responses for public safety needs.

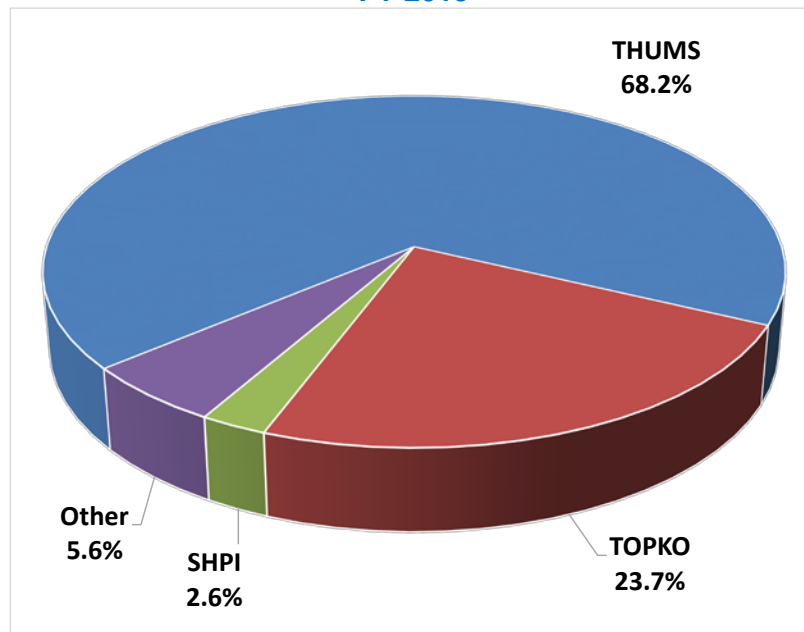
This special tax is due to the City on or before the last day of the calendar quarter. The payment is based on a production quarter, which ends one month earlier than the calendar quarter. For example, the special tax payment for the production quarter ending August 31, 2015 was due to the City on or before September 30, 2015.

Failure to pay the tax results in a penalty of 25% of the total amount of the total tax on the first day of the month following the close of the calendar quarter. If the tax remains unpaid for each month thereafter, an additional 10% penalty is assessed, up to a maximum of 100% of the tax amount.

Oil Producers

In fiscal year (FY) 2015, oil operators in Long Beach reported a total of 13,321,018 barrels of oil produced. THUMS Long Beach Company (THUMS), Tidelands Oil Production Company (TOPKO) and Signal Hill Petroleum, Inc. (SHPI) were the City's top oil producers in FY 2015. As illustrated in Chart 2, these three oil operators accounted for 94% of oil produced in FY 2015.

Chart 2.
Percentage of Barrels Produced by Oil Producer
FY 2015



The source for the majority of the oil produced is the Wilmington Oil Field. The Wilmington Oil Field was discovered in Long Beach in 1932 and is 13 miles long, extending from San Pedro to Seal Beach. The field is divided into two sections: West and East. TOPKO serves as the field contractor for the western section of the oil field, and THUMS serves as the field contractor for the eastern section. In FY 2015, THUMS produced 9,080,087 barrels of oil, while TOPKO produced 3,158,393 barrels of oil.

SHPI, the third largest oil producer in Long Beach, is the operator for the Signal Hill West Unit, Signal Hill East Unit, Signal Hill Bryant Lease, Signal Hill H&L Lease, and Signal Hill LBA-1 Lease Oil Fields. The oil fields are located in both Long Beach and Signal Hill. In FY 2015, SHPI produced a total of 341,934 barrels of oil in Long Beach.

Since the inception of Prop H through September 30, 2015, annual oil production in Long Beach has fluctuated; while production steadily declined from FY 2008 to FY 2012, there has been a 7% increase in production from FY 2012 to FY 2015. See Chart 3 for additional details on the fluctuation in annual oil production.

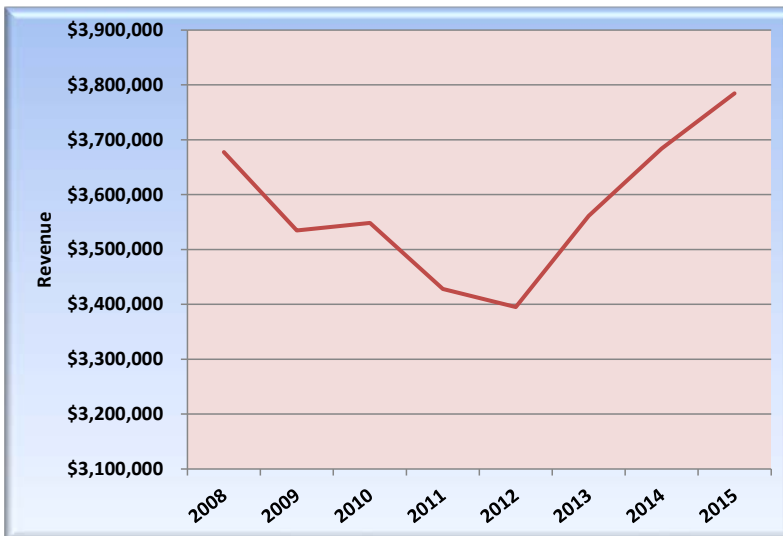
Chart 3.
Annual Oil Production
FY 2008-2015



Prop H Revenues

Based on the level of production, Prop H revenue received by the City has increased 11% from FY 2012 to FY 2015, as shown in Chart 4 below.

Chart 4.
Prop H Annual Revenue
FY 2008-2015



Price of Oil

As shown in Chart 5 below, when the special oil tax became effective in June 2007, the monthly average price of oil, based on the West Texas Intermediate (WTI) crude index, was steadily rising. In June 2008, the monthly WTI average reached a high of \$133.93 per barrel. The price of crude oil declined significantly shortly thereafter with the average monthly WTI price falling to \$39.16 per barrel in February 2009, but it increased steadily thereafter. For a four-year period, between October 2010 and October 2014, the WTI monthly average price never dipped below \$80.00 per barrel, averaging \$95.60 per barrel.

Chart 5.
Price of Oil
June 2007- September 2015



However, the oil price began dropping significantly after October 2014. According to the Municipal Code, Prop H revenue will be suspended for any month in which the average WTI index is below \$20.00 per barrel. FY 2015 began with the average monthly oil price at \$84.40, but ended at \$45.48 per barrel, representing a decrease of over 46%. Since then, the price has further declined and, at the time of print on January 27, 2016, was \$32.30 per barrel.

Objective, Scope & Methodology

Long Beach Municipal Code §3.80.227 requires annual independent financial audits of Prop H revenues and expenditures during each fiscal year. The four primary objectives of this audit were as follows:

1. Identify Prop H revenues received during FY 2015 and determine if funds remitted by the oil producers were properly calculated based on oil producers' reports remitted to the City;
2. Identify FY 2015 expenditures of Prop H funds and analyze whether such expenditures complied with the approved uses set forth in the Long Beach Municipal Code;
3. Determine the amount of unspent Prop H monies on deposit at September 30, 2015 that were carried over into the current fiscal year, FY 2016; and
4. Determine the status of any projects and programs funded by Prop H revenue.

The scope of our audit covers the period October 1, 2014 through September 30, 2015. We performed the following procedures during our audit:

- Obtained an understanding of internal controls surrounding the collection and recording of Prop H funds and calculated the annual change in the special tax rate based on the change in the annual average of CPI.
- Obtained the Oil Production Taxes Schedule from the Financial Management Department and recalculated Prop H revenues, verified that appropriate amounts of penalties were assessed, and traced payments from checks to the City's financial system. Independently confirmed 94% of the reported oil production amounts with the oil producers for FY 2015.
- Identified the Prop H expenditures during FY 2015 and determined whether the expenditures were in accordance with the City's Municipal Code and identified the amount of unspent Prop H monies on deposit at September 30, 2015 that were carried over into the current fiscal year, FY 2016.
- Identified the Police and Fire Departments' plans to use Prop H monies in the future, and determined whether those plans are in accordance with §3.80.224 of the City's Municipal Code.

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

Management Comments


Management comments follow this page.




City of Long Beach
Working Together to Serve

Memorandum

Date: January 26, 2016

To: Patrick H. West, City Manager 

From: John Gross, Director of Financial Management 

For: Laura Doud, City Auditor

Subject: **FY 15 Proposition H Audit**

Thank you for the opportunity to comment on the draft audit of Proposition H (Prop H) for Fiscal Year (FY) 2015. Management appreciates the importance of the annual Prop H Audit, the extensive audit review, and the useful and detailed information contained in the report.

Management agrees or partially agrees with all findings in the City Auditor's report. Any "partial" agreement comments are generally focused on Management's view that the City's budget process is intended to be a flexible process (within Code and Charter requirements) to best manage complex and unpredictable revenue and expenditure events. For example, Management does not believe it is in the best interest that departments necessarily spend all of their Prop H budgets every year. The budget is a plan, and circumstances sometimes make deviation from the budget appropriate and in the best interest of the City. Similarly, a limited-term deviation from the amount specified in a policy on funds available balances, particularly if the balances are more than the policy specifies, does not necessarily mean that there is a problem, or that changes need to be made to that policy. Unexpected circumstances can cause deviations. If that happens, the City then plans, through its budget processes, what to do about those deviations and puts those new plans into action through adopted budgets.

Overall, Management believes that the administration of Prop H funds is appropriate, supports Public Safety programs as required, and is in conformance with sound budgetary practices. Again, Management appreciates the City Auditor's diligence in performing the detailed annual Prop H Audit and appreciates the opportunity to comment.

JG:BUREAU MANAGER:SECRETARY
K:\BUDGET\FY 16\FUND ANALYSIS - FY 16\PROP H\FM MEMO PROP H AUDIT FOR FY2015 FINAL

ATTACHMENT: MANAGEMENT RESPONSE ACTION PLAN

CC: PATRICK WEST, CITY MANAGER
TOM MODICA, ASSISTANT CITY MANAGER
ARTURO SANCHEZ, DEPUTY CITY MANAGER
REBECCA JIMENEZ, ASSISTANT TO THE CITY MANAGER

MANAGEMENT RESPONSE AND ACTION PLAN

Financial Management Department

Proposition H Police and Fire Public Safety Oil Production Act Audit, FY15

No.	Recommendation	Priority	Page No.	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1	The Police Department should be able to apply its \$308,604 FY 2015 savings to its FY 2016 budget in the same manner as the Fire Department. One department should not receive an advantage for savings that the other department did not. In future years, both departments should be expected to spend all of their expense budgets.	M	5	Partially Agree	Financial Management	Management agrees that the Police Department is eligible to apply savings in the same way as the Fire Department, and generally that is what happens, whether it is for the Prop H Fund or other aspects of budgeting. However, that does not mean that in any year, Police and Fire need to handle transactions and budgeted amounts in the same way. As with most appropriations across all the funds, budget policies do not require full expensing of appropriation for Prop H. Management believes that requiring departments to always spend their appropriations would not be the best budget practice. In the specific case mentioned, Management is proposing that the unspent FY 15 police budget be used in FY 16 for the cost of the FY 16 Police Academy.	In Place 3/31/2016 for Budget Adjustment
2	The FY 2016 revenue projection should be revised to reflect only the 12% oil production decline projected by the Gas & Oil Department. Adjustments to budgeted revenues should be accompanied by corresponding modifications to budgeted expenses.	M	5	Partially Agree	Financial Management	Management concurs that revenue projections for oil should take into account information provided by the Gas & Oil Department. Management routinely does this, usually multiple times a year. Management also agrees that, when necessary or appropriate, budgets should be modified, including Prop H. Typically Management feels that the best budgetary practice does not involve modifying the budget during the year as revenue and expenditure projection change. Projections, which are done several times during the year, are frequently different from the budget. However, budgets are modified when it is necessary to avoid confusion and where it is will help with budgetary compliance.	In Place
3	The City should review its process for budgeting and projecting Prop H revenues and expenditures to ensure Prop H funds are reasonably estimated and spent timely.	M	5	Partially Agree	Financial Management	Management agrees that the process of budgeting and projecting Prop H funds should be periodically reviewed. Financial Management reviews practices every year. In the last few years, Management developed an explicit policy on funds available for this Fund. The Prop H Fund is relatively small, it is subject to variation in revenue, and it is part of a bigger picture overall budget strategy involving several funds. In addition, overall strategy may be addressing a multi-year budget issue, not necessarily a one-year issue. As a result, significant deviations from the budget (in this particular Fund) in a single year are not unusual, and are not indicative of a budgeting issue.	In Place
4	If the City determines that its carryover policy is not feasible, it should revise the policy as necessary, including the carryover range and the uses of carryover funds, and provide explanation for the change.	L	5	Agree	Financial Management	Management agrees that funds available policy should be periodically reviewed. At present, the policy for the Prop H funds continues to serve as a general guideline/target. Temporary deviations in actual funds available from policy, particularly when the funds available is higher than the policy, are not causes for concern or change, particularly given the nature of the Fund's revenues and expenditures. It is possible that the recent instability in oil prices, and, potentially in oil production may eventually warrant a review of the policy, which, if this is the case, the review would occur later this year.	In Place (if review needed, will occur by 10/1/2016)

Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

Yellow areas - to be completed by the department