

# CITY AUDITOR

*The mission of the City Auditor's Office is to:*

- *Provide independent assurance that public funds are spent appropriately and effectively.*
- *Promote transparency, accountability and efficiency in City operations.*
- *Prevent fraud, waste, and abuse of City resources.*

# Department Goals

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**Goal 1** Protect the public's interests and promote excellence in government.

**Program**

Apply professional audit services, financial and operational, to the City and its departments in order to enhance revenues, ensure compliance with all applicable laws and regulations and to identify appropriate efficiency improvements. Program services may include the following:

- Economic Analysis of significant transactions and business deals
- Contract Reviews
- Financial Audits
- Fraud Investigations
- Internal Control Reviews
- Lease Reviews
- Operational Audits
- Performance Audits
- Revenue Audits
- Strategic Planning
- General oversight and stewardship in conjunction with City financial decisions

**Goal 2** Audit all disbursements as required by the City Charter.

**Program**

Audit all pending payment vouchers for compliance with applicable statutes, City policies and regulations, lease agreements and any and all applicable contractual provisions.

Provide independent lease and contract reviews to maximize collection and recovery of all monies due to the City.

Strive to provide next day approval on all payment vouchers submitted.

**Goal 3** Verify cash and investments as required by the City Charter.

**Program**

Verify cash and investments in the City Treasury once each quarter, as required by the City Charter, in a timely manner.

Ensure all invested assets are in compliance with the City's current Investment Strategy and other applicable Government Code restrictions.

**Goal 4** Perform the Annual Financial Audits as required by the City Charter.

**Program**

Perform the annual financial audit of the City and its financial component units in a timely manner by utilizing all necessary professional resources available to the Office.

## Department Goals

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**Goal 5** Report all findings of the Office to the residents of Long Beach and other stakeholders in a timely manner.

**Program**

To communicate the findings of each audit and other significant projects of the Office in a clear, concise and understandable format for distribution to the residents of the City and other stakeholders.

To ensure mechanisms within the Office whereby resident complaints and issues can be handled appropriately and in a timely manner.

To actively promote a fraud hotline, allowing residents and others to anonymously provide tips and other information to assist in detecting and preventing fraud, abuse and government waste.

## Fiscal Year 2008 Accomplishments

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2008 marks the centennial year of the Office of the City Auditor. During these 100 years, the residents of Long Beach have entrusted the City Auditor to provide independent assurance that City-controlled public funds are well managed, spent prudently and as intended, providing the expected services, and are recorded and reported accurately.

The Long Beach City Charter defines the responsibilities of the City Auditor, and during FY 08 the City Auditor's Office complied with all Charter and Municipal Code mandates.

### **Audits or Reports Issued/Implemented in FY 08:**

#### **Long Beach Police Efficiency Study**

The City Auditor has monitored the adoption of FY 07 recommendations of the Long Beach Police Efficiency Study and has continued to work with the Police Department on implementation of the audit recommendations during FY 08.

The FY 07 Study focused on twelve initiatives, which were in four categories: Civilianization, Redeployment, Technology Upgrades and Fine Enforcement.

As a result of recommendations of this office and action by City Management and the Police Department, overtime has been reduced by \$4.6 million.

During FY 08 the City Auditor's Office followed up on several other cost saving recommendations of the audit:

- **Adjust False Alarm Fines**  
The audit noted that the City of Long Beach is below comparable jurisdictions in the amounts charged for false burglar alarms. An adjustment to alarm fines was estimated to generate an additional \$103,000 in alarm fine revenues. As of May 2008, an additional \$47,000 in alarm fine revenue has been realized as a result of the audit's recommendation.
- **Wheel Locks and Towing**  
The audit recommended implementing a wheel lock and towing program to increase collection of delinquent parking ticket charges for vehicles with several unpaid parking tickets. The Police Department is currently using Automatic License Plate readers (ALPRs) as a substitute. Since the use of ALPRs, the City has collected an additional \$38,100 as of May 2008.
  - **Wheel Clamp Study**  
With the combined use of ALPRs and booting, the audit estimated that the City could collect up to \$1.5 million of additional revenue per year. Our office is currently completing a wheel clamp study to further refine the information provided by this recommendation and provide City Management and the City Council with a recommended cost benefit analysis to further consider.

#### **Museum of Art Capital Campaign Audit**

An audit of the Long Beach Museum of Art Foundation's Capital Campaign was completed. The purpose of the audit was to assess the current status of the Foundation's Capital Campaign to determine the Foundation's ability to satisfy a required bond principal payment or the reasons for its inability to do so.

## Fiscal Year 2008 Accomplishments

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The audit raised the awareness of the Foundation's lack of a formal plan to repay the \$3,060,000 revenue bond principal that is due to the City in September of FY 09. The audit further found that certain issues pertaining to the Foundation's operations under previous management negatively impacted the Foundation's ability to repay the bonds. Under the Museum's current new management, these issues and others raised in the audit are being addressed and remedied.

### **Sea Festival Association Contract Performance Audit**

Recommended improvements in three general categories:

- The City's revenues and expenses related to Sea Festival
- Policies & procedures
- Contract clarification

The audit identified \$37,000 in revenue owed to the City. Further, clarification of contractual responsibilities may result in additional revenues that would not otherwise be realized.

### **Queen Mary**

The City Auditor consistently monitored QSDI bankruptcy proceedings, and consulted with the City Attorney's Office as well as outside auditors to help assure that the City's interests are protected.

### **Long Beach Streets Review**

The City Auditor completed a report in two phases. The first phase reviews the Long Beach Capital Improvement Program.

The second phase focuses on an assessment of Long Beach's street conditions and maintenance. It also reviews contracting practices with a comparison of the Department of Public Works' costs relative to other cities.

The City Auditor's Office has been working with the Department of Public Works since May 2007, during which time the department has already begun to implement some of the recommendations.

### **Audit of Proposition H revenues and expenditures**

The City Auditor performed the first annual audit of Proposition H revenues and expenditures to ensure that funds remitted by the oil producers are properly calculated and are being used properly.

#### **Background:**

In 2007 the City Auditor collaborated with the Mayor, City Councilmembers, and City Departments to help educate voters on the importance of a fee adjustment to the existing oil tax that was well below market rate. The incremental revenues resulting from the rate increase would be allocated for Public Safety without creating additional cost to taxpayers. Over 70% of Long Beach voters approved Proposition H, an unprecedented approval of a tax measure in Long Beach.

#### **Prop H Oil Tax results:**

- During FY 08 the City will realize approximately \$3,500,000 in additional revenue during this first full year of implementation of newly calculated fees.
- Based on oil production in FY 07, we can estimate annual income generated from this measure over the next five years to generate approximately \$17.5 million.

## Fiscal Year 2008 Accomplishments

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### **Quarterly Analyses of Cash and Investments as of September 30, 2006, December 31, 2007, March 31, 2007, June 30, 2007 and September 30, 2007**

The City Auditor is required by City Charter to verify the cash in the City Treasury at least once a quarter and make a written report thereof to City Council. In FY 08, the five quarterly cash and investment examination reports for the quarters noted above were completed and filed with City Council.

### **Article 9 (b) and (c) of the Contractor's Agreement 2006**

The City of Long Beach is the Unit Operator of the Long Beach Unit (LBU), Wilmington Oil Field. In 1965, the City entered into a Contractor's agreement for the day-to-day operations of the LBU. Article 9 of the Contractor's Agreement establishes the methods of valuation of oil allocated to the field contractor and non-operating contractors.

The records of each contractor are audited annually to ensure that the valuation of oil is determined in accordance with provisions of Article 9 of the Agreement.

As a result of the audits, total adjustments for calendar years 2005 and 2006 were \$11,860,068 and \$15,986,092 respectively; these adjustments were realized in 2007 and 2008 and yielded \$1,554,603 (2005) and \$573,351 (2006) in revenue to the City.

### **Audit of Schedule of Incurred Costs of the Groundwater Storage Program**

At the request of the Water Department, the City Auditor completed an audit of the construction and related costs of the Groundwater Storage Program for the period from November 1, 2002 to November 30, 2005.

An audit of the total program costs was a requirement of the Funding Agreement WD-2530, administered by the Water Department.

### **TOT Collections Audits**

Transient Occupancy Tax (TOT) audits of all hotels in Long Beach were completed over a three-year period for calendar years 2005, 2006 and 2007. As part of these audits, the City Auditor's Office explained the City's reporting requirements to each individual hotel to induce greater compliance in future years and maximize city revenues.

As a result of those audits, \$236,295 of additional under-reported TOT was assessed; of which \$149,269 in additional revenues for the City were collected.

TOT audits are planned for calendar year 2008 and the City Auditor's Office plans to continue ensuring that the City is receiving all revenues due.

### **GANN Letter Fiscal Year Ended September 30, 2007**

The Office complied with an annual calculation requirement of Gann Appropriations Limits. This State-mandated requirement increases accountability of local governments.

### **Atlantic Recovery Services**

Atlantic Recovery Services provided homeless services in the City of Long Beach through a contract administered by the City and funded with federal grant monies. In FY 07, following the receipt of a whistleblower notice, the City Auditor's Office attempted an audit of ARS records. Resistance of ARS to provide adequate records resulted in litigation by the City Attorney. We will continue to provide support as needed in this matter.

## Fiscal Year 2008 Accomplishments

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### **Long Beach Towne Center Lease**

An audit of the Long Beach Towne Center, issued by the prior administration in June 2006, found that participant rent was due to the City. The developer opposed the claim per the 2006 audit, and the City filed suit. The City Auditor's Office has worked with the City Attorney's Office to resolve this matter, and will continue to do so.

### **Audits and reports planned to be issued before FY 08 end:**

Several audits in progress are planned for issuance before the fiscal year end including:

- LB Museum of Art Inventory Audit
- Queen Mary Inventory Audit
- Planning and Building Cashiering Audit
- American Golf Follow-Up
- El Dorado Regional Park
- Joe's Crab Shack
- Citywide Purchasing Cards
- Quarterly Analyses of Cash and Investments as of December 31, 2007
- Quarterly Analyses of Cash and Investments as of March 31, 2008
- TOT Update

### **Services provided by the Office of the City Auditor in FY 08:**

- During FY 08, the City Auditor conducted performance audits in accordance with generally accepted government auditing standards (GAGAS). GAGAS is a high level of professional standards and is also the industry benchmark for government audit organizations.
- As required by City Charter, the City Auditor reviews all disbursements of City funds. During FY 08, as of early July 2008, 37,483 checks totaling \$531,870,265, 91,027 voucher payments, and 780 wire transfers totaling \$2,086,871,012 were reviewed.
- The Office of the City Auditor administers all wage garnishments for City employees. During FY 08, the Office of the City Auditor processed 300 City employee garnishments bimonthly and maintained files for 1,000 inactive cases.
- The Office of the City Auditor participates in various City-related activities such as commissions, committees, and focus groups in an advisory capacity. Included in these are participation on the Investment Committee, the Workers' Compensation Committee and the Deferred Compensation Committee.
- Audit reports often contain recommendations and a request that the City Auditor be provided an update on the status of the recommendation. In some instances, follow-up activity can span several months or even years to ensure appropriate action is taken.

# Fiscal Year 2008 Accomplishments

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## **Other FY 08 Accomplishments:**

### **Disbursements**

In accordance with the City Charter, the City Auditor signs each check that the City issues, including vendor payments, workers' compensation claims, and employee payroll checks.

The Office of the City Auditor is also responsible for final approval of the City's wire transfers.

Each disbursement is reviewed to ensure payments are appropriate, timely, authorized, and documented. If there is an issue with a requested disbursement, payment is withheld until the issue is resolved.

No checks or wire transfers may leave the City without the express authorization of the Office of the City Auditor.

Current year numbers have not been finalized; however, the following FY 07 information illustrates the scope of this work:

- Number of checks reviewed: 49,361
- Value of checks reviewed: \$663,830,224
- Number of checks withheld: 772
- Value of checks withheld: \$9,517,822
- Number of wire transfers authorized: 948
- Value of wire transfers authorized: \$1,862,072,703

### **Wage Garnishments**

The Office of the Long Beach City Auditor currently manages over 300 active garnishment files for the 5,000 + City employees, totaling \$87,000 each payroll period.

The process is complex because each garnishment has unique regulations regarding collection and payment of monies processed. Currently, the Office of the City Auditor manages accounts for over 20 agencies including the U.S. Department of Education, California Franchise Tax Board, United States Internal Revenue Service and Los Angeles County Sheriff's Department.

The City Auditor's Office staff performs all duties related to wage garnishment including audits of garnishments each pay period. Staff complies with appropriate continuing education to ensure that all new laws, rules and regulations are being observed.

### **Fraud Hotline**

Revitalization of the City Auditor's Fraud Hotline continued in FY 08. As a Certified Fraud Examiner, the City Auditor knows the importance of providing a system to report fraud easily and confidentially.

The Fraud Hotline has been improved. City employees, vendors, and citizens can now access it 24 hours a day, 7 days a week.

Appropriate follow-up measures are implemented for each Fraud Hotline report. Currently the Hotline is receiving 60 calls per fiscal year. That number is expected to increase as awareness of the service increases.

## Fiscal Year 2008 Accomplishments

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### **AB 2001 Whistleblower Protection Legislation**

The City Auditor testified before the California State Assembly Committee on Local Government and also the California Senate Committee on Local Government in support of Whistleblower legislation.

This legislation would make whistleblower protections explicit so that residents of all cities in California could be assured that their identities would be confidential when reporting fraud. The City Auditor continues to support this legislation spearheaded by Oakland City Auditor Courtney Ruby as it moves toward a final vote by the State Assembly and Senate.

### **Website**

In FY 08 work improvements continued on revitalizing the City Auditor's website to provide easily accessible information to the public. All audit reports are available online and are posted in a timely manner.

Less than a year after being online, the website received national recognition from the *Association of Local Government Auditors*, winning the Silver Award based on peer-determined criteria.

### **CAFR Coordination**

The Office of the City Auditor coordinates the City's annual financial audit to ensure that the Comprehensive Annual Financial Report and component unit reports are issued in a timely manner.

### **CAFR Cost Reallocation**

\$217,000 in General Fund Savings were realized as a result of properly reallocating \$217,000 in CAFR audit costs across appropriate funds.

### **Initiated TOPKO Audit**

Issued a Request for Proposal to audit TOPKO, an oil contractor that has been paid over the last nine years as part of its contract with the City. The City Auditor's Office did this on behalf of all the working interest owners, including the Long Beach Harbor Department and the State of California. The office also worked with the Gas and Oil Department, the Harbor Department, and the State Lands Commission to select the best contractor for this specialized assignment. The Office plans to continue to monitor and supervise this audit to ensure that all working interest owners, including the City, are being treated fairly under one contract.

### **Prepared Matching Funds CPI Calculation**

Prepared matching funds calculation under Long Beach campaign finance law in conjunction with the City Clerk Department.

# Opportunities & Challenges

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## **Opportunities**

- The City Auditor's Office is charged by the public with being an independent steward over City finances, functions and operations. This charge provides a unique opportunity to conduct auditing services that will be the impetus for a better, stronger and more efficient local government.

## **Challenges**

- To provide responsive and efficient auditing services to a broad array of City departments and related organizations and to communicate the findings of the Office to the residents of Long Beach and other stakeholders in a straightforward and transparent manner. The Office will strive to maintain our independence in order to ensure fair, appropriate and necessary findings and recommendations.

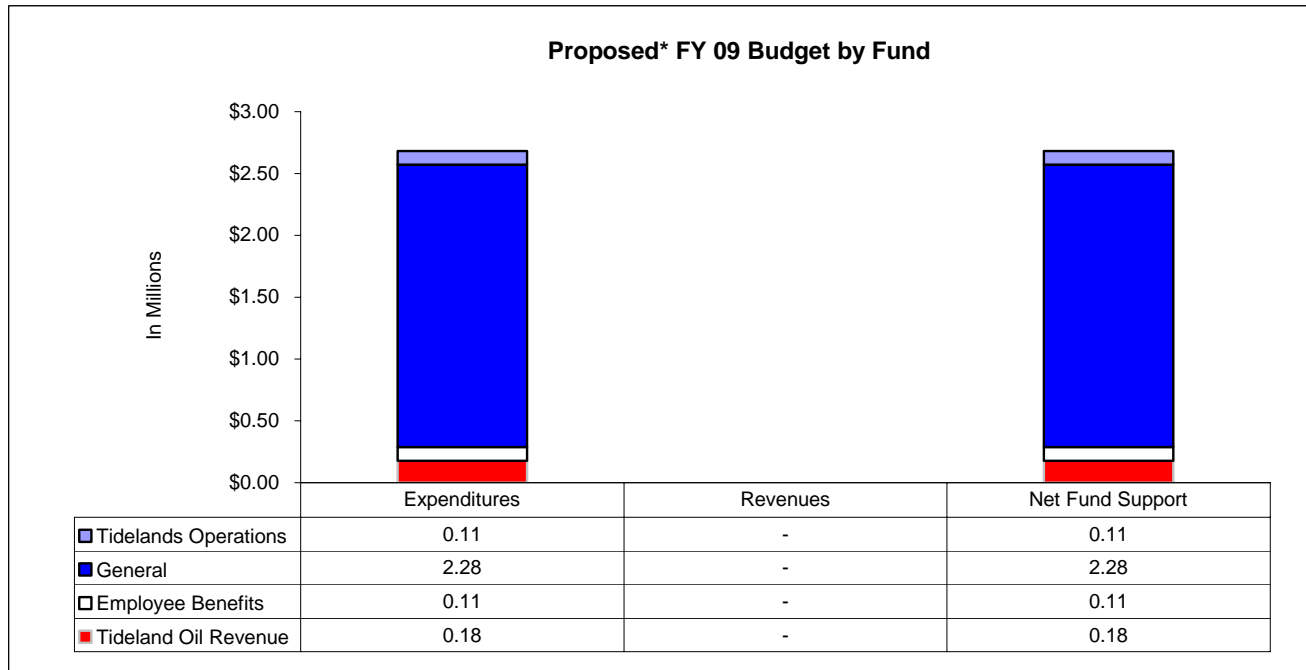
## **Notes**

- The City Auditor is directly elected and accountable to the residents of Long Beach. All audits are conducted based on the professional judgment of the City Auditor and her professional staff in accordance with Generally Accepted Government Auditing Standards, other applicable statutes and industry regulations.

Please visit the City Auditor's website for updates and further information at:

[www.CityAuditorLauraDoud.com](http://www.CityAuditorLauraDoud.com).

## Summary by Character of Expense



	Actual FY 07	Adopted* FY 08	Adjusted FY 08	Estimated FY 08	Proposed* FY 09
<b>Expenditures:</b>					
Salaries, Wages and Benefits	1,791,944	2,438,088	2,438,088	2,146,331	2,218,576
Materials, Supplies and Services	797,127	340,304	365,631	617,932	340,304
Internal Support	166,913	174,439	174,439	174,439	123,453
Capital Purchases	15,040	-	-	-	-
Debt Service	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-
Prior Year Encumbrance	-	-	-	-	-
<b>Total Expenditures</b>	2,771,025	2,952,830	2,978,157	2,938,702	2,682,333
<b>Revenues:</b>					
Property Taxes	-	-	-	-	-
Other Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Use of Money & Property	-	-	-	-	-
Revenue from Other Agencies	-	-	-	-	-
Charges for Services	-	-	-	-	-
Other Revenues	2,851	-	-	400	-
Interfund Services - Charges	-	-	-	-	-
Intrafund Services - GP Charges	-	-	-	-	-
Harbor P/R Revenue Transfers	-	-	-	-	-
Other Financing Sources	-	-	-	-	-
Operating Transfers	-	-	-	-	-
<b>Total Revenues</b>	2,851	-	-	400	-
<b>Personnel (Full-time Equivalents)</b>	18.60	20.00	20.00	20.00	20.00

\* Amounts exclude all-years carryover.



## Key Contacts

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