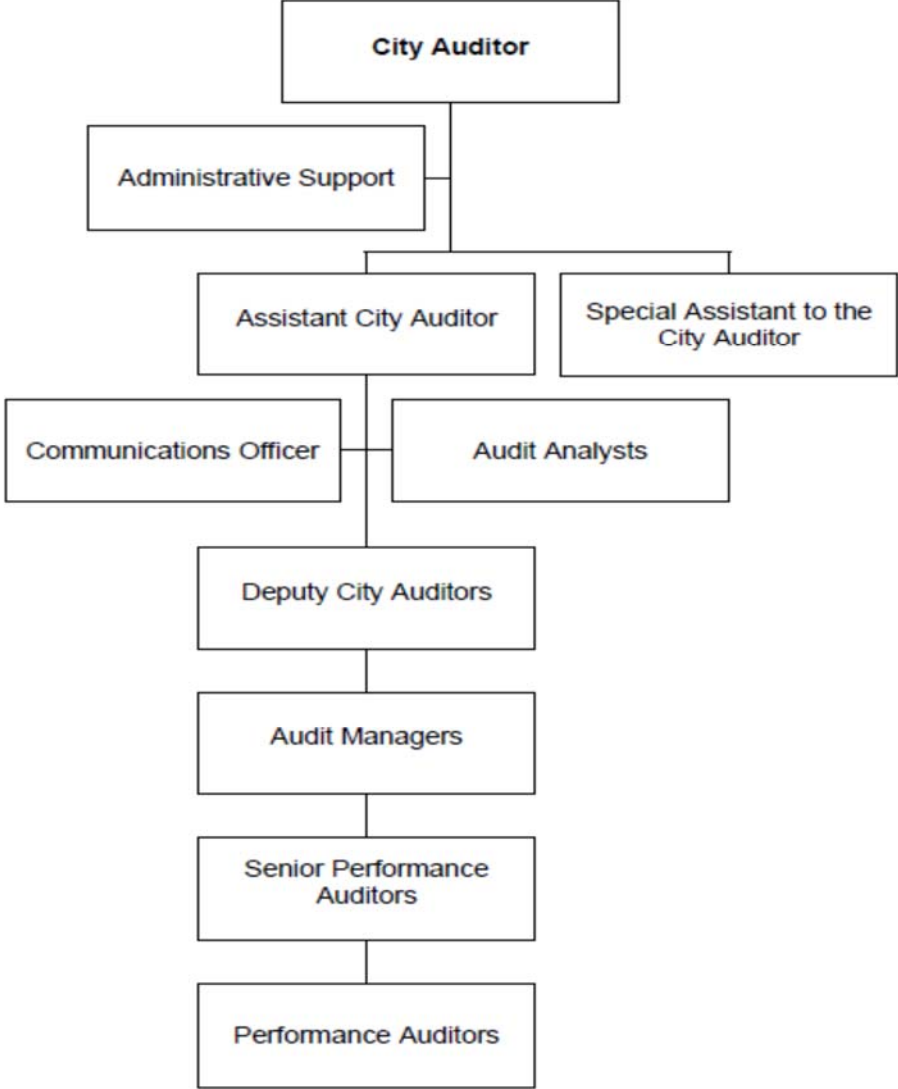


# City Auditor



The mission of the City Auditor's Office is to advance an effective government through independent, high quality audits, advisory services, and investigations.

# Department Goals

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## **Goal 1 Promote transparency, accountability and efficiency in City operations.**

- A. Apply professional audit services including:
  - 1. Financial Audits
  - 2. Revenue Audits
  - 3. Contract Reviews
  - 4. Lease Reviews
  - 5. Internal Control Reviews
  - 6. Fraud Investigations
  - 7. Benchmarking Studies
  - 8. Economic Analysis of significant transactions and business deals
- B. Perform Annual Financial Audits and Federal Single Audit
- C. Verify City's cash and investments as required by City Charter
  - 1. Verify the City's cash and investments once each quarter in a timely manner.
  - 2. Test invested assets to determine compliance with the City's current Investment Policy and other applicable Government Code restrictions.
- D. Open communication with the public
  - 1. Communicate findings of audits in a clear, concise and understandable format for distribution to residents of the City and/or other stakeholders.
  - 2. Ensure there are mechanisms within the Office whereby resident complaints and issues can be handled appropriately and in a timely manner.
  - 3. Actively promote a fraud hotline; allowing City employees, residents and others to anonymously provide tips and other information to assist in detecting and preventing fraud, abuse and government waste.

## **Goal 2 Provide independent assurance that public funds are spent wisely and responsibly.**

- A. Audit all pending payment vouchers and wire transfers for compliance with applicable statutes, City policies and regulations, lease agreements and any and all applicable contractual provisions.
- B. Strive to provide next day approval on all payment vouchers submitted.

## **Goal 3 Prevent and reduce fraud, waste and abuse of City resources.**

- A. Provide an easy confidential process for employees, vendors, and citizens to report misuse of City resources.
  - 1. Provide live, independent interviewers 24 hours a day, seven days a week.
  - 2. Facilitate direct reporting to the Office of the City Auditor of fraud, waste, and abuse of City resources via mobile app, telephone, mail, fax, and email.
  - 3. Review and take appropriate action on each reported incident.

## FY 17 Accomplishments

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For over 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 recorded and reported accurately.

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 staff in accordance with Generally Accepted Government Auditing Standards and other applicable statutes and industry regulations.

The Long Beach City Charter defines the responsibilities of the City Auditor, and during FY 17 the City Auditor's Office complied with all Charter and Municipal Code mandates.

### **Audits or Reports Issued in FY 17:**

During FY 17, the City Auditor conducted audits and attestation engagements in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, the official auditor of the U.S. Congress. GAGAS is the industry benchmark for government audit organizations. The City Auditor also provides professional services that are non-GAGAS audits, such as investigations of alleged fraud and analyzing emerging issues.

To see information on audits and projects please see our 2017 Annual Work Plan, which is available at [www.CityAuditorLauraDoud.com](http://www.CityAuditorLauraDoud.com).

The Office reviewed a wide variety of topics during FY 17. Some of the more significant projects included:

#### **Contract Administration Audit Summary Report**

Throughout FY 16, the Office conducted limited scope reviews of selected contracts throughout the City. The Office evaluated the adequacy of the City's monitoring procedures and internal controls over the administration of contracts as well as the vendor's compliance with key contract provisions. The Office issued separate reports for each individual contract audit upon completion. The Office compiled all of the results in a Contract Administration Audit Summary Report which found that audits of contracts for various goods and services from 2012 through 2016, totaling nearly \$66 million, had recurring patterns of risk across different City departments indicating that comprehensive changes are needed to better manage the City's extensive use of contracts.

The three significant recurring issues identified included:

1. Vendor performance including deliverables and contract rates not verified.
2. Insufficient planning for contract renewal.
3. Rates may no longer be reasonable or fair due to major contract changes.

The report found two primary factors that contributed to inconsistencies and lax oversight of City contracts:

- a lack of an effective contract monitoring system
- a lack of Citywide staff guidance or training on how to manage contracts

As a result of the report, the City is aware of these recurring contract oversight risks, and City Management implemented controls – such as procedural modifications and contract administration training and policies – to address this issue.

The Office is also involved in a number of compliance and required financial reviews such as Quarterly Cash and Investment audits, the City's annual Financial and Single Audits, Gann Appropriations Limit Letter concerning government allowed spending, financial statements for Los Cerritos Wetlands Authority, and Proposition H oil tax expenditures and revenues.

# FY 17 Accomplishments

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## **Other Accomplishments**

### **Annual Work Plan & Accomplishments Report**

In FY 17, the Office released its third Annual Work Plan to the public. The document enhances transparency by providing information about the Office, highlighting the valuable audit work produced in 2016 which included reports that reviewed \$45 million in City assets in 12 different departments that included 170 recommendations. City departments have taken action as a result of these audits resulting in significant and positive change. It also outlines planned audits with a focus on issues that directly affect the public's quality of everyday life. This includes assessing the City's animal care program, Fire Department inventory management and Business Improvement District Program contract administration. The 2017 Annual Work Plan & Accomplishments Report shows how our Office consistently focuses on internal improvements and provides increased value to the City.

### **Fraud Hotline**

The City Auditor's Fraud Hotline operates 24-hours per day, 7-days a week and is available to anyone to report allegations of fraud, waste, or abuse against the City. There are three ways to report fraud tips anonymously:

1. Phone 1-888-FRAUD-07
2. Online form at [CityAuditorLauraDoud.com](http://CityAuditorLauraDoud.com)
3. MyAuditor app available at the App Store or Google play

The Office reviews all Hotline tips and takes appropriate action.

The Hotline is promoted with educational materials distributed throughout the City. Posters on fraud awareness and prevention contain messages with the theme "Let's Be Clear" and provide examples of fraud against the City. In addition, the City Auditor's Fraud Hotline Report which provides information on fraud, tips and resolution of tips received is distributed to members of the public at community events.

### **Community Outreach**

A top priority for the Office is communication with the public. The Office shares information with stakeholders through [CityAuditorLauraDoud.com](http://CityAuditorLauraDoud.com), MyAuditor app, social media channels including Twitter at @LBCityAuditor, Facebook at [facebook.com/LongBeachCityAuditor](http://facebook.com/LongBeachCityAuditor), Nextdoor and "In the Loop" emails. The Office also attends community events such as Beach Streets, Concerts at the Park and First Fridays. These outreach channels and events allow the public to stay informed on how the Office is working for them, report fraud tips, ask questions, and provide direct feedback to the Office.

## **Additional Responsibilities of the City Auditor's Office**

In addition to projects listed above, the Office has project responsibilities evolving through ordinances, ballot measures and new contract agreements that include language assuring the public that the City Auditor will be involved in oversight or review. These responsibilities, some mandated, some agreed upon, are in addition to activities required by the City Charter.

Examples are:

- Prop H – Oil Production Tax adjustment benefiting Long Beach Public Safety; annual audit of revenues and expenditures required
- Measure G – Utility Users Tax Update; annual audit of utility taxes received required
- Prop L – Analysis required of outsourced contracts for work usually performed by City employees
- Long Beach Municipal Code 3.64 – Authorizes the City to levy Transient Occupancy Tax (TOT) on individuals who occupy a hotel/motel room in Long Beach for a period of 30 days or less

# FY 17 Accomplishments

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## **Disbursements**

As required by City Charter, the City Auditor reviews all disbursements of City funds. The Office of the City Auditor is also responsible for final approval of the City's wire transfers.

The following FY 16 information illustrates the scope of this work:

- Number of checks reviewed: 55,964
- Value of checks reviewed: \$941,048,290
- Number of checks withheld: 181
- Value of checks withheld: \$9,374,871
- Number of wire transfers authorized: 1,187
- Value of wire transfers authorized: \$1,588,355,253

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. 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 authorization of the Office of the City Auditor.

## **Wage Garnishments**

The Office of the City Auditor administers all City employee wage garnishments. During FY 17, the Office managed about 200 active garnishment files for City employees. Garnishment payments total approximately \$51,000 each payroll period. Additionally, the Office maintains files for around 1,100 inactive cases. The process is complex due to unique regulations for each garnishment regarding collection and payment of monies processed. Currently, the Office of the City Auditor manages accounts for over 15 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 Office keeps current with changing laws, rules and regulations to ensure that the City is in full compliance.

## Financial Summary by Category

	Actual FY 16	Adopted* FY 17	Adjusted* FY 17	Proposed* FY 18
<b>Revenues:</b>				
Property Taxes	-	-	-	-
Other Taxes	-	-	-	-
Franchise Fees	-	-	-	-
Licenses and Permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Use of Money & Property	-	-	-	-
Revenue from Other Agencies	-	-	-	-
Charges for Services	-	-	-	-
Other Revenues	(424)	-	-	-
Interfund Services - Charges	-	-	-	-
Intrafund Services - General Fund Charges	-	-	-	-
Harbor & Water P/R Rev Trsfs	-	-	-	-
Other Financing Sources	-	-	-	-
Operating Transfers	-	-	-	-
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<b>Total Revenues</b>	<b>(424)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>				
Salaries, Wages and Benefits	2,360,634	2,691,331	2,672,948	2,838,358
Overtime	1,306	-	-	-
Materials, Supplies and Services	453,722	165,304	318,277	165,304
Internal Support	175,369	228,678	228,678	225,755
Capital Purchases	-	-	-	-
Debt Service	-	-	-	-
Transfers to Other Funds	-	-	-	-
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<b>Total Expenditures</b>	<b>2,991,031</b>	<b>3,085,313</b>	<b>3,219,903</b>	<b>3,229,417</b>
<b>Personnel (Full-time Equivalents)</b>	<b>22.00</b>	<b>22.00</b>	<b>22.00</b>	<b>22.00</b>

\* Amounts exclude all-years carryover.

## Personnel Summary

Classification	FY 16 Adopt FTE	FY 17 Adopt FTE	FY 18 Prop FTE	FY 17 Adopted Budget	FY 18 Proposed Budget
City Auditor	1.00	1.00	1.00	207,900	211,996
Assistant City Auditor	1.00	1.00	1.00	181,450	188,781
Audit Analyst	3.00	3.00	3.00	217,852	225,568
Audit Manager	3.00	3.00	3.00	300,267	312,397
Deputy City Auditor	4.00	4.00	4.00	571,137	594,211
Executive Assistant	1.00	1.00	1.00	81,289	84,573
Senior Auditor	6.00	6.00	6.00	418,355	435,257
Staff Auditor	3.00	3.00	3.00	148,757	154,767
<b>Subtotal Salaries</b>	----- 22.00	----- 22.00	----- 22.00	----- 2,127,008	----- 2,203,454
<b>Overtime</b>	-	-	-	-	-
<b>Fringe Benefits</b>	-	-	-	1,089,956	1,158,961
<b>Administrative Overhead</b>	-	-	-	43,852	45,429
<b>Attrition/Salary Savings</b>	-	-	-	(569,485)	(569,485)
<b>Expenditure Transfer</b>	-	-	-	-	-
<b>Total</b>	----- 22.00	----- 22.00	----- 22.00	----- 2,691,331	----- 2,838,358

## Key Contacts

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