City Auditor

Our mission is to make Long Beach better through independent audits and fraud investigations. We work to:

- Provide assurance City funds are spent as intended
- Promote transparency and accountability of City operations
- Prevent fraud, waste and abuse of City resources

Department Goals

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

A. Apply professional audit services including:

1. Financial Audits
2. Revenue Audits
3. Performance Audits
4. Contract Reviews
5. Lease Reviews
6. Internal Control Reviews
7. Fraud Investigations
8. Benchmarking Studies
9. 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 City 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 business 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 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 21 Accomplishments

For over 110 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 21 the City Auditor's Office (Office) complied with all Charter and Municipal Code mandates.

Audits or Reports Issued in FY 21:

During FY 21, 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 City fraud and analyzing emerging issues.

To see information on audits and projects, please see our website: **www.CityAuditorLauraDoud.com**.

The Office reviewed a wide variety of topics during FY 21. Some of the more significant projects included:

Library Services Performance Audit
Long Beach is diverse in many areas including race, ethnicity, language and income. As a result, community members experience different needs and challenges. The Long Beach Public Library offers a variety of materials, services, programs, and resources to help meet community needs and interests. Our audit assessed the equity and effectiveness of Library offerings compared to the population serviced, industry standards and best practices. We found that community members who speak languages other than English, low income households, people with disabilities, and teens and adults have less opportunity to use and benefit from Library services than others in the community. In addition, although the Library currently has valuable offerings, community members identified key areas where their needs are more than what is offered, such as digital and economic inclusion, access to community resources, and educational assistance for adults. We recommended that the Library develop a better understanding of who is in the community and how they interact with the Library and then use that understanding to define the Library's strategic goals and staffing. Additionally, we made recommendations to address the causes of the gaps in who the Library serves and the services they provide, such as having the Library eliminate barriers that prevent some community members from using and fully benefiting from the Library, and expand its reach through partnerships and promotion.

Police Evidence Control Section Performance Audit
The Long Beach Police Department's Evidence Control Section (ECS) is charged with the intake, storage, and disposition of over 300,000 property and evidence items, including high-risk items such as guns, drugs, and money. Due to the importance of maintaining the integrity of evidence tied to active criminal cases and returning property to its rightful owner or finder, the City needs to ensure that proper, clear controls are in place and are followed consistently. Our audit found that the ECS needs to improve security over the property and evidence items by 1) implementing physical security measures at storage locations, such as adding a security alarm and fixing security cameras; 2) limiting personnel with access to these items, like those that work outside of ECS; and 3) performing effective inventory management by reviewing all high-risk items annually and setting realistic thresholds for when dispositions should be performed. We made these recommendations as they would reduce the risk of theft or tampering of the

items, which could result in missing items or impact ongoing cases. Leaving these risks unaddressed could ultimately lead to a loss of public confidence and possible agency liability.

Investigation Report of Queen Mary Leaseholder and Operator Urban Commons
In partnership with the forensics accounting firm, Hemming Morse, our Office performed an analysis of financial transactions and activity between Urban Commons, the former leaseholder and operator of the Queen Mary, and the City of Long Beach. The purpose of the investigation was to verify that the $23 million approved by City Council in 2016 was used as intended to fund 27 critical and urgent repair projects on the ship. The investigation includes two key findings confirming that Urban Commons did in fact misrepresent financial information and failed to perform duties under the lease. First, Urban Commons stated to the City in invoice documents it had paid vendors when vendors had not been paid. Secondly, Urban Commons and some vendors have not provided all necessary information to support or document that cash disbursements to vendors were made in the amounts or on the dates as asserted by Urban Commons. In addition, Urban Commons has not provided critically important information in order to confirm the accuracy of payments made for the intended repair projects as required by the lease agreement, such as electronic check register, cash account detail, bank statements, and other payment information related to the $23 million funded by the City.

The Office is also involved in many 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.

Other Accomplishments

Exemplary Knighton Award for Police Evidence Control Section Performance Audit
In FY 21, the Office won the prestigious 2020 Exemplary Knighton Award from the Association of Local Government Auditors (ALGA) for the Police Evidence Control Section Performance Audit. Judges commented that the report was easy to read and flowed well, and that charts and call-outs were used in the report to easily and effectively convey information to the reader. Judges also stated that recommendations were clear, specific, and appropriately addressed the key findings. This is the seventh ALGA Knighton Audit Award the Office has received. The Knighton Award is one of the most highly regarded honors, because it recognizes the best performance audit reports issued by its more than 300 local government audit organization members.

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 www.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. Fraud fact sheets, which focus on different City fraud, waste, or abuse related topics are distributed to all City employees. These materials included sheets to educate what City fraud, waste, and abuse is, how to prevent it, and how to report it. In addition, the City Auditor's Fraud Hotline Report, which provides information on fraud, tips, and resolution of tips received is distributed to City employees and the public.

FY 21 Accomplishments

Community Outreach
A top priority for the Office is communication with the public. To accomplish this, we use a multi-faceted communications approach. The Office shares information through online channels such as social media @LBCityAuditor on Facebook, Instagram, and Twitter and through our website www.CityAuditorLauraDoud.com, In the Loop email updates, and our MyAuditor app. We also use our performance audit report fact sheets, fraud hotline reports, traditional media, community events, and speaking engagements, which were virtual this past year, to inform the public of our work. These outreach channels and events allow the public to stay informed on how the Office is working for them, ask questions, and provide direct feedback to the Office.

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

The following FY 20 information illustrates the scope of this work:

- Number of checks reviewed: 46,578
- Value of checks reviewed: $590,503,507
- Number of EFT Payments: 2,970
- Value of EFT Payments: $165,005,618
- Number of checks withheld: 148
- Value of checks withheld: $25,501,752
- Number of wire transfers authorized: 1,232
- Value of wire transfers authorized: $1,478,676,399

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, EFT payments, or wire transfers may leave the City without the authorization of the City Auditor's Office.

Wage Garnishments
The City Auditor's Office administers all City employee wage garnishments. The Office managed about 170 active garnishment files for City employees. Garnishment payments total approximately $47,000 each payroll period. Additionally, the Office maintains files for around 440 inactive cases. The process is complex due to unique regulations for each garnishment regarding collection and payment of monies processed. Currently, the Office 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.

Emergency Response
During FY 21, the Office also prioritized staff time and resources to the City's COVID-19 (coronavirus) pandemic response. In accordance with the California Emergency Services Act, all City employees are considered Disaster Service Workers, and our Office staff joined other City department staff members in assisting in different COVID-19 Public Health response tasks. Office staff assisted with the City's Emergency Operations Center COVID-19 tasks by tracking, monitoring, and reporting various statistics dealing with case rate information and resources along with the logistics in distribution of resources to community members

Financial Summary by Category

	Actual FY 20	Adopted* FY 21	Adjusted** FY 21	Adopted* FY 22
Revenues:				
Property Taxes	-	-	-	-
Sales and Use Taxes	-	-	-	-
Other Taxes	-	-	-	-
Utility Users Tax	-	-	-	-
Franchise Fees	-	-	-	-
Licenses, Permits and Fees	-	-	-	-
Fines and Forfeitures	-	-	-	-
Use of Money & Property	-	-	-	-
Revenue from Other Agencies	-	-	-	-
Charges for Services	-	-	-	-
Other Revenues	-	-	-	-
Intrafund Services	-	-	-	-
Intrafund Transfers	-	-	-	-
Interfund Services	-	-	-	-
Interfund Transfers	-	-	-	-
Other Financing Sources	-	-	-	-
Total Revenues	-	-	-	-
Expenditures:				
Salaries and Wages	1,439,402	1,733,546	1,681,337	1,812,323
Employee Benefits	895,385	1,031,405	1,013,708	1,053,798
Overtime	7,569	-	-	-
Materials, Supplies and Services	540,620	131,922	292,017	137,322
Interfund Support	76,204	289,501	289,501	390,893
Intrafund Support	-	-	-	-
Capital Purchases	-	-	-	-
Insurance Premiums and Losses	-	-	-	-
Other Non-Operational Expenditures	-	-	-	-
Operating Transfers	-	-	-	-
Intrafund Transfers Out	-	-	-	-
Purchase of Gas & Water	-	-	-	-
Depreciation and Non Cash Expenditures	-	-	-	-
Total Expenditures	2,959,179	3,186,375	3,276,562	3,394,335
Budgeted FTEs	22.00	18.00	18.00	18.00

* Amounts exclude all-years carryover. See budget ordinance in the back of this document.

**Adjusted Budget as of May 31, 2021.

Note: During this stabilization period of the new financial system, the amounts and character categories have been updated to match the revised Chart of Accounts in the system. As the City refines its reporting functionality and Chart of Accounts, future reports may have further adjustments.

Personnel Summary

Classification	FY 20 Adopt FTE	FY 21 Adopt FTE	FY 22 Adopt FTE	FY 21 Adopted Budget	FY 22 Adopted Budget
City Auditor	1.00	1.00	1.00	234,383	237,739
Assistant City Auditor	1.00	1.00	1.00	185,000	189,493
Audit Analyst	3.00	3.00	3.00	227,282	238,222
Audit Manager	3.00	1.00	-	99,897	-
Deputy City Auditor	4.00	3.00	3.00	413,738	419,946
Executive Assistant	1.00	1.00	1.00	101,725	102,743
Performance Auditor II	-	-	2.00	-	132,433
Performance Auditor III	-	-	4.00	-	305,848
Senior Auditor	6.00	5.00	2.00	344,348	127,603
Sr. Performance Auditor I	-	-	1.00	-	101,894
Staff Auditor	3.00	3.00	-	176,323	-
Subtotal Salaries	22.00	18.00	18.00	1,782,696	1,855,921
Overtime	-	-	-	-	-
Fringe Benefits	-	-	-	992,965	1,011,585
Administrative Overhead	-	-	-	38,440	42,213
Attrition/Salary Savings	-	-	-	(49,150)	(43,598)
Expenditure Transfer	-	-	-	-	-
Total	22.00	18.00	18.00	2,764,951	2,866,121

Key Contacts

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