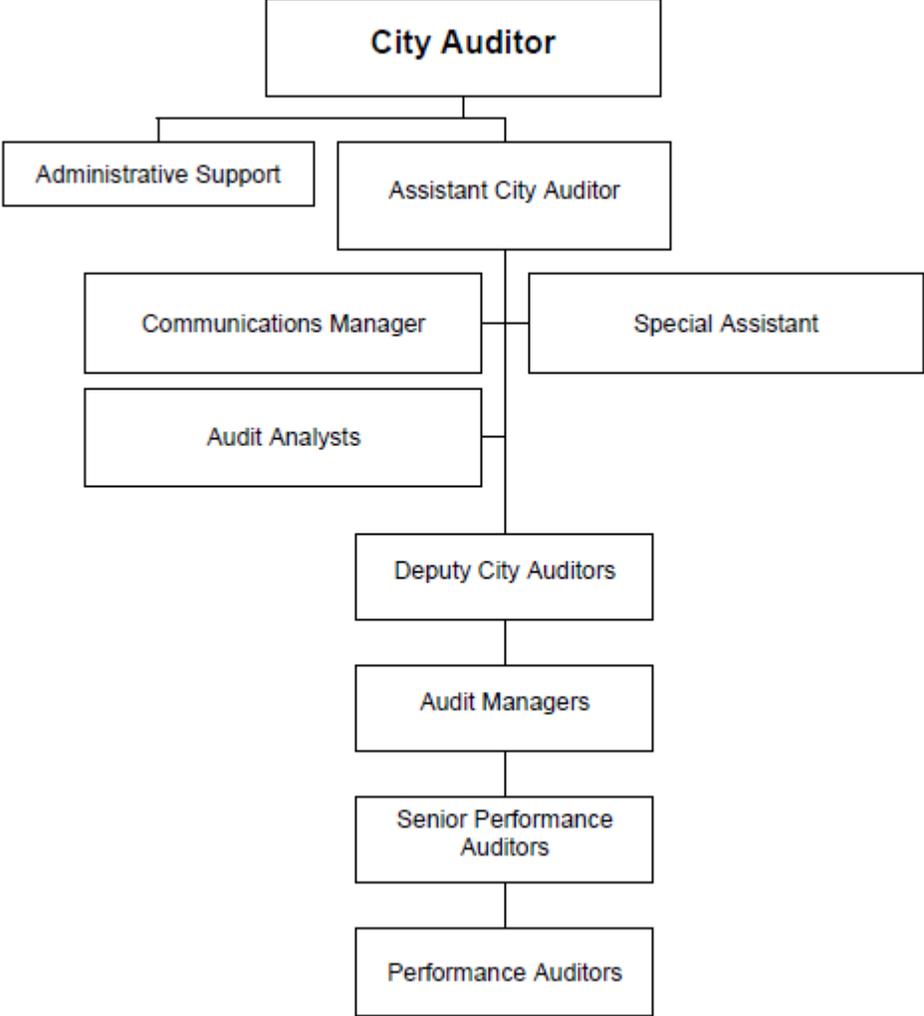


City Auditor



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

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 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 18 Accomplishments

For 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 18 the City Auditor's Office complied with all Charter and Municipal Code mandates.

Audits or Reports Issued in FY 18:

During FY 18, 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 website: www.CityAuditorLauraDoud.com.

The Office reviewed a wide variety of topics during FY 18. Some of the more significant projects included:

Animal Care Services Review Phases One and Two

The Mayor requested that our Office conduct an operations and management review of key Animal Care Services (ACS) Bureau functions. As a result, we evaluated ACS operations to determine the extent to which policies and procedures are effective when compared to industry standards and best practices. The review consists of two phases. In Phase One, we retained a management consulting firm to review various ACS shelter operations, including animal intake, veterinary services, and animal outcome programs. The audit found that the City is at a critical juncture and must determine what kind of animal shelter it wants and ensure the necessary resources for that type of operation are in place so that desired services and programs can be carried out. ACS needs an updated vision, mission, and strategic plan that can outline initiatives and programs, guide policies and practices, and marshal and prioritize resources. The report made short term and long term recommendations surrounding establishing and communicating the mission of the shelter, setting clear expectations for staff and new standard operating procedures for accountability, analyzing staffing levels, and training. As a result of our report, City Council approved a one-time budget increase in FY 18 of \$50,000 to assist with addressing recommendations. In addition, the Mayor is instituting a task force made up of shelter management staff, City officials, and members of the community to aid in implementing the Phase One recommendation of developing a shared mission, vision, and strategy for ACS. In Phase Two, the Office conducted additional work to assess staffing and resources. The Phase Two report showed that a minimum of twelve additional staff are needed in various roles to support core shelter functions and employee morale is low due to job dissatisfaction, poor communication and insufficient time and resources. In addition, the report showed better oversight is needed to maximize license and citation revenues as well as recover the costs for services provided to neighboring cities. ACS agreed with all the Phase Two recommendations, which covered analysis of staffing needs and culture, as well as how to better collect and track revenue.

Business Improvement District (BID) Oversight Audit

The objective of the audit was to assess the City's management and oversight of the Business Improvement District (BID) Program and compliance with agreements between the BIDs and the City. BIDs are an important component of the City's economic development as they help improve business corridors by facilitating the pooling of private resources (through assessment fees) to collectively pay for

FY 18 Accomplishments

activities that are beyond the scope of services provided by the City, and that business and property owners cannot afford on their own. The City contracts with non-profit entities to run BID operations and provide important services, such as security, cleaning, community events, and marketing. The audit found that the City needs to improve oversight of the BID Program, in which ten BIDs received \$17 million in 2016, to ensure that BIDs follow agreements, comply with State Law, and receive the resources to which they are entitled. The City and BIDs agreed with all recommendations in the report, including updating agreements, creating templates for reporting, tracking payments, creating a handbook, and conducting trainings to improve communication and understanding of the BID Program amongst all parties. Ultimately, these audit recommendations can help the City better evaluate BID operations and potentially find ways for BIDs to maximize their impact on the City and economic development.

Fire Department Inventory Management Audit

The objective of this audit was to assess the effectiveness of the Fire Department's inventory management approach to ensure cost effectiveness and internal controls. The Fire Department relies heavily on its inventory of supplies and equipment to respond to emergencies and fulfill everyday duties and spent over \$3 million in 2016 on that inventory. The audit findings showed that the Fire Department needs a management approach that involves stronger controls to manage the purchase, usage, and storage of its inventory. Specifically, the audit identified that the Fire Department lacked adequate policies and procedures, used an extensive number of vendors to purchase inventory, had a completely manual system with no inventory data, and did not separate the functions of ordering, receiving, and storage of inventory. These conditions made it hard for the Fire Department to be efficient, identify trends, reduce costs, and identify potential fraud. The recommendations in the report stated the need for updated policies and procedures, development of an inventory management plan, and to segregate inventory management duties.

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

Distinguished Knighton Award for Business Improvement District (BID) Oversight Audit

In FY 18, the Office won the prestigious 2017 Distinguished Knighton Award from the Association of Local Government Auditors (ALGA) for the Business Improvement District (BID) Oversight Audit. The audit found that the City needs to improve oversight of more technical aspects of the BID Program, such as reporting requirements, agreement terms, and assessment fee tracking. Based on the findings, the audit recommendations focused on clarifying requirements and terms through enhancing communication and information sharing as well as improving assessment processes. Judges determined the Office's report was among the best of 2017, noting "the audit aimed to improve government efficiency and effectiveness through findings that matter to policymakers and citizens." This is the fifth 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 350 local government audit organization members.

Peer Review

Since taking office in 2006, City Auditor Laura Doud elected to follow Government Auditing Standards (GAS), which provide a framework for conducting audits with competence, integrity, and objectivity. Auditing organizations following these Standards require a peer review every three years to ensure audit work is adhering to established policies and procedures. In FY 18, the Office underwent its fourth peer review performed by a panel of independent external auditors and achieved the highest possible standards of performance in government auditing. The review found the Office's internal operations met

FY 18 Accomplishments

standards established by the Government Accountability Office (GAO) ensuring that our work is reliable and credible.

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
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 sheets include 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 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, MyAuditor app, social media channels including Twitter at @LBCityAuditor, Facebook at facebook.com/LongBeachCityAuditor, and "In the Loop" emails. The Office also attends community events such as Beach Streets and Concerts at the Park. 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 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

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 18 information illustrates the scope of this work:

- Number of checks reviewed: 57,319
- Value of checks reviewed: \$567,666,965
- Number of checks withheld: 164
- Value of checks withheld: \$13,381,852
- Number of wire transfers authorized: 1,281
- Value of wire transfers authorized: \$1,670,745,402

FY 18 Accomplishments

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 City Auditor's Office.

Wage Garnishments

The City Auditor's Office administers all City employee wage garnishments. During FY 18, the Office managed about 180 active garnishment files for City employees. Garnishment payments total approximately \$51,000 each payroll period. Additionally, the Office maintains files for around 1,200 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.

Financial Summary by Category

	Actual FY 17	Adopted* FY 18	Adjusted** FY 18	Adopted* FY 19
Revenues:				
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	-	-	-	-
Interfund Services - Charges	-	-	-	-
Intrafund Services - General Fund Charges	-	-	-	-
Harbor & Water P/R Rev Trsfs	-	-	-	-
Other Financing Sources	-	-	-	-
Operating Transfers	-	-	-	-
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Total Revenues	-	-	-	-
Expenditures:				
Salaries, Wages and Benefits	2,538,929	2,843,744	2,801,021	2,859,955
Overtime	-	-	-	-
Materials, Supplies and Services	368,822	165,304	286,399	165,304
Internal Support	164,072	225,755	225,755	152,020
Capital Purchases	-	-	-	-
Debt Service	-	-	-	-
Transfers to Other Funds	-	-	-	-
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Total Expenditures	3,071,824	3,234,803	3,313,175	3,177,279
Personnel (Full-time Equivalents)	22.00	22.00	22.00	22.00

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

** Amounts as published in the FY 19 Proposed Budget released July 3, 2018.

Personnel Summary

Classification	FY 17 Adopt FTE	FY 18 Adopt FTE	FY 19 Adopt FTE	FY 18 Adopted Budget	FY 19 Adopted Budget
City Auditor	1.00	1.00	1.00	211,996	219,649
Assistant City Auditor	1.00	1.00	1.00	188,781	192,556
Audit Analyst	3.00	3.00	3.00	225,568	230,079
Audit Manager	3.00	3.00	3.00	312,397	318,645
Deputy City Auditor	4.00	4.00	4.00	594,211	606,095
Executive Assistant	1.00	1.00	1.00	84,573	86,264
Senior Auditor	6.00	6.00	6.00	435,257	443,962
Staff Auditor	3.00	3.00	3.00	154,767	157,863
Subtotal Salaries	22.00	22.00	22.00	2,207,549	2,255,113
Overtime	-	-	-	-	-
Fringe Benefits	-	-	-	1,160,167	1,189,862
Administrative Overhead	-	-	-	45,513	45,165
Attrition/Salary Savings	-	-	-	(569,485)	(630,186)
Expenditure Transfer	-	-	-	-	-
Total	22.00	22.00	22.00	2,843,744	2,859,955

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