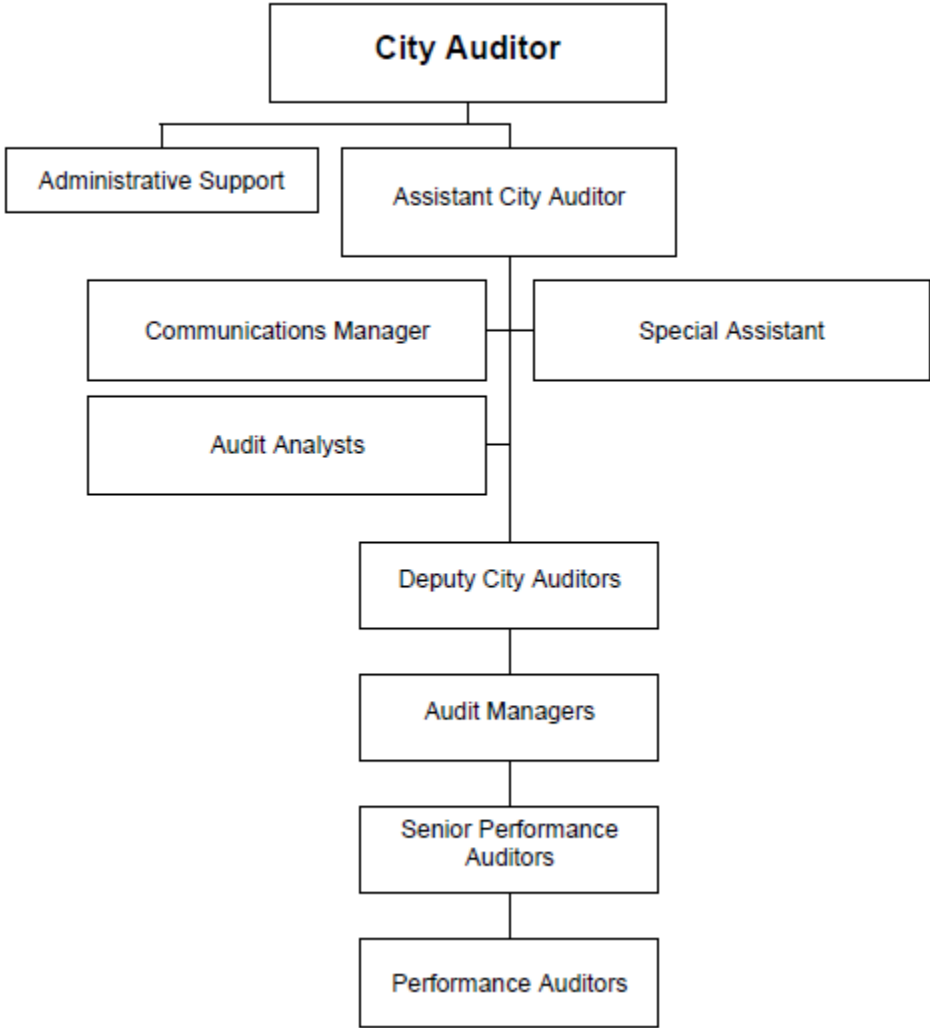


City Auditor



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 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 19 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 19 the City Auditor's Office (Office) complied with all Charter and Municipal Code mandates.

Audits or Reports Issued in FY 19:

During FY 19, 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 19. Some of the more significant projects included:

Parking Revenue Controls Performance Audit

At the request of City Council, the Office performed an audit of internal controls surrounding revenue deposited by one of the City's parking vendors, SP+. The audit reviewed revenue from the period of October to December 2017, which was during a transition to a new vendor, LAZ. There were 25 parking locations included in the contract that brought in \$8.6 million in revenue in 2017. The high dollar amount, high volume of transactions, acceptance of cash payments, and the involvement of third-party vendors, make this an area where revenue controls are very important to safeguard the City's revenue. The audit found that some controls surrounding the collection and deposit of daily parking machine revenue and in-office payments needed improvement. The City needed to have more oversight of the vendor's operations to ensure controls are in place and needed to perform more timely reconciliation of revenue. At the end of the audit, the City had already made improvements to the parking operation, including accepting credit card payments, which would lower risk by reducing the amount of cash and check payments. The City also established new parking pricing and controls.

Central Cashiering Revenue Performance Audit

The City's Central Cashiering Section oversees collection and processing of different types of revenue, including payments from the public for utility bills, parking citation, and business licenses. In FY 18, Central Cashiering processed over \$436 million in revenue. Due to the financial scale of this operation, the Office decided to audit whether controls and safeguards over revenue adhered to standards and best practices to ensure all revenue collected is deposited completely and timely. The audit showed that one of the key preventative controls for handling revenue, segregation of duties, was in place in Central Cashiering, which minimizes the risk of fraud. In addition, they were also performing multi-level review and report reconciliations to further help detect potential fraud. However, there were some control weaknesses identified, such as not securing all assets, not using dual custody when handing revenue, and not training staff thoroughly. Central Cashiering was highly receptive to our recommendations and made prompt changes based on our findings.

FY 19 Accomplishments

Collateral Employment Performance Audit

The Office has come across various instances of both real and potential conflicts of interest involving City employees over the years. Most recent instances compelled our Office to review the adequacy of internal controls surrounding the City's review and approval process for collateral employment. In 2018, the City received and reviewed requests from 221 employees seeking approval for collateral employment activities. It is important that the City ensure that its ethical standards are met, and resources and interests are safeguarded. Without careful oversight collateral employment can lead to conflicts of interest, misuse of resources, and employee performance risks. The audit found that while general processes for managing collateral employment were similar to benchmarked jurisdiction, policy documents and authorization forms should be strengthened and expanded to ensure employees fully understand prohibited activities and that comprehensive information is used in deciding whether requests should be approved or denied. Specifically, the audit found that forms do not require all relevant information; forms do not provide clear instruction on the importance of documenting due diligence review during the approval process; and most departments do not have department-specific policies, such as those outlining incompatible activities. Therefore, the Office recommended revisions to the forms, development of specific policies on prohibited activities, and requiring the form be completed annually for all employees.

Harbor Initiative Impact Report

This report summarized some of the benefits from a City Auditor led initiative to bring a City Charter amendment to the ballot. In November 2010, voters passed a City Charter amendment that reformed the basis of a yearly transfer from the Harbor Department to the City and redirected control of oil properties. As a result of these changes, an additional \$135 million was generated for the Tidelands Fund. This has made a significant impact on our coastline by funding projects and activities that clean our beaches, enhance infrastructure along the coast, and improve water quality. Some project highlights include the Colorado Lagoon Restoration, upgraded beach restrooms, a new beach pedestrian path, and new bike lanes. In addition, it has helped fund increases in holiday police patrols in the Tidelands area as well as lifeguards and members of the certified Dive and Swiftwater Rescue Teams, which keep residents and beachgoers safe.

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 Animal Care Services Audit

In FY 19, the Office won the prestigious 2018 Distinguished Knighton Award from the Association of Local Government Auditors (ALGA) for the Animal Care Services (ACS) Audit. The audit found a lack of resources, including limited staffing levels, resulted in ACS operating beyond its capacity. In addition, the report showed that ACS needed to maximize license and citation revenue and recover costs of services provided to neighboring cities. Based on these findings, the audit recommendations focused on reviewing resources and maximizing revenues to align with priorities. Judges determined the Office's report was among the best of 2018, noting "the auditors identified 11 critical issues that ACS needed to address in order to meet the industry's minimum care requirements and improve their revenue collection process." This is the sixth 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.

FY 19 Accomplishments

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 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 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, Instagram @LBCityAuditor, Facebook at facebook.com/LongBeachCityAuditor, and "In the Loop" emails. The Office also conducts tablings at community events. 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.

Additional Responsibilities of the City Auditor's Office

In addition to the 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
-
- Prop L – Analysis required of outsourced contracts for work usually performed by City employees

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 19 information illustrates the scope of this work:

- Number of checks reviewed: 53,049
- Value of checks reviewed: \$642,331,135
- Number of checks withheld: 151
- Value of checks withheld: \$21,117,903
- Number of wire transfers authorized: 1,301
- Value of wire transfers authorized: \$2,365,219,070

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

FY 19 Accomplishments

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. 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 18	Adopted* FY 19	Adjusted** FY 19	Adopted* FY 20
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	-	-	-	-
	-----	-----	-----	-----
Total Revenues	-	-	-	-
Expenditures:				
Salaries, Wages and Benefits	2,369,442	2,859,955	2,854,401	2,906,120
Overtime	-	-	-	-
Materials, Supplies and Services	349,711	165,304	476,079	165,304
Internal Support	178,884	152,020	152,020	227,440
Capital Purchases	-	-	-	-
Debt Service	-	-	-	-
Transfers to Other Funds	96,712	-	-	-
	-----	-----	-----	-----
Total Expenditures	2,994,749	3,177,279	3,482,500	3,298,864
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 20 Proposed Budget released July 3, 2019.

Personnel Summary

Classification	FY 18 Adopt FTE	FY 19 Adopt FTE	FY 20 Adopt FTE	FY 19 Adopted Budget	FY 20 Adopted Budget
City Auditor	1.00	1.00	1.00	219,649	227,486
Assistant City Auditor	1.00	1.00	1.00	192,556	192,556
Audit Analyst	3.00	3.00	3.00	230,079	235,989
Audit Manager	3.00	3.00	3.00	318,645	318,645
Deputy City Auditor	4.00	4.00	4.00	606,095	606,095
Executive Assistant	1.00	1.00	1.00	86,264	95,071
Senior Auditor	6.00	6.00	6.00	443,962	443,962
Staff Auditor	3.00	3.00	3.00	157,863	157,863
Subtotal Salaries	22.00	22.00	22.00	2,255,113	2,277,668
Overtime	-	-	-	-	-
Fringe Benefits	-	-	-	1,189,862	1,241,256
Administrative Overhead	-	-	-	45,165	48,712
Attrition/Salary Savings	-	-	-	(630,186)	(661,517)
Expenditure Transfer	-	-	-	-	-
Total	22.00	22.00	22.00	2,859,955	2,906,120

Key Contacts

Laura L. Doud, CPA, CFE, JD
City Auditor

James C. Lam, MBA, MPP, CGAP
Assistant City Auditor

Hannah Morgan, CIA
Performance Audit Manager

Alvin Chu, CFE
Performance Audit Manager

411 West Ocean Boulevard, 8th Floor
Long Beach, CA 90802
Phone: (562) 570-6751
Fax: (562) 570-6167

Fraud Hotline: 888-Fraud 07 (888-372-8307)
www.CityAuditorLauraDoud.com

