

# 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

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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. 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 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 20 Accomplishments

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

## **Audits or Reports Issued in FY 20:**

During FY 20, 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](http://www.CityAuditorLauraDoud.com).

The Office reviewed a wide variety of topics during FY 20. Some of the more significant projects included:

### **City of Long Beach Ethics Program Performance Audit and Employee Ethics Survey**

The Office partnered with a government-sector management consulting firm to conduct a performance audit that assessed the City's ethics and compliance activities and efforts, including ethics-related policies, training, legal compliance, oversight, and whistleblower and other complaint processes. The audit benchmarked the City's program components to those from other jurisdictions and assessed the program components according to 11 identified ethics standards and best practices. The report also incorporated the results of the City Employee Ethics Survey, which was conducted in partnership with a workplace ethics research institute. The Employee Ethics Survey aimed to understand how City employees view ethics at work, and to identify ethics-related risks that may need to be addressed. The audit reviewed the responsibilities of the ethics program that are dispersed among the City Attorney, City Auditor, Human Resources, City Manager, and City Clerk. Some of the detailed recommendations for improvements in the ethics program are directed at the newly formed Ethics Commission and its future staff. Key recommendations include 1) clearly establish oversight and delegation of responsibilities; 2) create easy access to comprehensive written policies and procedures; 3) clearly identify pathways to report allegations; and 4) publish annual reports with violations and case outcomes to the extent possible.

### **Sanitary Sewer Overflow Prevention Performance Audit**

The Long Beach Water Department oversees operation of 712 miles of sewer lines, including the collection of nearly 45 million gallons of sanitary sewage each day. In 2014-2018, Long Beach experienced 103 Sanitary Sewer Overflows (SSOs). While the majority of SSOs in Long Beach were not severe, the City did have more SSOs than similarly-sized jurisdictions. The potential adverse impacts of SSOs include environmental damage, public health risks, beach and business closures, damage to property, and financial costs and penalties against the City. The audit found that the average number of SSOs has not declined in the past three years. So, the City needs to align its SSO prevention activities to the goal of reducing SSO's and monitoring the effectiveness of those activities. Also, the list of needed sewer repairs is growing and needs to be addressed. The audit also identified that Fats, Oils, and Grease (FOG) cause 71% of SSOs. It looked at the Health Department FOG inspections and found that not all food facilities that produce FOG were receiving FOG inspections. In addition, residential outreach efforts surrounding the prevention of FOG-related SSOs need to improve. The departments agreed with all the

## FY 20 Accomplishments

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recommendations and will reassess maintenance targets, better identify all FOG-prone food facilities that need inspections, and develop more educational materials for residents.

### **Employee Onboarding Performance Audit**

In response to the City Council's request, the Office hired an external government-sector management consulting firm to perform an audit of City employee onboarding. Research suggests that the faster new hires feel welcome and prepared for their jobs, the faster they will be able to successfully contribute to the employer's mission. Therefore, the City should use onboarding as a way to foster a committed and capable workforce. The audit found that the City's onboarding policies and program are generally adequate, with some positive areas and best practices in place. However, opportunities exist for the City to improve its onboarding policies and program, including the onboarding and orientation of the City's elected officials. The audit recommended additional transparency to background checks, development of a written onboarding policy, and development of a policy to ensure informal check-ins happen to provide employees with sufficient feedback in the first 90 days. For elected officials, it was recommended that the City Council adopt a policy establishing an onboarding process, which would encourage new employees of those offices to participate in citywide onboarding processes, like new employee orientation.

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**

#### **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](http://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 members of the public at community events.

#### **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](http://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 outreach events, and speaking engagements 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.

# FY 20 Accomplishments

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## **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 \$54,000 each payroll period. Additionally, the Office maintains files for around 390 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 19	Adopted* FY 20	Adjusted** FY 20	Adopted* FY 21
<b>Revenues:</b>				
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	1,091	-	-	-
Intrafund Services	-	-	-	-
Intrafund Transfers	-	-	-	-
Interfund Services	-	-	-	-
Interfund Transfers	-	-	-	-
Other Financing Sources	-	-	-	-
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<b>Total Revenues</b>	<b>1,091</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>				
Salaries and Wages	1,435,137	1,616,152	1,616,152	1,733,546
Employee Benefits	812,276	1,289,968	1,289,968	1,031,405
Overtime	-	-	-	-
Materials, Supplies and Services	734,770	159,904	554,722	131,922
Interfund Support	(93,423)	232,840	232,840	289,501
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	-	-	-	-
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<b>Total Expenditures</b>	<b>2,888,759</b>	<b>3,298,864</b>	<b>3,693,681</b>	<b>3,186,375</b>
<b>Personnel (Full-time Equivalents)</b>	<b>22.00</b>	<b>22.00</b>	<b>22.00</b>	<b>18.00</b>

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

\*\*Adjusted Budget as of August 31, 2020

Note: With the conversion to the new financial system, the amounts and character categories have been updated to match the revised Chart of Accounts in the system. The City is still going through a stabilization period with the new system and future reports may have further adjustments.

# Personnel Summary

Classification	FY 19 Adopt FTE	FY 20 Adopt FTE	FY 21 Adopt FTE	FY 20 Adopted Budget	FY 21 Adopted Budget
City Auditor	1.00	1.00	1.00	227,486	234,383
Assistant City Auditor	1.00	1.00	1.00	192,556	185,000
Audit Analyst	3.00	3.00	3.00	235,989	227,282
Audit Manager	3.00	3.00	1.00	318,645	99,897
Deputy City Auditor	4.00	4.00	3.00	606,095	413,738
Executive Assistant	1.00	1.00	1.00	95,071	101,725
Senior Auditor	6.00	6.00	5.00	443,962	344,348
Staff Auditor	3.00	3.00	3.00	157,863	176,323
<b>Subtotal Salaries</b>	----- 22.00	----- 22.00	----- 18.00	----- 2,277,668	----- 1,782,696
<b>Overtime</b>	-	-	-	-	-
<b>Fringe Benefits</b>	-	-	-	1,241,256	992,965
<b>Administrative Overhead</b>	-	-	-	48,712	38,440
<b>Attrition/Salary Savings</b>	-	-	-	(661,517)	(49,150)
<b>Expenditure Transfer</b>	-	-	-	-	-
<b>Total</b>	----- 22.00	----- 22.00	----- 18.00	----- 2,906,120	----- 2,764,952

## Key Contacts

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