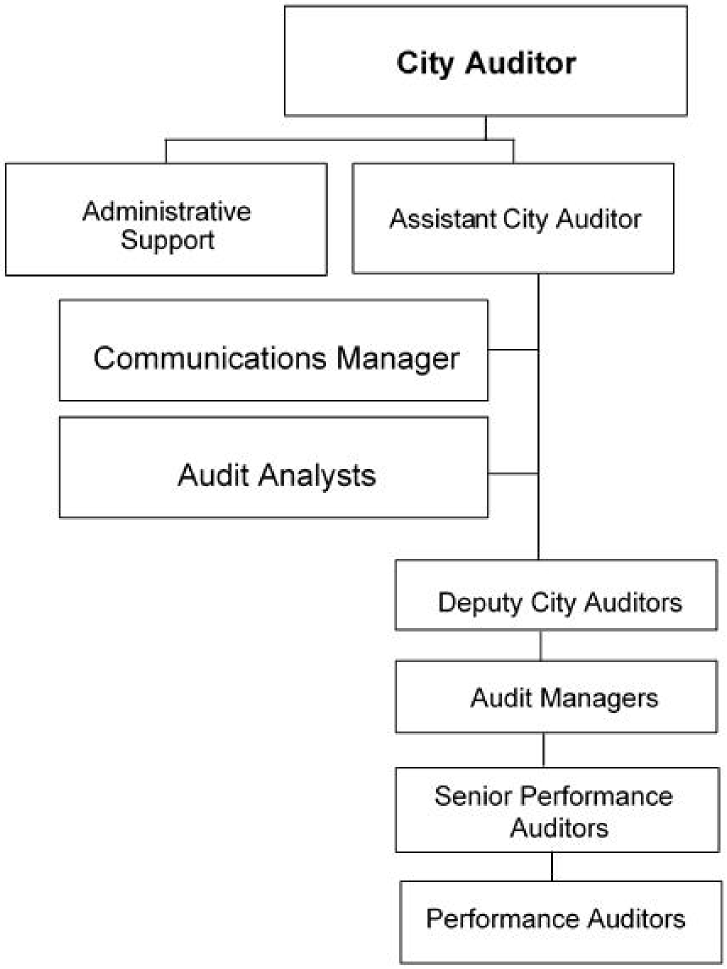
City Auditor



The mission of the Long Beach City Auditor's Office (Office) is to make the City of Long Beach (City) better through independent audits and fraud investigations. We work to:

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

Department Goals

<u>Goal 1</u> **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 the 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 and work in a clear, concise, and understandable format for distribution to residents and stakeholders of the City.
   2. Ensure there are mechanisms within the Office whereby resident and stakeholder issues can be handled appropriately and in a timely manner.
   3. Actively promote the City Auditor's Fraud Hotline, allowing City employees, residents, and others to anonymously provide tips and other information to assist in detecting and preventing City fraud, waste, and abuse.

<u>Goal 2</u> **Provide independent assurance that public funds are spent as intended.**

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.

<u>Goal 3</u> **Prevent and detect fraud, waste, and abuse of City resources.**

A. Provide an easy confidential process for City employees, vendors, and residents 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, and email.
   3. Review and take appropriate action on each reported incident.

FY 25 Accomplishments

For over 115 years, the residents of Long Beach have entrusted the City Auditor to provide independent assurance that City-controlled public funds are well-managed and spent 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 (GAGAS) and other applicable statutes and industry regulations.

The Long Beach City Charter defines the responsibilities of the City Auditor, and during Fiscal Year 2025, the Office complied with all Charter and Municipal Code mandates.

<u>Audits or Reports Issued:</u>

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. Some of the more significant projects included:

<u>Development Impact Fees Performance Audit</u>
The audit evaluated the City's processes for four of the City's seven development impact fees - Fire, Police, Transportation, and Parks Impact Fees. The impact fees are charges imposed on new developments to help fund the added demand placed on public infrastructure and services in that area. For example, Fire and Police Impact Fees can support building new stations or purchasing vehicles and equipment. Transportation Impact Fees can be used for new bike lanes, pedestrian crossings, traffic signals, and street lighting. Parks Impact Fees can be used to acquire new parkland, expand existing parks, and build sports fields and playgrounds. The audit found the City's impact fee rates have not been adjusted for inflation or kept pace with the rising costs for public infrastructure and services resulting in the loss of at least $22 million in revenue. In addition to inflation, State law authorizes cities to conduct nexus studies to adjust impact fees to cover the costs of infrastructure needed for new development. The City has not conducted nexus studies for Fire, Police, and Transportation impact fees since inception, and the outdated 2018 and 2022 Parks nexus studies were never presented publicly to City Council as required per Municipal Code. Other findings from the audit included lack of policy, procedures, and collaboration amongst City departments limiting Citywide resources and knowledge available for impact fee decisions and lack of a dedicated centralized webpage for stakeholders to access impact fee information. The audit made recommendations to evaluate impact fee rates by creating a process for annual impact fee adjustments, completing nexus study updates every five years to support impact fee rates, and revising the Municipal Code language to align all impact fees. Additional recommendations focused on centralizing impact fee information including establishing a steering committee with City Departments to enhance collaboration, updating Citywide policies and procedures to clarify roles and responsibilities for the impact fee program, and creating a webpage to consolidate impact fee information to improve communication and public transparency.

<u>Street Projects and Pavement Management Performance Audit</u>
The audit evaluated whether the City is spending funds in alignment with the City's Pavement Management Program and Capital Improvement Program and if it is managing street projects effectively. The City updates its Pavement Management Plan every two years to assess the Pavement Condition Index (PCI) score from 0 to 100, with higher scores indicating better conditions. In 2023, the City reported

a PCI rating of 56 down from 58 in 2021. Benchmarked against other cities and counties, Long Beach had one of the lowest PCI ratings. The Public Works Department is responsible for the repair and maintenance of City streets. During Fiscal Years (FYs) 2020 through 2024, the City spent $310 million on street projects with a majority of funding from the City's Measure A sales tax, Los Angeles County's Measure M sales tax, and the State of California. The audit revealed that although the City has increased street projects spending, it needs to improve its street project oversight including evaluating performance, managing timeline and costs, and reporting outcomes. Additionally, the City does not currently have enough funding to complete the necessary Citywide street repairs or meet its target PCI rating of 60. The City's average Capital Improvement Program budget for FYs 2025 through 2027 is $20 million short of the annual minimum recommended investment to reach the City's pavement rating goal. This funding shortfall highlights a gap between current investments and long-term street infrastructure needs. Furthermore, the audit found the City does not have a comprehensive communication plan to report street project information to the public. And although Public Works has equitably distributed street projects across the City, there was not a formalized process to incorporate equity within the pavement management planning process. The audit made recommendations for the City to improve street project management and evaluate its funding strategy to maximize the impact of public funds for street projects.

Clean Truck Fund Performance Audit

The Clean Truck Fund audit reviewed the collection of the Clean Truck Fund Rate (fee) and evaluated how the funds were used to accelerate the adoption of clean truck technology. The audit scope included all revenue and expenditures from the fee's implementation in April 2022 through the audit's start in May 2024. The Port of Long Beach and the Port of Los Angeles implemented the fee to generate funding for clean truck initiatives, including charging infrastructure and subsidies for zero-emission truck vouchers. During our audit, we identified $77,712 in additional management fees assessed by the third-party vendors contracted to perform the collection of the fee at the Port terminals. Additionally, we noted the Port of Long Beach lacks independent third-party information to verify the total gate activity being reported by the contracted vendor. The audit made recommendations to request reimbursement for the additional management fees and for the Port to explore cost-effective options for verifying the accuracy of the data being reported.

City Auditor's Measure A Impact Summary

This report summarized how the City spent $444 million of Measure A Funds on public safety and infrastructure over eight years. The City's Measure A was a ballot measure approved by the voters in 2016 as a 10-year transactions and use (sales) tax to fund public safety and public infrastructure, and it was extended by the voters in 2020. Since its inception in 2017, Measure A has generated $521 million in revenue. The City has spent $444 million (85%) of these Measure A funds on maintaining and enhancing public safety operations along with supporting public infrastructure through repairing streets, improving parks and libraries, and maintaining public facilities. The City spent 60% of the $444 million of Measure A funds on public safety. Of the $268 million spent on public safety, $168 million was spent on police services. These police services included restoring and maintaining public safety positions for patrol, emergency response, investigation, apprehension and law enforcement, and Police Academies. It also included reestablishing the Police South Patrol Division and a new Long Beach Neighborhood Safety Bike Team to engage with the community and proactively address crime. Another $90 million went to fire services including the restoration of Fire Engine 8, Engine 17, and paramedic positions. Additionally, $10 million helped fund public safety dispatchers, communication technology, and administration. The other 40% ($176 million) of the $444 million of Measure A funds went to public infrastructure projects including:

- $86 million on Citywide street repairs, slurry seal projects, and sidewalk improvements;
- $39 million on Citywide park improvements and tree maintenance;
- $28 million on Public Safety facilities including the new Fire Station 9, Fire Station 14, and Police Academy improvements;

- $21 million on Citywide facility improvements including Health buildings, the Emergency Shelter and libraries; and
- $2 million on Marina, stormwater, and drain improvements.

The remaining balance of Measure A funds have been committed to infrastructure projects that will be spent over the life of the project rather than within a fiscal year. The report also highlights how the public can provide input regarding the use of Measure A funds during the City's Community Budget Meetings, the Transactions and Use Tax Citizens' Advisory Committee (Committee) meetings, and City Council meetings. The Committee periodically reviews the City's use of Measure A revenue and advises the City Council regarding the use of Measure A revenue. The Committee meetings scheduled throughout the year, which are open to the public, and more information on these meetings can be found at LongBeach.gov/City Clerk/Meetings.

Other Accomplishments

Distinguished Knighton Award

The Association of Local Government Auditors awarded the Office a Distinguished Knighton Award for the Construction and Demolition (C&D) Recycling Program Performance Audit. Judges determined the Office's audit was among the best of 2024, noting "the audit highlighted key opportunities for improvement" and "recommendations were linked directly to the findings, creating a cohesive and actionable audit report." The City implemented recommendations from the audit which found $9.2 million in forfeited C&D Recycling Program deposits that could be recognized as revenue and spent immediately on environmental projects that would otherwise use the City's General Fund or other funds. The $9.2 million in one-time funds has since been used to enhance parks, increase the number of trees, improve water quality in Alamitos Bay and along the coastline through the Trash Interceptor Barge installed in the Los Angeles River, and support City facility energy efficiency upgrades at 51st Street Greenbelt and Martin Luther King Jr. Park. Additionally, the Office's reconciliation from the audit was used by the City to find another $1.3 million in forfeited deposits to fund more environmental projects.

City Auditor's 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 Fraud Hotline tips and takes appropriate action.

The Fraud Hotline is promoted with educational materials. 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.

Community Outreach

A top priority for the City Auditor's Office is communication with the public. To accomplish this, the Office uses a multi-faceted communications approach. The Office shares information through online channels such as social media @LBCityAuditor on Facebook, Instagram, and X and through the Office's website www.CityAuditorLauraDoud.com, In the Loop email updates, and the MyAuditor app. The Office also uses performance audit report fact sheets, Fraud Hotline reports, traditional media, events, and speaking engagements to inform the public of the Office's work. These outreach channels allow the public to stay informed on how the Office is working for them, ask questions, and provide direct feedback to the Office.

FY 25 Accomplishments

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

The following Fiscal Year 2024 information illustrates the scope of this work:

- Number of checks reviewed: 51,872
- Value of checks reviewed: $538,725,500
- Number of EFT Payments: 10,072
- Value of EFT Payments: $539,646,476
- Number of checks withheld: 208
- Value of checks withheld: $26,739,871
- Number of wire transfers authorized: 963
- Value of wire transfers authorized: $3,550,249,823

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, Electronic Funds Transfer (EFT) payments, or wire transfers may leave the City without the authorization of the Office.

Wage Garnishments
The Office administers all City employee wage garnishments. The Office managed around 156 active garnishment files for City employees. Garnishment payments total approximately $45,000 each payroll period. Additionally, the Office maintains files for around 517 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.

Summary of Changes*

General Fund Group	Strategic Vision 2030 Theme	Fund Impact ($)	Positions (FTE)
One-time funding to complete an audit of the Tidelands Fund Group, funded by a reallocation from the Public Works Department's one-time funding for homeless response. (Adoption Night Change)		200,000	-

*For ease of review, reallocations of resources within departments, offsets, adjustments, and minor changes have not been included. As figures reflect the net impact to a fund, an increase in expense is shown as a positive number (cost/hit to fund) and a decrease in expense is shown as a negative number (savings/benefit to fund). Accordingly, a decrease in revenue is shown as a positive number (cost/hit to fund), and an increase in revenue is shown as a negative number (savings/benefit to fund).

Financial Summary by Category

	Actual FY 24	Adopted* FY 25	Adjusted** FY 25	Adopted* FY 26
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	70	-	-	-
Intrafund Services	-	-	-	-
Intrafund Transfers	-	-	-	-
Interfund Services	-	-	-	-
Interfund Transfers	-	-	-	-
Other Financing Sources	-	-	-	-
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Total Revenues	70	-	-	-
Expenditures:				
Salaries and Wages	1,945,929	2,084,188	2,084,188	2,165,323
Employee Benefits	1,212,553	1,270,672	1,270,672	1,380,229
Overtime	-	-	-	-
Materials, Supplies and Services	643,597	137,322	137,322	337,322
Interfund Support	(56,910)	350,204	350,204	357,763
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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Total Expenditures	3,745,168	3,842,386	3,842,386	4,240,637
Budgeted FTEs	18.00	18.00	18.00	18.00

* Amounts exclude all-years carryover.

**Adjusted Budget as of April 30, 2025.

Note: The City is currently maintaining two different financial systems and until a new budget development software is established, the financial information displayed in the future may have further adjustments.

Personnel Summary

Classification	FY 24 Adopt FTE	FY 25 Adopt FTE	FY 26 Adopt FTE	FY 25 Adopted Budget	FY 26 Adopted Budget
City Auditor	1.00	1.00	1.00	275,167	284,583
Assistant City Auditor	1.00	-	-	-	-
Audit Analyst	3.00	3.00	3.00	291,428	296,845
Deputy City Auditor	3.00	4.00	4.00	685,282	697,686
Executive Assistant	1.00	1.00	1.00	84,481	85,327
Performance Auditor I	-	2.00	-	137,146	-
Performance Auditor II	2.00	1.00	2.00	68,573	150,666
Performance Auditor III	4.00	3.00	4.00	248,044	347,749
Senior Auditor	2.00	-	-	-	-
Senior Performance Auditor I	1.00	-	-	-	-
Senior Performance Auditor II	-	3.00	3.00	316,355	324,737
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Subtotal Salaries	18.00	18.00	18.00	2,149,666	2,233,583
Overtime	-	-	-	-	-
Fringe Benefits	-	-	-	1,220,180	1,313,516
Administrative Overhead	-	-	-	50,492	66,713
Attrition/Salary Savings	-	-	-	(65,478)	(68,260)
Expenditure Transfer	-	-	-	-	-
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Total	**18.00**	**18.00**	**18.00**	**3,354,860**	**3,545,552**

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