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Keeping An Eye On Long Beach's Coffers: A Conversation With City Auditor Laura Doud

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Elected as Long Beach City Auditor in June 2006, Laura L. Doud has spent the last 22 months of her four-year term acting as the "watchdog" for city money.

In a recent interview with the Business Journal, Doud explained her role and the responsibilities it entails. The most basic description, she says, is that the city auditor acts as a general auditor for the city and its departments, commissions and offices – duties that have changed only slightly since the position was established in 1907.

Doud also discussed several initiatives she has recommended as a result of audits she performed, as well as her future goals. She noted that while outcomes have so far been successful, more work lies ahead.

And given the current state of the economy, Doud says she expects additional challenges to emerge, particularly for the city's

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budget. She therefore is currently evaluating new revenue sources for the city, aiming to ensure that all future expenses are covered.

LBBJ: You've been city auditor for about 20 months. Do you feel more comfortable in the position?

Doud: Yes, I love this job. I think it was just tailor-made for me. It's just a really perfect fit for my background, my education, my experience, my skills and my passion. I love it. It's a big responsibility, but . . . it really has exceeded my expectations of what I thought it would be, and I'm really grateful to be in this position.

LBBJ: Have you changed the way you approach issues?

Doud: Not really. My style has pretty much been collaborative, where I like to reach out to the departments that we audit and just try to make them feel comfortable. . . . We're not here to fault-find, criticize, embarrass; we're really here to work with the departments to help them make improvements and just find efficiencies to help them reach their goals. I think [that] by reaching out to the departments and building some trust with them up front, ultimately, it helps the success of the audit because we need their buy-in to implement the audit recommendations. So, if we get their buy-in up front and their trust, then we have had success in having them more open to us, sharing ideas on how they feel they can improve too. It's really been a collaborative effort. That's been my approach. It's worked well, so we're kind of sticking with it.

LBBJ: Briefly, describe your responsibilities.

Doud: [It] is a challenge for a city auditor to let people know what we do because a lot of people really don't know. . . . The topic sentence, the main responsibility, is that I'm the general auditor of the city and all of its offices, commissions and departments. So it's pretty open-ended. . . .

To break it down just a little bit, . . . I'll brief it into three points. . . . One is we're required to do the annual financial audit to ensure that the city's books are accurate. Two, we do the quarterly cash audits to ensure that the city's dollar amount, or cash, is correct. And three, we do operational audits of city departments. Operational audits basically include finding ways to help the departments become more efficient and effective.

LBBJ: Can you audit any department you wish, or do you have to wait for approval?

Doud: Because I'm elected by the people, I don't report to the city manager or the mayor or council. I can choose who to audit, when to audit and so on and so forth. . . . Even though I report directly to the public and we can audit any department we want, we always take recommendations and requests. And we have received a number of requests from the public, from city councilmembers, from city departments – they have really reached out to us. . . . Some of the best ideas come from the public, so we're always encouraging input for ideas.

LBBJ: Have you been able to audit every department, particularly the independent ones (such as the Tidelands, etc.)?

Doud: In the 20 months we've been here, not quite. But eventually, I think, we

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will get to all of them. . . . Tidelands is on our list, definitely. It has a lot of money in it and it's huge. . . . The Museum of Art – that's an independent facility. We are in the process of completing the audit, . . . so we'll be coming out with [it] next month.

LBBJ: Do you plan to perform annual audits of the Queen Mary?

Doud: Absolutely. Yes, we will be. We are actually performing an audit on the Queen Mary right now. It's part of the settlement with the city and QSDI [Queen's Seaport Development Inc., the former Queen Mary operator]. Part of the bankruptcy settlement, . . . once the lease was sold, allowed the city to go back and audit that time period before . . . QSDI filed bankruptcy. So, that's what we're doing right now – we're auditing the period before they filed for bankruptcy to ensure that money wasn't diverted. . . . They have found money that was spent inappropriately, and the city is challenging that in court.

LBBJ: How is the city budget doing? What are our expenses and how much of that is cushioned?

Doud: The General Fund is the main fund that funds all city services, and . . . it's about a \$392 million budget. It has a number of expenses, [including] police, fire, parks & rec, public works and so forth. And are they covered? Yes, they are today. We're not in fiscal crisis today, but we do have challenges ahead of us and we really need to be careful and monitor our expenses. . . . We will have some challenges in the future.

LBBJ: That ties into my next question. Earlier this year, you spoke before the Long Beach City Council's budget oversight committee and addressed the potential challenges facing efforts to balance the city's budget. What are some of those challenges?

Doud: The main one is the fact that the city's General Fund obligations are going up, and the revenues to pay for those are staying flat or going down. Jerry Miller, the [former] city manager, in his last budget message, which was for this fiscal year – '08 going forward – basically . . . identified about \$34 million of future commitments

that he wasn't sure the city had properly identified. So that's . . . the message I was bringing to the budget oversight committee: We have these future obligations and we haven't identified the revenue source to pay for these. What are we going to do? The city council has some tough decisions to make.

LBBJ: Last year you suggested several cost-cutting measures. What were they, and have they been implemented?

Doud: Last year, our main audit that did recommend some cost-cutting measures was the audit of the police department. We audited the police department first because, when you look at the General Fund, the police department takes up about 45 percent of [it]. . . . It really is the lion's share of the General Fund – not that our police department [was] doing a bad job; we just felt [that] this is the biggest portion of the budget, and we . . . can find some efficiencies. . . .

The overtime [expenditure] was pretty significant and we felt that there could probably be some initiatives that we could recommend to help them contain the overtime a little bit, especially in [these] tough times. . . .

The other [recommendation] was to replace officers that were behind desks with civilians, and that is referred to as civilianization. . . . We found 23 positions that could be performed by civilians, and then these officers could be out on the streets. Up to this point, they have civilianized seven out of those 23. . . . Two officers of high ranking from the information technology department at the police department have now been shifted to patrol. That was a good thing because that was another one of our recommendations: that the City of Long Beach, here in this building, has our own information technology department and then the police out there have their own information technology department. So, one of our recommendations was can we collaborate, can we coordinate and cooperate together? The police department has been extremely cooperative, and both of these initiatives are moving forward together.

They've been very successful in implementing some of our recommendations for containing overtime. Just one example is if you look at the first quarter of this budget year, fiscal year '08, and you compare [it] to . . . the first quarter of the budget year [in '07], . . . their overtime has decreased 40 percent this quarter, . . . and that equates to \$1.2 million.

LBBJ: Looking forward, do you have any other suggestions for cost-cutting measures? In other words, what more can be done?

Doud: We're always looking for efficiencies, and as city leaders, we just need to come up with every conceivable opportunity and way of . . . working more efficiently, working smarter, trying to do things better with less. Everything is on the table for improvement, [and] we're always looking for ways of doing things better.

LBBJ: How could we better balance the budget before a crisis strikes?

Doud: I think just by constantly monitoring and checking, better managing. The city's budget process is: You use it or you lose it. My suggestion is, "If you don't need it, don't use it. Act as if it's your own money here and [try] not to be wasteful, but just spend money on things that are absolutely critical to the city."

LBBJ: Do you have any suggestions for new revenue sources for the city?

Doud: Our office did an audit of the oil production tax, [which] was increased by the vote [of the people] on May 1. . . . The oil production tax – Prop. H, as most people know it – is currently bringing in anywhere between \$3.6 and \$3.8 million annually, with the oil companies paying that increased tax. So that's a new source of revenue that our office worked on. . . . That's been really great, especially because it's been dedicated to public safety, helping police and fire. . . .

And again, we want to be innovative in finding ways that we can find new revenue for the city, and also just making sure that the city is capturing the money that it's due and constantly keeping a watchful eye on that. That's what we're doing right now, too, with the transient occupancy tax in the hotels. We're doing audits of those and ensuring that the city is collecting the proper amount of tax. It's one example, but we're just trying to be as active and as aggressive as possible.

LBBJ: How have the struggling national and state economies impacted our local economy?

Doud: There's been decline in property tax revenue, as well as sales tax revenue and real estate transfer taxes. Real estate transfer taxes . . . are taxes imposed by states, counties, cities for the right to transfer property. . . . But because there hasn't been a lot of transfer of properties, that revenue source is also going down. And we'll probably be hit more in the future with property tax revenue, as well. Property taxes are our largest source of revenue here in the city, so I think we're going to feel it in the next couple of years.

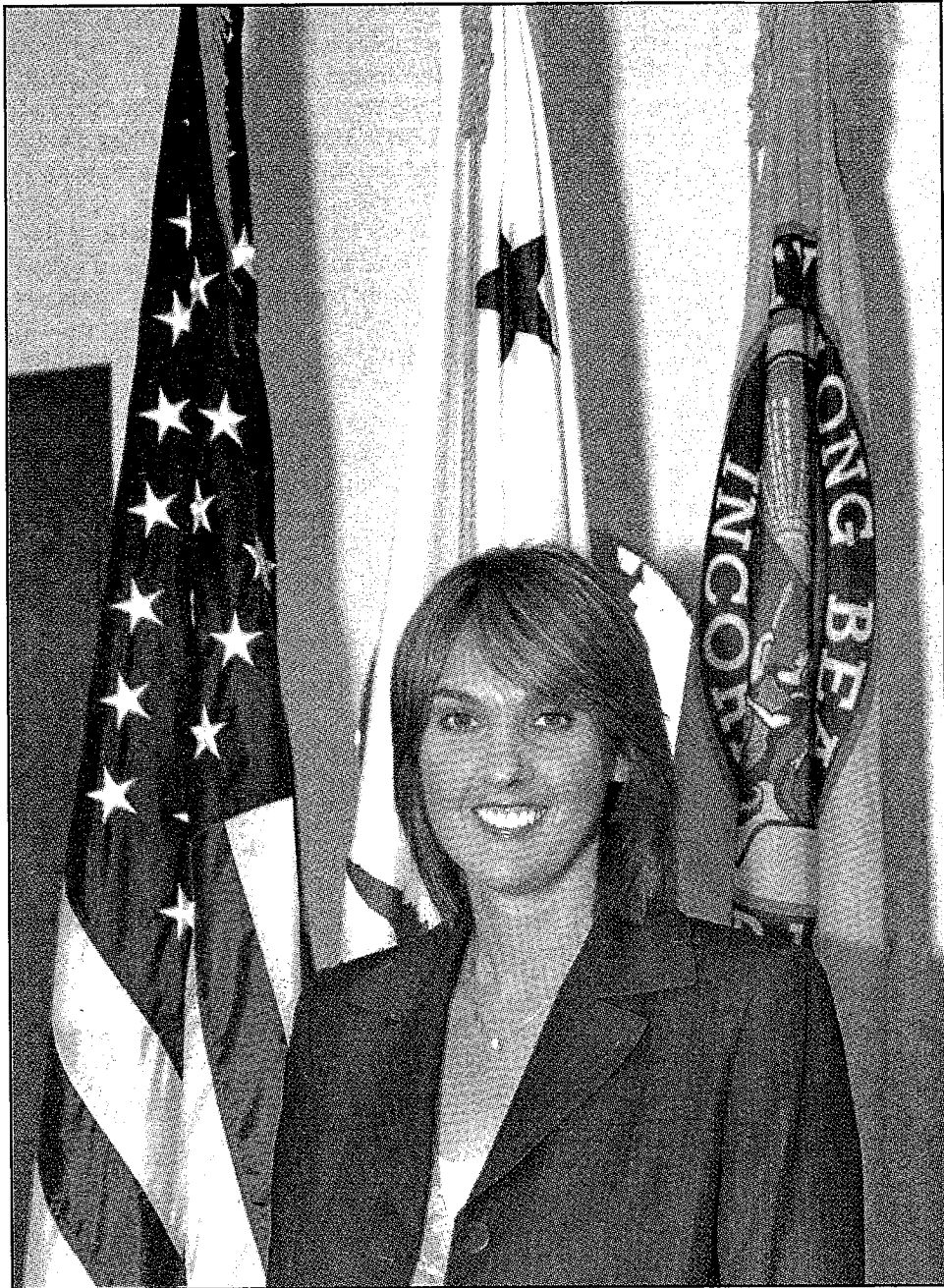
On a brighter note, though, . . . according to the economic stimulus package, . . . we'll all be receiving tax rebates some time this summer. We'd really like to encourage all the public, the residents of Long Beach to spend that money in Long Beach. We need the sales tax revenue, so we really want to encourage them to spend it here.

LBBJ: Given that the cost of the pension program is so high, is there something the city can do to reduce its effect on the budget?

Doud: According to the collective bargaining agreements that the city has here with its different unions, we're locked into that. . . . That's by contract and we're legally obligated to pay that.

LBBJ: Is there anything else you would like to add?

Doud: I'm really looking forward to the future. We have a lot of challenges ahead of us, but despite the challenges, I don't think there's a better time to be serving in Long Beach. We're up to it. We've proven in the past that we've been able to get through tough times, and I just want . . . to give [the public] the confidence to know that, as their finance officials, we're watching these things carefully and we're doing everything we can to ensure that the taxpayers are getting the most out of their hard-earned tax dollars. ■



Laura L. Doud, who became Long Beach's 10th elected city auditor in June 2006, says that even though budget expenses are currently covered, Long Beach officials need to vigilantly monitor them in anticipation of future challenges. (Photograph by the Business Journal's Thomas McConville)