

Long Beach

BUSINESS JOURNAL

July 21-August 3, 2009



Laura L. Doud has been the Long Beach city auditor since 2006 and oversees a staff of 15. The Long Beach native told the Business Journal last week that she plans to seek reelection in 2010. (Photograph by the Business Journal's Thomas McConville.)

City Auditor Doud Reflects On First Term; Will Run In 2010

Long Beach City Auditor Laura L. Doud was first elected in 2006 and, along with a staff of 15, examines the books, records, accounts, funds and securities of all departments, commissions and offices of the city.

Doud, 42, is a Long Beach native who attended Wilson High School and California State University, Long Beach (CSULB), graduating with a degree in accounting. She earned a law degree from Pacific Coast University School of Law and is also a certified public accountant and a certified fraud examiner.

Since taking office, she has worked to increase public access and transparency, revitalizing the city auditor's Web site and using social networking sites like YouTube and Facebook to increase contact with the public.

In a July 16 interview with Business Journal Senior Writer Angela C. Allen, Doud discussed accomplishments of her first term, the audits of the police department and the Queen Mary and her future political plans.

LBBJ: What is the role of the city auditor?

Doud: This office was established over 100 years ago in 1908. We just celebrated our 100-year anniversary, which is pretty significant. The taxpayers, or the residents of Long Beach, really have entrusted the city auditor to provide assurance that public funds are well managed, spent prudently and spent for their intended purpose to benefit the public. The auditor is sort of the checks and balance – like the watchdog of the taxpayers' money.

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LBBJ: What is the audit process, and how long does a typical audit take?

Doud: Our office follows generally accepted government auditing standards (GAGAS) set by the Government Accountability Office, and we follow the process that comes with that in all of our audits that are in compliance with those standards.

The first audit that I did when I first took office was an audit of [the city auditor's office]. The key finding of that audit was that this office had not undergone a required external [quality control review] required by industry standards. There's the question out there, who audits the auditors? The Comptroller General of the United States issues official audit standards, and part of those standards require government auditing offices like ours to undergo an external audit or a peer review. This office had never undergone an audit. It's been required since 1988 . . . [for] every government organization to be audited every three years. [And] you have to have a track record of some audits that you've done to show your performance. I committed to undergo this peer review, [and] they just completed it in April. I'm really pleased to report we passed the audit. Our office meets the highest standards of the industry. We follow a very strict process, and it's all outlined by [GAGAS].

As far as the timeline, it really depends on the scope of the audit; it could range from a couple of months to a year. . . . We are overseeing the taxpayers' dollars, and we're very methodical and careful and thorough in our audits; we're not rushing to judgment. We're very thorough in our review and in our analysis.

LBBJ: Has your office been successful in saving taxpayers money?

Doud: I think we have. As soon as we finished the audit of our office, we did an audit of the oil production tax for the City of Long Beach. This audit determined that the oil production tax had not been increased since 1990. It had not been indexed with inflation, and we know that the price of oil continued to skyrocket since 1990. This was in 2006 when we performed the audit, and the tax had not kept up with the price of oil. . . . It required a ballot measure to increase the tax. I'm really pleased to report this measure passed. It required a two-thirds vote because it was an increase in tax. . . . In fiscal year 2008, that oil production tax brought in \$3.7 million in revenue. This is an ongoing revenue source that will continue to be a revenue stream for the city, specifically dedicated for public safety. That's one example of money that we've brought in to help the priorities of the city.

[But] audits aren't always about saving taxpayer dollars. Several of our audits have looked at strengthening internal controls with cash-handling procedures, ensuring that certain vendors have the required insurance. This makes people's eyes roll back; it's the most boring thing you could ever think of, but a lot of people may not think it's so interesting or exciting until money goes missing or . . . a certain vendor . . . didn't have the proper insurance and now the city is sued for millions of dollars. These things may sound really boring to the average person until something goes terribly wrong.

Audits aren't always just about finding money; they're about preventing the city from future damage. One example is our public works audit, one of the key findings . . . is that it costs more to repair streets if you continue to defer street maintenance. If we continue to defer our street maintenance, it will cost the taxpayer more money in the long term than if we were to budget for it annually and keep up with the maintenance of our street repairs.

LBBJ: What are some of the audit projects currently in progress?

Doud: First and foremost right now is our stimulus-readiness review. As you know, California as well as other states throughout the country and many cities are preparing to receive large amounts of stimulus funds. We are doing a review of several of the city departments to ensure that we have the proper controls in place to monitor these funds and to use these funds appropriately and quickly. These grants come with very complicated requirements. And if you don't meet all of the requirements, we could be at risk for having to return these funds. That's our top priority right now, [but] we're also looking at towing operations, we're looking at one of the departments' contract bidding process [and] we're looking at inventory controls.

LBBJ: In 2007, your office audited the Long Beach Police Department and found it \$11 million over budget and identified \$3.7 million in potential cost savings. Were any of the report recommendations ever implemented?

Doud: Several of the recommendations were implemented. Overtime was contained by \$4 million in the first year that they implemented our recommendations to contain overtime. Our recommendation was to change some of their deployment strategies, . . . which they did, and one year after, . . . overtime was decreased \$4 million. I want to point out that patrol didn't go down, but by shifting deployment strategies, there wasn't the need to call back as much overtime. . . . [Instead, we used] those officers [from] the [overstaffed] beats . . . to fill the positions that needed to be filled. So that's a very significant recommendation that . . . benefited the General Fund and benefited the city.

We also recommended civilianizing some positions. . . . We had police officers working in administrative functions behind desks in the office, and we identified several positions that could be filled with civilians and put the police back out on patrol. That's another one they did implement.

We also identified the fact that there were \$11.7 million of unpaid parking tickets, and we recommended a booting or wheel-clamping program to boot those cars that have five or more unpaid parking tickets. . . . That has also been implemented as well. Even though it was shifted to the public works department, it was originally from our police audit. . . . We made this recommendation in 2007, and we stuck to it; we stuck to that recommendation, we didn't let it die and it's alive and well today. They just started the pilot program in the parking-impacted areas in Long Beach. We're encouraged by the early results of that so far. When [we] have \$11.7 million of unpaid parking tickets, [we've] got to do something to complement our towing program to get the money that we need.

LBBJ: Your office recently released the results of the Queen Mary Capital Improvements audit. What did your office find, and what are some of the final report recommendations?

Doud: The city had a contract with Save The Queen that they would perform \$2.8 million of capital improvements by December 31, 2008. Our audit basically found that the previous owner came up \$800,000 short. . . . That was the main finding. The second . . . finding was that they didn't receive the proper approvals from the city that were required from the agreement for some of those improvements.

LBBJ: What follow-up action is planned on the Queen Mary audit?

Doud: Our follow-up . . . is to revisit this at the end of this year to make sure that they're meeting the next benchmark and they've made up for the \$800,000 as well as keeping on track with the agreement initially established. The agreement has certain benchmarks, so in 2008 they were supposed to make \$2.8 [million in improvements]. By 2009, they're supposed to make \$4.3 [million in capital improvements]. . . . And they've assured us that they will. They've presented us with a plan that they're making progress. So we'll go back to make sure they're on schedule with their plan.

LBBJ: How does your office monitor the implementation of final audit report recommendations?

Doud: I'm really about implementation to make changes [and] to make improvements. We spend a lot of time and energy on our audits and our recommendations. We don't make frivolous recommendations. Everything is very thorough and careful, and as we go through the process, we also keep an open communication with the entity that we're auditing. And at our exit conference at the conclusion of the audit, we talk about the recommendations and their plan for implementation. And we also give the entity an opportunity to respond to our audit on how they're going to do that – and provide us with their concerns if they have any concerns with the recommendations. And each one of our reports, when we present it to [the city council], we do ask them to come back within six months or a year to give us a status of where they are in the process. . . . The majority of the time, we receive cooperation from the department. If they agree with [our recommendations], they implement them. They [usually] don't have a problem making the changes.

Just knowing the amount of time that goes into these, I would hate to think these audits are sitting on the shelf collecting dust somewhere. . . . With all of that said, we're not management. We do everything we can to make it public, to identify the problem, but ultimately it boils down to management holding them accountable.

LBBJ: What types of calls come in to the fraud hotline? And does your office ever find evidence of fraud during an audit?

Doud: Fraud is a legal term that would be prosecuted in a court of law, and we haven't gone to that extent of prosecuting anybody. I think the more appropriate term for our audits have been internal-control weaknesses. Over the past few years, the city has cut over 400 positions because of budget constraints.

And we continue not to fill positions because of budget constraints. When you reduce the number of employees like that, there's less management oversight, less segregation of duties; there's less cross-training of duties, and this all results in an increased risk for misappropriation of public funds. So we are vulnerable, we are at risk. The state auditor has made a public statement saying the stimulus funds are high risk because of [a] vast amount of monies coming into organizations and the requirements to spend it quickly.

So we're on the alert. . . . We've revitalized our fraud hotline, 888/FRAUD-07 [888/372-8307], and we try to publicize it throughout the city. We want people to call and feel like there is a safe place to report their concerns with taxpayer dollars. It's a 24/7 operation, it's completely anonymous and we follow up and take the appropriate action on all of these calls. We received last year approximately 59 calls. Some are just calls that don't have anything to do with the city, but we do take the calls that come in seriously. Other calls have to do with questionable acts by city employees. And we have several open cases right now we're investigating. [However], I can't talk about them right now.

LBBJ: With huge deficits facing the city's General Fund, how is your office involved in finding solutions?

Doud: When I first got here, we as a team asked the question, what's the biggest problem facing the city? It's the General Fund budget – that's the problem. Then we asked ourselves, what's the largest portion of the General Fund? What cost the most? Obviously it's police. They take up about 50 percent of the General Fund. The next question we asked was, when was the last time the police department had been audited? And it had been 12 years in 1994, according to the records in this office. That audit took us over a year to complete. The police were very cooperative. They opened their books and they complied with our recommendations. It was a very good process. But we did find significant areas for improvements that they've made that have ultimately benefited the General Fund today.

We're always on the lookout for revenue. These are serious and very challenging times for the city right now. We've redoubled our efforts for contract audits. We are very aggressive at auditing the city's contracts right now to ensure that the city is capturing all the revenue that it's due. The utility user's tax is one example of an audit we're looking at right now. TOPKO is another audit we're looking at right now – Joe's Crab Shack, Vestar Property Management and [others].

LBBJ: Does your office review staff benefits such as the pension program?

Doud: The policy regarding pensions is with the city council, but as far as auditing the payments, it falls under our office. We audit all payments, including the pension payments, to ensure that the city is not underpaying or overpaying its required contribution. In the past there was a significant enhancement to the city's pension, and unfortunately my predecessor did not speak up and warn the council and the public of the long-term consequences it would have on our city's budget. So we do monitor these payments and will continue to look at the pension and the contributions and what it costs the city and inform the city council of the long-term effects of their decisions as they continue to make decisions regarding the collective bargaining agreements with the different unions.

LBBJ: You've been in office since July 2006. Do you plan to run for reelection next year?

Doud: Yes, I am. I just celebrated my third year in office. To be honest, I have been very focused on work; it's probably been three of the most fulfilling years of my professional career. It's very rewarding to work for something that you love and you care about so much. There's so much more to do; I feel like we're just getting [going].

One of the goals that I had in office has been to make myself as available and as accessible to the public as possible. I'm a firm believer in transparency in government. As the city auditor, I'm independent. I represent the people. I'm doing everything I can to communicate with them what we're doing, so we have revitalized our Web site, . . . and we post all of our audits on the Web site and try to make it easy to access, and we really try to make our reports easy to read, we really try to simplify it so that taxpayers can understand them. I'm really pleased to report that we're making progress in making ourselves accessible. Our Web site did receive an award [from the Association of Local Government Auditors], so we're really pleased about that. I'm excited about the accomplishments that we've completed over the past three years. I feel like we've done a tremendous amount, but that there's still so much more to do. ■

LONG BEACH CITY AUDITOR FRAUD HOTLINE

1 (888) FRAUD 07

1 (888) 372-8307

Toll Free 24 Hours A Day

7 Days a week or report online at

www.CityAuditorLauraDoud.com

How Do You Recognize Fraud or Theft?

Common examples include:

- Submitting invoices for fictitious or personal goods & services
 - Theft of city property, such as inventory or supplies
 - Payroll or timekeeping fraud
 - Falsely reporting expenses for reimbursement
- Stealing a check the city issued to another payee
 - Taking or "skimming" cash paid for city services – such as parking, permits or fines
- Voiding legitimate cash register sales and stealing the money
 - Utilizing city property for personal use
 - Computer fraud or information theft
 - Conflicts of interest
- Accepting a bribe, kickback or illegal gratuity
 - Bid-fixing
 - Recording fictitious sales
- Auditing or accounting irregularities

**The above information was taken from the city auditor's Web site:
www.CityAuditorLauraDodd.com**

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The Long Beach City Auditor's office is charged with providing independent assurance that taxpayer dollars are spent appropriately and effectively. The city auditor's office reports directly to the people of Long Beach rather than the city council or city manager. Pictured, from left, are: Deputy City Auditor Janet Day; City Auditor Laura L. Doud; Assistant City Auditor James Johnson and Deputy City Auditor Danica Rodgers (Photograph by the Business Journal's Thomas McConville.)