



INDEPENDENCE YOU CAN RELY ON

# 2016 ANNUAL WORK PLAN & ACCOMPLISHMENTS REPORT



## LONG BEACH CITY AUDITOR'S OFFICE

333 West Ocean Boulevard, 8th Floor | Long Beach, California 90802 | 562-570-6751 | [CityAuditorLauraDoud.com](http://CityAuditorLauraDoud.com)



[Auditor@longbeach.gov](mailto:Auditor@longbeach.gov)



[facebook.com/LongBeachCityAuditor](https://facebook.com/LongBeachCityAuditor)



[@LBCityAuditor](https://twitter.com/LBCityAuditor)



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# Message From the City Auditor



**Laura Doud**

Long Beach City Auditor

*"I expect 2016 to be another successful year in our mission to promote transparency, prevent fraud, and provide independent assurance that public funds are spent responsibly."*

I am happy to present the Long Beach City Auditor's Office 2016 Annual Work Plan and Accomplishments Report. This document is just one way we strive to enhance transparency by providing information about the role of our Office, our priorities and objectives, work produced in the past year and planned activities for 2016. Every project we undertake is focused on providing increased value to the City by identifying internal improvements that have the potential to make our City operations more efficient and stronger.

There were a lot of exciting accomplishments for our Office in 2015, including the launch of social media channels. We introduced the new *MyAuditor* App that provides quick access to Office reports and news. In addition, the Office website, *CityAuditorLauraDoud.com*, was updated to make it more user friendly, and the public can now follow us on Twitter, @LBCityAuditor, and Facebook, *facebook.com/LongBeachCityAuditor*. All of these mediums are important tools for connecting with the public and highlighting the work performed, which in 2015, was substantial. We produced reports that covered operations in seven different departments and offered over 80 recommendations on ways to increase efficiencies and protect City assets.

As we head into 2016, our planned projects will focus on both internal City operations and issues that directly affect our neighborhoods. The 2016 projects outlined in our Annual Work Plan will continually be prioritized to ensure high risk areas are promptly addressed and work is allocated with the best use of our limited resources. For this reason, we may not be able to initiate every project in the Annual Work Plan, but we will report our results at the end of the year. Any projects not initiated during 2016 will be considered for inclusion in the following year's Annual Work Plan.

We believe that a collaborative and cooperative relationship with Elected Officials and City Management creates a positive and productive scenario for all parties. Our staff is dedicated to fostering such relationships, and we are eager to offer our independent and objective services whenever possible. I am very proud of my staff and their unwavering commitment to the well-being of this City. Last year, our Office achieved top marks from a peer review that measured compliance with national standards for performance in government reporting. This triennial peer review demonstrates our commitment to excellence in fair, objective and independent reporting.

As our Office continues to reach out to the residents of Long Beach, I would like to thank the public for their trust in me to uphold the responsibilities of this position and for the continued support in our quest to be the independent voice for the City. I expect 2016 to be another successful year in our mission to promote transparency, prevent fraud, and provide independent assurance that public funds are spent responsibly.

Sincerely,

A handwritten signature in blue ink that reads "Laura L. Doud". The signature is written in a cursive, flowing style.

Laura L. Doud  
City Auditor



## Who We Are

Article VIII of the Long Beach City Charter authorizes the City Auditor as the general auditor of the City and of every department, commission and office thereof. The Office of City Auditor is an elected position of four-year terms with no term limits. The City Auditor reports directly to the public, and the 2016 Annual Work Plan is one vehicle this Office uses to inform the public of how the City is spending their tax dollars.

Being an elected Office, we are the only department within the City that is truly independent and provides objective reviews and audits that report all pertinent facts and issues. We welcome audit requests and project suggestions from Elected Officials and City Management, because we believe it is more productive to forge partnerships than to be on opposing sides. While we may not always agree on an issue, we ensure differing opinions are always considered and are reported in a manner that is fair to all parties.

The Office employs a highly experienced staff who are required to obtain 40 hours a year in continuing education. The majority of the audit staff hold professional certifications that include Certified Fraud Examiners, Certified Internal Auditors, Certified Public Accountants and Certified Government Audit Professionals.



*Office Staff with Mayor Garcia*

### CORE PRINCIPLES

#### **INDEPENDENCE, OBJECTIVITY AND INTEGRITY**

All auditors perform their work with independence, objectivity and integrity and remain free from personal, external and organizational impairments to that principle, both in fact and in appearance.

#### **PROFESSIONAL JUDGMENT**

Good professional judgment should be displayed in all aspects of the auditors' responsibilities beginning with the initiation of the audit to reporting results using the highest standards of quality control.

#### **COMPETENCE**

The Office requires all auditors to engage in continuing education to maintain and expand their level of competence and to meet the requirements of the Peer Review.

#### **QUALITY CONTROL**

The top priority of the Office is to ensure work is performed at the highest level of compliance with professional standards, policies and procedures.



# | How We Do It

The Long Beach City Auditor's Office performs a variety of tasks aimed at providing independent assurance that public funds are spent responsibly.

## **PERFORMANCE AUDITS**

Since the 1970's, the Long Beach City Auditor's Office has been performing independent examinations of revenues, expenses, programs, functions and data systems with the intent to improve the security of the City's assets and ensure operations are efficient in providing services to the public.

The information and recommendations reported by this Office have resulted in efficiencies and changes to the City Municipal Code and the City Charter to bring additional revenues to the City and improve the security of the City's assets. These increased revenues allowed the City to provide additional and improved services to the public, such as more police and fire personnel.

These audits follow the Generally Accepted Government Auditing Standards (GAGAS), which provide detailed quality control guidelines for financial and performance audits and for ensuring the independence and objectivity of the audit function.

## **FRAUD HOTLINE**

The Office operates a fraud hotline for City employees, vendors, and residents to report suspected fraud easily and confidentially. It is available 24 hours a day, 7 days a week with each call answered by a live, trained interviewer.

Fraud can also be reported through the Office website or the *MyAuditor* App. This Office has a fiduciary duty to adequately review all allegations to determine the validity of a claim. Periodically, the Office releases a Fraud Hotline Report that provides call information and investigation results while protecting anonymity.

## **REQUIRED FINANCIAL AUDITS**

The City Charter and Federal government require an annual audit of the City's basic financial statements and federal grant awards. Due to the size of this project, this Office engages the services of an outside auditing firm to perform the work. Results are published in the City's Comprehensive Annual Financial Report and Single Audit Report. In addition to the annual financial requirements, the City Charter also requires a quarterly verification of the City's cash and investments, which are published in separate reports.

## **DISBURSEMENT REVIEW AND WAGE GARNISHMENTS**

The City Charter requires the Office to review all disbursements of City funds, including the approval of wire transfers. Each disbursement is reviewed to ensure payments are timely, authorized, and documented. In FY 2015, the Office reviewed over 52,000 checks totaling \$700 million and 1,130 wires totaling \$1.8 billion. The Office also administers all City employee wage garnishments. During FY 2015, the Office managed 216 active garnishment files totaling approximately \$60,000 per payroll period and over 1,000 inactive cases. Garnishments are collected by over 15 agencies, each with different rules and regulations.





# Where We've Been - 2015

## Report Highlights

### **PUBLIC SAFETY DISPATCH OVERTIME AUDIT**

*\$1.3 million* in overtime was paid to dispatchers due to several position vacancies in 2014. Overtime hours comprised 22% of all work hours, creating a potential unsafe work environment. Recommendations to improve recruitment efforts were undertaken by the City.

### **DIGITAL & E-GOVERNMENT BEST PRACTICES REPORT**

In support of the Mayor's efforts to optimize technology to better engage and serve constituents, the Office benchmarked current e-government solutions, innovation and technology trends for the City to consider. The report was issued to the City's Technology and Innovation Commission and the internal Innovation Team who is overseeing a *\$4 million* Bloomberg grant, which funds new technology-driven approaches to municipal problems.

### **HEALTH & HUMAN SERVICES DEPARTMENT REVENUE COLLECTIONS AUDIT**

The Clinical Services & Vital Records operations collect *\$1.7 million* per year; however, staff overseeing the function had little understanding of proper controls surrounding revenue collection, leaving the Department highly vulnerable to fraud or misappropriation with no way to detect

missing funds. The Department agreed with the recommendations and is working to rectify the situation.

### **AIRPORT PARKING AGREEMENT AUDIT**

When the Airport opened its new parking facility in 2012, it expected annual revenue to increase 36% to *\$10.5 million*. However, revenue actually declined 12% as enplaned passengers dropped. The audit found the City had never rebid its 23 year-old agreement with the parking vendor and staff was performing limited analysis of revenue components and trends to adapt to parking fee declines.

### **VEHICLE LIEN SALES AUDIT**

The City averages *\$2.75 million* annually from vehicle lien sales. The audit found operational control weaknesses over revenue collection and impounded personal property contributing to a high risk of theft or fraud, as demonstrated by a 2013 Police investigation for theft of property. The report included 44 recommendations for operational improvements to protect City assets and private property.

### **EMERGENCY BOARD-UP SERVICES CONTRACT AUDIT**

A fraud hotline tip led to an investigation of emergency board-up services handled by the City and found the subcontractor performing work had not been vetted by the City and received an unauthorized rate increase ranging from 5% for labor to 65% for materials only two months after the contract was awarded.



# Where We've Been - 2015

## Obligations, Standards & Awareness

### FRAUD HOTLINE REPORT

During International Fraud Awareness Week in November, we issued our first report on Fraud Hotline activity. The report provided information on call type and resolutions over the past two years, along with ways to report potential fraud and details of how calls are processed.

### LAUNCH OF SOCIAL MEDIA

To increase transparency and awareness of City issues, the Office began distributing Office news and audit reports through social media. We launched the *MyAuditor* App, redesigned the website making it more user friendly for mobile devices, and initiated Twitter and Facebook accounts.

### REQUIRED FINANCIAL & REGULATORY REPORTING

Reporting requirements surrounding annual City financial statements, Single Audit, GANN Agreed-Upon Procedures, Quarterly Cash & Investment Reports, Proposition H Oil Production Tax, Underground Storage Tank Compliance Program and Transient Occupancy Tax compliance were all met.

### DISBURSEMENT REVIEW AND WAGE GARNISHMENTS

This Office continued to review all disbursements of City funds, including wire transfers, for timeliness, proper authorization and adequate documentation. In addition, administration of wage garnishments was processed in compliance with all agency regulations.

### PEER REVIEW

The Office underwent its third triennial peer review, for which we once again received top marks, demonstrating our quality control system is operating within industry standards and our commitment to excellence in reporting.

### AUDIT PROCESS DOCUMENT

To provide more information to departments about audit process expectations, timing and deliverables, the Office prepared a booklet which is now provided to the auditee at the onset of each project.

### ENHANCED TRAINING MANUALS

The Office continues to review its training materials to ensure the staff has the necessary tools and resources to be successful.





# Where We've Been - 2015

## Recap of 2015 Annual Work Plan

There were six projects in 2015's Annual Work Plan that will not be pursued.

### **RAPID MEDICAL DEPLOYMENT PILOT PROGRAM**

This program was cancelled by the County of Los Angeles effective October 1, 2015. The City returned to its staffing model prior to the implementation of the pilot program.

### **LIMITED SCOPE AUDIT ON CASH COLLECTION CITY-WIDE**

The Office initiated a limited scope audit on contracts during 2015 and found it to be extremely resource intensive, restricting our ability to initiate other projects, and causing us to reconsider proceeding with similarly designed projects. Numerous revenue collection audits have been performed by the Office over prior years, and we are following up on recommendation implementation on a number of them in our Audit Recommendation Follow-up report. For these reasons, this project on cash collection will not be pursued.

### **HARBOR DEPARTMENT FIREBOATS PROCUREMENT**

We began preliminary investigation, but the situation involved potential litigation and was not conducive to an audit that would have the

impact for significant change. The project was halted, but an audit on Harbor procurement may be considered in future years.

### **CIVIL SERVICE HIRING PROCESSES**

During the Public Safety Dispatch Overtime audit, we briefly reviewed Civil Service recruitment efforts. With the recent appointment of a new Department Director, many changes are being made to recruitment processes. We believe it is more beneficial to wait for the changes to be implemented and then evaluate the results.

### **ENERGY EFFICIENCY EFFORTS**

The initial scope of the audit focused on mandated reductions in electricity use by the City. This is only one area of the City's 2010 Sustainability Plan. This project will be deferred to future years when the Office has the available resources to look at the entire Plan more extensively.

### **INFORMATION TECHNOLOGY GOVERNANCE**

The Department is undergoing several changes driven by a new Director, the Mayor's focus on innovation, and the receipt of the \$4 million Bloomberg grant. It is not feasible to review a department that is in the middle of so many significant changes. Therefore, this area will be deferred to future years for consideration.





# | Where We're Going - 2016

## Work In Progress

### **PUBLIC WORKS JOB ORDER CONTRACTS AUDIT**

The City spent over *\$12 million* in three years on projects initiated through this program. We are reviewing the adequacy of the City's project management to ensure projects are appropriately planned, bid and executed in order to achieve the best value for the City.

### **PARKS LANDSCAPE MAINTENANCE AUDIT**

The Department spends over *\$2.5 million* per year on a service contract to maintain parks and street medians. This audit assesses the Department's approach and strategy for landscape maintenance to ensure cost effectiveness and adequate park conditions.

### **CONTRACT ADMINISTRATION AUDIT**

The City spends *millions of dollars* using contracted services each year. Using a limited scope, we are reviewing ten contracts in a variety of departments to evaluate the adequacy and consistency of overseeing contracts and ensuring the City is obtaining the best value.

## Audits Focused on City Internal Operations

### **FRAUD AND ETHICS\***

It is proven that the amount and type of fraud is directly connected to the ethical environment of an organization. Our Office will review a variety of issues concerning ethics and the handling of fraud allegations throughout the City.

### **DATA ANALYSIS OF ACCOUNTS PAYABLE AND PAYROLL RECORDS**

Using data analytic software, we will perform continuous auditing of real-time transactions to recognize irregularities, exceptions and trends occurring in high risk areas.

### **PUBLIC SAFETY OFFICERS' DISABILITY PENSIONS**

Review of disability pensions' effect on retirement costs and the City's costs benchmarked against other agencies.

\*carryover project from 2015 AWP



# | Where We're Going - 2016

## Audits with a Neighborhood Focus

The Office will select projects that directly affect the public's quality of everyday life.

### **LIBRARY SERVICES\***

Review *\$13.3 million* in service expenditures and perform comparison of operations to those of other cities to understand how libraries are adapting to changes in public use.

### **FOOD FACILITY INSPECTION AUDIT\***

Over *\$2 million* annually is collected by the City for permit and inspection fees. This audit will review the City's inspection program and its success in monitoring food-related businesses.

### **TREE MAINTENANCE PROGRAM**

Considering the City's aging trees, drought and reduced resources, we will review existing strategy for tree maintenance, including *\$2 million* in annual expenses, related contracts and overall maintenance planning.

### **MAINTENANCE OF CITY FACILITIES**

In addition to City Hall, the City has over 400 other facilities, such as community centers, libraries and public safety buildings with millions of dollars spent annually to maintain. This audit will review

expenses and maintenance strategies aimed at keeping City facilities in good condition.

### **STREET REPAIR CONTRACT**

The City spends an estimated *\$18 million* annually for street repairs. We will review the major contracts associated with these expenditures, along with procurement specifics, project planning, and oversight.

### **FIRE DEPARTMENT CODE ENFORCEMENT**

Public safety is the City's number one priority. Over *\$1 million* a year in code enforcement fees generated from safety inspections are collected annually. The audit will look at related expenses of enforcement, collection of revenue and inspection scheduling.

### **SANITARY SEWER MAINTENANCE\***

Over *\$15 million* per year is spent on the operation and maintenance of the City's sewer systems. The Office will examine the Water Department's sewer system management plan (SSMP).

### **VACATED BUILDINGS\***

This project reviews the City's inventorying and monitoring system of vacated buildings, the effect of RDA's elimination, and the relationship to neighborhood crime and blight.

*\*carryover project from 2015 AWP*



# Where We're Going - 2016

## Increasing Awareness

### AUDIT RECOMMENDATION FOLLOW-UP REPORT\*

We are requesting Departments provide the implementation status of audit recommendations issued from this Office over the past five years. Results will be summarized in a report distributed to the public.

### COMMUNITY EVENT PARTICIPATION AND PUBLIC SURVEYS

We will attend events to distribute information and news concerning the Office and interact with the public by listening to their concerns, answering questions, and obtaining public feedback on current issues.

### FRAUD HOTLINE CAMPAIGN

The Fraud Hotline is one tool in the effort to fight fraud, waste and abuse in our City. We will periodically launch new or revised campaigns to increase awareness of potential fraudulent behavior and provide valuable information on how to report it.

### NEW REPORTING TOOLS

The Office continually evaluates the best way to distribute report findings to encourage positive change. New reporting formats, fact sheets, and benchmarking reports are all avenues the Office is exploring.

\*carryover project from 2015 AWP

### CRITERIA FOR PROJECT SELECTION

The Office uses a risk-based approach to prioritizing and selecting projects. Risks are identified through a list of criteria that focus on financial, operational and public interest issues. The criteria includes, but is not limited to:

- Financial materiality
- Scope of audit
- Audit history
- Urgency or timing of issue
- Other auditing authorities
- Public exposure or interest
- Complexity of transactions
- Management accountability
- Reoccurring issue
- Status of the existing internal Control System
- Technology age and usage
- Public health or safety
- Recent fraud incidents
- Recent or pending litigation
- Potential effect on other operations

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