

CITY OF LOS ANGELES

Audit Report

OPEN MEETINGS ACT/BROWN ACT REFORM PROGRAM

Chapter 641, Statutes of 1986;
and Chapter 1136 through 1138, Statutes of 1993

July 1, 2005, through June 30, 2012



BETTY T. YEE
California State Controller

December 2021



BETTY T. YEE
California State Controller

December 8, 2021

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

The Honorable Ron Galperin, Controller
City of Los Angeles
200 N. Main Street, Suite 300
Los Angeles, CA 90012

Dear Mr. Galperin:

The State Controller's Office audited the costs claimed by the City of Los Angeles for the legislatively mandated Open Meetings Act/Brown Act Reform Program for the period of July 1, 2005, through June 30, 2012.

The city claimed \$2,417,363 for costs of the mandated program. Our audit found that \$2,113,471 is allowable and \$303,892 is unallowable, primarily because the city:

- Understated its standard-time costs by making claim preparation errors;
- Applied incorrect blended productive hourly rates to eligible agenda items;
- Overstated its flat-rate costs by claiming unsupported and ineligible meeting agendas; and
- Misstated its indirect cost rates.

The State made no payments to the city. The State will pay \$2,113,471, contingent upon available appropriations.

Following issuance of this audit report, the Local Government Programs and Services Division of the State Controller's Office will notify the city of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/as

cc: The Honorable Eric Garcetti, Mayor
Mayor of the City of Los Angeles
Matthew W. Szabo, City Administrative Officer
City of Los Angeles
Jacob Wexler, Finance Chief
Office of the City Administrative Officer
Bryan Oh, Senior Administrative Analyst
Office of the City Administrative Officer
Chris Hill, Principal Program Budget Analyst
Local Government Unit
California Department of Finance
Steven Pavlov, Finance Budget Analyst
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Los Angeles for the legislatively mandated Open Meetings Act/Brown Act Reform Program for the period of July 1, 2005, through June 30, 2012.

The city claimed \$2,417,363 for costs of the mandated program. Our audit found that \$2,113,471 is allowable and \$303,892 is unallowable, primarily because the city:

- Understated its standard-time costs by making claim preparation errors;
- Applied incorrect blended productive hourly rates (PHRs) to eligible agenda items;
- Overstated its flat-rate costs by claiming unsupported and ineligible meeting agendas; and
- Misstated its indirect cost rates.

The State made no payments to the city. The State will pay \$2,113,471, contingent upon available appropriations.

Background

Open Meetings Act Program

Chapter 641, Statutes of 1986, added Government Code (GC) sections 54954.2 and 54954.3. GC section 54954.2 requires the legislative body of a local agency, or its designee, to post an agenda containing a brief general description of each item of business to be transacted or discussed at the regular meeting, subject to exceptions stated therein, specifying the time and location of the regular meeting. It also requires that the agenda to be posted at least 72 hours before the meeting in a location freely accessible to the public. GC section 54954.3 requires members of the public to be provided an opportunity to address the legislative body on specific agenda items or an item of interest that is within the subject matter jurisdiction of the legislative body. The legislation requires that this opportunity be stated on the posted agenda.

Open Meetings Act/Brown Act Reform Program

Chapters 1136 through 1138, Statutes of 1993, amended GC sections 54952, 54954.2, 54957.1, and 54957.7, expanding the types of legislative bodies that are required to comply with the notice and agenda requirements of GC sections 54954.2 and 54954.3. These sections also require all legislative bodies to perform additional activities related to the closed session requirements of the Brown Act.

The Commission on State Mandates (Commission) determined that the Open Meetings Act Program (October 22, 1987) and the Open Meetings Act/Brown Act Reform Program (June 28, 2001) resulted in state-mandated costs that are reimbursable under GC section 17561.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted parameters and guidelines on September 22, 1988 (last amended on November 30, 2000) for the Open Meetings Act Program, and on April 25, 2002, for the Open Meetings Act/Brown Act Reform Program. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies and schools in claiming mandated program reimbursable costs.

The Open Meetings Act Program became effective on August 29, 1986. Commencing in fiscal year (FY) 1997-98, a local agency may claim costs using the actual time reimbursement option, the standard-time reimbursement option, or the flat-rate reimbursement option as specified in parameters and guidelines. The Open Meetings Act/Brown Act Reform Program was effective for FY 2001-02.

Based on the passage of Proposition 30, adopted by the voters on November 7, 2012, the Department of Finance filed a request for redetermination of the Open Meetings Act and Brown Act Reform Program. On January 23, 2015, the Commission found that the Open Meetings Act/Brown Act Reform Program no longer constitutes a reimbursable state-mandated program, effective November 7, 2012.

Audit Authority

We conducted this performance audit in accordance with GC sections 17558.5 and 17561, which authorize the SCO to audit the city's records to verify the actual amount of the mandated costs. In addition, GC section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Open Meetings Act/Brown Act Reform Program. Specifically, we conducted this audit to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.¹

The audit period was July 1, 2005, through June 30, 2012.

To achieve our objective, we completed the following procedures.

General

- We reviewed the annual mandated cost claims filed by the city for the audit period and identified the material cost components claimed. For standard-time option costs, these included the number of meeting agenda items, the minutes per agenda item, and the blended PHRs. For flat-rate costs, these included the number of meeting agendas and the uniform cost allowance.

¹ Unreasonable and/or excessive costs include ineligible costs that are not identified in the programs parameters and guidelines as a reimbursable cost.

- We determined whether there were any mathematical errors or any unusual or unexpected variances from year to year, and whether the claims adhered to the SCO's claiming instructions and the program's parameters and guidelines.
- We completed an internal control questionnaire by interviewing key city staff members. We discussed the claim preparation process with city staff members to determine what information was obtained, who obtained it, and how it was used.

Standard-time option

- We haphazardly selected non-statistical samples of meeting agendas claimed, ranging from 28% to 36% for each fiscal year of the audit period.
- We counted the number of eligible meeting agenda items and determined allowable costs for each year of the audit period.
- We held discussions with city representatives to determine which employee classifications and/or individuals performed the reimbursable activities and the extent of the mandated activities. We used this information to determine the participation percentages for all city employee classifications and/or individuals that performed the mandated activities, using agendas provided by the City Clerk's Office.
- We calculated the blended PHR calculations for FY 2005-06 through FY 2011-12 for all city employee classifications and/or individuals that performed the mandated activities, using documentation from the city's payroll system.
- We determined whether the city adequately supported indirect costs claimed separately from blended PHRs for FY 2005-06 through FY 2008-09.

Flat-rate option

- We haphazardly selected non-statistical samples of meeting agendas claimed, ranging from 29% to 36% for each fiscal year of the audit period; then we:
 - Verified the existence of meeting agendas claimed and compared the number of supported meetings to the number claimed (we excluded from consideration meetings that did not include a provision for public comment or meeting location); and
 - Developed error rates for each fiscal year based on the number of eligible meeting agendas. Consistent with the American Institute of Certified Public Accountants' Clarified Statement on Auditing Standards section 530, we applied the error rate to the total costs claimed for that fiscal year.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our

audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We did not audit the city's financial statements.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We did not find that the city claimed costs that were funded by other sources; however, we did find that it claimed unsupported and ineligible costs, as quantified in Schedule 1, and described in the Findings and Recommendations section of this audit report.

For the audit period, the City of Los Angeles claimed \$2,417,363 for costs of the legislatively mandated Open Meetings Act/Brown Act Reform Program. Our audit found that \$2,113,471 is allowable and \$303,892 is unallowable. The State made no payments to the city. The State will pay \$2,113,471, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the city of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

Follow-up on Prior Audit Findings

The city has not resolved the findings noted in our prior audit report for the period of July 1, 2001, through June 30, 2004, issued on June 30, 2006, as described in Findings 1 and 3.

Views of Responsible Officials

We issued a draft audit report on October 14, 2021. Matthew W. Szabo, City Administrator Officer, responded by letter dated October 22, 2021 (Attachment), stating that the city has reviewed the report and concurs with our findings.

Restricted Use

This audit report is solely for the information and use of the City of Los Angeles, the California Department of Finance, and SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

December 8, 2021

**Schedule 1—
Summary of Program Costs
July 1, 2005, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Standard time	\$ 119,331	\$ 136,118	\$ 16,787	Finding 1
Flat rate	139,323	103,373	(35,950)	Finding 2
Total direct costs	258,654	239,491	(19,163)	
Indirect costs ²	93,277	126,685	33,408	Findings 1 and 3
Total direct and indirect costs	351,931	366,176	14,245	
Less allowable costs that exceed costs claimed ³	-	(14,245)	(14,245)	
Total program costs	<u>\$ 351,931</u>	351,931	<u>\$ -</u>	
Less amount paid by the State ⁴		-		
Allowable costs claimed in excess of amount paid		<u>\$ 351,931</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Standard time	\$ 125,590	\$ 133,119	\$ 7,529	Finding 1
Flat rate	125,604	95,718	(29,886)	Finding 2
Total direct costs	251,194	228,837	(22,357)	
Indirect costs ²	181,116	130,987	(50,129)	Findings 1 and 3
Total program costs	<u>\$ 432,310</u>	359,824	<u>\$ (72,486)</u>	
Less amount paid by the State ⁴		-		
Allowable costs claimed in excess of amount paid		<u>\$ 359,824</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Standard time	\$ 102,102	\$ 118,435	\$ 16,333	Finding 1
Flat rate	143,204	116,193	(27,011)	Finding 2
Total direct costs	245,306	234,628	(10,678)	
Indirect costs ²	186,767	124,058	(62,709)	Findings 1 and 3
Total program costs	<u>\$ 432,073</u>	358,686	<u>\$ (73,387)</u>	
Less amount paid by the State ⁴		-		
Allowable costs claimed in excess of amount paid		<u>\$ 358,686</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Standard time	\$ 93,316	\$ 111,223	\$ 17,907	Finding 1
Flat rate	153,641	121,116	(32,525)	Finding 2
Total direct costs	246,957	232,339	(14,618)	
Indirect costs ²	22,747	93,544	70,797	Findings 1 and 3
Total direct and indirect costs	269,704	325,883	56,179	
Less allowable costs that exceed costs claimed ³	-	(56,179)	(56,179)	Finding 1
Total program costs	<u>\$ 269,704</u>	269,704	<u>\$ -</u>	
Less amount paid by the State ⁴		-		
Allowable costs claimed in excess of amount paid		<u>\$ 269,704</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2009, through June 30, 2010</u>				
Standard time	\$ 181,655	\$ 184,074	\$ 2,419	Finding 1
Flat rate	127,091	102,920	(24,171)	Finding 2
Total direct costs	308,746	286,994	(21,752)	
Indirect costs ²	-	-	-	Findings 1 and 3
Total program costs	<u>\$ 308,746</u>	286,994	<u>\$ (21,752)</u>	
Less amount paid by the State ⁴		-		
Allowable costs claimed in excess of amount paid		<u>\$ 286,994</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Standard time	\$ 179,190	\$ 171,762	\$ (7,428)	Finding 1
Flat rate	156,877	71,496	(85,381)	Finding 2
Total direct costs	336,067	243,258	(92,809)	
Indirect costs ²	-	-	-	Findings 1 and 3
Total program costs	<u>\$ 336,067</u>	243,258	<u>\$ (92,809)</u>	
Less amount paid by the State ⁴		-		
Allowable costs claimed in excess of amount paid		<u>\$ 243,258</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Standard time	\$ 148,774	\$ 149,530	\$ 756	Finding 1
Flat rate	137,758	93,544	(44,214)	Finding 2
Total direct costs	286,532	243,074	(43,458)	
Indirect costs ²	-	-	-	Findings 1 and 3
Total program costs	<u>\$ 286,532</u>	243,074	<u>\$ (43,458)</u>	
Less amount paid by the State ⁴		-		
Allowable costs claimed in excess of amount paid		<u>\$ 243,074</u>		
<u>Summary: July 1, 2005, through June 30, 2012</u>				
Standard time	\$ 949,958	\$ 1,004,261	\$ 54,303	Finding 1
Flat rate	983,498	704,360	(279,138)	Finding 2
Total direct costs	1,933,456	1,708,621	(224,835)	
Indirect costs ²	483,907	475,274	(8,633)	Findings 1 and 3
Total direct and indirect costs	2,417,363	2,183,895	(233,468)	
Less allowable costs that exceed costs claimed ³	-	(70,424)	(70,424)	Finding 1
Total program costs	<u>\$ 2,417,363</u>	2,113,471	<u>\$ (303,892)</u>	
Less amount paid by the State ⁴		-		
Allowable costs claimed in excess of amount paid		<u>\$ 2,113,471</u>		

¹ See the Findings and Recommendations section.

² The city claimed indirect costs separately based on standard-time salaries and benefits for FY 2005-06 through FY 2008-09. The city used indirect costs as part of its blended PHRs for the remaining years of the audit period.

³ GC section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2005-06 and FY 2008-09.

⁴ Payment amount current as of October 21, 2021.

**Schedule 2—
Summary of Flat-Rate Meeting Agenda Costs
July 1, 2005, through June 30, 2012**

City Department	Claimed Agendas	Agenda Variance (%)	Allowable Agendas	Unallowable Agendas	Flat Rate	Audit Adjustment (\$)
<u>FY 2005-06</u>						
Building and Safety	30	71.43%	21	(9)	\$ 135.66	\$ (1,221)
Bureau of Engineering	34	7.14%	2	(32)	135.66	(4,341)
Bureau of Sanitation	8	66.67%	5	(3)	135.66	(407)
City Administrative Officer	41	92.86%	38	(3)	135.66	(407)
City Clerk	279	80.65%	225	(54)	135.66	(7,326)
Disability	8	0.00%	-	(8)	135.66	(1,085)
Economic and Workforce Development	26	75.00%	20	(6)	135.66	(814)
Emergency Management	18	33.33%	6	(12)	135.66	(1,628)
Ethics	11	100.00%	11	-	135.66	-
Housing and Community Investment	69	36.36%	25	(44)	135.66	(5,969)
Information Technology Agency	9	50.00%	5	(4)	135.66	(543)
Library	15	80.00%	12	(3)	135.66	(407)
Los Angeles City Employee Retirement System	1	0.00%	-	(1)	135.66	(136)
Los Angeles Fire and Police Pension	29	0.00%	-	(29)	135.66	(3,934)
Los Angeles Homeless Services Authority	3	0.00%	-	(3)	135.66	(407)
Los Angeles Quality and Productivity	9	0.00%	-	(9)	135.66	(1,221)
Neighborhood Empowerment	13	0.00%	-	(13)	135.66	(1,764)
Personnel	32	88.89%	28	(4)	135.66	(543)
Planning	141	97.50%	137	(4)	135.66	(543)
Police	80	77.78%	62	(18)	135.66	(2,442)
Public Works	143	100.00%	143	-	135.66	-
Recreation and Parks	13	100.00%	13	-	135.66	-
Transportation	15	60.00%	9	(6)	135.66	(814)
Total, FY 2005-06	1,027		762	(265)		\$ (35,950)
<u>FY 2006-07</u>						
Building and Safety	30	70.00%	21	(9)	\$ 140.97	\$ (1,269)
Bureau of Engineering	53	5.88%	3	(50)	140.97	(7,049)
City Administrative Officer	76	91.67%	70	(6)	140.97	(846)
City Clerk	139	88.10%	122	(17)	140.97	(2,396)
Cultural Affairs	2	100.00%	2	-	140.97	-
Economic and Workforce Development	3	0.00%	-	(3)	140.97	(423)
Emergency Management	18	33.33%	6	(12)	140.97	(1,692)
Ethics	12	100.00%	12	-	140.97	-
Housing and Community Investment	52	22.22%	12	(40)	140.97	(5,639)
Information Technology Agency	10	100.00%	10	-	140.97	-
Library	12	100.00%	12	-	140.97	-
Los Angeles Fire and Police Pension	25	0.00%	-	(25)	140.97	(3,524)
Los Angeles Homeless Services Authority	1	0.00%	-	(1)	140.97	(141)
Los Angeles Quality and Productivity	10	0.00%	-	(10)	140.97	(1,410)
Neighborhood Empowerment	30	0.00%	-	(30)	140.97	(4,229)
Personnel	24	87.50%	21	(3)	140.97	(423)
Planning	159	96.08%	153	(6)	140.97	(846)
Police	64	100.00%	64	-	140.97	-
Public Works	144	100.00%	144	-	140.97	-
Recreation and Parks	18	100.00%	18	-	140.97	-
Transportation	9	100.00%	9	-	140.97	-
Total, FY 2006-07	891		679	(212)		\$ (29,886)

Schedule 2 (continued)

City Department	Claimed Agendas	Agenda Variance (%)	Allowable Agendas	Unallowable Agendas	Flat Rate	Audit Adjustment (\$)
<u>FY 2007-08</u>						
Building and Safety	35	100.00%	35	-	\$ 150.90	\$ -
Bureau of Engineering	43	42.86%	18	(25)	150.90	(3,773)
City Administrative Officer	83	70.27%	58	(25)	150.90	(3,773)
City Clerk	233	80.49%	188	(45)	150.90	(6,791)
Community Redevelopment Agency	5	0.00%	-	(5)	150.90	(755)
Cultural Affairs	7	100.00%	7	-	150.90	-
Economic and Workforce Development	9	100.00%	9	-	150.90	-
El Pueblo	1	100.00%	1	-	150.90	-
Emergency Management	18	33.33%	6	(12)	150.90	(1,811)
Ethics	9	100.00%	9	-	150.90	-
Housing and Community Investment	36	33.33%	12	(24)	150.90	(3,622)
Information Technology Agency	12	100.00%	12	-	150.90	-
Library	12	75.00%	9	(3)	150.90	(453)
Los Angeles Fire and Police Pension	23	0.00%	-	(23)	150.90	(3,471)
Los Angeles Homeless Services Authority	3	0.00%	-	(3)	150.90	(453)
Los Angeles Quality and Productivity	2	0.00%	-	(2)	150.90	(302)
Neighborhood Empowerment	21	57.14%	12	(9)	150.90	(1,358)
Personnel	28	100.00%	28	-	150.90	-
Planning	138	100.00%	138	-	150.90	-
Police	61	100.00%	61	-	150.90	-
Public Works	143	97.67%	140	(3)	150.90	(453)
Recreation and Parks	14	100.00%	14	-	150.90	-
Transportation	13	100.00%	13	-	150.90	-
Total, FY 2007-08	<u>949</u>		<u>770</u>	<u>(179)</u>		<u>\$ (27,011)</u>
<u>FY 2008-09</u>						
Building and Safety	33	100.00%	33	-	\$ 154.88	\$ -
Bureau of Engineering	20	14.29%	3	(17)	154.88	(2,633)
City Administrative Officer	60	80.95%	49	(11)	154.88	(1,704)
City Clerk	299	72.64%	217	(82)	154.88	(12,700)
Economic and Workforce Development	9	100.00%	9	-	154.88	-
Emergency Management	18	33.33%	6	(12)	154.88	(1,859)
Ethics	12	100.00%	12	-	154.88	-
Housing and Community Investment	53	23.53%	12	(41)	154.88	(6,350)
Information Technology Agency	4	100.00%	4	-	154.88	-
Library	19	100.00%	19	-	154.88	-
Los Angeles Fire and Police Pension	24	0.00%	-	(24)	154.88	(3,717)
Los Angeles Homeless Services Authority	4	0.00%	-	(4)	154.88	(620)
Los Angeles Quality and Productivity	10	0.00%	-	(10)	154.88	(1,549)
Neighborhood Empowerment	14	80.00%	11	(3)	154.88	(465)
Personnel	30	90.00%	27	(3)	154.88	(465)
Planning	139	100.00%	139	-	154.88	-
Police	65	100.00%	65	-	154.88	-
Public Works	143	100.00%	143	-	154.88	-
Recreation and Parks	18	85.71%	15	(3)	154.88	(465)
Transportation	18	100.00%	18	-	154.88	-
Total, FY 2008-09	<u>992</u>		<u>782</u>	<u>(210)</u>		<u>\$ (32,525)</u>

Schedule 2 (continued)

City Department	Claimed Agendas	Agenda Variance (%)	Allowable Agendas	Unallowable Agendas	Flat Rate	Audit Adjustment (\$)
<u>FY 2009-10</u>						
Building and Safety	6	100.00%	6	-	\$ 155.94	\$ -
Bureau of Engineering	19	100.00%	19	-	155.94	-
City Administrative Officer	1	100.00%	1	-	155.94	-
City Clerk	330	72.36%	239	(91)	155.94	(14,191)
Cultural Affairs	19	50.00%	10	(9)	155.94	(1,403)
Ethics	11	100.00%	11	-	155.94	-
Housing and Community Investment	33	50.00%	17	(16)	155.94	(2,495)
Library	18	100.00%	18	-	155.94	-
Los Angeles World Airports	35	100.00%	35	-	155.94	-
Office of Finance	10	66.67%	7	(3)	155.94	(468)
Personnel	33	100.00%	33	-	155.94	-
Planning	35	92.31%	32	(3)	155.94	(468)
Police	40	100.00%	40	-	155.94	-
Public Works	143	100.00%	143	-	155.94	-
Recreation and Parks	17	100.00%	17	-	155.94	-
Transportation	31	50.00%	16	(15)	155.94	(2,339)
Water and Power	21	14.29%	3	(18)	155.94	(2,807)
Zoo	13	100.00%	13	-	155.94	-
Total, FY 2009-10	815		660	(155)		\$ (24,171)
<u>FY 2010-11</u>						
Building and Safety	11	54.55%	6	(5)	\$ 159.59	\$ (798)
Bureau of Engineering	11	14.29%	2	(9)	159.59	(1,436)
City Administrative Officer	16	0.00%	-	(16)	159.59	(2,553)
City Clerk	249	71.43%	178	(71)	159.59	(11,331)
Cultural Affairs	4	0.00%	-	(4)	159.59	(638)
Economic and Workforce Development	6	0.00%	-	(6)	159.59	(958)
Emergency Management	6	0.00%	-	(6)	159.59	(958)
Ethics	19	10.53%	2	(17)	159.59	(2,713)
Fire	3	100.00%	3	-	159.59	-
Housing and Community Investment	34	0.00%	-	(34)	159.59	(5,426)
Information Technology Agency	4	50.00%	2	(2)	159.59	(319)
Library	4	100.00%	4	-	159.59	-
Los Angeles Fire and Police Pension	4	0.00%	-	(4)	159.59	(638)
Los Angeles World Airports	7	33.33%	2	(5)	159.59	(798)
Neighborhood Empowerment	115	12.69%	15	(100)	159.59	(15,959)
Office of Finance	19	28.57%	5	(14)	159.59	(2,234)
Personnel	59	9.68%	6	(53)	159.59	(8,458)
Planning	57	66.84%	38	(19)	159.59	(3,032)
Police	154	18.12%	28	(126)	159.59	(20,108)
Public Works	145	95.45%	138	(7)	159.59	(1,117)
Recreation and Parks	24	12.50%	3	(21)	159.59	(3,351)
Transportation	16	100.00%	16	-	159.59	-
Zoo	16	0.00%	-	(16)	159.59	(2,553)
Total, FY 2010-11	983		448	(535)		\$ (85,381)

Schedule 2 (continued)

City Department	Claimed Agendas	Agenda Variance (%)	Allowable Agendas	Unallowable Agendas	Flat Rate	Audit Adjustment (\$)
<u>FY 2011-12</u>						
Building and Safety	5	100.00%	5	-	\$ 164.98	\$ -
Bureau of Engineering	27	11.11%	3	(24)	164.98	(3,960)
City Administrative Officer	11	100.00%	11	-	164.98	-
City Clerk	26	25.00%	7	(19)	164.98	(3,135)
Controller	4	0.00%	-	(4)	164.98	(660)
Economic and Workforce Development	53	88.89%	47	(6)	164.98	(990)
El Pueblo	12	100.00%	12	-	164.98	-
Emergency Management	5	100.00%	5	-	164.98	-
Ethics	10	50.00%	5	(5)	164.98	(825)
Housing and Community Investment	70	42.31%	30	(40)	164.98	(6,599)
Information Technology Agency	6	100.00%	6	-	164.98	-
Library	25	50.00%	13	(12)	164.98	(1,980)
Los Angeles Fire and Police Pension	25	0.00%	-	(25)	164.98	(4,125)
Los Angeles World Airports	11	100.00%	11	-	164.98	-
Neighborhood Empowerment	199	70.59%	140	(59)	164.98	(9,734)
Personnel	21	71.43%	15	(6)	164.98	(990)
Planning	38	92.86%	35	(3)	164.98	(495)
Police	99	48.57%	48	(51)	164.98	(8,414)
Public Works	143	100.00%	143	-	164.98	-
Recreation and Parks	19	100.00%	19	-	164.98	-
Zoo	26	44.44%	12	(14)	164.98	(2,310)
Subtotal	<u>835</u>		<u>567</u>	<u>(268)</u>		<u>(44,215)</u>
Rounding Adjustment	-		-	-		<u>1</u>
Total, FY 2011-12	<u>835</u>		<u>567</u>	<u>(268)</u>		<u>(44,214)</u>
Grand Total	<u><u>6,492</u></u>		<u><u>4,668</u></u>	<u><u>(1,824)</u></u>		<u><u>\$ (279,138)</u></u>

Findings and Recommendations

FINDING 1— Understated standard-time option and related indirect costs (Repeat Finding)

For the audit period, the city claimed \$949,958 under the standard-time option for the preparation and posting of agenda items, and \$483,907 in related indirect costs, for the Open Meetings Act/Brown Act Reform Program.

The city calculated standard-time costs by multiplying the number of Los Angeles City Council meeting agenda items by the standard time allowance of 30 minutes per agenda item, then multiplying the product by the blended PHR. The blended PHR includes salaries and related benefits for the employee classifications that performed the reimbursable activities for all years of the audit period, and indirect costs from FY 2009-10 through FY 2011-12. The city claimed indirect costs separately for FY 2005-06 through FY 2008-09.

During testing, we found that \$1,004,261 is allowable, and that the city understated its direct costs by \$54,303. We also found that \$475,274 in indirect costs is allowable and \$8,633 is unallowable. The costs were misstated because the city made significant errors in its claims for FY 2005-06 through FY 2008-09, resulting in under-claimed standard-time option costs totaling \$65,819. The city also misstated its blended PHRs and indirect cost rates for all years of the audit period except for FY 2019-10.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the standard-time option costs:

Cost Element	Fiscal Year							Total
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
Number of claimed agenda items	6,395	5,923	5,043	4,746	4,130	3,756	3,061	
Standard time (hour) per agenda	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	
Total claimed hours	3,197.50	2,961.50	2,521.50	2,373.00	2,065.00	1,878.00	1,530.50	
Claimed PHR	× 43.69	× 47.54	× 45.68	× 46.56	× 87.97	× 95.42	× 97.21	
Total direct costs	\$ 139,699	\$ 140,790	\$ 115,182	\$ 110,487	\$ 181,658	\$ 179,199	\$ 148,780	\$ 1,015,795
Claim error adjustment	(20,368)	(15,200)	(13,080)	(17,171)	(3)	(9)	(6)	(65,837)
Total direct costs claimed	\$ 119,331	\$ 125,590	\$ 102,102	\$ 93,316	\$ 181,655	\$ 179,190	\$ 148,774	\$ 949,958
Related indirect costs ¹	93,277	181,116	186,767	22,747	-	-	-	483,907
Total claimed costs	\$ 212,608	\$ 306,706	\$ 288,869	\$ 116,063	\$ 181,655	\$ 179,190	\$ 148,774	\$ 1,433,865
Number of allowable agenda items	6,395	5,923	5,043	4,746	4,130	3,756	3,061	
Standard time (hour) per agenda	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	
Total allowable hours	3,197.50	2,961.50	2,521.50	2,373.00	2,065.00	1,878.00	1,530.50	
Allowable blended PHR	× 42.57	× 44.95	× 46.97	× 46.87	× 89.14	× 91.46	× 97.70	
Total allowable direct costs	\$ 136,118	\$ 133,119	\$ 118,435	\$ 111,223	\$ 184,074	\$ 171,762	\$ 149,530	\$ 1,004,261
Allowable related indirect costs ¹	126,685	130,987	124,058	93,544	-	-	-	475,274
Total allowable costs	\$ 262,803	\$ 264,106	\$ 242,493	\$ 204,767	\$ 184,074	\$ 171,762	\$ 149,530	\$ 1,479,535
Audit adjustment	\$ 50,195	\$ (42,600)	\$ (46,376)	\$ 88,704	\$ 2,419	\$ (7,428)	\$ 756	\$ 45,670

¹The city claimed indirect costs for FY 2005-06 through FY 2008-09 separately and included indirect costs in its blended PHR calculations for FY 2009-10 through FY 2011-12. The city also misstated its indirect cost rates for all years of the audit period except FY 2009-10. See Finding 3 for details.

Testing methodology

We used non-statistical sampling to test meeting agendas in order to test meeting agenda items claimed during the audit period under the standard-time option. This procedure included the following steps:

- We determined that the population of items for testing totaled 277 meeting agendas containing 33,054 agenda items claimed under the standard-time option.
- We haphazardly selected 277 meeting agendas containing 10,519 meeting items (31.8%) claimed under the standard-time option. Then, we tested:
 - 37 meeting agendas containing 1,789 out of 6,395 agenda items claimed for FY 2005-06;
 - 35 meeting agendas containing 1,743 out of 5,923 agenda items claimed for FY 2006-07;
 - 42 meeting agendas containing 1,822 out of 5,043 agenda items claimed for FY 2007-08;
 - 43 meeting agendas containing 1,601 out of 4,746 agenda items claimed for FY 2008-09;
 - 42 meeting agendas containing 1,481 out of 4,130 agenda items claimed for FY 2009-10;
 - 40 meeting agendas containing 1,174 out of 3,756 agenda items claimed for FY 2010-11; and
 - 38 meeting agendas containing 909 out of 3,061 agenda items claimed for FY 2011-12.
- We reviewed the agendas for selected meetings that were available on the city's website or requested from the city.
- We counted the number of eligible agenda items for meeting agendas provided under the standard-time option, based on the requirements of the parameters and guidelines. We compared the testing results to the number of agenda items claimed per fiscal year.
- We projected the results from the samples selected from each year by applying each year's error percentage to the total population for that year.

Understated standard-time option costs

The city claimed \$949,958 under the standard-time option for preparing and posting 33,054 agenda items, and \$483,907 in related indirect costs, for City Council meetings during the audit period. We found that \$1,004,261 in standard-time option costs is allowable and \$475,274 in indirect costs is allowable.

The city understated standard-time option costs because it:

- Understated the blended PHRs for FY 2007-08 through FY 2009-10, and for FY 2011-12;

- Overstated the blended PHRs for FY 2005-06, FY 2006-07, and FY 2010-11;
- Made material errors when preparing its claims for FY 2005-06 through FY 2008-09, resulting in an understatement of \$65,819; and
- Made rounding errors when preparing its claims for FY 2009-10 through FY 2011-12, resulting in an understatement of \$18.

The city claimed related indirect costs separately for FY 2005-06 through FY 2008-09. The indirect costs were related to direct costs claimed under the standard-time option. The city overstated indirect costs by \$8,633 because it overstated its indirect cost rates for FY 2006-07 through FY 2008-09 and understated its indirect cost rate for FY 2005-06. See Finding 3, Misstated Indirect Cost Rates, for more information.

Overstated and understated productive hourly rates

The city overstated its blended PHRs for FY 2005-06, FY 2006-07, and FY 2010-11, and understated its blended PHRs for FY 2007-08 through FY 2009-10, and FY 2011-12. The overstatements and understatements occurred because the city misstated annual salary amounts for FY 2009-10 through FY 2011-12, overstated employee benefit rates for FY 2008-09 and FY 2010-11, and used an overstated indirect cost rate for FY 2010-11 and FY 2011-12 in its blended PHR calculations.

The city claimed blended PHRs and applied them to the following employee job classifications for all years of the audit period:

- Legislative Assistant I;
- Legislative Assistant II;
- Legislative Assistant III;
- Clerk Typist;
- Senior Clerk Typist; and
- Principal Clerk.

Based on discussions with representatives of the City Clerk's Office, we determined which employee classifications performed the reimbursable activities and the extent of their involvement during the audit period. We also requested actual payroll information from the city's Payroll Office for the staff members performing the reimbursable activities during the audit period and used this information to recalculate the blended PHRs. We found that the city misstated the claimed PHRs for all fiscal years of the audit period.

The following table summarizes the actual participation percentages for city staff who performed the reimbursable activities during the audit period:

Employee Classification	Actual Percentage by Fiscal Year						
	2005-06 ¹	2006-07 ¹	2007-08 ¹	2008-09	2009-10	2010-11	2011-12
Legislatvie Assistant I	20.3%	20.3%	20.3%	20.3%	0.0%	13.0%	13.0%
Legislatvie Assistant II	0.0%	0.0%	0.0%	0.0%	0.0%	11.0%	11.0%
Legislatvie Assistant III ²	0.0%	0.0%	0.0%	0.0%	21.0%	0.0%	0.0%
Clerk Typist	6.1%	6.1%	6.1%	6.1%	0.0%	0.0%	0.0%
Senior Clerk Typist	73.6%	73.6%	73.6%	73.6%	73.0%	44.5%	44.5%
Principal Clerk Typist	0.0%	0.0%	0.0%	0.0%	6.0%	31.5%	31.5%

¹ We agreed to apply FY 2008-09 participation percentages retroactively to FY 2005-06 through 2007-08 because the city did not provide its blended PHR calculation forms for those years. We determined that the process used by the City Clerk’s Office was the same for those fiscal years.

² Two Legislative Analyst IIIs worked on the mandated program in FY 2009-10, each at 10.5% involvement.

We used salary, benefit, and indirect cost information provided by the city to re-calculate the city’s PHRs. We then multiplied the PHRs by the actual participation percentages to compute blended PHRs for the audit period.

The following table shows the calculation of the blended PHR used to calculate allowable costs for FY 2011-12:

Employee Classification	Annual Salary [a]	Productive Hours [b]	PHR [c=(a/b)]	Indirect Cost Rate [d=(c × 98.48%)]	Benefits e=(c × 46.00%)	Total PHR [f=(c+d+e)]	Activity % [g]	Blended PHR [f × g]
Legislative Assistant II	\$ 109,777	1,800	\$ 60.99	\$ 60.06	\$ 28.06	\$ 149.11	11.0%	\$ 16.40
Legislative Assistant I	98,909	1,800	54.95	54.11	25.28	134.34	13.0%	17.46
Senior Clerk Typist	58,760	1,800	32.64	32.14	15.01	79.79	44.5%	35.51
Principal Clerk	66,222	1,800	36.79	36.23	16.92	89.94	31.5%	28.33
Total								<u>\$ 97.70</u>

We performed a similar calculation for each fiscal year in the audit period. We then applied allowable blended PHRs to allowable meeting agenda items by fiscal year.

The following table presents the calculation of total allowable costs under the standard-time option during the audit period by fiscal year:

Fiscal Year	Allowable Agenda Items [a]	Standard Time Allowance [b]	Claimed Blended PHR	Audited/ Allowable Blended PHR [c]	Total Allowable Costs [a] × [b] × [c]
2005-06	6,395	0.50	\$ 43.69	\$ 42.57	\$ 136,118
2006-07	5,923	0.50	\$ 47.54	\$ 44.95	133,119
2007-08	5,043	0.50	\$ 45.68	\$ 46.97	118,435
2008-09	4,746	0.50	\$ 46.56	\$ 46.87	111,223
2009-10	4,130	0.50	\$ 87.97	\$ 89.14	184,074
2010-11	3,756	0.50	\$ 95.42	\$ 91.46	171,762
2011-12	<u>3,061</u>	0.50	\$ 97.21	\$ 97.70	<u>149,530</u>
Total	<u>33,054</u>				<u>\$ 1,004,261</u>

Criteria

Section IV. A. (Reimbursable Activities – Agenda Preparation and Posting Activities) of the parameters and guidelines states, in part, that reimbursable activities include “Prepar[ing] a single agenda for a regular meeting of a legislative body of a local agency...” and “Post[ing] a single agenda 72 hours before a meeting.”

Section V. A. 2. a. (Claim Preparation and Submission – Main Legislative Body Meetings of Counties and Cities) of the parameters and guidelines states:

List the meeting name and dates. For each meeting, multiply the number of agenda items, excluding standard agenda items [emphasis added] such as “adjournment”, “call to order”, “flag salute”, and “public comments”, by 30 minutes and then by the blended productive hourly rate of the involved employees.

Section VI. A. (Supporting Data – Source Documents) of the parameters and guidelines states, “For auditing purposes, all incurred costs claimed must be traceable to source documents that show evidence of their validity and relationship to the reimbursable activities.” Section VI. A. also states:

For those entities that elect reimbursement pursuant to the standard time methodology, option 2 in section V.A, documents showing the calculation of the blended productive hourly rate and copies of agendas shall be sufficient evidence.

Recommendation

No recommendation is applicable for this finding, as the period of reimbursement for the legislatively mandated Open Meetings Act/Brown Act Reform Program ended on November 7, 2012, due to the passage of Proposition 30.

For other mandated programs, we recommend that the city:

- Follow the mandated program’s parameters and guidelines and claiming instructions when preparing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City’s Response

...the City has reviewed the report and concurs with the State Controller’s findings.

FINDING 2— Overstated flat-rate costs

For the audit period, the city claimed \$ 983,498 under the flat-rate option for the preparation and posting of meeting agendas for the Open Meetings Act/Brown Act Reform Program.

Claimed costs under the flat-rate option are determined by multiplying an annual uniform cost allowance by the number of meeting agendas for meetings held by eligible legislative bodies, as defined in the parameters and guidelines (boards, commissions, committees, or other legislative

bodies exercising authority delegated by the City Council). The uniform cost allowance is adjusted each year by the Implicit Price Deflator referenced in GC section 17523.

During testing, we found that \$704,360 is allowable and \$279,138 is unallowable. The costs are unallowable because the city overstated the number of meeting agendas claimed in all years of the audit period for the city’s eligible legislative bodies. We worked with city representatives to obtain the agendas for selected meetings that were available either from the city’s website or as requested from various city departments. In addition, some meeting agendas were ineligible for claiming purposes because they:

- Did not include an item for public comment;
- Did not indicate the meeting location;
- Were for cancelled meetings, and/or
- Were claimed more than once by the same department.

The city could not explain why it claimed ineligible meeting agendas because the city relied on a consultant to prepare its mandated cost claims.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the flat-rate option by fiscal year:

Cost Element	Fiscal Year						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Claimed agendas	1,027	891	949	992	815	983	835
Flat rate	× \$ 135.66	× \$ 140.97	× \$ 150.90	× \$ 154.88	× \$ 155.94	× \$ 159.59	× \$ 164.98
Total claimed costs	\$ 139,323	\$ 125,604	\$ 143,204	\$ 153,641	\$ 127,091	\$ 156,877	\$ 137,758
Allowable agendas	762	679	770	782	660	448	567
Flat rate	× \$ 135.66	× \$ 140.97	× \$ 150.90	× \$ 154.88	× \$ 155.94	× \$ 159.59	× \$ 164.98
Subtotal, allowable costs	\$ 103,373	\$ 95,719	\$ 116,193	\$ 121,116	\$ 102,920	\$ 71,496	\$ 93,544
Calculation rounding error	-	(1)	-	-	-	-	-
Total allowable costs	\$ 103,373	\$ 95,718	\$ 116,193	\$ 121,116	\$ 102,920	\$ 71,496	\$ 93,544
Audit adjustment	\$ (35,950)	\$ (29,886)	\$ (27,011)	\$ (32,525)	\$ (24,171)	\$ (85,381)	\$ (44,214)

Testing Methodology

The city claimed meeting agendas from 35 city departments during the audit period. We haphazardly selected for testing 32.78% of the meeting agendas for legislative bodies within those departments during the audit period. We used non-statistical sampling to test meeting agendas claimed during the audit period under the flat-rate option. This procedure included the following steps:

- We verified that the population of items for testing included 6,492 meeting agendas claimed under the flat-rate option.
- We haphazardly selected 2,121 meeting agendas claimed (32.7% of the total) under the flat-rate option. Then, we tested:
 - 325 out of 1,027 agendas for FY 2005-06;

- 283 out of 891 agendas for FY 2006-07;
 - 323 out of 949 agendas for FY 2007-08;
 - 329 out of 992 agendas for FY 2008-09;
 - 280 out of 815 agendas for FY 2009-10;
 - 283 out of 983 agendas for FY 2010-11; and
 - 298 out of 835 agendas for FY 2011-12.
- We reviewed the agendas for selected meetings that were available on the city's website or requested from various city departments.
 - We verified the existence of meeting agendas for the meetings claimed under the flat-rate option and comparing the number of supported meetings to the number claimed. We excluded from consideration meetings that did not specify a meeting location or include a provision for public comment.
 - We projected the results from the samples selected from each year by applying each department's allowable agenda variance to the total population for each department for that year.

Overstated number of agendas

The city claimed costs to prepare agendas for 6,492 meetings during the audit period. We found that 4,668 agendas are allowable and 1,824 are unallowable.

Allowable agendas are those for meetings that actually occurred and that the city supported. Unallowable agendas are those associated with meetings that the city did not support, cancelled meetings, meetings claimed more than once, or meetings that did not include a provision for public comment or meeting location. Based on our testing results, we developed error variances for each of the 35 departments based on the number of eligible agendas compared to the number claimed. We applied these variances to the number of agendas claimed by each city department for each fiscal year of the audit period.

See Schedule 2 for the agendas claimed, the agenda variance percentage, the number of allowable agendas, the number of unallowable agendas, the flat-rate used, and the audit adjustment for each year of the audit period.

Criteria

Section I. (Summary of the Mandate) of the parameters and guidelines states:

On March 23, 1988, the Commission adopted the *Open Meetings Act* test claim (CSM-4257). Statutes of 1986, chapter 641, added Government Code section 54954.2 to require that the legislative body of the local agency, or its designee, post an agenda containing a brief general description of each item of business to be transacted or discussed at the regular meeting, subject to exceptions stated therein, specifying the time and location [emphasis added] of the regular meeting and requiring that

the agenda be posted at least 72 hours before the meeting in a location freely accessible to the public....

Statutes of 1986, chapter 641 also added Government Code section 54954.3 to provide an opportunity for members of the public to address the legislative body on specific agenda items or any item of interest that is within the subject matter jurisdiction of the legislative body, and this opportunity for comment must be stated on the posted agenda.

Section IV. A. (Reimbursable Activities – Agenda Preparation and Posting Activities) of the parameters and guidelines, states, in part, that reimbursable activities include “Prepare[ing] a single agenda for a regular meeting of a legislative body of a local agency...” and “Post[ing] a single agenda 72 hours before a meeting....”

Section V. A. 3. (Claim Preparation and Submission – Flat Rate) of the parameters and guidelines states, “List the meeting names and dates. Multiply the uniform cost allowance...by the number of meetings.”

Section VI. A. (Supporting Data – Source Documents) of the parameters and guidelines states that “For auditing purposes, all incurred costs claimed must be traceable to source documents that show evidence of their validity and relationship to the reimbursable activities.”

Section VI. .A. also states:

For those entities that elect reimbursement pursuant to the flat-rate methodology, option 3 in section V.A, copies of agendas shall be sufficient evidence.

Recommendation

No recommendation is applicable for this finding, as reimbursement under the Open Meetings Act/Brown Act Reform Program ended on November 7, 2012, due to the passage of Proposition 30.

For other mandated programs, we recommend that the city:

- Follow the mandated program’s parameters and guidelines and claiming instructions when filing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City’s Response

The draft Open Meetings Act/Brown Act Reform Program Audit Report states that the City was unable to produce any [flat-rate] agenda meetings for Public Works meetings in Fiscal Year 2006-07. However, Public Works meetings did occur in Fiscal Year 2006-07, but the City inadvertently provided the wrong [meeting] dates on the initial claim. We have been in discussions with the [S]tate’s audit staff to amend the issue and anticipate a positive resolution.

SCO Comment

Based on the additional information provided by the city related to Public Works meeting agendas for FY 2006-07, we determined additional allowable costs for the flat-rate option totaling \$20,299. This increased total allowable costs for the audit from \$2,093,172 to \$2,113,471.

**FINDING 3—
Misstated indirect costs (Repeat Finding)**

The city claimed separate indirect costs totaling \$483,907 under the standard-time cost option for FY 2005-06 through FY 2008-09. We found that \$475,274 is allowable and \$8,633 is unallowable. The costs are unallowable because the city understated its indirect cost rate for FY 2005-06 and overstated its indirect cost rates for FY 2006-07 through FY 2008-09. The city included indirect cost rates within its blended PHR calculations for the remaining three years of the audit period. However, the city overstated the indirect cost rates used in those calculations for FY 2010-11 and FY 2011-12.

Claimed Rates

The city did not provide documentation to support the indirect cost rates that it used for FY 2005-06 through FY 2008-09. For FY 2009-10, the city used a rate provided by the U.S. Department of Health and Human Services (HHS), the city’s federal cognizant agency. For FY 2010-11 and FY 2011-12, the city used rates from a “Special Rates Calculation” prepared by HHS, although the city claimed the FY 2009-10 rate again in FY 2010-11. In addition, the city rounded the FY 2011-12 rate of 98.48% to 98.50% when preparing its claim for that year.

Allowable Rates

City representatives stated that the “Special Rates Calculation” worksheets, prepared by HHS for the Council and Public Services Division of the Office of the City Clerk, provide the correct indirect cost rates for each year of the audit period. The city provided the HHS worksheets supporting the allowable rates.

The following table summarizes the claimed rates, allowable rates and audit adjustments related to indirect costs by fiscal year:

Fiscal Year	Claimed Rate*	Allowable Rate*	Related Indirect Costs		
			Claimed	Allowable	Adjustment
2005-06	92.70%	127.40%	93,277	126,685	33,408
2006-07	185.29%	136.07%	181,116	130,987	(50,129)
2007-08	223.15%	142.93%	186,767	124,058	(62,709)
2008-09	115.50%	111.12%	22,747	93,544	70,797
2009-10	106.39%	106.39%	-	-	-
2010-11	106.40%	100.97%	-	-	-
2011-12	98.50%	98.48%	-	-	-
			<u>\$ 483,907</u>	<u>\$ 475,274</u>	<u>\$ (8,633)</u>

*The city used its indirect cost rates in its calculations of blended PHRs for standard-time costs for FY 2009-10 through FY 2011-12 (see Finding 1).

Criteria

Section V. C. (Claim Preparation and Submission – Indirect Cost Rates) of the parameters and guidelines states:

Indirect costs are defined as costs which are incurred for a common or joint purpose, benefiting more than one program and are not directly assignable to a particular department of program without efforts disproportionate to the result achieved. Indirect costs may include both (1) overhead costs of the unit performing the mandate; and (2) the costs of central government services distributed to other departments based on a systematic and rational basis through a cost allocation plan.

Cities, Counties and Special Districts

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the Office of Management and Budget (OMB) Circular A-87. Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

Recommendation

No recommendation is applicable for this finding, as reimbursement under the Open Meetings Act/Brown Act Reform Program ended on November 7, 2012, due to the passage of Proposition 30.

For other mandated programs, we recommend that the city:

- Follow the mandated program's parameters and guidelines and claiming instructions when filing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City's Response

...the City has reviewed the report and concurs with the State Controller's findings.

**Attachment—
City's Response to Draft Audit Report**

Matthew W. Szabo
CITY ADMINISTRATIVE OFFICER

CITY OF LOS ANGELES
CALIFORNIA



ERIC GARCETTI
MAYOR

ASSISTANT
CITY ADMINISTRATIVE OFFICERS
PATRICIA J. HUBER
BEN CEJA
YOLANDA CHAVEZ

October 22, 2021

0220-04116-0001

Ms. Lisa Kurokawa
Chief, Compliance Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250

**RE: OPEN MEETINGS ACT/BROWN ACT REFORM PROGRAM AUDIT FOR
JULY 1, 2005 THROUGH JUNE 30, 2012**

Dear Ms. Kurokawa:

Thank you for the opportunity to comment on the draft Open Meetings Act/Brown Act Reform Program Audit Report. We appreciate the professionalism and courtesy provided to the City by Vladimir Goncharenko and Jim Venneman throughout the course of the audit, as well as the opportunity to develop and submit appropriate documentation in support of these claims.

The draft Open Meetings Act/Brown Act Reform Program Audit Report states that the City was unable to produce any flat rate agenda meetings for Public Works meetings in Fiscal Year 2006-07. However, Public Works meetings did occur in Fiscal Year 2006-07, but the City inadvertently provided the wrong meetings dates on the initial claim. We have been in discussions with the state's audit staff to amend the issue and anticipate a positive resolution. Aside from the aforementioned issue, the City has reviewed the report and concurs with the State Controller's findings.

If you have any questions, please contact Bryan Oh at 213-978-7625 or at bryan.oh@lacity.org.

Sincerely,

Benjamin Ceja
Assistant Administrative Officer

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