

CITY OF LOS ANGELES

Audit Report

OPEN MEETINGS ACT/ BROWN ACT REFORM PROGRAM

Chapter 641, Statutes of 1986,
and Chapters 1136, 1137, and 1138, Statutes of 1993

July 1, 2001, through June 30, 2004



STEVE WESTLY
California State Controller

June 2006



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California State Controller

June 30, 2006

William T. Fujioka
City Administrative Officer
City of Los Angeles
200 North Main Street, Room 1500
Los Angeles, CA 90012

Dear Mr. Fujioka:

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 (Chapter 641, Statutes of 1986, and Chapters 1136, 1137, and 1138, Statutes of 1993) for the period of July 1, 2001, through June 30, 2004.

The city claimed \$1,967,078 (\$1,968,078 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,225,698 is allowable and \$741,380 is unallowable. The unallowable costs occurred because the city misstated the number of reimbursable agendas and meetings, misstated the blended productive hourly rates, and made mathematical errors when determining reimbursable costs. The State paid the city \$31,861. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,193,837, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: Elizabeth Lee
Senior Administrative Analyst
Office of the City Administrative Officer
City of Los Angeles
James Tilton, Program Budget Manager
Corrections and General Government
Department of Finance

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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 (Chapter 641, Statutes of 1986, and Chapters 1136, 1137, and 1138, Statutes of 1993) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was December 22, 2005.

The city claimed \$1,967,078 (\$1,968,078 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,225,698 is allowable and \$741,380 is unallowable. The unallowable costs occurred because the city misstated the number of reimbursable agendas and meetings, misstated the blended productive hourly rates, and made mathematical errors when determining reimbursable costs. The State paid the city \$31,861. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,193,837, contingent upon available appropriations.

Background

Open Meetings Act

Chapter 641, Statutes of 1986, added Sections 54954.2 and 54954.3 to the *Government Code*. 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 the agenda to be posted at least 72 hours before the meeting in a location freely accessible to the public. Section 54954.3 requires that members of the public be provided an opportunity to address the legislative body on specific agenda items or on any items 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

Chapters 1136, 1137, and 1138, Statutes of 1993, added or amended *Government Code* Sections 54952, 54954.2, 54954.3, 54957.1, and 54057.7. The legislation expanded the types of legislative bodies that are required to comply with the notice and agenda requirements of Sections 54944.2 and 54954.3. These sections also require all legislative bodies to perform a number of additional activities in relation to the closed session requirements of the Brown Act.

The Commission on State Mandates (COSM) determined that the Open Meetings Act (October 22, 1987) and the Open Meetings Act/Brown Act Reform (June 28, 2001) resulted in State-mandated costs that are reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. The COSM adopted *Parameters and Guidelines* on September 22, 1988 (last amended on November 30, 2000), for the Open Meetings Act, and April 25, 2002, for the Open Meetings Act/Brown Act Reform. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies and school districts in claiming reimbursable costs.

The Open Meetings Act became effective on August 29, 1986. Commencing in fiscal year (FY) 1997-98, a local agency may use the standard-time or flat-rate reimbursement options specified in *Parameters and Guidelines* instead of actual costs. The Open Meetings Act/Brown Act Reform was effective beginning FY 2001-02.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Open Meetings Act/Brown Act Reform Program for the period of July 1, 2001, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the city's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the City of Los Angeles claimed \$1,967,078 (\$1,968,078 less a \$1,000 penalty for filing a late claim) for costs of the Open Meetings Act/Brown Act Reform Program. Our audit disclosed that \$1,225,698 is allowable and \$741,380 is unallowable.

For FY 2001-02, the State paid the city \$31,861. Our audit disclosed that \$323,343 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$291,482, contingent upon available appropriations.

For FY 2002-03, the State made no payment to the city. Our audit disclosed that \$422,858 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$422,858, contingent upon available appropriations.

For FY 2003-04, the State made no payment to the city. Our audit disclosed that \$479,497 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$479,497, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on May 5, 2006. We contacted Elizabeth Lee, Senior Administrative Analyst, by telephone on June 12, 2006. Ms. Lee agreed with the findings and stated that the city declined to submit a written response.

Restricted Use

This report is solely for the information and use of the City of Los Angeles, the California Department of Finance, and the 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 report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

**Schedule 1—
Summary of Program Costs
July 1, 2001, through June 30, 2004**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Standard-time reimbursement option	\$ 281,578	\$ 130,090	\$ (151,488)	Finding 1
Flat-rate reimbursement option	<u>166,767</u>	<u>194,253</u>	<u>27,486</u>	Finding 2
Subtotal	448,345	324,343	(124,002)	
Late penalty	<u>(1,000)</u>	<u>(1,000)</u>	<u>—</u>	
Total program costs	<u>\$ 447,345</u>	323,343	<u>\$ (124,002)</u>	
Amount paid by the State		<u>(31,861)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 291,482</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Standard-time reimbursement option	\$ 186,281	\$ 185,801	\$ (480)	Finding 1
Flat-rate reimbursement option	<u>317,172</u>	<u>237,057</u>	<u>(80,115)</u>	Finding 2
Total program costs	<u>\$ 503,453</u>	422,858	<u>\$ (80,595)</u>	
Amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 422,858</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Standard-time reimbursement option	\$ 617,766	\$ 231,276	\$ (386,490)	Finding 1
Flat-rate reimbursement option	<u>398,514</u>	<u>248,221</u>	<u>(150,293)</u>	Finding 2
Total program costs	<u>\$ 1,016,280</u>	479,497	<u>\$ (536,783)</u>	
Amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 479,497</u>		
<u>Summary: July 1, 2001, through June 30, 2004</u>				
Standard-time reimbursement option	\$ 1,085,625	\$ 547,167	\$ (538,458)	Finding 1
Flat-rate reimbursement option	<u>882,453</u>	<u>679,531</u>	<u>(202,922)</u>	Finding 2
Subtotal	1,968,078	1,226,698	(741,380)	
Late penalty	<u>(1,000)</u>	<u>(1,000)</u>	<u>—</u>	
Total program costs	<u>\$ 1,967,078</u>	1,225,698	<u>\$ (741,380)</u>	
Amount paid by the State		<u>(31,861)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,193,837</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Standard-time costs
overstated**

The city claimed \$538,458 in unallowable costs under the standard-time reimbursement option for the audit period. The city claimed an inaccurate number of agenda items and applied the incorrect blended productive hourly rates.

The city claimed costs relating to city council meetings using the standard-time reimbursement option allowed in the *Parameters and Guidelines*. Under the standard-time reimbursement option, reimbursement is calculated by multiplying the number of allowable agenda items claimed by 30 minutes for each item and then by a blended productive hourly rate of the involved employees.

For FY 2001-02, the city claimed 6,938 agenda items for city council meetings, using a blended productive hourly rate of \$81.17. The city supported only 5,213 agenda items for city council meetings and a productively hourly rate of only \$49.91.

For FY 2002-03, the city claimed 5,111 agenda items for city council meetings, using a blended productive hourly rate of \$72.88. The city supported 5,114 agenda items for city council meetings and a productively hourly rate of only \$72.24.

For FY 2003-04, the city claimed 15,965 agenda items for city council meetings, using a blended productive hourly rate of \$77.39. The city supported only 5,800 agenda items for city council meetings and a productively hourly rate of \$79.74.

In addition, the city misstated the blended productive hourly rate because it made errors in computing the fringe benefit and indirect cost rates.

Following is a summary of the audit adjustments for the city council open meetings costs under the standard-time reimbursement option.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Allowable agenda items	5,213	5,144	5,800	
Standard time per agenda item	× .50	× .50	× .50	
Subtotal	2,606.50	2,572.00	2,900.00	
Allowable blended productive hourly rate	× \$49.91	× \$72.24	× \$79.74	
Total allowable costs	<u>\$ 130,090</u>	<u>\$ 185,801</u>	<u>\$ 231,275</u>	\$ 547,166
Claimed agenda items	6,938	5,111	15,965	
Standard time per agenda item	× .50	× .50	× .50	
Subtotal	3,469.00	2,555.50	7,982.50	
Claimed blended productive hourly rate	× \$81.17	× \$72.88	× \$77.39	
Total claimed costs	<u>\$ 281,578</u>	<u>\$ 186,281</u>	<u>\$ 617,765</u>	1,085,624
Difference—audit adjustment	<u>\$(151,488)</u>	<u>\$ (480)</u>	<u>\$(386,490)</u>	<u>\$ (538,458)</u>

Parameters and Guidelines, Section V, states that reimbursement under the standard-time reimbursement option will be calculated based on the number of allowable meeting agenda items. Section VI states that the number of meeting agenda items will be supported by copies of agendas.

In addition, *Parameters and Guidelines* requires that all costs claimed be traceable to source documents and/or worksheets that show evidence of and the validity of such costs.

Recommendation

We recommend that the city ensure that costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

City’s Response

The city agreed with the finding.

**FINDING 2—
Flat-rate costs
overstated**

The city claimed \$202,922 in unallowable costs under the flat-rate reimbursement option for the audit period. The city claimed an inaccurate number of meetings, ineligible meetings, and meetings with agendas that did not contain mandated requirements. In addition, the city made calculation errors when computing the costs for a commission and a committee meeting.

The city claimed costs relating to meetings for city boards, commissions, committees, and other legislative bodies using the flat-rate reimbursement option allowed in the *Parameters and Guidelines*. Under the flat-rate reimbursement option, reimbursement is calculated by multiplying the uniform cost allowance by the number of meetings.

Following is a summary of the audit adjustments for the non-city council open meetings costs under the flat-rate reimbursement option.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Allowable meetings	1,729	2,080	2,081	
Flat rate per meeting	×\$112.35	×\$113.97	×\$119.28	
Total allowable costs	\$ 194,253	\$ 237,057	\$ 248,221	\$ 679,531
Claimed meetings	1,515	2,709	3,341	
Flat rate per meeting	×\$112.35	×\$113.97	×\$119.28	
Subtotal	\$ 170,210	\$ 308,745	\$ 398,514	
Mathematical error	(3,443)	8,427	—	
Total claimed costs	166,767	317,172	398,514	882,453
Difference—audit adjustment	\$ 27,486	\$ (80,115)	\$(150,293)	\$(202,922)

Parameters and Guidelines, Section V, states that reimbursement under the flat rate option will be calculated by multiplying the uniform cost allowance by the number of open meetings.

In addition, *Parameters and Guidelines* requires that all costs claimed be traceable to source documents and/or worksheets that show evidence of and the validity of such costs.

Recommendation

We recommend that the city ensure that costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

City's Response

The city agreed with the finding.

**State Controller's Office
Division of Audits
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