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December 15, 2003

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
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Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **SHERIFF BUDGET AUDIT FINAL REPORT**

In 2002, the Board instructed the Auditor-Controller to arrange for a consultant to review the County's budget practices related to the Sheriff's Department (Sheriff), including how the County budgets salary savings for the Sheriff and District Attorney (DA). In May 2003, the consultants, Thompson, Cobb, Bazilio, and Associates and Altmayer Consulting, Inc, issued their interim report on the Chief Administrative Office's (CAO's) budget development and monitoring procedures related to the Sheriff and DA, including the CAO's salary savings calculations.

Attached is the consultant's final report. The report addresses the Sheriff's internal budget development, including overtime, and monitoring procedures, and the Sheriff's contract city billing model. The consultant also reviewed the County's method of allocating Proposition 172 funds and made a few additional comments on the Chief Administrative Office's budget practices.

Report Summary

Sheriff Budget Procedures

The report indicates that the budget approach used by the Sheriff closely follows the CAO's instructions to all departments. The consultants noted that the County budget process is based primarily on the previous year's expenditures and does not provide for any substantive review of key trends in service areas, issues and challenges that need to be addressed, or changes in the demand for service that could drive staffing requirements. This approach assumes that the level of resources available in the past are at the appropriate level, are appropriately distributed throughout the organization,

and are appropriately allocated among the various types of expenditures (salaries, overtime, services & supplies, etc.).

The consultants also noted that although there is a substantive review of staffing requirements within the Sheriff's Department's divisions for each core service, this analysis is not used in the budget process. In addition, the auditors noted that the LASD did not have an accurate approach or method for projecting Departmental overtime resource needs during the five-year review period. Also, due to the absence of a department-wide automated cost accounting system, the LASD is currently unable to allocate resources or track expenditures to specific projects or programs. Unless these projects or programs are established as specific organizational units, the Department has no ability to allocate a specific amount of resources to each project or program, or track total expenditures made to support each project or program.

The consultants have recommended that the budget process be expanded to include analysis of key trends, challenges, and changes in service demands. The consultants also recommended that the Sheriff consider linking the staffing requirements analyses performed by the Department's divisions to the overall budget process.

The consultants also analyzed the types of the Sheriff's overtime costs. These include regular overtime (e.g., completing an arrest when a shift ends and training, etc.), vacancy overtime, court overtime, emergency overtime, and contract events overtime. The consultant concluded that the primary cause for significant budget variances in overtime is the lack of an accurate method or approach for projecting Department overtime resource needs as part of the budget process. They also noted increased overtime expenditures and variances from the budgeted overtime amounts are largely the result of increases in salaries, increases in staffing, expansion of services, increases in overtime spent on unusual occurrences or emergencies, and increases in overtime reimbursed through grants and contact events.

The consultants recommended that the LASD consider developing a model for accurately projecting the Department's overtime resource needs and, in coordination with the CAO, consider budgeting and tracking reimbursed overtime expenditures incurred separately from other overtime. They also recommended that the budget amounts for reimbursed overtime be flexible and that the LASD not discourage use of this overtime as it meets the needs of events developed and planned during the course of the year and will assist the Department in meeting the requirements of limited term grants.

<u>Contract City Billing</u>

The consultants were asked to compare the Sheriff's contract city billing model with other counties models and to determine the types of costs excluded from contract city billings. They found that billing practices vary to some degree between counties. The County's practices are similar to several other counties.

All counties reviewed excluded certain costs in billing contract cities. The consultants observed that the LASD contract city billing model contains two main categories of excluded costs: Direct Administrative Support Costs and General County Overhead Costs. Both categories of excluded costs were found to be adequately supported. Direct administrative support costs excluded from contact city billings are based on Government Code Section 51350 (a law that excluded certain Sheriff Executive overhead costs) and Board policy. Appendix E shows the LASD contract cities cost model excluded costs for administrative support expenses. A 1972 study on contact city billings provided the basis for most of the costs excluded from contract city billings.

For General County Overhead, only costs that are applicable to contract cities and are deemed not to be countywide are used in the general overhead pool and are allocated to the contract cities. The remaining costs are excluded.

Proposition 172 Funding

The consultant's report indicates that the County is funding the Sheriff in a manner consistent with other counties and existing Proposition 172 guidelines.

Revised Interim Report on CAO Budget Procedures

As noted earlier, the consultants issued an interim report on the CAO's budget process, including salary savings calculations in May 2003. Chapter four of the final report is a revised version of their interim report. The revised interim report includes an additional finding and recommendation related to the County's hiring and promotional freeze (freeze). The consultants indicated that enforcing the County's freeze impacts CAO budget analysts' workload. The report also indicates that, while the freeze may be a somewhat effective cost containment tool, it limits County departments' ability to reduce costs in more proactive manner. The consultants recommended that the County continue cost containment strategies that increase departmental accountability and reduce workload necessary to enforce those strategies.

The consultant's report, which discusses these and other findings, is attached. The CAO, Sheriff, and District Attorney indicated general agreement with the findings and recommendations. They will issue their responses to the report separately.

If you have any questions, please contact me or have your staff contact DeWitt Roberts at (626) 293-1101.

JTM:DR:MP
Attachment
c: David E. Janssen, CAO
Leroy D. Baca, Sheriff
Steve Cooley, District Attorney
Lloyd W. Pellman, County Counsel
Violet Varona-Lukens, Executive Officer
Public Information Officer
Audit Committee

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Study of the Los Angeles County Sheriff's Department Budget Process and Performance

December 2003

Prepared by

TCBA

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EXECUTIVE SUMMARY

This executive summary provides a brief description of the budget study results by chapter. For a more detailed discussion of the results, please refer to the report pages indicated.

Chapter 1 – Introduction, Scope and Methodology

- The Los Angeles County Auditor-Controller retained Thompson, Cobb, Bazilio & Associates, PC (TCBA) to conduct a comprehensive review of the budget methods and practices employed by the Los Angeles County's Chief Administrative Office (CAO) and the Los Angeles County Sheriff's Department (LASD). The primary purpose of this review was to determine and assess the budgetary process as it relates to the development of the Sheriff Department's annual budget. (See page 5)

Chapter 2 – Review of the Sheriff's Budget Process

- The budget approach used by the LASD closely follows the directions provided by the CAO to all departments and is developed based primarily on previous year expenditures. This base budget approach does not provide for any substantive review of key trends in service areas, issues and challenges that need to be addressed, or changes in the demand for service that could drive staffing requirements. This approach assumes that the level of resources available in the past are at the appropriate level, are appropriately distributed throughout the organization, and are appropriately allocated among the various types of expenditures (salaries, overtime, services & supplies, etc.). (See page 8)

- For budgetary purposes, staffing requirements are determined using the base budget approach. Substantive review of staffing requirements is performed within the Department's divisions for each of its core services – patrol services, investigative services, custody services, and court services. However, this analysis is not used in the budget process, and plays no substantive role during the budget process. (See page 9)

- The LASD did not have an accurate approach or method for projecting Departmental overtime resource needs during the five-year review period. The LASD's approach to budgeting overtime is admittedly a "best guess" approach. The amount of overtime expended in past years is considered, as well as base level assumptions such as the number of projected vacancies. (See page13)

- The primary cause for significant budget variances in overtime is the lack of an accurate method or approach for projecting Department overtime resource needs as part of the budget process. (See page 17)

- Increased overtime expenditures and variances from the budgeted overtime amounts are largely the result of increases in salaries, increases in staffing, expansion of services, increases in overtime spent on unusual occurrences or emergencies, and increases in overtime reimbursed through grants and contract events. (See page 17)

- Current budget units do not match the key organizational and service delivery units or divisions of the Sheriff's Department, resulting in a disconnect between financial reporting of Sheriff division expenditures to budget units. (See page 19)

- The LASD services and supplies budget is developed primarily based on previous years expenditures. This approach assumes that the levels of resources available in the past are at the appropriate level and are appropriately distributed throughout the organization. (See page 22)

- The primary cause of significant budget variances in services and supplies is related to efforts to reduce service and supplies expenditures to offset overtime expenditures in excess of budgeted amounts. (See page 25)

- The LASD allocates central costs to budget units in a reasonable manner. We reviewed three types of LASD costs that are paid centrally to identify if and how those costs were allocated to the Department's budget units. Costs reviewed were utilities (electricity, gas), rent, and telephone utilities. (See page 25)

- The LASD is within compliance with County Budget Adjustment Guidelines for general budget adjustments by receiving proper Board approval for transfers among expenditure objects. (See page 27)

- We found no evidence of inappropriate reallocations of S&S budget among budget units. The LASD could, theoretically, reallocate S&S budget among its budget units by manipulating the purchase requisition process. One budget unit issuing a purchase requisition for a service or supply that is then delivered or used by another budget unit could accomplish this. Our review found no evidence that this activity occurred. (See page 28)

- Due to the absence of a department-wide automated cost accounting system, the LASD is currently unable to allocate resources or track expenditures to specific projects or programs. The LASD routinely establishes special projects and programs to address specific issues or problems or to implement specific changes. Unless these projects or programs are established as specific organizational units, the Department has no ability to allocate a specific amount of resources to each project or program, or track total expenditures made to support each project or program. (See page 28)

- The LASD budget process needs to strengthen its strategic focus. The budget process is meant to be the method by which an organization determines the resources it needs to accomplish its mission and goals in the next fiscal year and the future. While the Department has developed a long-term Strategic Plan it has no linkage to the budget or budgetary process. Additionally, the Strategic Plan is primarily a compilation of very specific strategies by program. Clear and specific goals are not included. (See page 29)

- The LASD budget process presently lacks meaningful indicators or a review of past performance or the effectiveness of programs and efforts. (See page 30)

- Significant increases in the Sheriff's budget have occurred over the last five years. We discuss the degree to which increases were controllable by the Sheriff's Department, the resources available to maintain the base year's service level, costs absorbed by the Sheriff's Department, and how the Department mitigated the impact of cost increases. (See page 31)

- Los Angeles County is funding the Sheriff's Department in a manner consistent with existing guidelines and common practice relative to Proposition 172. (See page 41)

- The LASD Financial Programs Bureau provides basic budget compliance monitoring, but does not analyze and determine causes of substantial variances from budgeted levels, nor develop corrective actions to bring expenditures into compliance. (See page 46)

- LASD budget monitoring could be enhanced by implementation of a new financial management and reporting system to provide more accurate and timely financial information. (See page 49)

Chapter 3 – Review of the Sheriff's Contract City Billing Model

- The LASD contract city model contains two main categories of excluded costs: Direct Administrative Support Costs and General County Overhead Costs. We found both categories of exclusions to be adequately supported. (See page 52)

- Annual deputy sheriff costs for contract cities are on average $7,328 lower than annual deputy sheriff costs for other LASD contract clients we reviewed. The lower cost for contract cities is attributed to Government Code 51350 exclusions, which are not applicable to the other contract clients. (See page 53)

- In general, the majority of responses by contract cities to our inquiries regarding the LASD's billing practices were positive. Many cities responded that they believed the LASD billing practices were fair and that they were satisfied with the

LASD contract arrangement. On the other hand, some contract cities voiced dissatisfaction with the complexity and inflexibility of the cost model used by the LASD. (See page 54)

- Our county comparison of the Sheriff's contract city billing model with other law enforcement agencies found that each county tailored its cost plan to best fit the needs of its client cities. (See page 55)

Chapter 4 – Review of the CAO Budget Process

- The CAO fairly applied its Budget Instructions to the Sheriff's Department budget. Based on interviews with Budget staff, a review of CAO countywide budget instructions, a review of Sheriff's budgets during the audit period, and a review of other supporting documentation, the study team did not find any inconsistency in the application of the CAO's budget methods and practices as they relate to the Sheriff. (See page 64)

- During the study period, the Sheriff's budget did not accurately forecast actual expenditures by appropriation category, nor was the budget amended during the fiscal year to reflect actual expenditures, resulting in significant year-end variances. (See page 65)

- During the audit period, the budgets for the Sheriff and District Attorney overstated the number of positions expected to be filled during the course of the fiscal year. The salary savings component of the budgets were artificially inflated to balance S&EB costs. (See page 67)

- During the audit period, the CAO used a baseline budget approach in developing departmental budgets. In light of continuing economic instability, this approach may no longer be compatible to address future financial realities. (See page 69)

- Enforcement of the County's Hiring and Promotional Freeze Policy significantly impacts CAO Budget Analysts' workload. (See page 71)

CHAPTER 1 – INTRODUCTION, SCOPE & METHODOLOGY

INTRODUCTION

We were engaged by the County of Los Angeles Auditor-Controller to perform a comprehensive review of the budget methods and practices employed by the Los Angeles County's Chief Administrative Office (CAO) and the Los Angeles County Sheriff's Department (LASD). The primary purpose of this review was to determine and assess the budgetary process as it relates to the development of the net county cost portion of the Sheriff Department's annual budget. The CAO's office is recommending a $658 million budget for the Sheriff's Department for fiscal year 2003-2004. According to the Sheriff's Department, this proposed budget amount totals to about $100 million in reduced revenue compared to the current year's budget, and will require the elimination of several programs along with up to 1,051 positions. The Sheriff's Department contends that public safety will be compromised significantly if the proposed budget of $658 million is ratified for fiscal year 2003-2004. Thus, the Sheriff's Department requested this budget study to have an independent auditor determine whether the budgetary process in establishing the Sheriff Department's annual budget is fair, equitable, and reasonable to ensure that public safety will not be compromised.

SCOPE AND METHODOLOGY

For the Sheriff's Department budget process review, we collected and reviewed key documents and information from various Department sources, interviewed key Department budget, financial, and operational personnel, conducted comparative and trend analyses related to budget, financial, and operational factors for fiscal years 1997/98 through 2001/02, documented and developed a flowchart of budget processes, collected information on budgets, costs, operations, and best practices from other Sheriff departments, and developed and critically evaluated potential solutions.

We identified other California law enforcement agencies that provide law enforcement to clients by contract. We developed a comprehensive survey to obtain comparative information for analyses. The law enforcement agencies surveyed were: Santa Clara County Office of the Sheriff, Contra Costa County Sheriff, Riverside County Sheriff, Sacramento County Sheriff, San Bernardino County Sheriff, San Diego County Sheriff and the Orange County Sheriff's Department.

For our review of the other contract city billing model, we obtained and reviewed the following information: 1) LASD Law Enforcement Contractual Costs (LECC) model, 2) California Government Code Section 51350, 3) Countywide Cost Allocation Plan FY 2002-03, 4) L.A. County Auditor reports regarding contract billings, and 5) Booz-Allen & Hamilton report on contract city billings, dated 1972.

As part of this analysis, we met with County Auditor-Controller and Sheriff officials to

ascertain and document the basis and rationale for costs excluded from contract city billings. We reviewed applicable reports and other documentation and discussed the methodology used for exclusions. We assessed whether the costs excluded from contract city billings are appropriate and in compliance with California Government Code Section 51350.

We selected a sample of other Sheriff contracts for comparison with the contract cities cost model. The cost models of the MTA, Metrolink and Community Colleges were selected because of their relative comparability to the contract cities in price structure and type of law enforcement services provided. We compared and contrasted the selected cost models based on the cost of a deputy sheriff.

We developed an interview questionnaire and randomly selected contract cities from the survey population of 41 contract cities and the Association of Contract Cities. The questions were designed to receive a mix of yes and no answers and open-ended queries. The subject matter related to LASD's billing practices. The primary purpose of obtaining stakeholder perspectives was to determine the level of understanding and satisfaction with the LASD's billing practices.

For our review of the CAO's budget process at it relates to the Sheriff's budget, we reviewed background materials of the CAO, the Sheriff, the Auditor-Controller and the District Attorney. The materials included historical budget data, past and current budget instructions, financial reporting documents, applicable County policies and procedures, prior audit reports relating to the Sheriff and CAO budget process, and memoranda addressing budget issues between the CAO and the Sheriff. The specific time period reviewed was the last five years, although some documentation beyond that time period was reviewed to provide adequate historical context.

We met with CAO Budget staff concerning the existing budget process, historical budget issues related to the Sheriff and recent changes made to the budget process. Meetings with CAO staff also focused on the County's approach to budget forecasting and practices related to calculating salary savings. Additionally, we met with representatives from the Auditor-Controller's Office, the Sheriff's Department, the District Attorney's Office and other County departments to discuss issues ranging from budget adjustment policy to salary savings.

We conducted a peer review of the budget methods and practices being utilized by other local counties. The purpose of the interviews was to review and evaluate how those counties budget for and fund law enforcement services. We met with administrative, budget and/or sheriff representatives from San Diego, Orange and San Bernardino Counties.

CHAPTER 2 – REVIEW OF THE SHERIFF'S BUDGET PROCESS

In this phase of work, we evaluated how well the Sheriff Department's process for developing its annual budget is planned, documented, and executed. Developing a budget for a large and diverse organization such as the Sheriff's Department is a substantial effort, requiring much analysis of past and projected operations and the development of key assumptions. Each budget unit of the organization typically would analyze the past level of service and identify factors that could impact the level of service required in the future. Based on this level of service, staffing, services, supplies, and other costs would be projected.

For a budget process to be an effective management and cost control tool it must have several key characteristics:

- The budgeted amounts must be reasonably close to the amounts the Department is likely to incur. A budget that is obviously not valid quickly loses credibility within the organization, and any efforts to monitor and enforce budget compliance also lack credibility.

- The budget must be distributed or allocated among the key organizational or service delivery units of the Department. Without this distribution it is impossible to hold those responsible for key units accountable for either budget or service delivery performance.

- Costs must be validly and accurately tracked and allocated to the key organizational or service delivery units of the Department that incurred those costs. Again, without such valid allocation it is not possible to hold key units accountable for budget or service delivery performance.

- The organization must focus on and work toward cost reductions. Much of budget control is accomplished by stimulating creating thinking and approaches to providing service while reducing costs.

- Monitoring compliance with the adopted budget on a regular basis is key to making the budget an effective management and cost control tool. This monitoring should occur on a monthly basis if possible, but at minimum on a quarterly basis. Without such monitoring, budget over spending is likely, with little chance of identifying and taking corrective action before it is too late.

The review of the Sheriff's budget process, as outlined in the Statement of Work, was intended to determine how effective the budget process is, and to identify opportunities for improving its effectiveness. Generally the following procedures were used to assess the Sheriff's budget process:

- Collection and review of key documents and information from Department sources
- Interviews with key Department budget, financial, and operational personnel
- Conducting comparative and trend analyses related to budget, financial, and operational factors
- Documenting processes, issues, and potential solutions
- Collecting information on budgets, costs, operations, and best practices from other Sheriff departments
- Developing and critically evaluating potential solutions

This section of the report discusses the Sheriff Department's approach to developing its annual budget, including determining staffing requirements for its various programs, budgeting for overtime, the number of budget units, budgeting for services and supplies, allocating costs to budget units, potential cost saving opportunities, and other budget process issues.

The budget process is meant to be the method by which an organization determines the resources it needs to accomplish its mission and goals in the next fiscal year and the future. For this process to be effective it is essential that the mission and goals of the organization be clear, and to a substantial degree, drive the budget and budget process.

Finding 1: The budget approach used by the LASD closely follows the directions provided by the CAO to all departments and is developed based primarily on previous year expenditures.

This approach begins with the identification of the current service level, or the level of current expenditures. Efforts are made to adjust the current level of spending for the coming year, adding "changes in costs associated with changes in existing programs, such as contract increases/decreases or program expansion/contraction." This adjusted current service level becomes the "base budget" for the next fiscal year. In most years the base budget is considered a given, with little review of these amounts, and little likelihood of these amounts being reallocated. (A more detailed description and flowchart of the LASD budget process are presented in Appendix A of this report.)

This "base budget" does not provide for any substantive review of key trends in service areas, issues and challenges that need to be addressed, or changes in the demand for service that could drive staffing requirements. This approach assumes that the level of resources available in the past are at the appropriate level, are appropriately distributed throughout the organization, and are appropriately allocated among the various types of expenditures (salaries, overtime, services & supplies, etc.).

In addition to the current service level, LASD Divisional Budget Instructions include the opportunity to identify potential new programs or unmet needs. Information to be provided is primarily related with cost and source of funding, but also includes a justification statement.

Recommendation 1: The LASD should work with the CAO to expand the budget development process to include a substantive review of key trends in service areas, issues and challenges that need to be addressed, or changes in the demand for service that could drive staffing requirements.

Finding 2: For budgetary purposes, staffing requirements are determined using the "base budget" approach.

The current service level cost is identified, with adjustments for "changes in costs associated with changes in existing programs, such as contract increases/decreases or program expansion/contraction."

More substantive review of staffing requirements is performed within the Department's divisions for each of its core services – patrol services, investigative services, custody services, and court services. However, this analysis is not used in the budget process, and plays no substantive role during the budget process.

The LASD provides four core services or functions for the County of Los Angeles– Patrol Services, Investigative Services, Custody Services, and Court Services. These core services are supported by two key functions – administrative support and general support. All of these services are under the leadership and direction of the Sheriff and the executive leadership function of the Department. The following sections discuss how staffing requirements are reviewed within the Department's divisions for the Department's core services. (A detailed description and analysis of core service staffing, including comparisons with other County Sheriff Departments, is included in the Appendix B of this report.)

Patrol Services

Patrol services are the fundamental services provided by a sheriff or police agency. These services include responding to calls for service, patrolling areas to maintain security, and initiating action to prevent or reduce the risk of incidents.

The LASD determines its basic resource requirements to provide patrol services in each of its service areas based on population, the crime rate, number of calls for service, number of arrests, number of incident reports, and average response times by type of call (emergent, priority, and routine).

These factors are used to establish service minute requirements for each service area in the unincorporated parts of the County. These requirements are the total number of minutes of patrol service time to be provided in each service area. Monthly Unincorporated Patrol Area Statistics Reports are used to track and report on the level of compliance with patrol minute targets. These reports are organized by region and station.

For contract areas the basic resource level can be enhanced at the discretion of contract cities or other contract service area. Many contract areas request and pay for an enhanced level of service to provide an improved response time or to increase the amount of time available for providing security and proactive service.

Investigative Services

Investigative services include investigations after a crime has occurred and proactive investigations. Investigations of crimes that have occurred include investigations of crimes such as homicides, robberies, rapes, burglaries, car thefts, and other such crimes. Proactive investigations include investigations of narcotics, vice, and similar crimes.

LASD investigators are located in both the Detective division and in many of the Department's stations as part of the Field Operations regions. This deployment allows them to focus on the needs of each area, and to work directly with patrol personnel.

Cases related to crimes that have been committed provide the workload for investigators assigned to those cases. The LASD uses this caseload, in combination with historical staffing levels, to determine the level of detective staffing required annually.

The level of proactive investigations conducted depends on the level of narcotics, vice, and other crime in an area, and the community's tolerance for that crime.

Custody Services

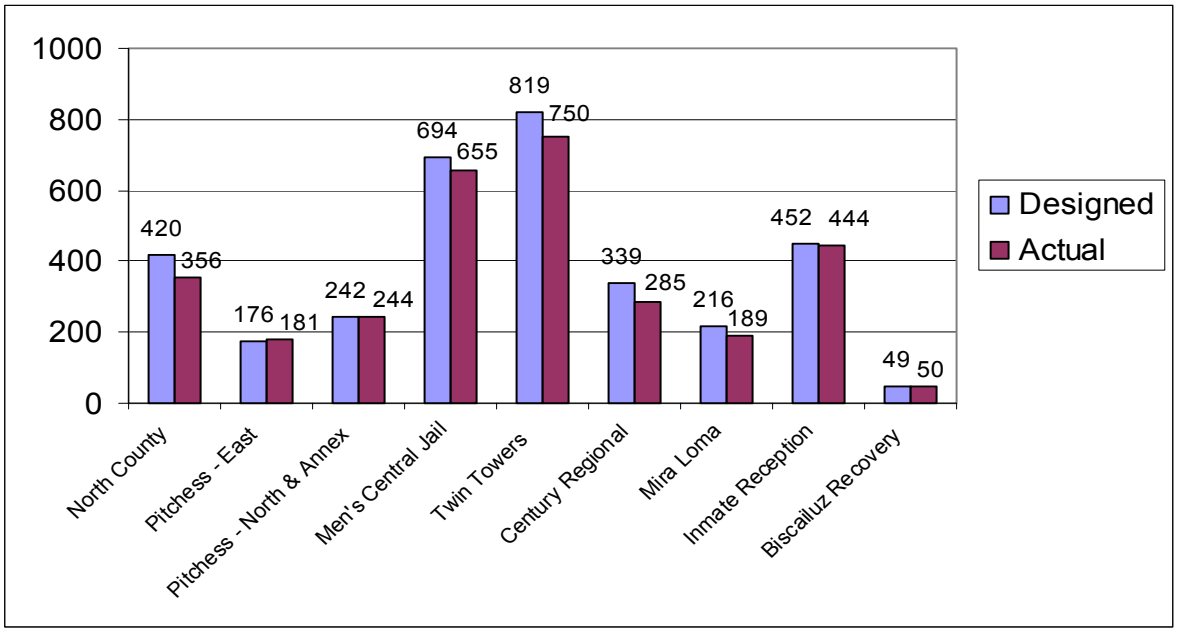
Custody services are those associated with housing inmates in County jails and detention facilities. Inmates include persons arrested and awaiting or in the process of trial, as well as some individuals that have been convicted and sentenced and are completing their sentenced time.

The LASD determines its basic resource requirements to provide custody services based on designed staffing levels and number of inmates. When custody facilities are designed a key consideration is the level or number of staff required to operate the facility.

The following exhibit shows the designed staffing level and the current staffing level for each of the Department's custody facilities. As this exhibit shows, the LASD custody staffing level is currently below the total designed staffing level for all of its custody facilities.

LOS ANGELES COUNTY
SHERIFF DEPARTMENT

Designed Staffing Level vs.
Actual Staffing Level By Facility



Source: Survey of California County Sheriff Departments, May 2003

Court Services

LASD Court Services is responsible for ensuring courthouses and courtrooms are safe and order is maintained. In the courtrooms court bailiffs provide security, ensure order is maintained, and enforce directions of the judge when necessary. Security in courthouses is provided through a combination of weapons screening at entry points and through patrolling security officers. These officers also respond to incidents in courtrooms as necessary.

The Administrator of Courts determines the level of court security services. Resource requirements necessary to provide that level of service are negotiated between the LASD and the courts.

The courts are the responsibility of the State. Sheriff departments provide court security in most counties in California, with costs reimbursed through "State Trial Court Funding." The State Administrator of Courts determines the level of service and related resource requirements.

There has been substantial ongoing disagreement on how resource requirements to provide court services are determined. Courts have been resistant to including such considerations as relief factors, overtime, and similar costs of providing service.

Discussions and negotiations between the courts and sheriff departments on these issues are ongoing statewide.

Recommendation 2: The LASD should consider linking analyses of staffing requirements performed by the Department's divisions to the budget development process.

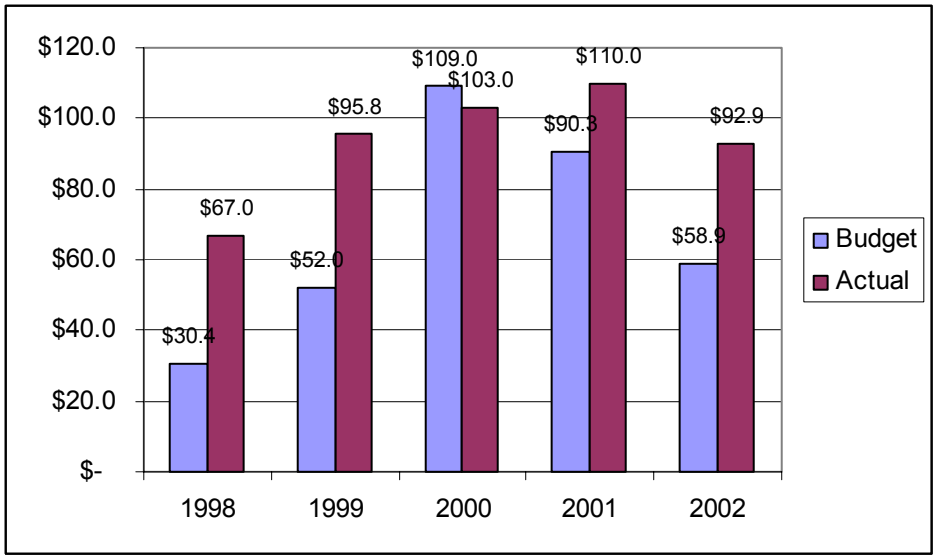
OVERTIME EXPENDITURES

During the five years analyzed (FY 1997-98 to FY 2001-2002) the LASD spent between $67 million and $110 million on overtime annually. The following exhibit shows the Department's budgeted and actual expenditures for overtime.

LASD OVERTIME

Total Overtime Expenditures

(FY1997-98 to FY 2001-02) In Millions



Source: Expenditure Status by Minor Object Report for FY 1997-1998 to FY 2001-2002

As this exhibit demonstrates, total overtime expenditures increased over 40 percent from FY 1998 to FY 1999. For the next two years, overtime expenditures increased 8 percent and 7 percent. Overtime expenditures then decreased by 15 percent in FY 2002.

In four of these five years, the Department exceeded the amount budgeted for overtime by substantial amounts. The Department spent an average of 38 percent more on overtime than what was budgeted during the five-year period.

APPROACH TO BUDGETING OVERTIME

Finding 3: The LASD did not have an accurate approach or method for projecting Departmental overtime resource needs during the five year review period.

The LASD's approach to budgeting overtime is admittedly a "best guess" approach. The amount of overtime expended in past years is considered, as well as base level assumptions such as the number of projected vacancies. For example, the overtime budget was reduced for FY 2001 from the actual expenditure level for FY 2000 due to vacancies being filled and staff increases.

It was assumed that the amount of overtime would automatically be reduced given the additional staffing. Actual expenditures did not decline as assumed. Budgeted overtime was further reduced for FY 2002 also based on the assumption that filled positions would result in reduced overtime expenditures. Although total overtime expenditures declined, they did not decline nearly to the budgeted level.

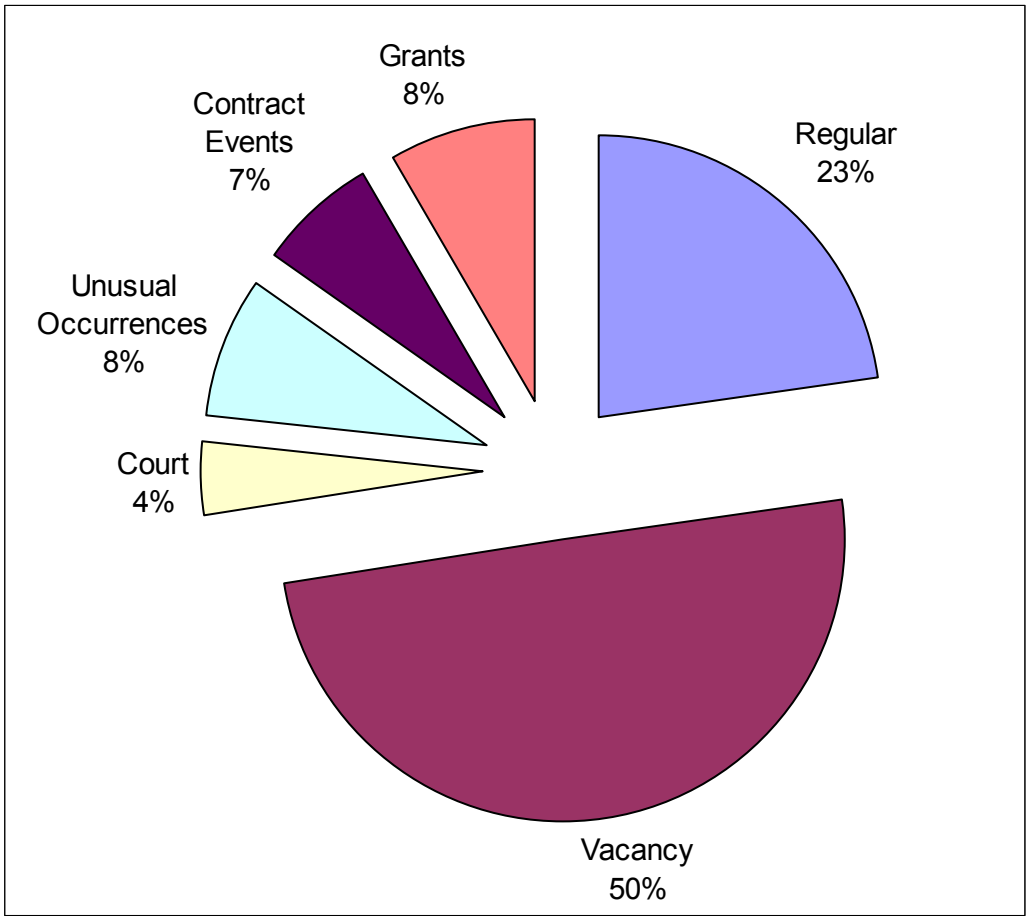
Overtime Expenditures by Type of Overtime

One reason the Department has not been able to accurately predict its budgetary need for overtime is that overtime is budgeted as a total number. Overtime is actually used for several different purposes. The following exhibit shows the different types of overtime used by the Department, and the percentage of total overtime for each type.

LASD OVERTIME

Percentage of Overtime Expenditures by Type of Overtime

(FY1997-98 to FY 2001-02)



Source: Sheriff's Department Funds Reports – Sworn and Civilian Paid Overtime Worked by Division for FY 1997-1998 to FY 2001-2002, April 2003

Each of these types of overtime is described as follows:

Regular Overtime

Regular overtime includes all overtime that is routinely part of an organization. This includes overtime incurred when someone works over to complete something in progress at the end of a shift. For example, a patrol deputy may be in the middle of handling a call for service or completing an arrest when their shift ends. A court bailiff may work over because court is extended beyond normal shift end. Investigators may work over to file a criminal case to avoid releasing a suspect in custody. Administrative personnel may work over to complete a special or time-sensitive project.

The cost of regular overtime is a cost that is included in the determination of contract rates charged to cities, school districts, the MTA, and others the Department provides services to under contract. A portion of the revenue collected for these services

reimburse the Department for its overtime expenses incurred. During the five-year period (FY 1998—FY 2002) the LASD was reimbursed $23.2 million for contract service overtime, amounting to approximately 5.4 percent of its total overtime expenditures.

Many of the Department's personnel attend training on overtime, or overtime is paid for someone else to fill in for another attending training to avoid staff shortages in essential areas. Most of this training is required, including regular firearms qualification. A substantial portion of the overtime related to training is reimbursed by the State. Specifically, the Standards for Training for Corrections (STC) Program reimbursed the LASD for overtime related to its training programs. During the five year period (FY 1998—FY 2002) the LASD was reimbursed $14.2 million for overtime related to this training, amounting to approximately 3.2 percent of its total overtime expenditures.

Vacancy Overtime

Vacancy overtime includes overtime incurred by persons covering a position that is vacant due to someone leaving the Department, being sick, on leave, on loan to another unit, or injured on duty.

Court Overtime

Court overtime includes overtime incurred by LASD personnel appearing and testifying in court regarding an incident or arrest they were involved in. This includes both actual court time and time standing by or on call to appear in court.

Unusual Occurrences Overtime (Emergency)

Unusual occurrence, or emergency overtime includes overtime incurred in responding to unusual emergencies such as natural disasters, riots, demonstrations, etc. It also includes overtime for such things as attending funerals of LASD personnel killed in the line of duty. Unusual occurrences are declared and logged by the Emergency Operations Bureau, which determines who is involved in each occurrence and tracks overtime spent.

Contract Events Overtime

Contract events overtime is charged when the LASD provides security or other services to contract events including parades, marathons, and film productions. Because these are limited term events, staffing them with full-time positions would not be practical. These events are typically staffed using overtime. Event sponsors reimburse the LASD for the overtime costs incurred. During the five-year period (FY 1998 through 2002) the LASD spent and was reimbursed $31 million on special event overtime, amounting to approximately 7 percent of its total overtime expenditures.

Grants Overtime

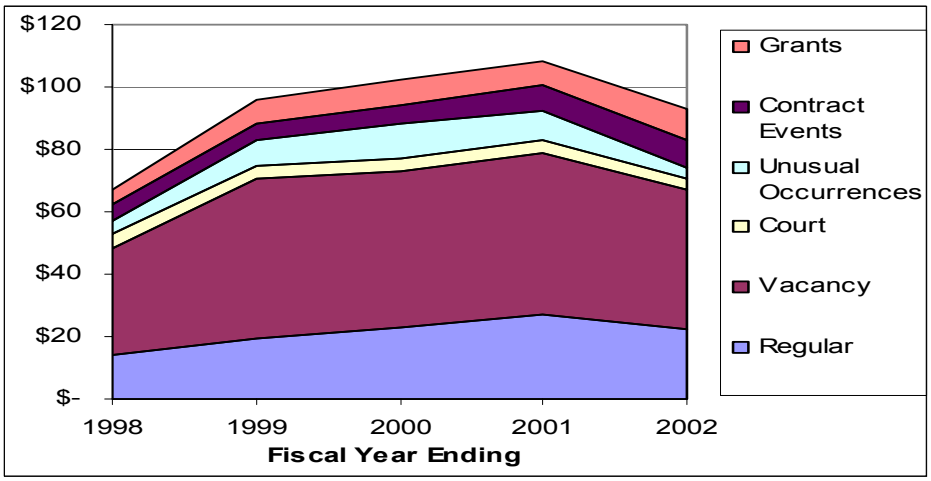
Overtime is often used to fulfill the requirements of limited term grants. This avoids hiring of permanent personnel that may no longer be needed when the term of the grant has ended. During the five-year period (FY 1998 through 2002) the LASD spent $36.6 million of grant funds on overtime, amounting to approximately 8 percent of its total overtime expenditures.

The following exhibit shows trends in Department overtime expenditures for FY 1997-98 through FY 2001-02 by type of overtime.

LASD OVERTIME

Total Overtime by Type

(FY1997-98 to FY 2001-02) In Millions



	Regular	Vacancy	Court	Unusual Occurrences	Contract Events	Grants	Total
1998	$14.3	$34.2	$4.7	$4.1	$5.3	$4.4	$67.0
1999	$19.7	$50.7	$4.4	$8.2	$5.4	$7.6	$96.0
2000	$23.0	$50.2	$3.8	$11.1	$6.0	$8.5	$102.6
2001	$27.3	$51.7	$3.9	$9.3	$8.1	$7.8	$108.1
2002	$22.4	$44.6	$3.6	$3.8	$8.6	$9.8	$92.7
Total	$106.6	$231.4	$20.4	$36.5	$33.4	$38.0	$466.3
Percent	23%	50%	4%	8%	7%	8%	100%

Source: Sheriff's Department Funds Reports, Sworn and Civilian Paid Overtime Worked by Division

(An analysis of overtime expenditures by budget unit is included in Appendix C of this report.)

Finding 4: The primary cause for significant budget variances in overtime is the lack of an accurate method or approach for projecting Department overtime resource needs as part of the budget process.

As discussed in the previous section, the Department does not have an accurate approach or method for projecting the overtime resource needs of the Department. As a result, the amounts budgeted for overtime did not reflect the amount needed.

We identified a number of causes or reasons for increased overtime expenditures through analyzing the actual overtime expenditures of the Department. These may provide both improved understanding of the Department's overtime expenditures, and provide a basis for improving projections of Department overtime resource needs.

Finding 5: Increased overtime expenditures and variances from the budgeted overtime amounts are largely the result of increases in salaries, increases in staffing, expansion of services, increases in overtime spent on unusual occurrences or emergencies, and increases in overtime reimbursed through grants and contract events.

Each of these is discussed in the following sections.

Increases in Salaries

Average salaries for LASD employees increased 12.4 percent during the five-year period from FY 1997-98 to FY 2001-02. Since overtime is typically paid on a time and one-half basis, the impact of these salary increases on overtime would be 18.6 percent. Approximately $12.6 million of the increased overtime expenditure during the five years is attributable to negotiated salary increases.

Increases in Staffing

The number of full time equivalent (FTE) employees working for the Department increased by 2,050, from 12,813 in FY 1998 to 14,863 in FY 2002. This is an increase of 16 percent. Additional employees unavoidably drives up the amount of regular or routine overtime expended due to increased training requirements for additional employees, and the time these employees spend completing tasks in process at the end of their shift.

Expansion of Services

During the five-year period the LASD expanded services substantially. This includes the opening of the Palmdale substation, new contracts with Hawaiian Gardens, Compton, and the MTA, and the opening of the Twin Towers facility. Committing resources to these new areas created vacancies throughout the Department. A large percentage of these vacancies occurred in the Custody Division of the Department. The opening of the Twin Towers facility created a substantial demand for personnel. In addition, Custody Operations provides the entry point for deputies hired by the Department. When expansions are made in patrol or other areas requiring deputies those required deputies are most often transferred from the jails or custody operations.

This creates vacancies in the jails, which have a substantial number of fixed post positions, which must be filled through overtime. Hiring and training new personnel to fill these vacancies can take up to two years.

Increase In Overtime Spent On Unusual Occurrences / Emergencies

Overtime expenditures for unusual occurrences, or emergencies, increased substantially during the five-year period. In FY 1998, the Department expended $4.1 million in overtime related to these emergencies. This amount doubled to $8.2 million for FY 1999, increasing again to $11.1 million for FY 2000. Approximately $9.3 million in overtime was spent on emergencies in FY 2001, declining substantially to $3.8 million for FY 2002.

According to the log of unusual occurrences maintained by the Emergency Operations Bureau, numerous natural disasters, demonstrations, high profile crimes, efforts to prepare for or prevent incidents related to Y2K and terrorist acts occurred during this time period.

Increases In Overtime Reimbursed Through Grants and Contract Events

Overtime fully reimbursed by grants or providing services to contract events such as parades, marathons, and other special events, increased substantially during the five-year period. In FY 1998, the Department had approximately $9.7 million in grant or contract reimbursed overtime. This increased to $13 million for FY 1999, $14.5 million for FY 2000, $14.9 million for FY 2001, and $18.4 million for FY 2002.

Recommendation 3: The LASD should consider developing a model for accurately projecting the Department's overtime resource needs.

Such a model should incorporate each specific type of overtime, including operational or routine overtime, overtime for attending training, preparing for or testifying in court, responding to unusual occurrences, filling in for vacant positions, staffing contract events, and working on grant funded programs.

The factors underlying the need for each type of overtime should also be specifically identified. For example, the training that will require staff attendance outside their normal shift, or will require others to work in place of those attending training, should be specifically identified. Vacant positions that must be staffed through overtime should be specifically identified and the overtime required to staff those positions should be calculated. Similarly, the amount of overtime required to cover essential positions during staff vacations, sick time, injury time, and other related causes should be specifically identified and included in the model.

Unusual occurrences/emergencies that resulted in the use of overtime should be reviewed and analyzed to develop a base overtime budget for these occurrences. A

contingency amount should also be developed that can be accessed if the frequency or severity of such occurrences justifies.

Recommendation 4: The LASD, in coordination with the CAO, should consider budgeting and tracking reimbursed overtime expenditures incurred in providing services to contract events, or in meeting grant requirements, separately from other overtime. The budget amounts for reimbursed overtime should be flexible to not discourage the use of this overtime.

The LASD provides essential support for events such as parades, marathons, filmings, and other special events. The overtime related to these services are fully reimbursed. The annual amount of contract event overtime is not completely predictable. The Department must be somewhat flexible to meet the needs of events developed or planned during the course of the year.

The Department also uses fully reimbursed overtime to meet the requirements of limited term grants. It must be somewhat flexible to take advantage of grant opportunities during the course of the year. Unplanned increases in fully reimbursed contract event or grant overtime can result in the Department exceeding its budget for overtime. Budgeting this overtime separately, with flexible budget amounts, allows the Department to respond to contract event needs and grant opportunities without negatively impacting the regular overtime budget.

NUMBER OF BUDGET UNITS

It is important to strike an appropriate balance between too few and too many budget units. Assigning budget control to appropriate units of the organization is an important tool for ensuring both budget and service delivery accountability.

Finding 6: Current budget units do not match the key organizational and service delivery units of the Sheriff's Department.

The LASD annual budget is currently organized into six budget units. These budget units are:

- Patrol Budget Unit
- Detectives Budget Unit
- Custody Budget Unit
- Court Services Budget Unit
- Administration Budget Unit
- General Support Budget Unit

All budget development, decision-making, appropriation, tracking, and reporting follow these six budget units. Additionally, transfers of funds from one of these budget units to another cannot occur without approval of the Board of Supervisors.

Under the leadership of the Sheriff, the LASD is currently organized into the following eleven Divisions:

- Field Operations Region I
- Field Operations Region II
- Field Operations Region II
- Office of Homeland Security
- Detective Division
- Custody Operations Division
- Correctional Services Division
- Court Services Division
- Technical Services Division
- Administrative Services Division
- Leadership and Training Division

Each of these divisions is operated under the authority of a Chief. Chiefs are responsible for the effective operation of their division, and for ensuring those operations are maintained within the approved budget.

A key tool for ensuring accountability of these divisions is County financial reporting. Unfortunately, this financial reporting is organized by budget units, and for many of the LASD's divisions, provides no direct information on expenditures.

Department reporting systems are organized by Division. The results of the Department's and County's systems often do not match. Substantial time and effort are spent trying to reconcile differing information, and in trying to recast County information into the Department's structure.

Currently, the Sheriff's Department is required to obtain approval from the Board of Supervisors to transfer funds from one budget unit to another. With the six current budget units the LASD is able to transfer funds among its divisions that are within the same budget unit. For example, the three field operations divisions are currently within the Patrol Budget Unit and can move funds among the three divisions without Board approval.

The flexibility to transfer funds among some divisions allows the Department to quickly respond to issues and incidents that arise in the field during the course of the fiscal year. Implementation of the previous recommendation would reduce the level of budget flexibility currently exercised by the LASD.

Additionally, the Sheriff's Department budget has traditionally been considered a "bottom line" budget. As such, the focus was on managing the Department's total budget, and ensuring budgeted amounts for the entire Department were not exceeded. Requiring the Department to obtain Board approval to move funds limits its ability to manage the bottom line.

We reviewed the practices of other counties and sheriff departments regarding the number of budget units and consistency with organizational and service delivery units, and the flexibility to transfer funds among organizational units. Several departments use cost centers in addition to budget units, and assign each key organizational unit of the department as a cost center. This provides a much more consistent match between key organizational units and budget or financial reporting units. We found that all of the sheriff departments we were able to obtain information from are able to transfer funds from one organizational unit to another without Board approval. For example, funds could be transferred from detectives to patrol, or the reverse, without going to the Board. This gives these departments the flexibility to respond to emerging issues, and still maintain expenditures within overall budgeted levels.

In its 1997 audit of the Sheriff's Department, the Auditor-Controller recommended the establishment of the current budget units, or an alternative approach of maintaining one budget unit for the Department, but breaking down the budget into functional areas in the accounting system for information and monitoring purposes. This essentially would establish "cost centers" within the Sheriff's Department, while allowing the Department the flexibility to transfer funds among organizational units. This approach would give the Department the budgetary flexibility to respond to emerging issues by transferring funds among organizational units. It would also align organizational units and financial tracking and reporting systems.

Recommendation 5: The LASD should consider working with the CAO and Auditor Controller to establish one budget unit, whereby the Department budget would be formally controlled on a department-wide basis. It should additionally consider establishing eleven "cost centers" within the County accounting system for information and monitoring purposes.

SERVICES AND SUPPLIES EXPENDITURES

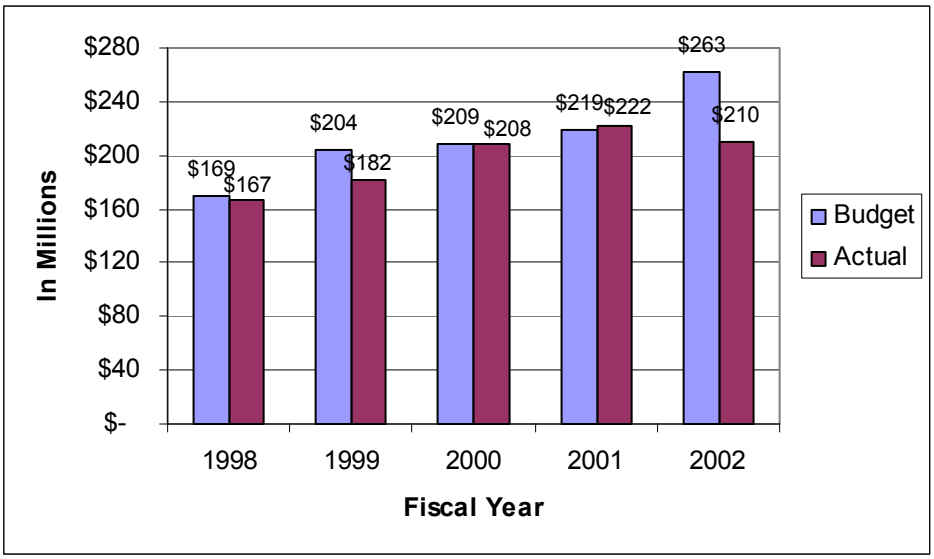
The Auditor-Controller conducted a review of the Sheriff Department's budget performance in both 1997 and 2002. Both of these reviews concluded the Department had under-spent its Services & Supplies budget by significant amounts. The Auditor-Controller recommended a detailed analysis of the budget and spending for services and supplies.

As the following exhibit shows, the Department under spent its services and supplies budget in four of the five years. The Department spent an average of 94 percent of the amount budgeted for it to spend on services and supplies.

LASD SERVICES & SUPPLIES

Total Services & Supplies Expenditures

(FY1997-98 to FY 2001-02) In Millions



Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Report for FY 1997-1998 to FY 2001-2002

Total services and supplies expenditures increased by 9 percent from FY 1998 to FY 1999. For the next two years, services and supplies expenditures increased 14 percent and 7 percent. Services and supplies expenditures then decreased by 5 percent for FY 2002.

Approach to Budgeting Services and Supplies

Finding 7: The LASD services and supplies budget is developed primarily based on previous years expenditures.

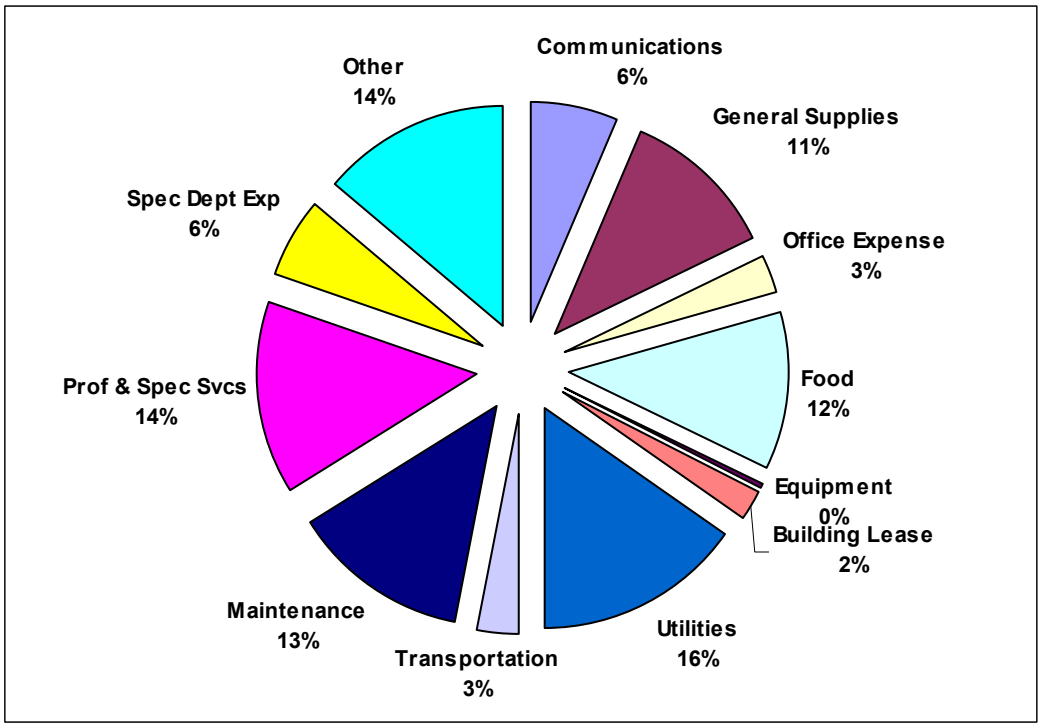
Consistent with the County and Department's general budget development approach, Services and Supplies is budgeted on a current service level, or the level of current expenditures basis. Efforts are made to adjust the current level of spending for the coming year by adding, "changes in costs associated with changes in existing programs, such as contract increases/decreases or program expansion/contraction." This approach assumes that the levels of resources available in the past are at the appropriate level and are appropriately distributed throughout the organization.

The services and supplies budget for the LASD includes many different types of expenditures and uses of funds. The following exhibit shows the different types of services and supplies used by the Department, and the percentage of total services and supplies expenditures for each type.

LASD SERVICES & SUPPLIES

Percentage of Services & Supplies Expenditures by Type

(FY1997-98 to FY 2001-02)



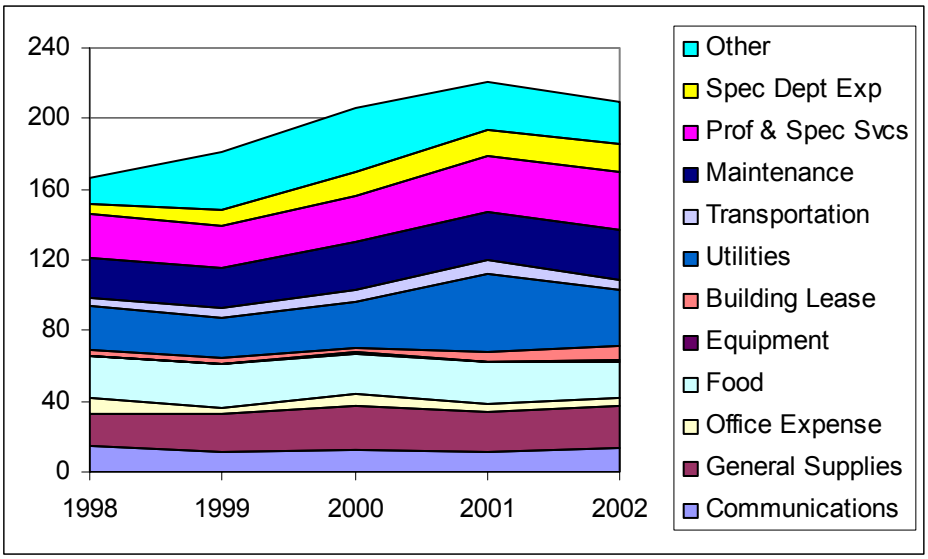
Source: Expenditure Status by Minor Object Report for FY 1997-1998 to FY 2001-2002

The following exhibit shows the trends over the five-year period in each type of services and supplies expenditure.

LASD SERVICES & SUPPLIES

Total Services & Supplies Expenditures

(FY1997-98 to FY 2001-02) In Millions



	1998	1999	2000	2001	2002	Total	Percent
Communications	$14.7	$11.0	$12.0	$11.8	$13.5	$63.0	6%
General Supplies	$18.2	$21.4	$25.9	$22.7	$24.4	$112.6	11%
Office Expense	$9.6	$4.2	$6.2	$4.5	$3.6	$28.1	3%
Food	$23.4	$24.4	$22.7	$23.0	$21.2	$114.7	12%
Equipment	$0.3	$0.6	$0.8	$0.7	$0.5	$3.0	0%
Building Lease	$3.0	$2.3	$3.0	$4.8	$7.7	$20.8	2%
Utilities	$25.0	$23.6	$25.8	$44.8	$31.4	$150.6	15%
Transportation	$4.9	$4.8	$6.4	$7.8	$6.6	$30.5	3%
Maintenance	$21.9	$22.9	$27.7	$26.6	$28.4	$127.5	13%
Prof & Spec Svcs	$24.7	$24.1	$25.6	$32.0	$32.7	$139.0	14%
Spec Dept Exp	$6.3	$8.7	$13.6	$14.8	$15.2	$58.5	6%
Other	$14.5	$33.3	$36.7	$27.4	$24.5	$136.5	14%
Total	$166.4	$181.3	$206.4	$220.9	$209.8	$984.8	100%

Source: Expenditure Status by Minor Object Report for FY 1997-1998 to FY 2001-2002

As this exhibit shows, the major expenditures within services and supplies are general supplies (11%), food (12%), utilities (15%), maintenance (13%), and professional and special services (14%).

During the five-year time period substantial increases in expenditures have occurred in building leases, utilities, maintenance, professional and special services, and special department expenses. Building leases have increased from $3 million to $7.7 million. Utilities increased from $25 million to $44.8 million in 2001, then declining to $31.4 million in 2002. Maintenance increased from $21.9 million to $28.4 million. Professional and special services increased from $24.7 million to $32.7 million. Special Department expense increased from $6.3 million to $15.2 million. (An analysis of

services and supplies expenditures by budget unit is included in Appendix D of this report.)

Causes and Impact of Budget Variances

Finding 8: The primary cause of significant budget variances in services and supplies is related to efforts to reduce service and supplies expenditures to offset overtime expenditures in excess of budgeted amounts.

Many of the expenditures in the services and supplies category can be deferred to realize short-term savings. This is particularly true of maintenance and equipment. However, deferring maintenance and equipment can result in substantial long-term cost increases.

The amount spent by the LASD on services and supplies is not only below the amount budgeted, but is substantially below the relative amount spent by other county sheriff departments for similar purposes. It is important to ensure the Department is not exchanging short-term savings for increased long-term costs.

Recommendation 6: The LASD should consider working with the CAO to identify the actual services and supplies needs for the Department and develop a budget for services and supplies to ensure the Department's basic operating requirements for services and supplies are being adequately met.

COST ALLOCATION METHODS

For a budget to be a useful management and cost control tool costs incurred must be accurately assigned and allocated to the appropriate budget unit. Without such accuracy, budget and management accountability is non-existent. We reviewed the process used by the Department to allocate central costs to budget units, and the accuracy of those allocations. We also reviewed the reallocation of resources among budget line items and budget units, and the allocation of resources to projects and programs.

Cost Allocation Process and Accuracy

Finding 9: The LASD allocates central costs to budget units in a reasonable manner.

We reviewed three types of LASD costs that are paid centrally to identify if and how those costs were allocated to the Department's budget units. Costs reviewed were utilities (electricity, gas), rent, and telephone utilities. Each of these costs is discussed below.

Utilities - LASD accounting receives one internal voucher for all utilities from the County's Internal Services Department (ISD). Amounts billed are based on the percentage of LASD occupancy of the facilities. Occupancy percentages are calculated by the CAO based on square footage occupancy and is forwarded to ISD. LASD's Facilities Planning Bureau reviews the percentage calculations to determine their reasonableness and accuracy. LASD Accounting then approves the internal voucher and forwards it to the Auditor-Controller for processing. LASD Accounting then allocates and distributes the utility cost to each budget unit and division based on the occupancy percentage of each budget unit. Actual utility costs are reflected in the internal voucher received from ISD with supporting data from the utility companies showing energy usage and meter readings. We reviewed a sample of supporting invoices, vouchers and budget allocations for utility expenses in FY '02-03 and found the allocations to be reasonable and accurate.

Rents – LASD Accounting receives an internal voucher from the CAO for all rents owed by the Department. Rents charged to the LASD are based on the percentage of total square footage occupied by each unit or division. LASD Facilities Planning Bureau reviews the occupancy percentages to determine their reasonableness and accuracy. LASD Accounting then approves the internal voucher, and forwards it to the Auditor-Controller for processing. LASD Accounting allocates and distributes the rent costs to each budget unit and division based on the percentage of occupancy. A journal voucher is prepared, with a worksheet showing the distribution of rent costs to each unit or division. The journal voucher and worksheet is forwarded to the Auditor-Controller for processing. We reviewed a sample of supporting invoices, vouchers and budget allocations for rent expense in FY '02-03 and found the allocation to be reasonable and accurate.

Telephone Utilities – LASD accounting receives an internal voucher from ISD for all telephone expenses. The entire amount is charged to the Communication and Fleet Management Bureau, which is part of the General Support Budget Unit. Telephone utilities are charged 100% to this budget unit, and are not allocated to other budget units. After assessing the practicality of allocating telephone utility costs to each budget unit or division, we believe the time and cost that would be involved to allocate telephone utility costs to budget units or divisions would outweigh the benefits received. While allocating these costs throughout the organization would more accurately reflect budget unit costs, we believe the current method of charging these costs to just the General Support budget unit is reasonable.

Reallocation of Resources Among Budget Units

We reviewed three types of reallocations of resources among budget units – general budget adjustments, reallocation of services and supplies among budget units, and reallocation of personnel positions among budget units. Each of these is discussed below.

Finding 10: The LASD is within compliance with County Budget Adjustment Guidelines for general budget adjustments by receiving proper Board approval for transfers among expenditure objects.

Budget adjustments are required whenever the Sheriff's Department wishes to transfer expenditure authority (appropriation) from one expenditure object to another within a budget unit or to move expenditure authority among budget units. Budget adjustments are also necessary to increase expenditure authority when the source of financing is other than from an existing expenditure authority.

Expenditure objects are the classes of expenditures (S&EB, S&S, Other Charges, etc.), which are provided for in Section 29089 of the California Government Code. A budget unit represents a specific purpose for which expenditures are to be made. The Board of Supervisors has considerable discretion in defining budget units. The level of authority necessary to approve an increase in appropriation is determined by the source of financing for the increase.

Government Code Section 29125 provides that the Board may designate to a County official the authority to approve increases in appropriations that are financed by decreases in appropriations in the same budget unit. The Board has provided this authority to the CAO for transfers less than $250,000 per quarter. This type of adjustment is known as an "Action B.A." within the County. For example, the CAO has the authority to increase the S&EB budget in the LASD if the increase is financed by a decrease in the departments' S&S appropriation and is less than $250,000 per quarter. All similar transfers in excess of $250,000 per quarter must be approved by three of the five Board members.

In the case of the LASD, the budget is broken out into six budget units. Budget adjustments are required to move funding between the budget units. When an increase in an appropriation is to be financed by a decrease in an appropriation in a different budget unit, the Board must formally approve the budget adjustment.

We obtained and reviewed LASD budget documentation concerning budget adjustments. We verified LASD budget adjustment compliance by tracing 100% of budget adjustments listed in the Budget Status Reports for FY01-02 and FY02-03 to Board approvals and supporting documentation. We further cross-referenced a sample of the budget adjustments for FY 02-03 to entries in monthly accounting reports for the same period. We examined the monthly accounting reports for budget adjustments that were not reported in the Budget Status Reports. We found no unreported budget adjustments.

We reviewed the LASD budget adjustments for FY01-02 and FY02-03 and found the LASD to be within compliance with the County Budget Adjustment Guidelines. We found no evidence to indicate that the LASD made budget adjustments without proper Board approval.

Finding 11: We found no evidence of inappropriate reallocations of S&S budget among budget units.

The LASD could, theoretically, reallocate S&S budget among its budget units by manipulating the purchase requisition process. One budget unit issuing a purchase requisition for a service or supply that is then delivered or used by another budget unit could accomplish this. Our review found no evidence that this activity occurred. We also found little need or reason for this type of activity to occur. In the last few fiscal years each budget unit had S&S budget remaining at the end of the fiscal year, providing the ability to make needed purchases without manipulating the purchase requisition process.

Finding 12: Due to the absence of a department-wide automated cost accounting system, the LASD is currently unable to allocate resources or track expenditures to specific projects or programs.

The LASD routinely establishes special projects and programs to address specific issues or problems or to implement specific changes. Unless these projects or programs are established as specific organizational units, the Department has no ability to allocate a specific amount of resources to each project or program, or track total expenditures made to support each project or program. Thus, the LASD is unable to determine the total amount spent on each special project or program.

The Department is able to allocate and track services and supplies expenditures for specific programs or projects through its Financial Management System (FMS). It is also able to allocate and track overtime expenditures related to unusual occurrences through the log of unusual occurrences. However, the Department is not able to allocate or track non-overtime personnel expenditures, or total expenditures, for specific projects or programs.

Recommendation 7: To improve budget and management accountability, the LASD should consider developing an ability to monitor the allocation of resources to specific projects or programs and to track the costs associated with the allocation of these resources to specific projects or programs.

COST SAVING OPPORTUNITIES

Over the past several years the Auditor-Controller has reviewed the operations of the Sheriff's Department and identified the following areas for potential cost savings:

a. Medical services
b. The court services contract
c. State-mandated services
d. Workers' compensation costs
e. Hiring full-time staff to minimize overtime costs

f. Potential civilianization of current sworn positions

The Statement of Work for this effort included providing a list of additional areas for potential cost savings. During the course of our review, we found no other significant potential cost saving areas that warrant further study.

OTHER BUDGET PROCESS ISSUES

We identified additional issues during our review of the Sheriff's Department's budget process. These are discussed in the following sections.

Clear Strategic Focus for the Budget Process

Finding 13: The LASD budget process needs to strengthen its strategic focus.

As stated previously, the budget process is meant to be the method by which an organization determines the resources it needs to accomplish its mission and goals in the next fiscal year and the future. Given this, the budget should be built on a strong foundation that includes a clear mission and specific goals to be accomplished by the organization.

While the Department has developed a long-term Strategic Plan it has no linkage to the budget or budgetary process. Additionally, the Strategic Plan is primarily a compilation of very specific strategies by program. Clear and specific goals are not included.

A goal should describe a value created or a desired improvement in a condition, outside the agency or program itself that is of direct importance to clients and the public. For example, an obvious goal of the LASD is to reduce the level of violent crime within its service area. Another might be to reduce the level of illegal gang activity within its service area.

Such clear and specific goals can provide a firm strategic foundation for determining resources that are required to achieve those goals, and how they can best be distributed throughout the organization.

The Orange County Sheriff's Department provides a good example of this clear strategic direction. The OCSD annually develops a business plan that clearly defines the Department's mission, goals, and key strategies. It also identifies and discusses key trends, issues, and challenges that may impact the Department's ability to make progress toward its goals.

This business plan is completed prior to the initiation of the budget process, and provides the strategic focus for the budget process. All Orange County agencies and departments are required by the County Executive Officer (CEO) to develop annual business plans.

A 1997 management audit of the LASD made a similar recommendation, specifically stating: *We recommend the Department develop a performance-based budget that relates revenues and expenditures by program and/or service delivery area to the performance objectives for that program. The budget should provide a statement of the mission, goals and objectives for the program, a detail of the staffing and expenditures for the program, and the level of services and performance expected of the programs or organization.*

Recommendation 8: The LASD should consider developing an annual business plan prior to the initiation of the annual budget that clearly outlines the organizations specific goals, discusses key trends, issues, and challenges; and provides a clear strategic foundation for the budget process.

Performance Measurement

Once a clear strategic focus is established the budget process can effectively allocate resources among various programs and strategies that contribute to the goals outlined. Determining how effective those programs and strategies are in making progress toward established goals is equally important. This requires an ongoing review of past performance and the effectiveness of programs and efforts.

The budget currently includes minimal information on performance, with one set of indicators provided for each budget unit. This provides little meaningful information on the performance of key programs and services provided by the Department.

Finding 14: The LASD budget process presently lacks meaningful indicators or a review of past performance or the effectiveness of programs and efforts.

As stated previously, the current budget approach largely assumes that the past programs and activities of the Department should be largely maintained, with only minor, incremental enhancements or revisions.

Advantages of a Performance Measurement System

- ✓ Identify poorly performing programs, thereby signaling the need to make changes
- ✓ Identify programs that are performing well and presumably
- ✓ Examine the value of existing programs on the basis of their outcomes rather than solely on their costs, outputs, and general statements as to their value
- ✓ Assess new programs for what they are specifically expected to accomplish, no just their costs or general statements of their expected value
- ✓ Compare different proposed options on their expected outcomes and costs
- ✓ Help identify agency activities that have similar outcome indicators and are thus candidates for coordination and perhaps revision, reduction, or deletion
- ✓ Justify the budget choices more effectively to agency and elected officials – and the public
- ✓ Link, even if only roughly, the proposed budget size to the amount of outcome expected
- ✓ Provide the basis for greater agency accountability, to the extent that reasonable performance targets are set for the budget year and achieved values are subsequently compared to targets

From: Performance Measurement – Getting Results, Harry Hatry, The Urban Institute Press, Washington, DC, 1999.

The example of the Orange County Sheriff's Department applies to performance measurement as well. The Department's business plan previously mentioned includes reporting on a set of performance indicators tied to each of the Department's goals. These indicators provide information on how well the Department's strategies for achieving its goals are working. The exhibit on this page describes some of additional benefits of establishing a performance measurement system.

Recommendation 9: The LASD should consider developing and implementing a performance measurement system to provide a meaningful evaluation of the effectiveness of programs and efforts relative to the Department's mission and goals.

SHERIFF'S BUDGET PERFORMANCE

In this section of the report we discuss cost increases experienced by the Sheriff's Department, the allocation of Proposition 172 funds, and budget monitoring and compliance methods used by the Sheriff's Department.

COST INCREASES

Using FY 1997-98 as the base year for comparison, we developed schedules and performed a comparative analysis of budgeted and actual expenditures by budget unit for the period FY 1997-98 to FY 2001-02.

We focused on significant increases in the Sheriff's budget. We attempted to determine 1) the degree to which cost increases were controllable by the Sheriff's Department, 2) the resources available to maintain the base year's service level, 3) the cost increases absorbed by the Sheriff's Department, and 4) how the Department mitigated the impact of cost increases.

Significant Cost Increases

LASD expenditures increased substantially between FY 1997-98 and FY 2001-02. As the following exhibit shows, total expenditures increased by $473.4 million, from $1,158.7 million to $1,632.1 million. This is an increase of nearly 41 percent. Salary and Employee Benefit expenditure increased 45.6 percent, from $912.9 million to $1,329.6 million. Services and supplies expenditures increased 25.6 percent, from $167.5 million to $210.3 million. All other expenditures increased 17.8 percent, from $78.3 million to $92.2 million.

LASD COST INCREASES

Summary of Cost Increases

(FY1997-98 to FY 2001-02) In Millions

	FY 1997-1998	FY 2001-2002	Increase/ (Decrease)	Percent Change
Salaries	$686.9	$895.6	$208.7	30.4%
Retirement Benefits	$45.6	$143.1	$97.5	213.8%
Health Benefits	$59.2	$91.0	$31.8	53.7%
Other Employee Benefits	$7.9	$22.4	$14.5	183.5%
Workers' Compensation	$45.9	$83.8	$37.9	82.6%
Overtime	$67.4	$93.7	$26.3	39.0%
Total Salaries & Benefits	$912.9	$1,329.6	$416.7	45.6%
General Services & Supplies	$136.6	$166.0	$29.4	21.5%
Medical Supplies	$5.9	$12.9	$7.0	118.6%
Utilities	$25.0	$31.4	$6.4	25.6%
Total Services & Supplies	$167.5	$210.3	$42.8	25.6%
Judgements & Damages	$8.5	$29.8	$21.3	250.6%
All Other Costs	$69.8	$62.4	($7.4)	-10.6%
Total Other Costs	$78.3	$92.2	$13.9	17.8%
Total	$1,158.7	$1,632.1	$473.4	40.9%

Sheriff's Department expenditures increased because of increases in costs and because of expansion of the Sheriff's Department. Increases in costs are substantially outside the control of the Sheriff's Department. For example, average employee salaries increased by 12.4 percent during the five-year period, or 2.5 percent annually. These salary increases are negotiated outside the Department. Salary increases also drive up the Sheriff's Department's cost of overtime.

Other average employee costs, negotiated outside the Sheriff's Department, also increased. Average, or per employee, retirement benefit costs increased 171 percent over the five years, or 34.1 percent annually. Average, or per employee, health benefit costs increased 33 percent, or 6.5 percent annually. Other employee benefit costs also increased, by 143 percent, or 18.6 percent annually.

Average workers' compensation costs per claim also increased substantially during the five-year period. In FY 1997-98 each workers' compensation claim cost the Sheriff's Department $13,346. In FY 2001-02 each workers' compensation claim cost the Sheriff's Department $21,260. This is a total increase of 59 percent, or 11.9 percent annually.

The following exhibit summarizes average employee salary and benefit cost increases over the five years.

LASD COST INCREASES				
Cost and Cost Increases Per Employee / Claim				
(FY1997-98 to FY 2001-02)				
	Average Per Employee		Increase	Percent
	FY1997-98	FY 2001-02	Per Employee	Increase
Salary	$53,610	$60,261	$6,651	12.4%
Retirement Benefits	$3,559	$9,631	$6,072	170.6%
Health Benefits	$4,616	$6,126	$1,510	32.7%
Other Employee Benefits	$619	$1,504	$885	143.0%
	Average Per Claim			Percent
	FY1997-98	FY 2001-02	Increase	Increase
Workers' Compensation	$13,346	$21,260	$7,914	59.3%

Sheriff's Department Control of Cost Increases

Sheriff's Department expenditures for services and supplies increased partially due to inflation, and partially due to expansion of the Department. Increases in the expenditures due to inflation are costs outside the control of the Sheriff's Department.

During the five-year period the Sheriff's Department expanded substantially, adding approximately 2,050 full-time equivalent employees. Costs associated with these additional employees, as well as the expansion of services and supplies expenditures above inflation, are costs controllable by the Department.

As the following exhibit shows, $203.9 million, or 42 percent, of the Sheriff's Department's increased expenditures were the result of the Department's expansion, and within the control of the Department. The additional $276.7 million, or 58 percent, of the Sheriff's Department's increased expenditures were due to cost increases outside of the control of the Sheriff's Department.

LASD COST INCREASES				
Controllable and Non Controllable Cost Increases				
(FY1997-98 to FY 2001-02) In Millions				
	Controllable	Percent Controllable	Non Controllable	Percent Non Controllable
Salaries	$123.5	59%	$85.2	41%
Retirement Benefits	$19.7	20%	$77.8	80%
Health Benefits	$12.5	39%	$19.3	61%
Other Employee Benefits	$3.0	21%	$11.3	79%
Workers' Compensation	$10.7	28%	$27.2	72%
Overtime	$13.7	52%	$12.6	48%
General Services & Supplies	$13.6	46%	$15.8	54%
Medical Supplies	$5.9	84%	$1.1	16%
Utilities	$1.3	20%	$5.1	80%
Judgements & Damages	$0.0	0%	$21.3	100%
Total	$203.9	42%	$276.7	58%

Resources Available to Maintain the Base Year's Service Level

Resources available from the County to maintain the base year's level of service include the Net County Cost (NCC) contribution, and the allocation of Proposition 172 funds to the Sheriff's Department. Proposition 172 funds are considered County resources allocated by the Board of Supervisors under current guidelines and common practice. (For more information please see the section of this report on Proposition 172 funds.)

As the following exhibit shows, total Net County Cost and Proposition 172 funds allocated to the Sheriff's Department increased by $200.5 million between FY 1997-98 and FY 2001-02. The difference between the resources available from the County and cost increases not controllable by the Sheriff's Department is $76.2 million. These are annual costs essentially absorbed by the Sheriff's Department.

LASD COST INCREASES				
Net County Cost and Proposition 172 Funds Allocated to the Sheriff's Department				
(FY1997-98 to FY 2001-02) In Millions				
	FY 1997-98	FY 2001-02	Increase	Percent Increase
Net County Cost	$498.1	$635.5	$137.4	27.6%
Prop 172 Funds	$351.7	$414.8	$63.1	17.9%
Total	$849.8	$1,050.3	$200.5	23.6%

Sheriff's Department Mitigation of Cost Increases

The Sheriff's Department was able to absorb the cost increases outside its control, as well as fund it expansion of services, through increases in revenues from the Federal Government, State Government, and through increases in revenue from charges for services.

As the following exhibit shows, Federal revenues increased $44.5 million, or 166 percent during the five years, from $26.8 million in FY 1997-98 to $71.3 million in FY 2001-02. The funds were primarily to support the Sheriff's Department's efforts in the State Criminal Alien Assistance Program (SCAAP).

LASD COST INCREASES

Summary of Revenue Increases

(FY1997-98 to FY 2001-02) In Millions

	FY 1997-98	FY 2001-02	Increase	Percent Increase
Federal Revenues	$26.8	$71.3	$44.5	166.0%
State Revenues	$12.0	$26.8	$14.8	123.3%
Charges for Services	$235.2	$416.4	$181.2	77.0%
Total	$274.0	$514.5	$240.5	87.8%

Revenue from the State also increased substantially, increasing $14.8 million, or 123 percent during the five years, from $12.0 million in FY 1997-98 to $26.8 million in FY 2001-02. This included Supplemental Law Enforcement Services Funds allocated by the Legislature in support of the Citizen's Option for Public Safety program.

Revenues generated from charges for services increased $181.2 million, or 77 percent during the five years, from $235.2 million in FY 1997-98 to $416.4 million in FY 2001-02. These increases included contracts for service in Compton, Hawaiian Gardens, and the MTA.

Cost Increase Calculations

The following sections provide detail on how cost increases were determined.

Salary and Employee Benefit Costs

Salaries, as well as increases in the level of retirement, health, and other benefits the County provides for its employees are determined and negotiated by the Chief Administrative Office. Given this, the Sheriff's Department, and other County

departments, has little control over increases in these costs for current employees. Overtime is also affected by negotiated salary increases.

The following sections discuss cost increases for salaries and employee benefits for the Sheriff's Department.

Salary Cost Increases

Salary increases, negotiated outside of the Sheriff's Department, increased the Department's salary expenditures by $85.2 million between FY 1997-98 and FY 2001-02.

In FY 1997-98, the LASD paid employees for 26,651,232 hours of work, which equals 12,813 full time equivalent (FTE) employees. The Department paid total salaries to these employees of $686.9 million, for an average salary of $53,610.

In FY 2001-02, the LASD paid employees for 30,914,928 hours of work, which equals 14,862 full time equivalent (FTE) employees, and increase of 2,050 employees. The Department paid total salaries to these employees of $895.7 million, for an average salary of $60,261. The difference in average salary is $6,651 or 12 percent of base salaries. This equates to an average annual increase of 2.5 percent.

As the following exhibit shows, $85.2 million of the increased expenditures for salaries is due to salary increases. The remaining $123.5 million is due to an increase in the number of Department employees.

LASD COST INCREASES

Salaries

(FY1997-98 to FY 2001-02)

	1998	2002	Difference	Percent
FTE Employees	12,813	14,863	2,050	16%
Total Salaries (millions)	$686.9	$895.7	$208.8	30%
Average Salary	$53,610	$60,261	$6,651	12%
Expenditure Increases Due To:				
Salary Increases		$85.2 million		
Additional Employees		$123.5 million		

Employee Retirement Benefit Cost Increases

Increases in employee retirement benefits and related costs, negotiated outside of the Sheriff's Department, increased the Department's retirement benefits expenditures by $77.82 million between FY 1997-98 and FY 2001-02.

Retirement benefit expenditures include general retirement costs, the costs of the Early Separation Program, and the Pension Savings Plan. In FY 1997-98, the Department paid total retirement benefit costs of $45.6 million, or an average retirement benefit cost of $3,559 per employee.

In FY 2001-02, the LASD paid total retirement benefits of $143.1 million, or an average retirement benefit cost of $9,631 per employee. The difference in average retirement cost is $6,071 or 171 percent over the FY 1997-98 cost. This equates to an average annual increase of 34.1 percent.

As the following exhibit shows, $77.8 million of the increased expenditures for retirement are due to increases in retirement benefit costs. The remaining $19.7 million is due to an increase in the number of Department employees.

LASD COST INCREASES

Employee Retirement Benefits

(FY1997-98 to FY 2001-02)

	1998	2002	Difference	Percent
FTE Employees	12,813	14,863	2,050	16%
Total Retirement (millions)	$45.6	$143.1	$97.5	214%
Average Retirement Cost	$3,559	$9,631	$6,072	171%
Expenditure Increases Due To:				
Retirement Increases		$77.8 million		
Additional Employees		$19.7 million		

Employee Health Benefit Cost Increases

Increases in employee health benefits and related costs, negotiated outside of the Sheriff's Department, increased the Department's health benefits expenditures by $19.3 million between FY 1997-98 and FY 2001-02.

Employee health benefit expenditures include employee group insurance, the Flexible Benefit Plan, and the Megaflex Benefit Plan. In FY 1997-98, the Department paid total employee health benefit costs of $59.1 million, or an average health benefit cost of $4,616 per employee.

In FY 2001-02, the LASD paid total employee health benefit costs of $91 million, or an average health benefit cost of $6,126 per employee. The difference in average health benefit cost is $1,509 or 33 percent over the FY 1997-98 cost. This equates to an average annual increase of 6.5 percent.

As the following exhibit shows, $19.3 million of the increased expenditures for employee health benefits is due to increases in health benefit costs. The remaining $12.6 million is due to an increase in the number of Department employees.

LASD COST INCREASES

Employee Health Benefits

(FY1997-98 to FY 2001-02)

	1998	2002	Difference	Percent
FTE Employees	12,813	14,863	2,050	16%
Total Health (millions)	$59.1	$91.0	$31.9	54%
Average Health Cost	$4,616	$6,126	$1,510	33%
Expenditure Increases Due To:				
Health Benefit Increases		$19.3 million		
Additional Employees		$12.6 million		

Other Employee Benefit Cost Increases

Increases in other employee benefits and related costs, negotiated outside of the Sheriff's Department, increased the Department's other employee benefits expenditures by $11.3 million between FY 1997-98 and FY 2001-02.

Other employee benefit expenditures include the Thrift Plan, the Savings Plan, and the Peace Officer Relief contribution. In FY 1997-98, the Department paid total other employee benefit costs of $7.9 million, or an average other employee benefit cost of $619 per employee.

In FY 2001-02, the LASD paid total other employee benefit costs of $22.4 million, or an average other employee benefit cost of $1,504 per employee. The difference in average other employee benefit cost is $885 or 143 percent over the FY 1997-98 cost. This equates to an average annual increase of 18.6 percent.

As the following exhibit shows, $11.3 million of the increased expenditures for other employee benefits is due to increases in other employee benefit costs. The remaining $3.1 million is due to an increase in the number of Department employees.

LASD COST INCREASES

Other Employee Benefits

(FY1997-98 to FY 2001-02)

	1998	2002	Difference	Percent
FTE Employees	12,813	14,863	2,050	16%
Total Other (millions)	$7.9	$22.4	$14.5	184%
Average Other Cost	$619	$1,504	$885	143%
Expenditure Increases Due To:				
Other Benefit Increases		$11.3 million		
Additional Employees		$3.1 million		

Workers' Compensation Cost Increases

Increases in workers compensation costs increased the Department's workers' compensation expenditures by $12.5 million between FY 1997-98 and FY 2001-02.

In FY 1997-98, the Department had a total of 3,438 workers' compensation claims. It paid total workers' compensation costs of $45.9 million, or an average of $13,346 per claim.

In FY 2001-02, the LASD had a total of 3,942 workers' compensation claims. It paid total workers' compensation costs of $83.8 million, or an average of $21,260 per claim. The difference in average workers' compensation cost per claim is $7,914, or 59 percent over the FY 1997-98 cost. This equates to an average annual increase of 11.9 percent. The total increase in the number of claims is 15 percent, which is consistent with the increase in number of employees.

As the following exhibit shows, $12.5 million of the increased expenditures for workers compensation are due to increases in workers compensation costs. The remaining $13.7 million is due to an increase in the number of workers compensation claims filed.

LASD COST INCREASES

Workers Compensation

(FY1997-98 to FY 2001-02)

	1998	2002	Difference	Percent
Total Workers Comp (millions)	$45.9	$83.8	$37.9	83%
Workers Comp Claims	3,438	3,942	504	15%
Average Cost per Claim	$13,346	$21,260	$7,914	59%
Expenditure Increases Due To:				
Cost Increases		$27.2 million		
Additional Claims		$10.7 million		

Overtime Cost Increases

Salary increases, negotiated outside of the Sheriff's Department, increased the Department's overtime expenditures by $12.6 million between FY 1997-98 and FY 2001-02.

In FY 1997-98, the Department paid total overtime costs of $67.4 million. In FY 2001-02, the LASD paid total overtime costs of $93.7 million. This is an increase of $26.3 million, or 39 percent.

Average salaries for LASD employees increased 12.4 percent during the five-year period. Since overtime is typically paid on a time and one-half basis, the impact of this salary increases on overtime costs would be 18.6 percent.

As the following exhibit shows, $12.6 million ($67.4 million * 18.6%) of the increased expenditure for overtime is due to increases in salaries. The remaining $13.7 million is due to an increase in the amount of overtime worked.

LASD COST INCREASES

Overtime

(FY1997-98 to FY 2001-02)

	1998	2002	Difference	Percent
Total Overtime(millions)	$67.4	$93.7	$26.3	39%
Expenditure Increases Due To:				
Salary Increases		$12.6 million		
Additional Overtime		$13.7 million		

Services and Supplies Costs

We divided services and supplies into three categories – general services and supplies, medical supplies, and utilities. The costs for each of these categories increased at substantially different rates.

Each of these is discussed in the following sections.

General Services and Supplies Cost Increases

Increases in general services and supplies costs, as the result of inflation, increased the Department's general services and supplies expenditures by $15.6 million between FY 1997-98 and FY 2001-02.

General services and supplies include communications, general supplies, office Expense, equipment, building lease, transportation, maintenance, professional and special services, and special department expense. In FY 1997-98, the Department expended $135.5 million, on these general services and supplies.

In FY 2001-02, the LASD expended $165.5 million on general services and supplies, an increase of $30 million or 22 percent. A portion of this increase is due to the increase cost of these services and supplies as a result of inflation. According to the U.S. Department of Labor's Bureau of Labor Statistics, the cost of these services and supplies increased by 11.5 percent in the Los Angeles area between FY 1997-98 and FY 2001-02.

As the following exhibit shows, $11.3 million of the increased expenditures for general services and supplies is due to the increased cost of these services and supplies, or inflation. The remaining $14.4 million is due to additional services and supplies expenditures.

LASD COST INCREASES

General Services and Supplies

(FY1997-98 to FY 2001-02)

	1998	2002	Difference	Percent
General S & S (millions)	$135.5	$165.5	$30.0	22%
Expenditure Increases Due To:				
Cost Increases (Inflation)		$15.6 million		
Additional S & S Expenditures		$14.4 million		

Medical Supplies Cost Increases

Increases in costs for medical supplies, as the result of inflation, increased the Department's expenditures for these supplies by $1.1 million between FY 1997-98 and FY 2001-02.

The custody division of the Department primarily expends medical supplies. In FY 1997-98, the Department expended $5.9 million, on medical supplies. In FY 2001-02, the LASD expended $12.8 million on medical supplies, an increase of $6.9 million or 117 percent. A portion of this increase is due to the increase cost of these supplies as a result of inflation. According to the U.S. Department of Labor's Bureau of Labor Statistics, the cost of medical supplies increased by 17.7 percent in the Los Angeles area between FY 1997-98 and FY 2001-02.

As the following exhibit shows, $11.3 million of the increased expenditures for medical supplies are due to the increased cost of these supplies, or inflation. The remaining $5.8 million is due to additional medical supplies expenditures, related to making improvements to the Twin Towers medical facility to achieve accreditation as a hospital.

LASD COST INCREASES

Medical, Dental, and Lab Supplies

(FY1997-98 to FY 2001-02)

	1998	2002	Difference	Percent
Medical, Dental, Lab (millions)	$5.9	$12.8	$6.9	117%
Expenditure Increases Due To:				
Cost Increases (Inflation)		$1.1 million		
Additional Expenditures		$5.8 million		

Utility Cost Increases

Increases in costs for utilities, as the result of inflation, increased the Department's expenditures for these supplies by $5.1 million between FY 1997-98 and FY 2001-02.

In FY 1997-98, the Department expended $25 million, on utilities. In FY 2001-02, the LASD expended $31.4 million on utilities, an increase of $6.4 million or 26 percent.

A portion of this increase is due to the increased cost of utilities as a result of inflation. According to the U.S. Department of Labor's Bureau of Labor Statistics, the cost of utilities increased by 20.6 percent in the Los Angeles area between FY 1997-98 and FY 2001-02.

As the following exhibit shows, $5.1 million of the increased expenditures for utilities is due to the increased cost of these utilities, or inflation. The remaining $1.3 million is due to additional utilities expenditures.

LASD COST INCREASES

Utilities

(FY1997-98 to FY 2001-02)

	1998	2002	Difference	Percent
Utilities (millions)	$25.0	$31.4	$6.4	26%
Expenditure Increases Due To:				
Cost Increases (Inflation)		$5.1 million		
Additional S & S Expenditures		$1.3 million		

Judgment and Damages Cost Increases

The Sheriff's Department's expenditures for judgment and damages increased substantially, from $8.5 million in FY 1997-98 to $29.8 million in FY 2001-02. This was an increase of $21.3 million, or 251 percent. This increase was due primarily to the over detention cases from the Custody division. The following exhibit shows these costs and differences.

LASD COST INCREASES

Judgment and Damages

(FY1997-98 to FY 2001-02)

	1998	2002	Difference	Percent
Judgements & Damages (millions)	$8.5	$29.8	$21.3	251%
Expenditure Increases Due To:				
Cost Increases		$21.3 million		

PROPOSITION 172 FUNDS

Proposition 172, passed by California voters in November 1993, dedicated revenues generated through a ½ cent sales tax to law enforcement services provided. To ensure law enforcement services are not reduced Counties are required to maintain their previous or "base year" level of effort, or revenue, committed to law enforcement. The purpose of the review in this area is to determine if the County has maintained its required level of funding for the Sheriff as required under Proposition 172.

In the Sheriff's Department's 2002-03 budget presentation to the Board of Supervisors it was stated that the County had reduced General Fund dollars dedicated to public safety. Specifically, the Sheriff's Department presentation stated:
From 1992/93 budget year to today, the County has reduced General Fund dollars for Public Safety.

- *minus $130 million – Sheriff's Department, or minus 16.8%*
- *minus $24 million – District Attorney, or minus 10.3%*

The Sheriff's presentation was based on adopted budget amounts rather than actual expenditure amounts, which are somewhat different. The actual level of Net County Cost in 1992-93 was $780.2 million. For FY 2001-02 the actual level of Net County Cost was $635.5 million. While the FY 2001-02 amount of Net County Cost is $144.7 million less than for FY 1992-93, this does not consider the funds generated through Proposition 172 that are allocated to the Sheriff's Department by the Board of Supervisors.

The key question to be addressed is whether funds generated through Proposition 172 and allocated to the Sheriff should be considered as part of the County and Boards contribution to funding the Sheriff's Department. Our conclusion is yes, considering existing guidelines and common practice relative to Proposition 172.

Finding 15: Los Angeles County is funding the Sheriff's Department in a manner consistent with existing guidelines and common practice relative to Proposition 172.

Proposition 172

In 1993 the California voters approved Proposition 172, a legislative constitutional amendment directing the proceeds of a ½ percent sales tax to be used exclusively for local public safety services. The key language of the proposition is as follows:

The people of the State of California find and declare all of the following:

1. *Public safety services are critically important to the security and well being of the State's citizens and to the growth and revitalization of the State's economic base.*
2. *The protection of the public safety is the first responsibility of local government and local officials have an obligation to give priority to the provision of adequate public safety services.*
3. *In order to assist local government in maintaining a sufficient level of public safety services, the proceeds of the tax enacted pursuant to this section shall be designated exclusively for public safety.*

Official Ballot Pamphlet Wording

The summary of the proposition, as it appeared on the official ballot pamphlet stated:

This measure would provide a dedicated revenue source for public safety purposes. Revenue would be distributed to cities and counties for purposes such as police, sheriffs, fire, criminal prosecution, and corrections. If this measure is approved by the voters, the tax would be collected in all Counties. However, a county would be eligible to receive tax revenue beginning January 1, 1994, only if the board of supervisors votes to participate or votes within the county approve the measure by majority vote.

Arguments in favor of the proposition that appeared on the official ballot pamphlet were:

- *Earmarks ½ cent of the current sales tax for sheriffs, police, firefighters, and district attorneys.*
- *Is NOT a new tax or tax increase.*
- *Guarantees $1.4 billion to prevent cuts for sheriffs, police, firefighters and district attorneys.*

Analysis by Legislative Analyst

The analysis of the proposition completed by the California Legislative Analyst included the following:

The additional sales tax revenues resulting from this measure are intended to offset part of the $2.3 billion in county and city revenue losses that resulted from the adoption of the state's 1993-94 budget. Specifically, $2.3 billion in annual property tax revenues were shifted from counties and cities to schools, thereby reducing the state's funding obligations to public schools.

Assembly Bill 2788

Subsequent to the passage of Proposition 172 there was a general perception in the law enforcement and legislative communities that these public safety funds were supplanting local revenues that would have otherwise accrued to public safety functions.

In response to these concerns the California Legislature passed Assembly Bill 2788 which required a minimum commitment of local resources to public safety services. Specifically, the bill stated:

Any county, city and county, or city, including any charter city, that funds all combined public safety services within its respective jurisdiction from existing local financial resources, in an amount for the fiscal year that is less than the base amount for that local agency, shall have its total fiscal year allocations from the Public Safety Augmentation Fund reduced by the difference between those amounts.

The bill further defines the "local financial resources" to include local general fund appropriations for operational expenses and allocations from the Public Safety Augmentation Fund (Proposition 172 funds). Grant funds, asset forfeiture funds, capital expenditures, one-time expenditures, and contract service revenues are excluded. The bill also established the "base year" as the 1992-93 fiscal year.

Maintenance of Effort Uniform Guidelines

In February 1995 the County Accounting Standards and Procedures Committee of the State Association of County Auditors published guidelines related to Proposition 172 entitled *Public Safety Services Maintenance of Effort Requirement Uniform Guidelines for California Counties and Cities.* These guidelines further clarify that local financial resources are to include both local general fund appropriations and allocations from the Public Safety Augmentation Fund generated as a result of Proposition 172.

The County is required to calculate and report on its compliance with AB2788 Maintenance of Effort requirements concerning the use of Proposition 172 revenues.

For FY 2001-02, the County not only met the Maintenance-of-Effort requirement, it provided $297.1 million more, or over, what is required.

Funding of the LASD

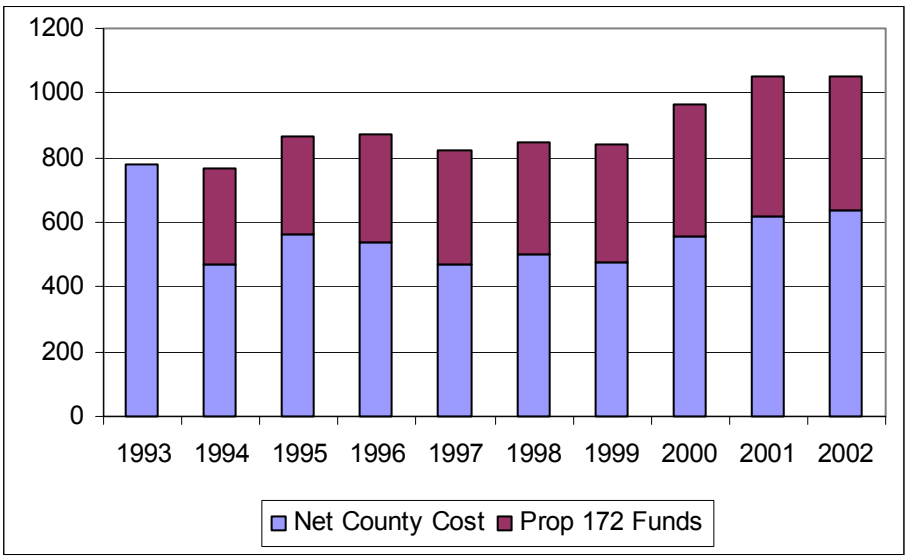
The following exhibit shows both the Net County cost, or general fund appropriation, and the Proposition 172 funding allocated to the LASD since FY 1992-93. As this exhibit shows, Net County Cost, or general fund appropriations, to the Department have declined substantially. However, when net county cost and Proposition 172 allocations are added together, the total level of funding of the Department has increased substantially.

It is important to note that maintenance of effort guidelines as defined by the State Association of County Auditors and the County Accounting Standards and Procedures Committee apply to the allocation of Proposition 172 funds to all public safety agencies in total, not just those of the Sheriff. However, if these standards were applied to the Sheriff's allocation alone, the standard would be met.

LASD FUNDING

Net County Cost and Proposition 172 Funds

(FY1992-93 to FY 2001-02) In Millions



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Net County Cost	780.2	470.8	561.3	537.6	471.7	498.1	476.1	555.1	619.2	635.5
Prop 172 Funds		297.0	304.9	333.7	352.2	351.7	364.9	411.5	434.7	414.8
Total	780.2	767.8	866.2	871.3	823.9	849.8	841.0	966.6	1053.9	1050.3

Sources: FY 1992-93 through FY 1996-97 - Los Angeles County Auditor-Controller Accounting Division
FY 1997-98 through FY 2001-02 – Actual Amounts Reported in Adopted Budget Documents

Comparison of Funding Levels of Other Sheriff Departments

We compared the level of general fund appropriation (net county cost) and Proposition 172 funding for other county sheriff departments. We found that counties have

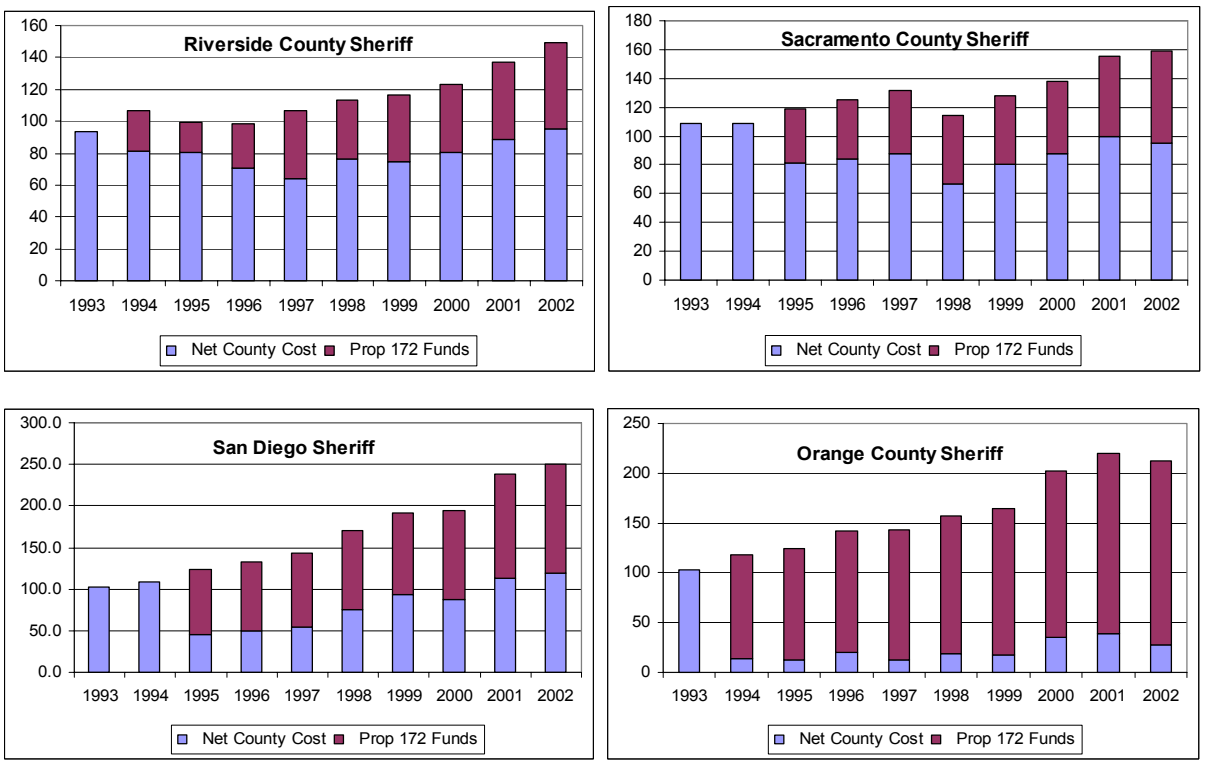
consistently interpreted and implemented the laws and guidelines related to Proposition 172.

Each county substantially reduced the level of net county cost in the first year that Proposition 172 funds were allocated to the sheriff's department. Each county also provided a level of combined funding (net county cost plus allocated Proposition 172 funds) in excess of the FY 1992-93 funding for the sheriff's department. The following exhibit shows the level of funding for those counties we were able to obtain information from.

COMPARISON OF COUNTY SHERIFF DEPARTMENT

Net County Cost and Proposition 172 Funds

(FY1992-93 to FY 2001-02) In Millions



Source: Survey of California County Sheriff Departments, May 2003

It is our conclusion that Los Angeles County is funding the Sheriff's Department in a manner consistent with existing guidelines and common practice relative to Proposition 172.

However, the consistency of existing guidelines and common practice with the Constitutional amendment has not been subjected to a legal test. The California Attorney General issued a legal opinion regarding Proposition 172 on April 1, 2003. The opinion regarded the allocation of Proposition 172 funds among public safety agencies. The following is the conclusion stated in the opinion:

Accordingly, we conclude that a county board of supervisors has the discretion, in each fiscal year, to change the allocation of Proposition 172 funds among otherwise eligible public safety service agencies, including an allocation to an otherwise eligible public safety service agency that did not receive an allocation in a prior year.

While this conclusion is clear, the opinion includes narrative that appears to contradict existing guidelines and common practice. Specifically, the opinion states:

Section 30056, in effect, prohibits a city or county from spending less of its own "financial resources" on "all combined public safety services" in any given year when compared to what it spent during the 1992-93 fiscal year. In other words, a city or county may not reduce its own sources of funding for public safety services as a consequence of receiving Proposition 172 sales tax revenues. If the spending of non-Proposition 172 moneys is reduced, the allocation of Proposition 172 funds will be reduced by an equal amount. The Legislature has made it clear in section 30056 that Proposition 172 funds are to be used to supplement local funds, not take the place of them.

The Deputy Attorney General responsible for the Opinion indicated the opinion was not meant to contradict existing guidelines and practice, although the language appeared to do so. This illustrates the ongoing questions regarding whether Proposition 172 was meant to supplement public safety funding, or only to protect existing public safety funding. A definitive answer may need to be provided by the Courts.

BUDGET COMPLIANCE MONITORING METHODS

As previously discussed, monitoring compliance with the adopted budget on a regular basis is key to making the budget an effective management and cost control tool. This monitoring should occur on a monthly basis if possible, but at minimum on a quarterly basis. Without such monitoring, budget over spending is likely, with little chance of identifying and taking corrective action before it is too late.

Finding 16: The LASD Financial Programs Bureau provides basic budget compliance monitoring, but does not analyze and determine causes of substantial variances from budgeted levels, nor develop corrective actions to bring expenditures into compliance.

The LASD's budget is monitored for compliance by both the Department's Financial Programs Bureau and by budget personnel within each of the Department's divisions. Each of these compliance monitoring approaches are discussed in the following sections.

Financial Programs Bureau Compliance Monitoring

The Department's Financial Programs Bureau develops three internal budget monitoring documents monthly as well as a monthly budget status report to the CAO. Each of these reports is described in the following sections.

Salaries and Employee Benefits Analysis

This financial report presents financial information on each of the major categories of salary and employee benefit expenses. For each major category financial information is provided including the prior years actual expenditures, the current years budget, the budget for the current period or month, the year-to-date expended, a projection of total year expenditures, and the variance from the budget.

The report contains financial information only. It does not provide any explanation for substantial variances from budgeted levels, nor does it provide any indication of potential or planned corrective actions to bring budget variances into compliance.

Anticipated Closing Report

This financial report is very similar to the previous report, focused on all the budget line items for the Department – salaries and employee benefits, overtime, services and supplies, other charges, fixed assets equipment, and other financing uses. It also includes each of the Department's revenue categories. For each major category, financial information is provided, including the prior years actual expenditures, the current years adopted budget, the current estimate to close, and the estimated variance from the adopted budget.

As with the Salaries and Employee Benefits Analysis, this report contains financial information only. It does not provide any explanation for substantial variances from budgeted levels, nor does it provide any indication of potential or planned corrective action to bring budget variances into compliance.

Overtime Analysis

The overtime analysis shows actual overtime expenditures for completed months, and estimated overtime expenditures for the remaining months of the fiscal year. The report does not provide explanations of how estimated expenditures will be achieved.

Monthly Budget Status Report

The Department also completed and submitted to the Chief Administrative Office (CAO) the monthly budget status report. This report, using the form defined by the CAO, provided budget and actual expenditure information by line item for the Sheriff's Department overall, as well as for each of the Department's budget units. It did not

provide any explanation for substantial variances from budgeted levels, nor did it provide any indication of potential or planned corrective action to bring budget variances into compliance.

Recommendation 10: The LASD Financial Programs Bureau should conduct analysis of monthly expenditures compared to budgeted amounts including explanations of substantial variances from budgeted levels, as well as potential or planned corrective actions to bring expenditures into compliance.

Position Control

Salary and employee benefit expenditures are the largest portion of the Sheriff's Department's budget. A key tool for controlling these expenditures is to control the number, type, and distribution of personnel within the Department. This is accomplished through position or item control, ensuring that personnel are actually working in the place they are budgeted and funded.

This is also important to ensure expenditure information accurately reflects the level of resources expended in each budget unit or division of the Department. For example, a position may be budgeted in the Patrol budget unit. However, the person filling that position may be assigned to the Court Services budget unit. The reverse could also be true.

In an organization as large as the LASD, personnel are continuously being transferred or moved from one unit of the organization to another. It is essential that there be a periodic reconciliation of the planned and actual number, type, and distribution of personnel.

Current Financial Program Bureau staff informed us that, prior to their assignment to the Bureau, such a reconciliation had not been completed for the past five years. Bureau staffs have been working for several months to complete a position or item reconciliation. As of January 2003, the Bureau staff had identified 702 filled positions where the budgeted and funded position did not match where the person filling that position was actually assigned.

Bureau staffs have continued to work to resolve position control issues, reestablish position control approval of personnel transactions.

Budget Compliance Monitoring Within Department Divisions

Each of the Department's divisions has at least one budget analyst. A key responsibility of these budget analysts is to monitor and control that division's expenditures consistent with the budget. This budget monitoring is currently limited to overtime and "controllable" elements of service and supplies expenditures. Division budget analysts report they have no real control over other expenditures, and monitoring budget

compliance in these areas is the responsibility of the Financial Programs Bureau. The following sections describe how divisions monitor overtime and controllable services and supplies expenditures.

Division Overtime Monitoring

The budget analysts within each of the Department's divisions currently have fairly rigorous methods of monitoring and controlling overtime. Each has established processes for obtaining approval for overtime. Detailed reports on overtime usage, as frequently as weekly, are prepared and presented to division management. These reports include information on the type of overtime by facility, station, or bureau. Some reports identify how overtime hours have been saved.

Division Services and Supplies Expenditure Monitoring

Division budget analysts also monitor and exert substantial control over "controllable" services and supplies expenditures. Most purchases require the specific approval of the budget analyst, who ensure the purchase is within the current budget and funds are available.

Financial Information to Support Budget Monitoring

Both Financial Programs Bureau staff and division budget representative have expressed concern and frustration with the availability and quality of financial information to support budget monitoring. The following were concerns expressed regarding financial information.

Budget Units - The County's financial reporting system (CAPS) is the authoritative source of financial information for the Department and County. The current structure of CAPS is based on the six current budget units of the Department. As discussed in a previous section of this report, these budget units are not consistent with the Department's eleven key organizational units or divisions. Some of the divisions are split into two budget units, and one budget unit contains four of the Department's divisions. Converting financial information from budget units to divisions is time consuming and subject to error.

Department Financial Systems - The Department has established its own financial reporting systems, which are often used to monitor expenditures. These systems often do not agree with the County system.

Access to Financial Information – Many of the Department's divisional budget representatives do not have access to the County's financial reporting system (CAPS).

Delays in Posting Transactions – Both County and Department systems can cause inaccuracies in financial information and reporting. There have been situations where

funds have been spent more than once because financial systems showed funds were still available when they had in fact been spent but not posted. There have also been situations where a division budget analyst or management thought the division would end the year under budget, and instead went over budget after all transactions and adjustments were posted.

The Sheriff's Department has suggested a new financial management and reporting be developed that would provide more accurate and timely information. Resource constraints have delayed progress on development of such a system.

Recommendation 11: The LASD, the Auditor-Controller, and the Chief Administrative Office (CAO) should work together to develop and implement a new financial management and reporting system to provide more accurate and timely financial information.

CHAPTER 3 - REVIEW OF CONTRACT CITY BILLING MODEL

The LASD provides law enforcement services by contract to 41 cities within Los Angeles County. The services include all aspects of a complete functioning police department for the contracting city. The estimated revenue for FY02-03 for contract cities is $173.8 million (17.6%) of total LASD estimated revenue for FY02-03 of $987.1 million.

The LASD utilizes a "consolidated station" approach in developing contract law enforcement service rates. These rates, developed annually by the Los Angeles County Auditor-Controller, are based on a Los Angeles County Board of Supervisor approved methodology adopted from a cost study performed by Booz-Allen, Hamilton (BAH) circa 1972 and funded by the contract cities.

The consolidated station approach accumulates all applicable direct and indirect costs related to law enforcement patrol services, and then allocates these costs by the number of service units or deputies. Contract cities are charged a per service unit cost resulting from the allocation of these overall costs.

California Government Code Section 51350 states "that all costs considered to be "countywide" in nature shall not be charged, either as a direct or indirect cost to cities contracting for a particular service". The LASD considers countywide costs to be costs related to services that are available to all residents of the County regardless of whether the resident resides in an unincorporated area, a contract city, or an independent city. These costs deemed to be countywide in nature are generally excluded from the cost model and are not charged to the contract cities. Examples would be the County jails, specialized investigative functions, and executive office costs.

Other excluded costs are those the Board of Supervisors has identified for exclusion for the purpose of compliance with Government Code 51350. These costs are administrative in nature and consist of functions that would exist regardless of whether LASD's contract law enforcement program existed or not. In general, this means the exclusion of administrative costs above the level of patrol station administration.

The objectives of our review of the Sheriff's contract city billing model were to identify the type of costs excluded from the contract city billing model, compare the contract city billing model's excluded costs to the billing model for other Sheriff contract entities, obtain stakeholder perspectives on the contract city model and billing practices, and compare the contract city billing model to a sample of other State, county or city law enforcement agencies.

Generally, the following procedures were used to review the contract city billing model:

- We obtained and reviewed the following information: 1) LASD Law Enforcement Contractual Costs (LECC) model, 2) California Government Code Section 51350, 3) Countywide Cost Allocation Plan FY 2002-03, 4) L.A. County Auditor reports regarding contract billings, and 5) Booz-Allen & Hamilton report on contract city billings, dated 1972.

- We met with County Auditor-Controller and Sheriff officials to ascertain and document the basis and rationale for costs excluded from contract city billings.

- We developed an interview questionnaire and randomly selected contract cities from the survey population of 41 contract cities and the Association of Contract Cities. Phone interviews were completed with 20 of the 41 contract cities and with the Association of Contract Cities.

- We identified California law enforcement agencies that provide law enforcement to clients by contract. The law enforcement agencies surveyed were: Santa Clara County Office of the Sheriff, Contra Costa County Sheriff, Riverside County Sheriff, Sacramento County Sheriff, San Bernardino County Sheriff, San Diego County Sheriff and the Orange County Sheriff's Department. We obtained cost models where possible and surveyed the specific cost categories excluded from each county.

Finding 1: The LASD contract city model contains two main categories of excluded costs: Direct Administrative Support Costs and General County Overhead Costs. We found both categories of exclusions to be adequately supported.

Below we describe these excluded costs:

Administrative Support Costs - Direct administrative costs excluded from contract city billings are based on Government Code 51350 and Board policy. The LECC cost model breaks down administrative costs by organizational units. Organizational units that contain countywide costs are identified, segregated and excluded from the costs charged to contract cities.

Costs excluded under the Executive Office of the Sheriff's Department are primarily based on Government Code 51350. All other exclusions appear to be based on Los Angeles County Board of Supervisor policy decisions that were influenced by Government Code 51350 and other contributory factors. (See Appendix E)

General County Overhead Exclusions - Indirect costs that are allocated to the contract cities are derived from the County of Los Angeles Countywide Cost Allocation Plan (CCAP), which is issued on an annual basis. Only costs that are applicable to

contract cities and are deemed not to be countywide are used in the general overhead pool and allocated to the contract cities. The remaining costs are excluded. Schedule 2 shows how these costs have been adjusted to exclude countywide and other excludable costs for the purposes of compliance with Government Code 51350. (See Appendix F)

Finding 2: We found that annual deputy sheriff costs for contract cities are on average $7,328 lower than annual deputy sheriff costs for other contract clients we reviewed. The annual cost per a LECC deputy generalist is $105,347. The annual cost per deputy generalist for other contract clients are as follows: MTA - $116,139, Community Colleges - $109,107, and Metrolink - $112,780. The lower cost for contract cities is attributed to the exclusions, discussed above, which are not applicable to the other contract clients.

Table 1- Comparison of Annual Deputy Sheriff Rates

ALLOCATED COSTS	LECC DEPUTY	MTA DEPUTY	COMM. COLLEGE DEPUTY	METROLINK DEPUTY
Salary, Wages, Cost	$ 64,176	$ 64,176	$ 64,176	$ 64,188
Overtime, benefits and S&S	34,722	36,576	30,264	27,186
Patrol Overhead	0	0	0	2,101
Bureau Overhead	0	0	3,707	0
General County Overhead	931	515	515	944
Support Costs	5,518	14,872	10,445	18,361
Total Annual Cost/Deputy	**$ 105,347**	**$ 116,139**	**$ 109,107**	**$ 112,780**

As shown in Table 1, the exclusions are primarily related to Support costs. Support costs are administration costs incurred by the LASD and charged to contract clients. Most of these costs are deemed to be countywide and are thereby excluded from the contract cities. Other contract clients are charged countywide Support costs as deemed applicable.

Finding 3: In general, the majority of responses by contract cities to our inquiries regarding the LASD's billing practices were positive.

Many cities responded that they believed the LASD billing practices were fair and that they were satisfied with the LASD contract arrangement. On the other hand, some contract cities voiced dissatisfaction with the complexity and inflexibility of the cost model used by the LASD. Below we summarize the positive and negative comments received.

LASD Cost Model – Summary of General Comments

Positive Comments:

DESCRIPTION	NUMBER OF COMMENTS	% OF COMMENTS
LASD is still a bargain over establishing City's own police department. Cost Effective.	5	29.41 %
LASD contracting helps small cities access the economies of scale of larger city police departments.	1	5.88
Cost model is equitable; deputies are charged the same rate for each city.	2	11.76
Cost model is fair. Satisfied with LASD's billing.	9	52.94
TOTAL	17	100.00 %

Negative Comments:

DESCRIPTION	NUMBER OF COMMENTS	% OF COMMENTS
Cost model is too complicated. Very difficult to clearly trace costs, and compare to other options.	4	57.14 %
Complexity of cost model makes explaining costs to public very difficult.	1	14.29
Cost model is inflexible. Hard to understand, work with.	2	28.57
TOTAL	7	100.00 %

LASD Pricing

We also inquired about the amounts charged to contract cities for law enforcement services. Respondents were asked if they believe LASD prices were reasonable or excessive. The majority (71.43%) of the respondents believe that the prices charged by the LASD were reasonable. Approximately 14.29% of the respondents believe the prices to be excessive. Some contract cities did not comment on pricing because they indicated there was no method of comparing alternatives to the LASD, other than creating their own police force.

Comments:

DESCRIPTION	NUMBER OF COMMENTS	% OF COMMENTS
LASD contract city pricing seems reasonable.	15	71.43 %
LASD contract city pricing is too high.	3	14.29
No opinion	3	14.29
TOTAL	21	100.00 %

LASD Billing Practices

Lastly, we asked the respondents to comment on LASD's billing practices. Our questions were open ended and focused on LASD billings the cities received. The majority of the responses were positive. Some cities noted improvements with LASD billing practices over the past few years. Negative comments focused on the complexity of the billing documents received.

DESCRIPTION	NUMBER OF COMMENTS	% OF COMMENTS
Positive Comments:		
Generally satisfied with LASD billing procedures.	9	42.86 %
Occasional errors are dealt with quickly and efficiently. Problems solved quickly.	2	9.52
Billing has improved over the last 2 years	4	19.05
Negative Comments:		
LASD is a huge bureaucracy. Not responsive.	1	4.76
Costs need to be explained more thoroughly. Bills for special events are often late.	2	9.52
Billing should be simplified. Difficult to read and understand.	3	14.29
TOTAL	21	100.00 %

Finding 4: Our county comparison of the Sheriff's contract city billing model with other law enforcement agencies found that each county tailored its cost plan to best fit the needs of its client cities.

Riverside, Santa Clara, San Bernardino, San Diego and Orange Counties follow an approach based on standardized rates developed by pooling applicable direct and indirect costs and then excluding countywide costs. This pricing approach is similar to that adopted by LASD. Three counties replied to our cost exclusion survey: Orange County, San Diego, and Santa Clara. Of the three counties that replied, we found that the exclusions from Orange and San Diego Counties are similar to those excluded from the LASD. Santa Clara County excluded far fewer cost categories than the LASD. The survey results indicate that the interpretation of Government Code 51350 and the resultant countywide exclusions vary from county to county. (See Appendix G)

Contra Costa differs from the LASD contract city pricing model in that it only charges direct costs. Sacramento is different from all the others in that it does not appear to exclude countywide and other administrative costs from its billing model.

Below we summarize the details of each county's billing model:

Santa Clara County Office of the Sheriff

Santa Clara County calculates an hourly rate, which includes salary and benefits and overhead costs from certain divisions such as Fiscal, Personnel and Training, Records, Detectives and Data Management whose services benefit contract cities. Overhead costs include services and supplies costs and costs for services provided by Controller's Office, Office of Budget and Analysis, County Counsel, Purchasing Department, Personnel and Labor Relations, Information Services Department. These amounts are obtained from the County's cost plan. Also included in the hourly rate are communication costs for dispatching services and patrol car costs. The hourly rate is then multiplied by the number of hours spent on law enforcement services for each contract city to arrive at the total costs to be charged. The hourly rate is calculated for a deputy sheriff and sergeant only. LASD on the other hand compiles all applicable annual direct and indirect costs for four service units (Deputy Sheriff, Deputy Sheriff Bonus 1, Sergeant and Parking Control Officer). The costs include those for

Lieutenants, Captains, Clerical/Administration, Service and Supplies and other Support costs.

Exclusions

Santa Clara County does not charge County general administration costs. These costs include Sheriff administration, Headquarters Patrol, Warrants, Internal Affairs, Civil, and Court Security Division' costs to contract cities. The County also does not charge certain cost plan amounts such as Dispatch Services (contract city amounts are directly billed), County Executive Office costs, and Capital Projects. Although Santa Clara excludes fewer cost categories than the LASD. Their approach is consistent with the LASD methodology.

Sacramento County Sheriff's Department

Sacramento County utilizes fund centers to accumulate costs and determine charges to the contract cities. Each contract city has its own fund center. Both direct and indirect costs are charged to these fund centers. Fund center costs are comprised of three categories of costs: Actual Object Costs, Allocated Service Costs, and Support Service Costs.

Actual Object Costs include the direct, object costs for assigned personnel, services and supplies used. Allocated Service Costs refer to costs charged based on the pro rata allocation of services. These costs generally relate to specific department-wide support items. The Allocated Services include: Department wide (undistributed costs), liability insurance costs, staff services (pre-employment, fair employment, and employee relations), communications bureau, administrative division, GS radio system charges, training division, patrol training, and information services bureau.

Support Service costs is billed for particular services on as needed basis. These costs generally relate to specific law enforcement functions. The charges are based on the appropriate, measurable unit of issue, e.g. hours, reports, permits, etc. The costs include: Staff services (internal affairs), special investigations bureau, records bureau, crime scene investigation, property warehouse, specialized investigative services, narcotics/gangs services, critical incident negotiation team, special enforcement detail, canine, hazardous materials detail, explosive ordinance detail, alarm ordinance, parking enforcement, towing enforcement, air operations, word processing, court liaison, arrestee transportation services, and booking costs.

This approach is similar to that of LASD in that both cost models include direct and indirect costs.

Exclusions

Sacramento does not appear to exclude any costs from costs charged to contract cities. This is inconsistent with the Government Code 51350. LASD complies with Government Code 51350 and excludes administrative costs above the level of patrol station administration and any other costs deemed "Countywide" by the Board of Supervisors.

Contra Costa County Sheriff

Contra Costa County charges only direct costs to contract cities. Direct costs include salaries & benefits, vehicle costs, city requested training, non-routine services, supplies and equipment. In comparison, the LASD charges the appropriate portion of indirect and support costs associated with the provision of law enforcement patrol services.

Exclusions

While Contra Costa County excludes all routine services and supplies overhead from costs charged to the contract cities, LASD excludes countywide costs above the level of patrol administration, as required by Government Code 51350.

Riverside County Sheriff's Department

Riverside County Sheriff Department utilizes a rate per hour charge. To develop this rate, the total cost of salaries and benefits for all Deputies, Investigators, Sergeants, Lieutenants and Classified personnel providing direct and indirect support to the patrol function are calculated. This cost is combined with service and supply costs and the resulting total cost is divided by the total productive hours for all patrol deputies to achieve a Deputy cost per hour of service. The cost formula provides basic patrol, support and supervision to a contract agency. The agency may elect to add additional positions such as fully dedicated Lieutenants, Sergeants, Deputies or Classified support positions. These "dedicated" positions are charged a per hour rate that recovers full salary and benefit costs plus associated support and service/supply cost for each positions. Along with the hourly service rate, the county charges a per mile rate for all vehicles used and a proportional cost for facilities covering rents, leases, depreciation, maintenance and utilities.

Exclusions

As defined in Government Code 51350, certain services provided under contract by the Sheriff are considered "Baseline" and are provided to contracting Cities at no additional cost. These services include: Sheriff and his Executive Staff, Captain assigned as Station Commander/Chief of Police, Emergency Services Team, Special Investigations Bureau, County Canine Program, Aviation Program, Forensics Function, General overhead.

The Riverside approach is very similar to the LASD model. It is also consistent with Government Code 51350.

San Diego County Sheriff's Department

The contract price is based on a "pooled cost concept" where all applicable costs incurred by the Sheriff are pooled and applied to each city through a "unit cost" allocation system. The "unit" is a departmental patrol or traffic unit for the entire department (cities and unincorporated units) allowing for the development of a percentage for allocation of certain costs. Only those costs that are in keeping with Government Code 51350 are included in the development of the city unit rates.

San Diego County develops rates for varying categories of units. They include 7 days with relief units, 5 days with relief and 5 days without relief units for Patrol (regular unit or 4x4) and Traffic (regular and motorcycle). In addition, they develop costs for Special Purpose Officers who may be DARE deputies, School Resource Officers, Gang and Drug Details, etc.

A relief factor is revisited each year and used to determine the number of staff required to man a 24-hour position. All absences are captured and analyzed based on the shift. Once the cost of the unit is known, the "beat factor" or the time within the city for the previous year is used to determine the amount to be billed to the city per the contract.

Exclusions

In accordance with Government Code 51350, certain overhead, indirect and direct costs are excluded from contract city rates. All general County overhead costs such as Board of Supervisors, Chief Administrative Officer, etc. are excluded from the development of costs. Additionally, department overheads (Sheriff, Undersheriff, Assistant Sheriff) and their staff are excluded. Additionally, all costs that exist and are not billed to other agencies such as Aerial Support, SWAT, Crime Lab, Criminal Intelligence, etc. are also excluded from contract city billings. A unit is brought online at a specific cost level, but the cities only pay for the time that the unit is on its beat. The Department absorbs all costs that fall outside the "beat factor".

The San Diego County approach is also very similar to the LASD. Both counties use a "pooled cost concept" and exclude costs according to Government Code 51350. The categories of units used for allocation of costs under each approach differ.

San Bernardino County Sheriff's Department

The San Bernardino County Sheriff's Department formulates standardized costs for personnel, equipment, vehicles, etc. for contract law enforcement. These rates are calculated annually to reflect any changes resulting from salary negotiations, fuel and maintenance costs, service and supply costs, etc. The level of service provided to each

city is unique, depending upon the city's needs. The level of service varies based upon many factors including: population, demographics, calls for service, crime rates, city's priorities, etc. Once the level of service is established, the city's costs are determined based upon the standardized rates. This establishes the base contract amount, which is billed monthly in twelve equal installments. In addition, contract cities are billed quarterly for overtime and any services and supplies above the contract formula. The quarterly invoice also includes personnel credit for position vacancies.

Exclusions

The San Bernardino County Sheriff's Department provides a number of services at no cost to cities (both contract and non-contract cities). These services include: aerial support, crime lab, criminal polygraph examinations, and specialized investigation services: such as narcotics, homicide, arson/bomb, crimes against children, etc.

Exclusions appear to be countywide and in agreement with Government Code 51350 and the LASD approach. However, the list of exclusions is not as comprehensive as the LASD.

Orange County Sheriff's Department

Orange County utilizes a "full cost recovery" approach to contract city billing. Costs allocated include direct and indirect costs. Costs are analyzed and billed on a line item individual basis. Items such as Salaries and Employee Benefits are based on budgeted amounts and are applied equally to all contract cities, other costs such as Services and Supplies are based on the City's prior calendar year actual expenditures. This methodology was developed by a special law enforcement contract subcommittee, which included City Managers and County Executive Managers.

Exclusions

Orange County excludes costs pursuant to Government Code Section 51350. These costs include the following: Cliff Rescue Team, Coroner, Gang Enforcement Team, Community Feedback Program, Crime Prevention, Custody Facilities, Dive Team, Explorers, Forensic Science Services, Fraud/Checks Detail, Fugitive Warrant Service, Hazardous Device Squad, Helicopter Response, Homicide Investigation, Hostage Negotiations, Intelligence, Mounted Patrol, Narcotics Investigation, Public Speaking, Prisoner Transportation, Central Records, Recruit Training, Reserve Forces, Sex Crimes/Child Abuse Detail, Tactical Support Team, Vice Enforcement. Although these costs are excluded from the general contract city cost plan, a city could choose to contract for an increased level of the above services at additional cost.

The Orange County "full cost recovery" approach and the amounts excluded from their cost model are consistent with the LASD "consolidated station" approach. Both include direct and indirect costs in its billing and exclude costs on the basis of Government

Code 51350. The Orange County cost plan differs in that it does not include all costs towards a standardized rate per deputy. Elements of costs, such as Salary and Benefits are standardized, but other elements of the City's billing, such as Services and Supplies are based on the City's prior year actual costs. The LASD cost model develops a standardized rate per deputy that is comprised of all applicable costs. These rates are allocated equally to all contract cities per the deputy rate.

CHAPTER 4 – REVIEW OF THE CAO BUDGET PROCESS

This section of the report contains the study team's findings and recommendations regarding the CAO budget methods and practices as it relates to the Sheriff's budget.

The CAO is responsible for preparing budget and operational recommendations to the Board of Supervisors (Board) and for monitoring countywide expenditures and revenues. This responsibility is balanced by the role of departments to prioritize and implement programs and services within countywide budgetary limitations. This balance is especially fragile where elected officials who manage departments have the additional mandate of serving their constituency.

Generally the following procedures were used to assess the CAO's budget process:

- Reviewed background materials by the CAO, the Sheriff, the Auditor-Controller and the District Attorney. The materials included historical budget data, past and current budget instructions, financial reporting documents, applicable County policies and procedures, prior audit reports relating to the Sheriff and CAO budget process, and memoranda addressing budget issues between the CAO and the Sheriff.
- Interviewed CAO Budget staff concerning the existing budget process, historical budget issues related to the Sheriff and recent changes made to the budget process. Also interviewed representatives from the Auditor-Controller's Office, the Sheriff's Department, the District Attorney's Office and other County departments to discuss issues ranging from budget adjustment policy to salary savings.
- Conducted a peer review of the budget methods and practices being utilized by other local counties. The purpose of the interviews was to review and evaluate how those counties budget for and fund law enforcement services. The study team met with administrative, budget and/or sheriff representatives from San Diego, Orange and San Bernardino Counties.
- Prepared findings and recommendations relating to the CAO budget process.

Overview of the CAO Budget Process

The County's budget process begins in the fall prior to the subsequent July 1 fiscal year start date. The CAO drafts and distributes departmental budget instructions to all departments and agencies. The budget instructions provide comprehensive directions to departments regarding the financial, narrative and position requirements for budget submissions, including:

- CAO revenue and expenditure projections and any required methodologies for developing specific components

- Narrative submission requirements, including development and reporting of performance measures and data
- Position and classification instructions per the Department of Human Resources (DHR) instructions, submission requirements in regards to technology funding per the Chief Information Officer (CIO) and specific instructions related to the "Children's Budget"

During the period of budget development, the CAO, DHR and CIO conducted joint budget training sessions for departments and highlighted major changes to the budget requirements and budget forms, as well as review ongoing requirements.

The CAO is also responsible for developing a multi-year forecast detailing revenue and expenditure assumptions over a three-year period. The forecast addresses general purpose (e.g., Vehicle License Fees, property taxes, sales tax, etc.) and specific purpose (e.g., Realignment, Prop 172, etc.) County funding sources in addition to expenditure changes related to Board orders, caseloads, program changes, and other key factors. This forecast provides the framework for setting initial budgetary priorities. Individual departments are responsible for developing departmental revenue estimates, i.e. for grant funding and fee reimbursements.

The CAO may provide departments with a "target" budget. This budget represents an estimate of total funding based on the department's prior year budget and any required adjustments. Unless related to a forecasted program change, the "target" budget does not include increases/decreases for the following categories of expenses:

(1) Budgeted positions

(2) Services and supplies

(3) Previously unapproved fixed assets

(4) Workers' compensation, retiree health benefits and long term disability programs

Departments may also submit a list of "critical needs" they deem as a priority to be funded as increases to the base budget. Departments are responsible for providing a detailed narrative of any changes to the prior year budget and the impact of such a change on service delivery and the monetary impact of the change.

During January to February of each year, each department is required to submit their budget request to the CAO for review and analysis. CAO analysts, along with the departmental staff, resolve various areas of the request and identify outstanding issues that may be discussed during the hearing between the CAO and the Department Head. These outstanding issues may include critical needs identified by the department. The departmental hearings with the CAO are generally held during February and March.

The approved changes to the budget are incorporated in the Proposed Budget for submission to the Board in April. Public hearings on the Proposed Budget are scheduled in May and the Board deliberates and adopts the budget in June. In September, after the fiscal year closes and the fund balance is determined, supplemental budget changes may be recommended for Board approval prior to the issuance of the County's Final Budget.

During the fiscal year, the departments and the CAO are responsible for monitoring and managing the budget. Departments are required, at a minimum, to submit a 5th month, 9th month and an 11th month budget status report to compare to the adopted budget and the latest adjusted budget. Adjustments to the budget can be accomplished with CAO approval if the adjustments are less than $250,000 per quarter and are within a budget unit. The Board delegated this authority to the CAO. All other adjustments require Board approval.

Peer Review Results

The study team conducted a peer review of the budget methods and practices being utilized by a sampling of local counties. The study team met with representatives from San Diego, Orange and San Bernardino Counties. The peer survey sought to obtain an overview of how other counties budget for and fund law enforcement services as well as identify best practices within those counties. Aspects of these findings have been incorporated within the recommendations of this report. The following is a summary of the peer review results.

County of San Diego

San Diego County is organized into 5 business groups, with no centralized budget office. Each business group has a Finance Director responsible for the financial oversight and monitoring of their departments. As an example, the Public Safety group consists of ten departments including Sheriff, the District Attorney, Probation and others. The Finance Director is responsible for overseeing the budgetary and fiscal priorities within their respective business group and serves as the de facto "budget analyst" for all departments within their business group. The Finance Director reports to the County's Chief Financial Officer who is responsible for overall budget coordination. San Diego County prepares a two-year budget and a five-year financial forecast.

The organization into business groups provides departments wide latitude in the development and management of their budget. The Finance Director evaluates departmental budget submittals by performing a high level review of each department's ability to provide services within the budgetary authority requested. More detailed analysis is the responsibility of the department. As an example, San Diego County does not adjust a department's S&EB budget with a salary savings or vacancy factor, but rather the department's are responsible for managing their S&EB budget to the bottom line. As an incentive for sound fiscal management, departmental staff may earn financial bonuses for under-spending their budgetary authority. San Diego County currently does not operate under a hiring or promotional freeze.

As discussed more fully below, San Diego County provides its public safety departments incentives for managing their Proposition 172 funding. Excess Proposition 172 funds (any surplus funds in excess of those forecasted in the budget) are set aside in a reserve account to be used by the recipient departments for one-time expenditures. The approach taken by San Diego provides a built-in capital reserve account that benefits the recipient departments.

County of Orange

Orange County's budget process is organized similarly to Los Angeles County. The Chief Executive Officer is responsible for centrally developing the overall County budget. Budget analysts are assigned to departments and these departments are then grouped by category (e.g., Public Safety).

Each department prepares a baseline budget, which is submitted to the CEO for review and evaluation. Linked with the budget process, departments are required to submit bi-annual business plans detailing their operational goals and priorities and providing a summary of their key outcome and performance measures. These business plans are designed to be an integral part of the budget process. Budget analysts are responsible for evaluating reported performance measurement data and operational strategies and comparing those to the annual budget submittals. These business plans are also provided to the Board as part of the budget process and are intended to be a key factor in making resource allocations.

Similar to San Diego County, Orange County manages its Proposition 172 funding to provide an incentive to recipient departments to contain their overall expenditures. Recipient departments' expenditures are credited against Proposition 172 funds only after all other budgeted revenue sources have been exhausted. Any fund balance at the end of the fiscal year is transferred to a Proposition 172 reserve account for use by the recipient department. The Sheriff in Orange County is able to use this reserve account to offset revenue shortfalls in under-performing fiscal years or as a funding source for capital or other one- time projects.

County of San Bernardino

In San Bernardino County, the Chief Administrative Office is responsible for developing the County financial plan for all general fund departments. The budget department is organized into five units with a budget analyst assigned to each department within the unit. As an example, the Law & Justice Group consists of six departments including the Sheriff, District Attorney and Probation.

San Bernardino has adopted a baseline budget approach. Departments prepare a budget based on their prior year's budget with adjustments made for negotiated salary and benefit costs. Departments may also submit requests for additional funding. This additional funding is categorized as Recommended Program Funded Adjustments and is noted separately within a departmental budget.

The method for appropriating Proposition 172 revenue is similar to the model used by Los Angeles County. San Bernardino is currently operating under a countywide hiring freeze.

Finding 1: The study team found that the CAO fairly applied its Budget Instructions to the Sheriff's Department budget.

Based on interviews with Budget staff, a review of CAO countywide budget instructions, a review of Sheriff's budgets during the audit period, and a review of other supporting

documentation, the study team did not find any inconsistency in the application of the CAO's budget methods and practices as they relate to the Sheriff. The study team focused on the application of objective guidelines (e.g., salary savings calculation, application of the hiring freeze, etc.) as well as the overall budget process.

As will be discussed below, in FY2001/02 the Sheriff significantly overspent its budget. As a result, the CAO was required to take additional steps in an effort to ensure future Sheriff's budgets would not overrun its budgetary authority. For purposes of this study, the study team deemed these additional actions as necessary and appropriate and, therefore, did not consider those actions an "inconsistent" application of its budget methods and practices.

Finding 2: During the study period, the Sheriff's budget did not accurately forecast actual expenditures by appropriation category, nor was the budget amended during the fiscal year to reflect actual expenditures, resulting in significant year end variances.

During the audit period, the Sheriff's budget consistently failed to accurately forecast actual expenditures within the correct appropriation category. The Sheriff's budget significantly understated its S&EB costs while overstating its S&S costs. This variance steadily increased during the audit period as shown below:

Fiscal Year	S&EB Over/(Under) Budget	S&S Over/(Under) Budget
FY1997/98	$ 5,172,370	$ (13,424,702)
FY1998/99	9,454,432	(18,722,881)
FY1999/00	27,844,417	(20,213,833)
FY2000/01	85,251,908	(21,820,602)
FY2001/02	61,515,415	(58,773,635)

In FY2000/01, the Sheriff overspent its budget by $25.3 million. The primary cause of this overage was a significant variance within its S&EB costs (as noted above). The Sheriff agreed to an Expenditure Plan to "repay" the $25.3 million (as well as an additional $20 million resulting from litigation settlement) over the next two fiscal years. The significant overage in FY2000/01 was symptomatic of two weaknesses within the CAO's budget process: First, the Sheriff's proposed budget did not accurately reflect anticipated expenditures within appropriation categories or within the level two budget units. Secondly, during a fiscal year when it became apparent that significant variances would occur, little or no corrective action was taken to amend the budget to reflect the expenditure trends.

Beginning in FY2002/03, the CAO and the Sheriff began a process to realign the Sheriff's budget to more accurately predict expenditures. This effort occurred primarily at the major appropriation category level to correct the variances within S&EB and S&S.

Additionally, the CAO undertook a substantial position reconciliation effort in an attempt to better prepare and analyze the Sheriff's budget.

The CAO is responsible for ensuring that departmental budgets are accurate and reflective of future departmental spending. As part of this responsibility, the CAO sets standards on how the departments should develop and monitor their budget. Regardless of the efforts that the CAO may have taken, the audit results show that there has been a repeated weakness in the budget process to project future Sheriff expenditures, both at the major object level and at the level two budget. Rather than requiring the Sheriff to more accurately reflect S&EB and S&S expenses, it appears that the S&S budget was simply allowed to offset the overages occurring within the S&EB budget.

***Recommendation 1: The CAO should work collaboratively with the Sheriff to ensure that their budget more accurately predicts actual* expenses within the level two budget units (e.g., departmental bureaus, divisions, programs, etc.).**

The CAO and the Sheriff began a process to realign the Sheriff's budget in FY2002/03. The resulting budget corrected the imbalance that occurred within the major categories of S&EB and S&S. The CAO, however, must continue in future budget years to ensure that expenses are properly budgeted in the level two budget units.

As part of this effort, the CAO and the Sheriff must work to eliminate unfunded positions and over-hires in order to better reflect actual staffing levels. As is discussed more fully in Finding 3 below, past budgets have overstated the number of positions the Sheriff's department would financially be able to fill during the course of the fiscal year, resulting in an inaccurate estimate of actual staffing levels.

Recommendation 2: The CAO should continue its efforts to explicitly quantify and highlight the impacts of anticipated expense components of significant growth.

The multi-year forecast provides an effective mechanism to anticipate the County's financial position over the mid-term (three years). The forecast is a multi-year revenue forecast as well as a projection of the cost increases associated with some program changes and personnel costs on the General Fund. The forecast specifically identifies the impact on the General Fund for cost increases. It is provided to the Board annually in March prior to release of the proposed budget.

The Budget and Operations Management Branch of the CAO prepares the annual multi-year budget forecast. This forecast is effective at providing an annual and mid-term context for annual budget deliberations. It is also an essential tool for providing the starting point for budget discussions on a countywide basis. The forecast includes an estimation of the impact of cost increases, which will be included in the baseline budget such as:

- Board orders
- Program changes

- Negotiated Countywide Salaries and Employee Benefits for employees.

Since the 2002/03 forecast, the CAO has quantified the impact of other significant cost increases on the County for other unfunded changes such as retiree health and workers' compensation. It is important to quantify the impact because of: (1) magnitude of the growth in these cost items; (2) need to promote countywide efforts to address these growing expenses; and, (3) understand the impact on department budgets.

CAO efforts to highlight these growing cost items should be commended and continued. While historically the impact of workers' compensation and retiree health benefits has only been included in internal document versions of the multi-year forecast, we recommend that this information be included in the full report presented to the Board for the reasons highlighted above. (It should be noted that the departments are provided with an update of the current status of the workers' compensation as well as a projected cost for the following year every December).

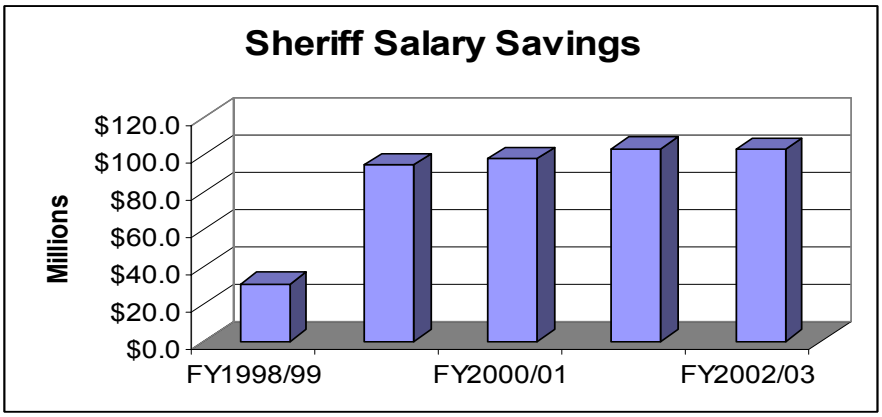
It is our understanding that these additional cost factors will be quantified and highlighted in the FY2003/04 proposed budget and included in the next multi-year forecast. The CAO should continue these efforts and should be recognized for its efforts made to date.

Finding 3: During the audit period, the budgets for the Sheriff and District Attorney overstated the number of positions expected to be filled during the course of the fiscal year. The salary savings component of the budgets were artificially inflated to balance S&EB costs.

Salary savings is intended to capture the cost savings associated with predictable salary adjustments (e.g., step increases) and routine vacancies. In the case of the Sheriff's Department and the District Attorney's Office, salary savings has been artificially increased in order to offset an unfinanced increase in budgeted positions. The result has been that both the Sheriff and the District Attorney held certain positions "permanently" vacant to achieve their salary savings target. [1]

[1] It should be noted that the Sheriff's Department must maintain fixed post positions which, if vacant, must still be covered on an overtime basis and do require some adjustment to salary savings.

Over the past five years, the salary savings component of the Sheriff's S&EB costs has risen dramatically, as shown below.



This salary savings increase occurred at the same time as significant increases in budgeted positions. The CAO and the Sheriff used the large salary savings to offset a portion of the increase in adopted positions, resulting in a larger vacancy rate within the department.

A similar strategy was also employed for the District Attorney's budget. From FY1994/95 through FY2001/02, the District Attorney increased its budgeted positions by 491. During the same period, the District Attorney's salary savings percentage grew from 3% in FY1994/95 to over 13% in FY2002/03. While some of the increased salary savings may have been required to cover additional expenses associated with workers' compensation and other employee benefit programs, the vast increase in the salary savings resulted from the need to offset the large position increase.

As part of developing a department's S&EB budget, the County has adopted a strategy of reducing the gross S&EB budget by a factor equivalent to predicted spending (salary savings). The gross S&EB budget represents the total cost of maintaining the budgeted positions assuming the top step salary for each position, any negotiated pay raises and no vacancies. The salary savings is obtained by reducing the gross S&EB figure by:

- The amount of savings based on a reduction of expenditures for those employees not receiving the top step salary
- The cost of mid year raises from existing positions
- The expected vacancy resulting from attrition, hiring delays or other factors

The salary savings figure is deducted from the gross S&EB costs, resulting in the net budgeted S&EB.

The first two factors of salary savings are objective estimates of the amount saved based on existing payroll data. The final factor, however, represents a projection of the anticipated vacancy factor.

Recommendation 3: The CAO should consider applying a more objective methodology for calculating salary savings for the Sheriff's Department and the District Attorney's Office, and mandate that departments more accurately state budgeted positions they reasonably anticipate filling during the budget year.

As discussed above, the Sheriff and the District Attorney budgets have routinely overestimated the salary savings component in determining S&EB, which has resulted in the Sheriff and the District Attorney maintaining artificially inflated vacancy rates.

The CAO should implement two procedures to ensure that salary savings serves its intended purpose:

- The CAO should require that the vacancy factor element of salary savings be based on historical vacancy data and objective hiring delay factors, and
- The CAO and the departments should identify and eliminate positions that have been historically held vacant to "fund" the inflated salary savings.

This approach serves two purposes. First, it will restore salary savings to its intended purpose, i.e., to predict the amount of unused salaries and benefits associated with salary adjustments and routine vacancies. An objective measure of this savings factor will eliminate the temptation to utilize salary savings in the short term to gain adopted positions in the long term. Second, by eliminating historically vacant positions, departments, the CAO and the Board will have a more accurate picture of the department's actual position needs and utilization.

Finding 4: During the audit period, the CAO used a baseline budget approach in developing departmental budgets. In light of continuing economic instability, this approach may no longer be compatible to address future financial realities.

The CAO requires that departmental budgets be prepared using a baseline budget approach. Departments develop their budget using the prior year budget plus the additional costs associated with programmed expenditures such as negotiated S&EB increases. Additional costs associated with program expansion or service delivery changes must be requested and are considered separately as a "critical need."

Current economic instability at both the federal and State levels is creating significant financial challenges for the County. In addition, some key County revenue sources are slowing down or actually declining. In this environment, it is becoming increasingly difficult to continue to fund programs and services at historical levels without restructuring County expenditures. The baseline budget model currently being used by the CAO makes it difficult for the County to systematically identify and implement program restructuring.

Recommendation 4: The CAO should continue its efforts to more fully integrate and align strategic planning and performance measurement within the budget process.

The CAO should work to build a more strategic budget process that closely aligns strategic planning and performance measurement to resource decisions. The County began to move in the direction of integrating performance measures with the budget process starting with the departments participating in the Children's budget. Given that the County needs to operate within a number of mandates, further analysis should be performed to fully integrate performance measurement in the budget process. The current focus is to use performance measures for strategic financing decisions and as a tool to evaluate the quality of programs, and assess ways to change the method of service delivery to improve results.

The budget process continues to operate outside of this framework and is relying on incremental budgeting (or base budgeting) without critically examining the cost of programmatic base assumptions. Government entities that have fully embraced strategic planning and performance measurement have restructured the traditional budget process to implement certain aspects of other budgeting approaches. For example, some entities have adopted a rotating cycle of budgeting that requires individual departments or programs to reevaluate their budget every three to five years. This type of approach allows those entities to more fully understand the full or incremental cost of strategic priorities by linking resource allocations to targets of performance.

Recommendation 5: The CAO should evaluate the effect of changes to the revenue management strategies for the expenditure of Proposition 172 funds.

The County should consider alternative strategies currently being used by two other peer counties to enhance revenue management strategies for the use of Proposition 172 funds.

In Orange County, recipient departments' expenditures are credited against Proposition 172 funds only after all other budgeted revenue sources have been exhausted. Any fund balance at the end of the fiscal year is transferred to a Proposition 172 reserve account for use by the recipient department. The Sheriff in Orange County is able to use this reserve account to offset revenue shortfalls in underperforming fiscal years or as a funding source for capital projects.

A similar approach is used in San Diego County. Excess Proposition 172 funds (any surplus funds in excess of those forecasted in the budget) are set aside in a reserve account to be used by the recipient departments for one-time expenditures. The approach taken by San Diego provides a built-in capital reserve account that benefits the recipient departments.

Any change to the Proposition 172 allocation or how those monies are expended would require further legal review and would likely require the Board to adopt a further resolution to implementing any change.

Finding 5: Enforcement of the County's Hiring and Promotional Freeze Policy Impacts CAO Budget Analysts' Workload

In April 1993, the Board approved the County's Hiring and Promotional Freeze Policy (Policy) with subsequent amendments modifying and expanding the Policy. The Policy requires that departments obtain CAO approval prior to position hiring, re-hiring or promotions.[2] The purpose of the Policy is to anticipate and address the impact of State budget deficits and sales tax reductions on the County budget by containing existing and future departmental expenditures.

The Policy requires that departments submit detailed justification statements for all non-exempt position hires, re-hires and promotions. The CAO budget analyst is responsible for evaluating the request based on a series of factors including: (1) whether the vacancy rate within the departmental unit exceeds 25%, (2) whether the position is a revenue offset, and (3) the ability of the departmental unit to perform their appointed tasks without the requested position change.

This resource demand requires the budget analyst to spend time focusing on compliance issues, rather than focusing their attention on an assessment of programmatic and expenditure trends.

Recommendation 6: The County should continue cost containment strategies that increase departmental accountability and reduce the workload necessary to enforce those strategies

The current Hiring and Promotional Freeze Policy (Policy) is designed to contain overall expenditures in response to the impact of declining State funding and sales tax revenue. While the policy may be a somewhat effective cost containment strategy, it unnecessarily limits a department's ability to reduce costs in a more proactive and program effective manner. The County should place greater emphasis on budgetary control measures that provide greater departmental accountability in implementing cost reductions while at the same time minimizing the administrative time to ensure compliance. The following is an example of such measures, many of which have been used by the County in prior budget cycles:

- Reduce overall expenditures by a specified amount or percentage – This strategy achieves identifiable cost reductions by providing departments with maximum flexibility in identifying the areas for cost containment through reductions in S&EB, S&S, capital deferment, etc.

[2] Specifically, on November 13, 2001, the Board reaffirmed and expanded the prior hiring and promotional freeze policy to: (1) direct departments to submit to the CAO for exemption from the freeze, only those hiring and promotional requests that are critical and provide sufficient documentation regarding the need; (2) direct departments, where feasible, to backfill revenue offset vacant positions with existing staff that are not revenue offset; (3) exempt seasonal employees and paired class promotions required under various Memorandums of Understanding, (4) exempt personnel funded through Special Districts/Special Funds, critical health and Safety positions and positions related to the economic expansion recovery plan, (5) rescind any previously approved hiring authorizations where the positions remain unfilled, and (6) require MAPP items be approved by the CAO or the Board in accordance with the existing policy as amended on December 5, 2000.

- Reduce S&EB expenditures by a specified amount or percentage – This strategy achieves identifiable cost reductions by targeting salaries and benefits. Departments are given flexibility in determining the most appropriate means of achieving cost reductions within their S&EB budget.
- Reduce the number of adopted positions – This strategy focuses on both reducing existing S&EB expenditures, but also containing future expenditures by limiting or reducing the baseline of adopted positions. Some flexibility is provided to the departments to identify where such reductions would occur.
- Maintain a specified level of vacancies of non-essential positions – This strategy would allow departments to maintain their existing level of adopted positions, but would require departments to identify specific positions that would be held vacant.

These strategies offer several advantages to a more administratively based containment strategy such as a hiring freeze. Departments have greater flexibility to manage budgetary reductions in a manner consistent with their service goals and demands, thereby making departments more accountable for their overall performance. These strategies also reduce the workload associated with ensuring compliance with the cost containment measures. Finally, these strategies expand and diversify the tools available to the CAO and the Board to contain expenditures and place less emphasis on individual position changes as a cost containment strategy.

***Recommendation 7*: The role of the CAO budget analyst should place an emphasis on developing a more comprehensive understanding and analysis of departmental programs, operations and facilities.**

The CAO budget analysts should build on their existing relationship with departments to gain a more thorough understanding and analysis of their department's operations and needs. This would place the analyst in a stronger position to evaluate a department's overall budget as well as individual programs and units.

A key strategy to develop a more comprehensive understanding of a department's budget is for the CAO budget analyst to more directly observe departmental programs and facilities. Site visits were often cited in interviews as a critical task to provide budget analysts the appropriate background of the tasks and services performed by the departments.

APPENDIX

APPENDIX A
BUDGET DEVELOPMENT PROCESS FLOWCHARTS

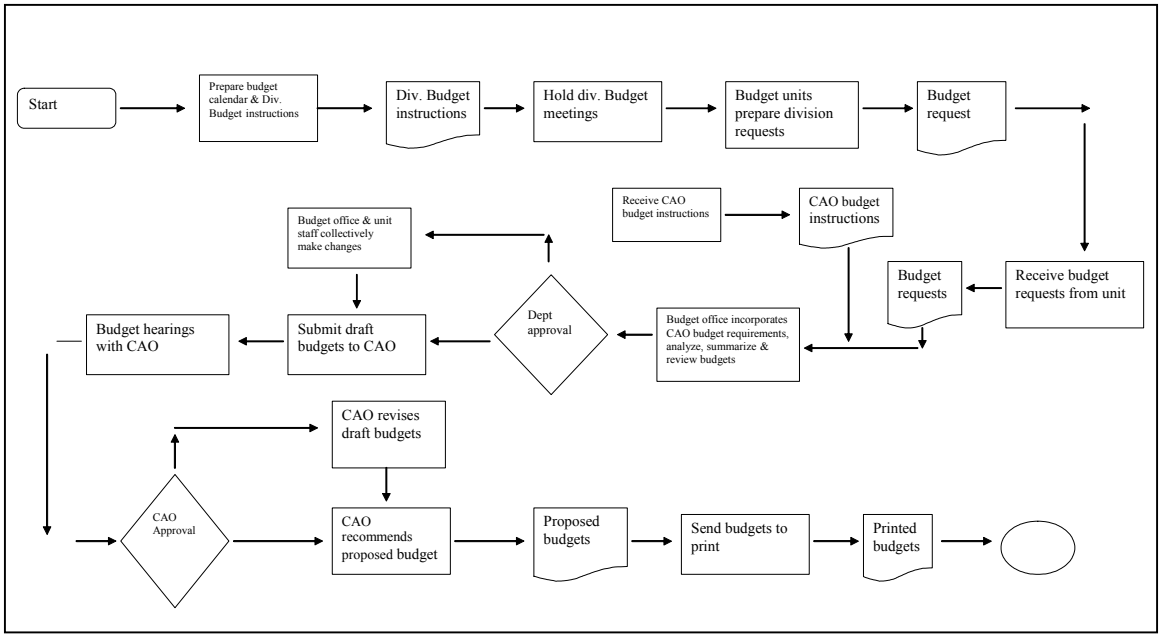
BUDGET OVERVIEW

The adopted budget includes all financing requirements for the fiscal year July 1st to June 30th. The General Fund budget comprises of salaries and employment benefits, services and supplies, fixed assets (including computers etc) and financing costs as well as revenues for the seven Budget units of the Sheriff Department which are Patrol, Detective, Administration, Custody, Court, General Support and Clearing. The Special Funds Budget, which follows strict government codes and guidelines, comprise of the Automated Fingerprint Identification System, the Automation Fund, the Countywide Warrant System Fund, Inmate Welfare Fund, Jail Store Fund, Narcotics Enforcement Fund, Processing Fee Fund, Special Training Fund and Vehicle Theft Prevention Fund. Capital Projects comprise of new structures, additions or refurbishments costing in excess of $100,000 or land acquisitions regardless of cost. The Department also prepares a Children's budget but notes that these costs are not tracked separately. An official request reflecting unmet funding needs and a base budget are also required. The adopted budget is the legal authority to obligate and spend funds.

BUDGET WORKFLOW

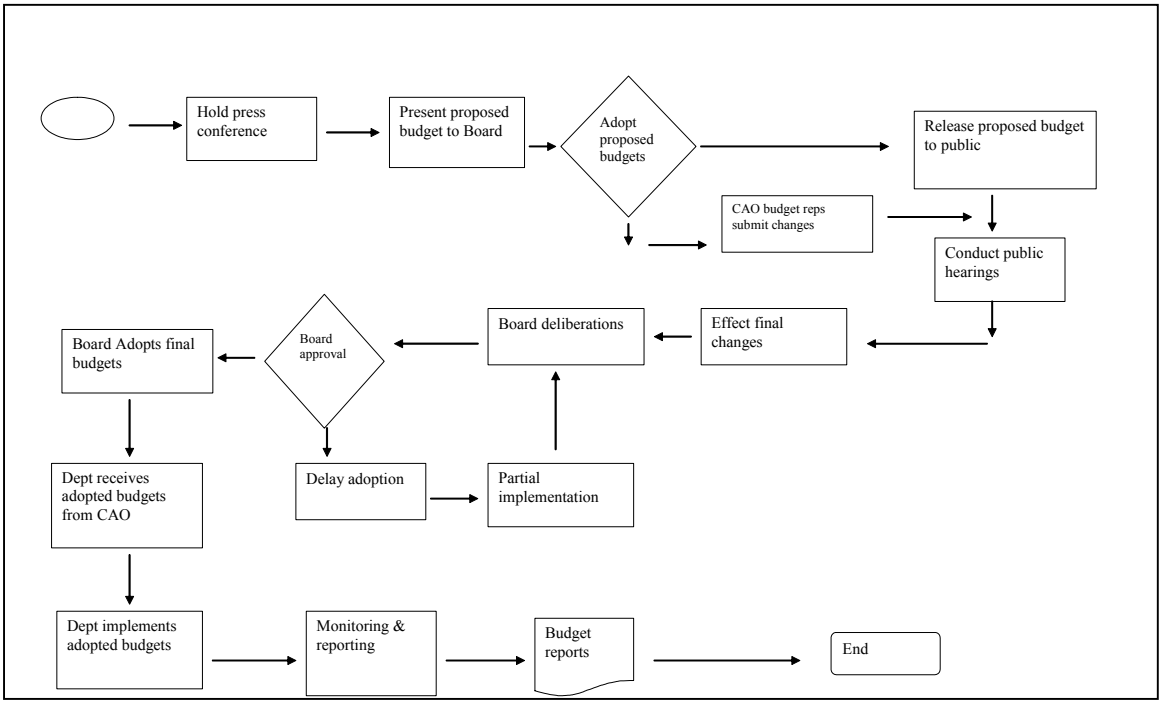
Formulation and Preparation

- Budgeting for the fiscal year starts in the third week of October with the preparation of Divisional Budget instructions by Headquarters Budget Services.
- Budget meetings are held with budget representatives
- Budget reps distribute electronic and hard copy instructions and forms to divisional budget staff.
- Each unit is given until the first week of December to prepare and submit its requirements to Headquarters Budget Services. (General Fund, Special Fund and Capital projects)



Reviews

- Budget reps and Divisional Chiefs review their units' requirements before submitting them to Budget Central staff.
- Budget Central receives instructions from CAO and budget requests from divisions. It works with unit budget reps to incorporate CAO requirements and effect changes as a result of the reviews before submitting the Departmental Budget requests to the CAO.
- During February and March CAO conducts budget hearings with Department and effects further changes before recommending and printing the proposed budget
- Departmental final changes are submitted to CAO in mid May.
- CAO holds press conference



Adoption

- Board adopts proposed budget in mid April. In April and May the Proposed budget is released to public and reviewed by the Board. CAO effect final changes in May.
- In June the Board holds budget deliberations and adopts the budget. Supplemental changes are made in September after the County closes its books.
- The final budget is adopted

Budget Implementation

- The Provisional final budget is adopted by June 30th.
- The fiscal year budget is implemented on July 1.
- The final budget is adopted by the Board in September
- The final budget book is distributed in January.
- Periodic financial reports (Budget Status and Expenditure Trend by Minor Object) are prepared to enable the department to monitor and control the budget.

APPENDIX B
DETERMINING STAFFING LEVEL REQUIREMENTS FOR LASD SERVICES

The LASD provides four core services or functions for the County of Los Angeles– Patrol Services, Investigative Services, Custody Services, and Court Services. These core services are supported by two key functions – administrative support and general support. All of these services are under the leadership and direction of the Sheriff and the executive leadership function of the Department.

For patrol services the basic unit of service is the citizen call for service – typically resulting in a uniformed patrol deputy responding to the scene and providing some form of assistance.

For investigative services the basic unit of service is an investigation of a crime that has occurred, and when possible preparing a case for prosecution in conjunction with the District Attorney or other prosecutor. Proactive investigations in areas such as narcotics and vice are also conducted.

For custody services the basic unit of service is the safe incarceration of inmates. For court services the basic unit of service is safe courthouses and safe courtrooms.

Each of the core services of the LASD are discussed in the following sections, including how the level of resource is determined, how that level of resource compares with other sheriff departments, and alternative approaches to determining resource levels.

Patrol Services

Patrol services are the fundamental services provided by a sheriff or police agency. These services include responding to calls for service, patrolling areas to maintain security, and initiating action to prevent or reduce the risk of incidents.

When asked, residents of other jurisdictions rank responding to their emergency calls for service as the most important service provided by a police or sheriff agency. When a person dials 911 with an emergency they want to know that a law enforcement officer will quickly respond and effectively handle their emergency.

Many police and sheriff agencies staff and deploy patrol resources based on the amount and distribution of calls for service. Many establish targets, or acceptable levels of response time to these calls. For example, a typical target would be to respond within 5 minutes to an emergency call where life or property was in imminent danger. This could include active burglaries, robberies, and domestic violence incidents.

It is important that adequate resources be deployed to handle the volume of calls received. If too few resources are deployed calls tend to stack up, response times become extended, and the quality of service declines. It is also important that patrol officers or deputies not spend all their time responding to calls. It is generally accepted

that patrol officers or deputies should ideally spend about two-thirds of their available time responding to calls. This leaves approximately one-third of their time for patrolling to maintain security, and initiating action to prevent or reduce the risk of incidents.

The LASD determines its basic resource requirements to provide patrol services in each of its service areas based on a combination of factors. These factors include the population, the crime rate, number of calls for service, number of arrests, number of incident reports, number of arrests, and average response times by type of call (emergent, priority, and routine).

These factors are used to establish service minute requirements for each service area in the unincorporated parts of the County. These requirements are the total number of minutes of patrol service time to be provided in each service area. Monthly Unincorporated Patrol Area Statistics Reports are used to track and report on the level of compliance with patrol minute targets. These reports are organized by region and station.

For contract areas the basic resource level can be enhanced at the discretion of contract cities or other contract service area. Many contract areas request and pay for an enhanced level of service to provide an improved response time or to increase the amount of time available for providing security and proactive service.

The following exhibit shows the methods used by county sheriff departments compared to determine the appropriate or needed level of staff and other resources to provide patrol services.

COMPARISON OF COUNTY SHERIFF DEPARTMENTS

County	How does your Department determine the appropriate or needed level of staff and other resources to provide patrol services?
Riverside	1. County unincorporated sworn set by Board of Supervisors at 1/1000 population. 2. Contract City staffing established by City Council decision based on their fiscal resources and the impact on the community that varies from jurisdiction to jurisdiction. 3. Non-sworn staffing additions/ratio established periodically by executive staff, with Board of Supervisor's approval.
Contra Costa	Based on size / population of the geographic area, activity level (includes calls for service) and labor agreements on staffing between the Department and the Deputy Sheriff's Association.
Sacramento	The Sacramento County Sheriff's Department determines appropriate or needed staff using goals established at 1 to 2 minutes of queue time for calls, a 615 CFS to FTE ratio, 30% un-obligated time and a 1.0 to 1000 deputy to population ratio.
Santa Clara	Our contract cities dictate the level of service with our recommendations as to why a certain level is being recommended. In the unincorporated areas of the County the Board of Supervisors dictate the level of service based on the appropriation provided to the department for its operations.
San Diego	Contract cities determine the service level they want. The Unincorporated areas have had several studies based on workload analysis, which provides the number of staff we should have; however, we are below that level.
San Bernardino	Our calls for service, the amount of our population within our communities and the contract cities pay for "hours," and not the number of personnel. Staffing levels are also reviewed by our command staff on an annual basis. Contract city operations also receive input from local city officials.

Source: Survey of California County Sheriff Departments, May 2003

Investigative Services

Investigative services include investigations after a crime has occurred and proactive investigations. Investigations of crimes that have occurred include investigations of crimes such as homicides, robberies, rapes, burglaries, car thefts, and other such crimes. Proactive investigations include investigations of narcotics, vice, and similar crimes.

Crimes that have occurred are typically first responded to by patrol officers who complete an incident report, an arrest report, or both. These crimes are reviewed and assigned to investigators. Investigators may interview witnesses and suspects, collect and coordinate the analysis of evidence, and conduct other activities as necessary to investigate the crime. If sufficient evidence is found the investigator will work with the District Attorney or other prosecutor to develop and file a case for prosecution.

Proactive investigations of narcotics, vice, or other areas may involve undercover operations, the use of confidential informants, and gathering of intelligence. These investigations also often follow through on complaints or tips received from residents. Investigators will build cases and make arrests, and will also work with the District Attorney or other prosecutor to develop and file cases for prosecution.

LASD investigators are located in both the Detective division and in many of the Department's stations as are part of each the Field Operations regions. This deployment allows them to focus on the needs of each area, and to work directly with patrol personnel.

Cases related to crimes that have been committed provide the workload for investigators assigned to those cases. The LASD uses this caseload, in combination with historical staffing levels, to determine the level of detective staffing required annually. The level of proactive investigations conducted depends on the level of narcotics, vice, and other crime in an area, and the community's tolerance for that crime.

The following exhibit shows the methods used by county sheriff departments compared to determine the appropriate or needed level of staff and other resources to provide investigative services.

COMPARISON OF COUNTY SHERIFF DEPARTMENTS	
County	**How does your Department determine the appropriate or needed level of staff and other resources to provide investigative / detective services?**
Riverside	For patrol, use a 1:7 ratio as baseline. For other than patrol, detective staffing is based upon management prerogative, grant requirements and Task Force MOU requirements.
Contra Costa	Staffing is based on service demands and case load, in accordance with available fiscal resources.
Sacramento	Supervisor input based on their experience in monitoring detectives caseloads & work product. We also consider comparisons to agencies of comparable sizes.
Santa Clara	Based on specific crime caseload, assignments are given and/or adjusted.
San Diego	Contract cities determine their levels. Other staffing is based on grants, workload and crime trends.
San Bernardino	Our calls for service, the amount of our population within our communities and the contract cities pay for "hours," and not the number of personnel.
Orange	Cases assigned per investigator, plus special needs or assignments specific to contract cities.

Source: Survey of California County Sheriff Departments, May 2003

Custody Services

Custody services are those associated with housing inmates in County jails and detention facilities. Inmates include persons arrested and awaiting or in the process of trial, as well as some individuals that have been convicted and sentenced and are completing their sentenced time.

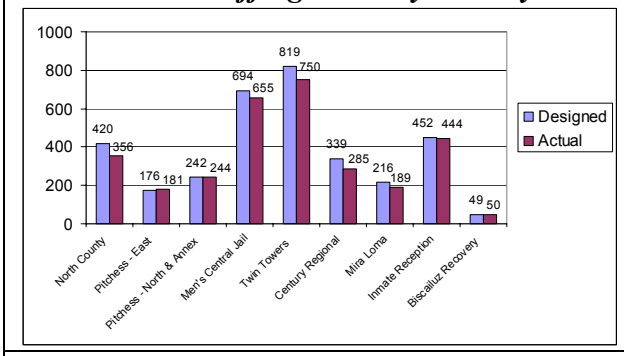
The LASD is responsible for ensuring inmates are securely housed, protecting the public from them, and protecting inmates from each other. The Department is also responsible for meeting all of the basic living needs of the inmates, including food, clothing, sleep, exercise, and medical and dental needs. State law contains specific standards for the care of these inmates, ranging from how much protein they must receive in their daily meals to how many hours of dark must be provided for sleeping.

The LASD determines its basic resource requirements to provide custody services based on designed staffing levels and number of inmates. When custody facilities are designed a key consideration is the level or number of staff required to operate the facility.

The following exhibit shows the designed staffing level and the current staffing level for each of the Department's custody facilities. As this exhibit shows, the LASD custody staffing level is currently below the total designed staffing level for all of its custody facilities.

LOS ANGELES COUNTY SHERIFF DEPARTMENT

Designed Staffing Level vs. Actual Staffing Level By Facility

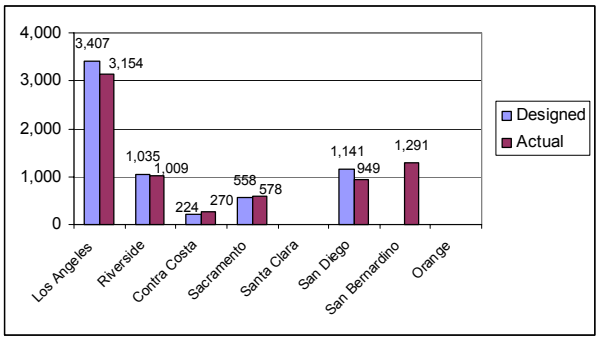


Source: Survey of California County Sheriff Departments, May 2003

Some other County sheriff departments also staff their custody facilities below the designed staffing levels, while other staff them at a level above the designed level. The following exhibit compares the designed and actual staffing levels for the county sheriff departments that were able to provide design and actual staffing levels.

COMPARISON OF COUNTY SHERIFF DEPARTMENTS

Designed Staffing Level vs. Actual Staffing Level



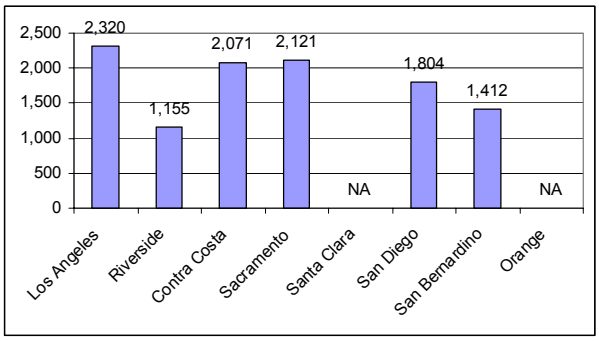
Source: Survey of California County Sheriff Departments, May 2003

Custody facility staffing requirements are also determined based on the number of inmates housed in those facilities. The following exhibit shows the average number of inmate days per custody staff assigned to providing custody services. The LASD had the highest number of inmate days per staff of any of the sheriff departments compared.

LASD provided 2,320 inmate days per staff, substantially above the average of 1,820 for all the sheriff departments compared.

COMPARISON OF COUNTY SHERIFF DEPARTMENTS

Average Number of Inmate Days Per Custody Staff



Source: Survey of California County Sheriff Departments, May 2003

The following exhibit shows the methods used by county sheriff departments compared to determine the appropriate or needed level of staff and other resources to provide custody services.

COMPARISON OF COUNTY SHERIFF DEPARTMENTS

County	How does your Department determine the appropriate or needed level of staff and other resources to provide custody services?
Riverside	We determine staffing levels based on fixed post positions combined with roving security patrol positions. Relief factors are figured into positions that are needed on 7 day/24 hour staffing, primarily custody staff, food service, recreation, and visiting officers. Command staff and administrative staff are based on needed tasks and are not multiplied by a relief factor. State prison inmates, based on medical needs, occupy some beds at RCRMC Security unit.
Contra Costa	For sworn staff we use a ration of 1 sworn to 64 inmates. For cooks and clerks it depends on the number of inmates in custody. Our detention service workers (DSW-non-sworn) depends upon their assigned duties and needs of the facility. Sheriff Aids (non-sworn) depends on their assigned duties and the needs of the facility.
Sacramento	It is based on budgets, design and layout of facility, programs offered, and the various services provided or mandated.
Santa Clara	NA
San Diego	The California State Board of Corrections (BOC) examined two areas to form a final recommendation for the number of staff needed to safely operate the jail system. The first area is a series of mathematical calculations to determine the "shift relief factor" for a given class of employee and specific type of assignment. The second area is the examination of each post and assignment staffed by employees in the studied class. The appropriate shift relief factor is applied to each post or assignment then the number of staff needed to operated the various functions is identified. BOC staff then visited each facility and each post within the facilities, speaking with management and supervisors as well as with line staff to analyze their assignments and actual job duties. Upon identification of all posts and assignments, the appropriate shift relief factor was applied to provide a final recommended staffing level.
San Bernardino	Title 15, Section 1027 (Number of Personnel) sets minimum standards. A Staffing Needs Study was performed in early 2000 utilizing relief factors established by the Sheriff's Department and the Auditor / Controller.
Orange	Each facility determines the safety level based on the inmates' criminal histories and the housing environment.

Source: Survey of California County Sheriff Departments, May 2003

Court Services

LASD Court Services is responsible for ensuring court houses and courtrooms are safe and order is maintained. In the courtrooms court bailiffs provide security, ensure order is maintained, and enforce directions of the judge when necessary. Security in courthouses is provided through a combination of weapons screening at entry points and through patrolling security officers. These officers also respond to incidents in courtrooms as necessary.

The level of court security services and the resource requirements necessary to provide that level of service are negotiated between the LASD and the courts. The courts are the responsibility of the State. Sheriff departments provide court security in most counties in California, with costs reimbursed through "State Trial Court Funding."

There has been substantial ongoing disagreement on how resource requirements to provide court services are determined. Courts have been resistant to including such

considerations as relief factors, overtime, and similar costs of providing service. Discussions and negotiations between the courts and sheriff departments on these issues are ongoing statewide.

The following exhibit shows the methods used by county sheriff departments compared to determine the appropriate or needed level of staff and other resources to provide court security services.

COMPARISON OF COUNTY SHERIFF DEPARTMENTS

County	How does your Department determine the appropriate or needed level of staff and other resources to provide court services?
Riverside	Final determination for appropriate or needed level of staffing and security related resources is determined by the Court Executive Office and generally follows the guidelines for allowable reimbursements through State Trial Court Funding. Our Department's recommendations contained within the annual Court Security Plan and other recommendations made on an "as needed" basis to the Court Security Committee within the Court Executive Office. The Courts provide general approval for the total numbers countywide (based on the above) however, generally speaking our Department has the discretion of where to assign the allowable staffing. This is normally need and service based.
Contra Costa	Courts advise the Department of their needs.
Sacramento	Negotiated with local court administration, based around Judicial Position Equivalencies and Administrative Offices of the Court guidelines.
Santa Clara	We have a fixed-priced, multi-year contract. We negotiate minimum staffing levels, relief factor, and other services/resources with the Court Executive and the Presiding Judge on an annual basis. As benchmarks, we typically staff one deputy sheriff (bailiff) per courtroom. Security Screening Stations are staffed dependant upon volume: typically 3 deputies and 2 non-sworn technicians for large volume courthouses (> 5,000 visitors per week) and 2 deputies and 1 non-sworn technician for low volume courthouses (< 5,000 visitors per week). Holding cells and prisoner movement positions are also staffed according to the in-custody prisoner volume and holding cell capacity at each courthouse. Relief factor is calculated based upon a percentage of total FTE's in the minimum staffing level.
San Diego	By generalized rule of thumb – One bailiff per courtroom. For high risk trials and other special circumstances, the Sheriff's Court Services Bureau completes a request for an additional bailiff(s) and submits it to the Court's Presiding Judge and Supervising Judge for signature approval. Staffing at Weapons Screening Stations is generally two (2) persons per portal and, court holding facilities are staffed according to configuration.
San Bernardino	The FY 2001-02 Occupational Labor Calculation was determined through negotiations by the Sheriff's Department and the State AOC. Staffing level ratios were granted as a result of the Trial Court Funding Act of 1997. This information was defined in California Government Code section 77003 and Rule 810 of the California Rules of Court. The Sheriff's Department does not supervise the weapon screening in any courthouse within San Bernardino County. The contract for weapon screening is between the Superior Court and Guardsmark Inc. Currently, staffing levels for court security services is determined through labor templates developed by the State of California. The templates address all allowable court security costs as defined by Senate Bill (SB 1396).
Orange	By balancing security needs with the Court's willingness and ability to pay for services. A Security Committee made up of judges, court administrators, and Sheriff's Department representatives discuss staffing, security, and budget issues and recommendations are forwarded to the Presiding Judge.

Source: Survey of California County Sheriff Departments, May 2003

APPENDIX C
OVERTIME BY BUDGET UNIT

Overtime by Budget Unit

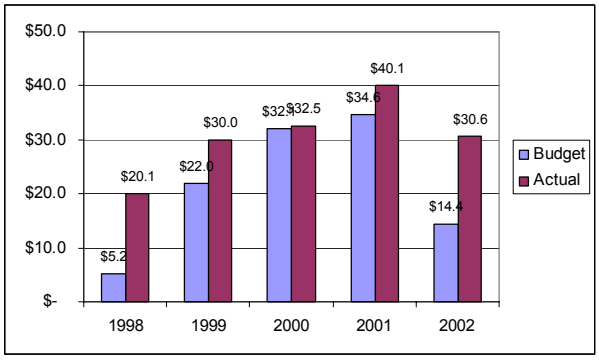
The following sections provide analysis of the overtime expended by each of the LASD's six budget units between FY 1997-98 and FY 2001-02. This analysis includes comparisons of budgeted and actual expenditure levels, expenditure trends over time, and explanations for both budget differences and changes during the analysis period.

Patrol Budget Unit Overtime

As the following exhibit shows, there have been substantial differences between budgeted and actual overtime for the Patrol Budget Unit from FY 1998 through FY 2002. Actual expenditures exceeded budgeted levels in all five years, by 283 percent in FY 1998, and by 113 percent in FY 2002.

LASD OVERTIME

Patrol Budget Unit
Budget vs. Actual Overtime
(FY1997-98 to FY 2001-02) In Millions

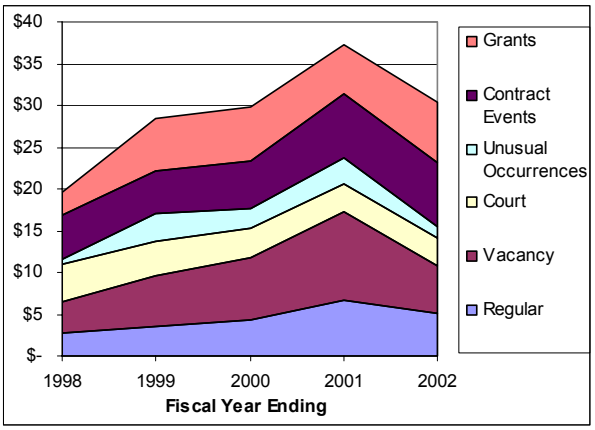


Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of overtime for the Patrol Budget Unit.

LASD OVERTIME

Patrol Budget Unit
Overtime by Type
(FY1997-98 to FY 2001-02) In Millions



	Regular	Vacancy	Court	Unusual Occurrences	Contract Events	Grants	Total
1998	$2.8	$3.7	$4.4	$0.7	$5.1	$2.9	$19.7
1999	$3.6	$6.0	$4.0	$3.3	$5.2	$6.2	$28.4
2000	$4.3	$7.4	$3.5	$2.5	$5.6	$6.5	$29.8
2001	$6.6	$10.6	$3.4	$3.2	$7.5	$5.9	$37.2
2002	$5.0	$5.8	$3.2	$1.4	$7.8	$7.3	$30.4
Total	$22.3	$33.5	$18.6	$11.1	$31.2	$28.7	$145.5
Percent	15%	23%	13%	8%	21%	20%	100%

Source: Sheriff's Department Funds Reports, Sworn and Civilian Paid Overtime Worked by Division

As this exhibit shows, approximately 15 percent of the total overtime was regular overtime. Vacancy overtime made up the single largest percentage of total overtime at 23 percent. Court overtime was 13 percent of the total, with overtime related to unusual occurrences making up about 8 percent. Contract events and grants, both of which are reimbursed, together made up about 41 percent of total overtime.

Vacancy overtime is reportedly attributable to the decision to open the Palmdale substation, and new contracts with Hawaiian Gardens, Compton, and the MTA. Committing resources to these new areas created vacancies in other units that were covered through overtime.

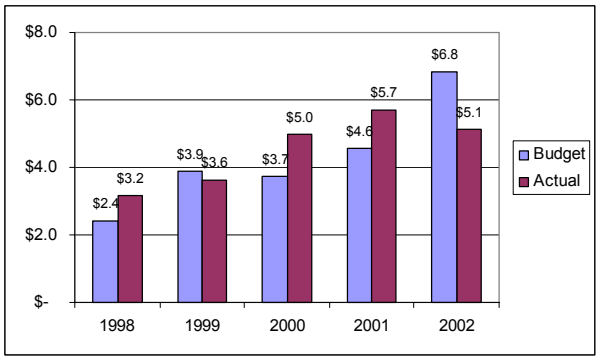
According to the log of unusual occurrences kept by the Emergency Operations Bureau numerous natural disasters, demonstrations, high profile crimes, and efforts to prepare for or prevent terrorist acts occurred during this time period.

Detective Budget Unit Overtime

As the following exhibit shows, there have been differences between budgeted and actual overtime for the Detective Budget Unit from FY 1998 through FY 2002. Actual expenditures exceeded budgeted levels in three of the five years, and were lower than budgeted levels in two of the five years. Actual expenditures were substantially under budget in FY 2002.

LASD OVERTIME

Detective Budget Unit
Budget vs. Actual Overtime
(FY1997-98 to FY 2001-02) In Millions

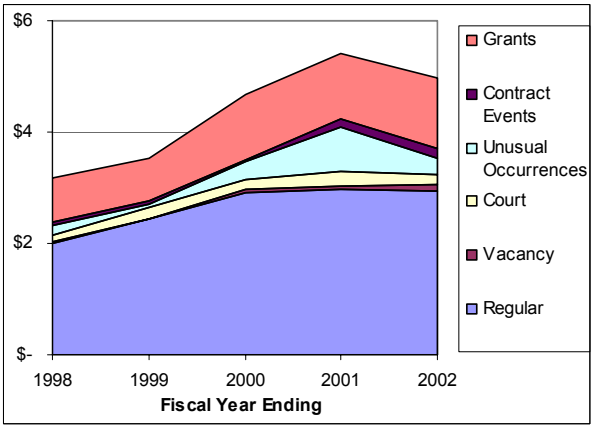


Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of overtime for the Detective Budget Unit.

LASD OVERTIME

Detective Budget Unit
Overtime by Type
(FY1997-98 to FY 2001-02) In Millions



	Regular	Vacancy	Court	Unusual Occurrences	Contract Events	Grants	Total
1998	$2.0	$0.0	$0.1	$0.2	$0.0	$0.8	$3.2
1999	$2.4	$0.0	$0.2	$0.1	$0.1	$0.8	$3.5
2000	$2.9	$0.1	$0.2	$0.3	$0.0	$1.2	$4.7
2001	$3.0	$0.1	$0.3	$0.8	$0.1	$1.2	$5.4
2002	$2.9	$0.1	$0.2	$0.3	$0.2	$1.3	$5.0
Total	$13.3	$0.3	$1.0	$1.7	$0.5	$5.2	$21.8
Percent	61%	1%	4%	8%	2%	24%	100%

Source: Sheriff's Department Funds Reports, Sworn and Civilian Paid Overtime Worked by Division

As this exhibit shows, most (61 percent) of the total overtime for the Detective budget unit was regular overtime. Vacancy overtime made up only 1 percent of the total

overtime, and court overtime was only 4 percent of the total. Overtime related to unusual occurrences was about 8 percent. Contract events and grants, both of which are reimbursed, together made up about 26 percent of total overtime.

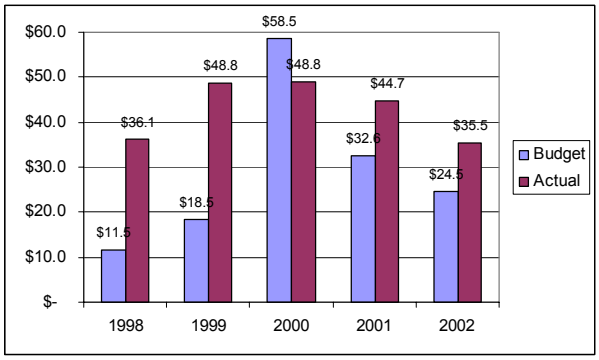
Detective budget staff was unable to provide explanations for increases in regular overtime. Increases in unusual occurrence overtime were related to preparing for Y2K, and preparing for and preventing terrorist activity.

Custody Budget Unit Overtime

As the following exhibit shows, there have been substantial differences between budgeted and actual overtime for the Custody Budget Unit from FY 1998 through FY 2002. Actual expenditures exceeded budgeted levels in four of the five years. For FY 2000 the Custody budget unit expenditures were substantially under budget.

LASD OVERTIME

Custody Budget Unit
Budget vs. Actual Overtime
(FY1997-98 to FY 2001-02) In Millions

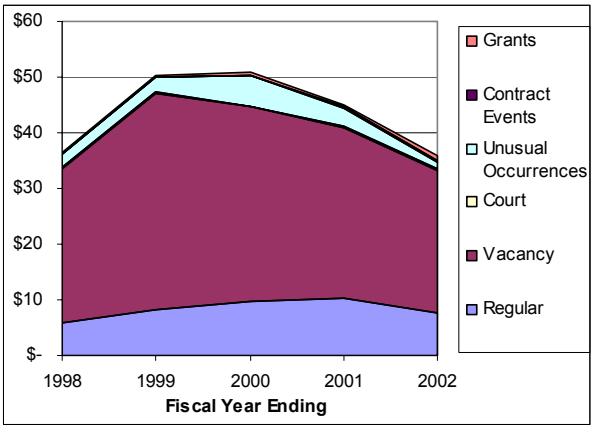


Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of overtime for the Custody Budget Unit.

LASD OVERTIME

Custody Budget Unit
Overtime by Type
(FY1997-98 to FY 2001-02) In Millions



	Regular	Vacancy	Court	Unusual Occurrences	Contract Events	Grants	Total
1998	$5.8	$27.8	$0.1	$2.5	$0.0	$0.2	$36.5
1999	$8.3	$38.9	$0.1	$2.8	$0.0	$0.2	$50.3
2000	$9.6	$35.0	$0.1	$5.7	$0.1	$0.4	$50.8
2001	$10.2	$30.7	$0.1	$3.5	$0.2	$0.4	$45.1
2002	$7.8	$25.6	$0.1	$1.3	$0.1	$0.9	$35.8
Total	$41.7	$158.0	$0.5	$15.7	$0.5	$2.2	$218.6
Percent	19%	72%	0%	7%	0%	1%	100%

Source: Sheriff's Department Funds Reports, Sworn and Civilian Paid Overtime Worked by Division

As this exhibit shows, approximately 19 percent of the total overtime was regular overtime. Vacancy overtime made up the single largest percentage of total overtime at 72 percent. Court overtime was less than 1 percent of the total, with overtime related unusual occurrences making up about 7 percent. Contract events and grants, both of which are reimbursed, together made up about 1 percent of total overtime.

Vacancy overtime is reportedly attributable to the decision to open the Palmdale substation, and new contracts with Hawaiian Gardens, Compton, and the MTA. Custody operations provide the entry point for deputies hired by the Department. As a result, when expansions are made in patrol or other areas requiring deputies those required deputies are most often transferred from the jails or custody operations. This creates vacancies in the jails that must be filled through overtime. Hiring and training new personnel to fill these vacancies can take up to two years.

Additionally, many of the positions in the jails are fixed post positions that must be staffed on a continuous basis. The Department often has little choice but to staff these positions with overtime.

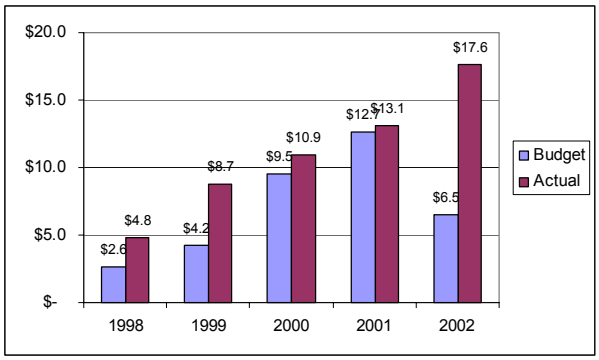
Court Service Budget Unit Overtime

As the following exhibit shows, there have been substantial differences between budgeted and actual overtime for the Court Services Budget Unit from FY 1998 through

FY 2002. Actual expenditures exceeded budgeted levels in all five years, by 107 percent in FY 1999, and by 270 percent in FY 2002.

LASD OVERTIME

Court Services Budget Unit
Budget vs. Actual Overtime
(FY1997-98 to FY 2001-02) In Millions

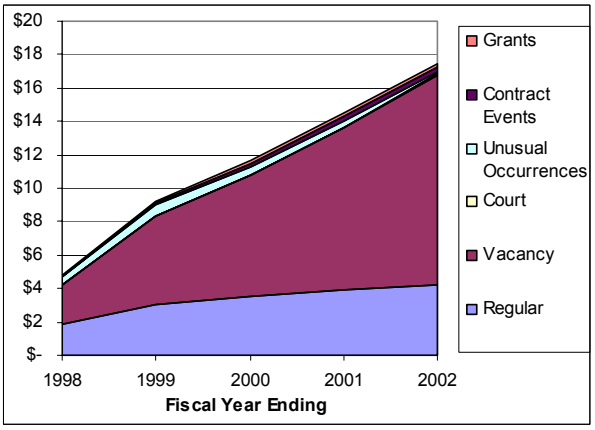


Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of overtime for the Court Services Budget Unit.

LASD OVERTIME

Court Services Budget Unit
Overtime by Type
(FY1997-98 to FY 2001-02) In Millions



	Regular	Vacancy	Court	Unusual Occurrences	Contract Events	Grants	Total
1998	$1.9	$2.3	$0.0	$0.5	$0.0	$0.1	$4.8
1999	$3.1	$5.3	$0.0	$0.7	$0.0	$0.2	$9.3
2000	$3.5	$7.3	$0.0	$0.5	$0.2	$0.2	$11.7
2001	$3.9	$9.8	$0.0	$0.4	$0.2	$0.2	$14.5
2002	$4.2	$12.6	$0.0	$0.2	$0.3	$0.2	$17.4
Total	$16.5	$37.2	$0.1	$2.2	$0.8	$0.8	$57.7
Percent	29%	65%	0%	4%	1%	1%	100%

Source: Sheriff's Department Funds Reports, Sworn and Civilian Paid Overtime Worked by Division

As this exhibit shows, approximately 29 percent of the total overtime was regular overtime. Vacancy overtime made up the single largest percentage of total overtime at 65 percent. Court overtime was less than one percent of the total, with overtime related unusual occurrences making up about4 percent. Contract events and grants, both of which are reimbursed, together made up about 2 percent of total overtime.

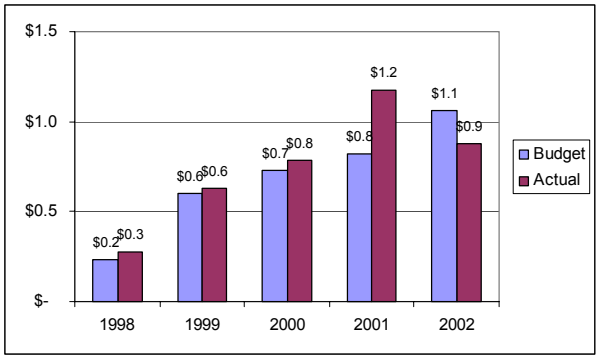
Vacancy overtime is reportedly attributable to the State Trial Court Funding not providing a relief factor in determining funding or reimbursement rates for Court Services. As a result, any sick, vacation, training, or injured on duty time for regular personnel assigned to Court Services must be covered through overtime.

Administration Budget Unit Overtime

As the following exhibit shows, there have been differences between budgeted and actual overtime for the Administration Budget Unit from FY 1998 through FY 2002. Actual expenditures exceeded budgeted levels in four of the five years, and were below the budgeted level in one year.

LASD OVERTIME

Administration Budget Unit
Budget vs. Actual Overtime
(FY1997-98 to FY 2001-02) In Millions

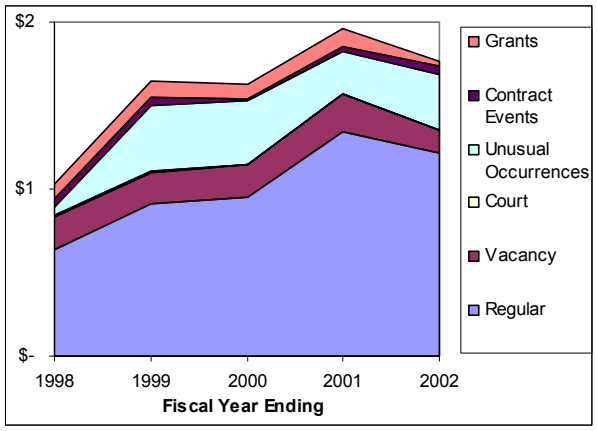


Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of overtime for the Administration Budget Unit.

LASD OVERTIME

Administration Budget Unit
Overtime by Type
(FY1997-98 to FY 2001-02) In Millions



	Regular	Vacancy	Court	Unusual Occurrences	Contract Events	Grants	Total
1998	$0.6	$0.2	$0.0	$0.1	$0.0	$0.1	$1.0
1999	$0.9	$0.2	$0.0	$0.4	$0.1	$0.1	$1.7
2000	$0.9	$0.2	$0.0	$0.4	$0.0	$0.1	$1.6
2001	$1.3	$0.2	$0.0	$0.2	$0.0	$0.1	$2.0
2002	$1.2	$0.1	$0.0	$0.3	$0.0	$0.0	$1.8
Total	$5.1	$0.9	$0.0	$1.4	$0.2	$0.4	$8.0
Percent	63%	12%	0%	18%	2%	5%	100%

Source: Sheriff's Department Funds Reports, Sworn and Civilian Paid Overtime Worked by Division

As this exhibit shows, the majority (63 percent) of the total overtime was regular overtime. Vacancy overtime made up 12 percent. Court overtime was less than one percent of the total, with overtime related unusual occurrences making up about 18 percent. Contract events and grants, both of which are reimbursed, together made up about 7 percent of total overtime.

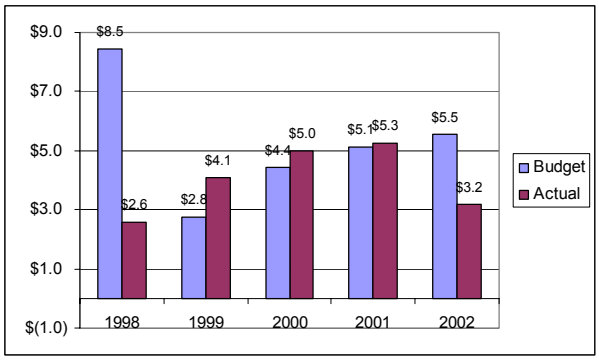
Increases in regular overtime were reportedly the result of expanding the Deputy Training Program.

General Support Budget Unit Overtime

As the following exhibit shows, there have been differences between budgeted and actual overtime for the General Support Budget Unit from FY 1998 through FY 2002. Actual expenditures exceeded budgeted levels in three of the five years, and were under budgeted levels in the other two.

LASD OVERTIME

General Support Budget Unit
Budget vs. Actual Overtime
(FY1997-98 to FY 2001-02) In Millions

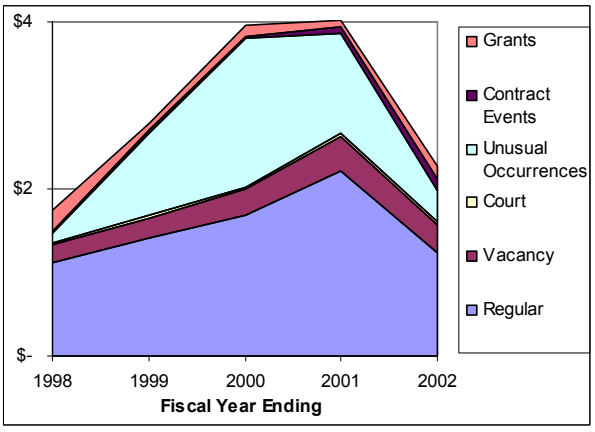


Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of overtime for the General Support Budget Unit.

LASD OVERTIME

General Support Budget Unit
Overtime by Type
(FY1997-98 to FY 2001-02) In Millions



	Regular	Vacancy	Court	Unusual Occurrences	Contract Events	Grants	Total
1998	$1.1	$0.2	$0.0	$0.1	$0.0	$0.2	$1.7
1999	$1.4	$0.2	$0.0	$1.0	$0.0	$0.1	$2.8
2000	$1.7	$0.3	$0.0	$1.8	$0.0	$0.1	$4.0
2001	$2.2	$0.4	$0.0	$1.2	$0.1	$0.1	$4.0
2002	$1.2	$0.3	$0.0	$0.4	$0.1	$0.2	$2.3
Total	$7.7	$1.5	$0.1	$4.5	$0.3	$0.7	$14.8
Percent	52%	10%	1%	30%	2%	5%	100%

Source: Sheriff's Department Funds Reports, Sworn and Civilian Paid Overtime Worked by Division

As this exhibit shows, regular overtime was 52 percent of the total overtime for the General Support Budget Unit. Vacancy overtime was only 10 percent. Court overtime was less than 1 percent of the total, with overtime related unusual occurrences making

up about 30 percent. Contract events and grants, both of which are reimbursed, together made up about 7 percent of total overtime.

Increases in regular overtime were reportedly the result of expanding the Deputy Training Program. Increases in overtime related to unusual occurrences were reportedly related to preparing for and providing security for the Democratic National Convention.

APPENDIX D
SERVICES & SUPPLIES EXPENDITURES BY BUDGET UNIT

Services and Supplies by Budget Unit

The following sections provide analysis of the services and supplies expenditures by each of the LASD's six budget units between FY 1997-98 and FY 2001-02. This analysis includes comparisons of budgeted and actual expenditure levels, expenditure trends over time, and explanations for both budget differences and changes during the analysis period.

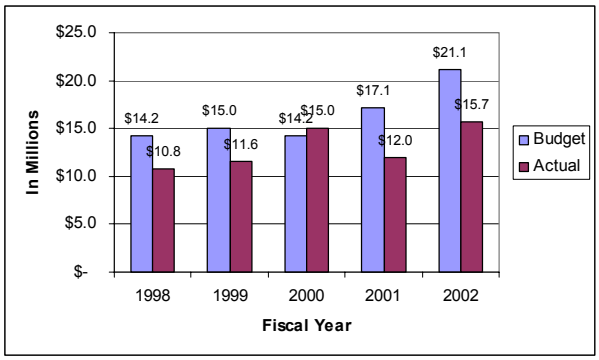
Patrol Budget Unit Services and Supplies Expenditures

As the following exhibit shows, the Patrol budget unit under spent its services and supplies budget in four of the five years. The Patrol budget unit spent an average of 81 percent of the amount budgeted for it to spend on services and supplies. The primary reason given for spending under the budgeted level was to compensate for overspending in overtime.

LASD SERVICES & SUPPLIES

Patrol Budget Unit

(FY1997-98 to FY 2001-02) In Millions



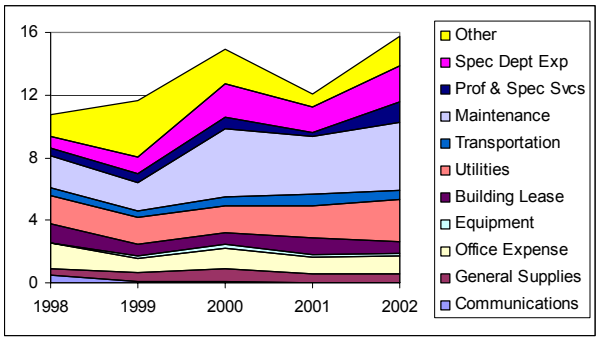
Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of services and supplies expenditures for the Patrol Budget Unit.

LASD SERVICES & SUPPLIES

Patrol Budget Unit

(FY1997-98 to FY 2001-02) In Millions



	1998	1999	2000	2001	2002	Total	Percent
Communications	$0.5	$0.1	$0.0	$0.0	$0.0	$0.7	1%
General Supplies	$0.4	$0.6	$0.9	$0.5	$0.6	$2.9	5%
Office Expense	$1.6	$0.9	$1.3	$1.0	$1.1	$6.0	9%
Equipment	$0.0	$0.2	$0.3	$0.2	$0.2	$0.8	1%
Building Lease	$1.2	$0.7	$0.8	$1.0	$0.8	$4.4	7%
Utilities	$1.8	$1.7	$1.7	$2.1	$2.7	$10.0	15%
Transportation	$0.5	$0.4	$0.5	$0.7	$0.6	$2.8	4%
Maintenance	$2.1	$1.9	$4.4	$3.7	$4.4	$16.4	25%
Prof & Spec Svcs	$0.5	$0.5	$0.7	$0.3	$1.2	$3.2	5%
Spec Dept Exp	$0.8	$1.0	$2.1	$1.7	$2.3	$7.9	12%
Other	$1.4	$3.6	$2.3	$0.8	$1.9	$9.9	15%
	$10.8	$11.6	$15.0	$12.0	$15.7	$65.1	100%

Source: Expenditure Status by Minor Object Reports

As this exhibit shows, maintenance expenses comprise the largest portion of the Patrol budget unit's services and supplies expenditures, making up 25 percent of the total. Maintenance expenditures have increased substantially over the five years, from $2.1 million to $4.4 million. Utilities were also a major portion, at 15 percent and also increased, from $1.8 to $2.7 million.

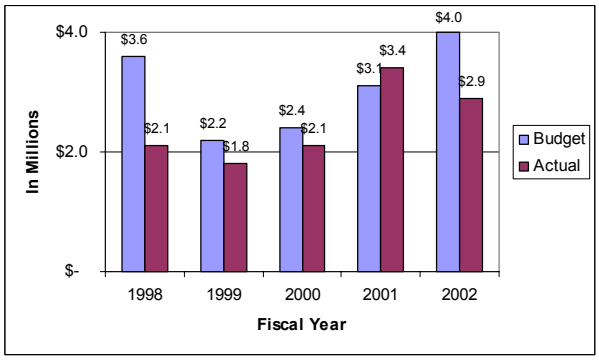
Detective Budget Unit Services and Supplies Expenditures

As the following exhibit shows, the Detective budget unit under spent its services and supplies budget in four of the five years. The Detective budget unit spent an average of 82 percent of the amount budgeted for it to spend on services and supplies. The primary reason given for spending under the budgeted level was that a number of the items that would normally be paid through services and supplies were paid for through grants.

LASD SERVICES & SUPPLIES

Detective Budget Unit

(FY1997-98 to FY 2001-02) In Millions



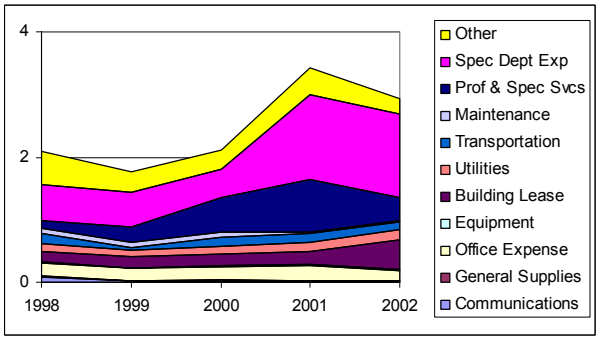
Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of services and supplies expenditures for the Detective Budget Unit.

LASD SERVICES & SUPPLIES

Detective Budget Unit

(FY1997-98 to FY 2001-02) In Millions



	1998	1999	2000	2001	2002	Total	Percent
Communications	$0.1	$0.0	$0.0	$0.0	$0.0	$0.1	1%
General Supplies	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	1%
Office Expense	$0.2	$0.2	$0.2	$0.2	$0.2	$1.0	8%
Equipment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	1%
Building Lease	$0.2	$0.2	$0.2	$0.2	$0.5	$1.2	10%
Utilities	$0.1	$0.1	$0.1	$0.1	$0.2	$0.7	5%
Transportation	$0.2	$0.0	$0.2	$0.1	$0.1	$0.6	5%
Maintenance	$0.1	$0.1	$0.1	$0.0	$0.0	$0.3	2%
Prof & Spec Svcs	$0.1	$0.2	$0.5	$0.8	$0.4	$2.1	17%
Spec Dept Exp	$0.6	$0.5	$0.5	$1.3	$1.3	$4.2	35%
Other	$0.5	$0.3	$0.3	$0.4	$0.2	$1.9	15%
	$2.1	$1.8	$2.1	$3.4	$2.9	$12.3	100%

Source: Expenditure Status by Minor Object Reports

As this exhibit shows, special departmental expense is the largest portion of the Detective budget unit's services and supplies expenditures, making up 35 percent of the total. Special departmental expenses include police supplies, mileage reimbursements, and ammunition. Expenditures for these items increased from $.6 million to $1.3 million. Professional and special services and building lease were also major

expenditure categories, comprising 17 percent and 10 percent of detective budget unit services and supplies expenditures.

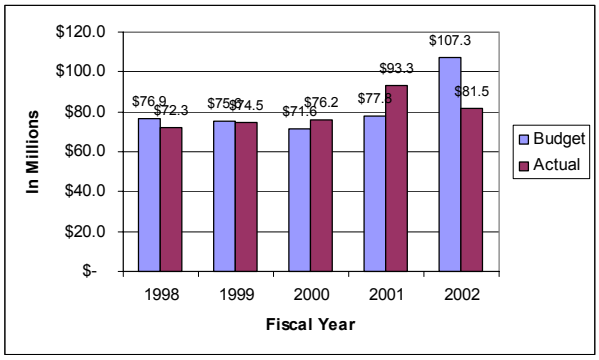
Custody Budget Unit Services and Supplies Expenditures

As the following exhibit shows, the Custody budget unit under spent its services and supplies budget in three of the five years, and overspent it in two of the five years. The Custody budget unit spent an average of 99 percent of the amount budgeted for it to spend on services and supplies. Providing savings to cover excess overtime costs were given as the reason for under spending in the years when under spending occurred.

LASD SERVICES & SUPPLIES

Custody Budget Unit

(FY1997-98 to FY 2001-02) In Millions



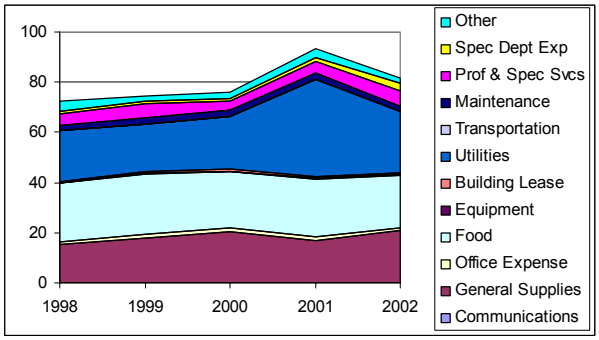
Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of services and supplies expenditures for the Custody Budget Unit.

LASD SERVICES & SUPPLIES

Custody Budget Unit

(FY1997-98 to FY 2001-02) In Millions



	1998	1999	2000	2001	2002	Total	Percent
Communications	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	0%
General Supplies	$15.1	$17.8	$20.3	$17.0	$20.8	$90.9	23%
Office Expense	$1.2	$1.4	$1.4	$1.5	$1.0	$6.7	2%
Food	$23.4	$24.4	$22.7	$23.0	$21.2	$114.7	29%
Equipment	$0.1	$0.1	$0.1	$0.1	$0.1	$0.5	0%
Building Lease	$0.6	$0.6	$0.7	$0.8	$0.9	$3.7	1%
Utilities	$20.1	$18.7	$20.9	$38.9	$24.4	$123.1	31%
Transportation	$0.1	$0.1	$0.1	$0.0	$0.1	$0.4	0%
Maintenance	$2.0	$2.7	$2.7	$2.1	$2.1	$11.6	3%
Prof & Spec Svcs	$4.5	$5.8	$3.3	$4.7	$6.0	$24.3	6%
Spec Dept Exp	$1.1	$1.1	$1.2	$1.5	$3.2	$8.0	2%
Other	$4.1	$1.8	$2.9	$3.7	$1.7	$14.2	4%
Total	$72.3	$74.5	$76.3	$93.3	$81.5	$397.9	100%

Source: Expenditure Status by Minor Object Reports

As this exhibit shows, expenditures for utilities (31%), food (29%), and general supplies (23%) make up the majority of the Custody budget unit's services and supplies expenditures. Utility expenditures nearly doubled from $20.1 million in FY 1998 to $38.9 million in FY 2001, declining to $24.4 million in FY 2002. Expenditures for food actually declined, from $23.4 to $21.2 million. General supplies expenditures increased from $15.1 to $20.8 million.

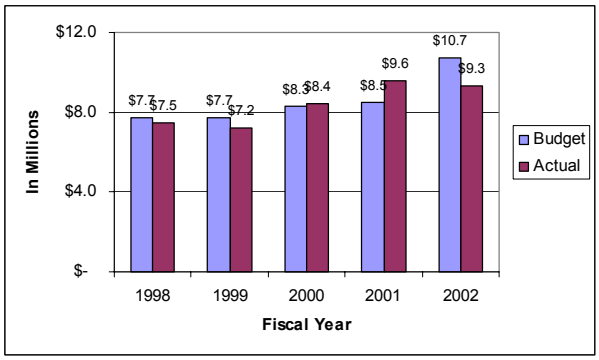
Court Services Budget Unit Services and Supplies Expenditures

As the following exhibit shows, the Court Services budget unit under spent its services and supplies budget in three of the five years, and overspent it in two of the five years. The Court Services budget unit spent an average of 98 percent of the amount budgeted for it to spend on services and supplies. Increases in utility costs were given as the reason for over spending in FY 2001. The FY 2002 services and supplies budget was under spent to absorb the prior year's excess expenditures, and to help cover excess overtime expenditures.

LASD SERVICES & SUPPLIES

Court Services Budget Unit

(FY1997-98 to FY 2001-02) In Millions



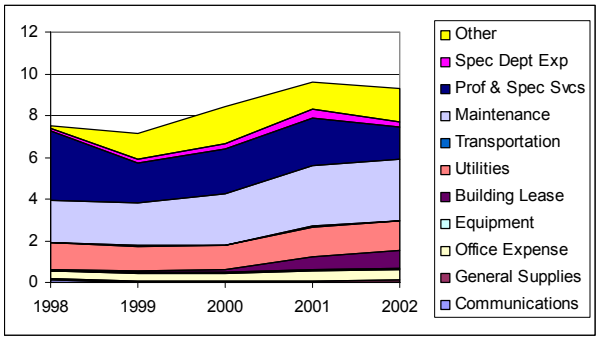
Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of services and supplies expenditures for the Court Services Budget Unit.

LASD SERVICES & SUPPLIES

Court Services Budget Unit

(FY1997-98 to FY 2001-02) In Millions



	1998	1999	2000	2001	2002	Total	Percent
Communications	$0.1	$0.0	$0.0	$0.0	$0.0	$0.1	0%
General Supplies	$0.1	$0.1	$0.1	$0.1	$0.1	$0.4	1%
Office Expense	$0.3	$0.4	$0.4	$0.5	$0.5	$2.1	5%
Equipment	$0.0	$0.1	$0.0	$0.1	$0.0	$0.2	1%
Building Lease	$0.1	$0.1	$0.1	$0.6	$0.8	$1.7	4%
Utilities	$1.2	$1.2	$1.2	$1.5	$1.4	$6.5	15%
Transportation	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	0%
Maintenance	$2.0	$2.0	$2.5	$2.9	$3.0	$12.4	30%
Prof & Spec Svcs	$3.3	$1.9	$2.1	$2.3	$1.5	$11.2	27%
Spec Dept Exp	$0.2	$0.2	$0.2	$0.4	$0.3	$1.2	3%
Other	$0.1	$1.3	$1.8	$1.3	$1.6	$6.1	14%
	$7.5	$7.2	$8.4	$9.6	$9.3	$42.0	100%

Source: Expenditure Status by Minor Object Reports

As this exhibit shows, expenditures for maintenance (30%), professional and specials services (27%), and utilities (15%) make up the majority of the Court Services budget unit's services and supplies expenditures. Expenditures for maintenance increased from $2 to $3 million. Professional and special services expenditures declined from $3.3 to $1.5 million. Utility expenditures increased from $1.2 million in FY 1998 to $1.5 million in FY 2001, declining to $1.4 million in FY 2002.

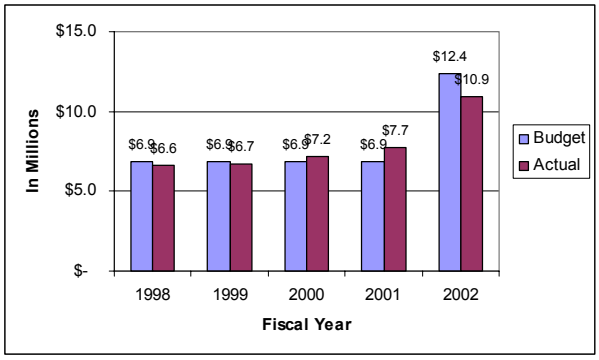
Administration Budget Unit Services and Supplies Expenditures

As the following exhibit shows, the Administration budget unit under spent its services and supplies budget in three of the five years, and overspent it in two of the five years. The Administration budget unit spent an average of 99 percent of the amount budgeted for it to spend on services and supplies. Increases in utility costs were given as the reason for over spending in FY 2001. The FY 2002 services and supplies budget was under spent to absorb the prior year's excess expenditures, and to help cover excess overtime expenditures.

LASD SERVICES & SUPPLIES

Administration Budget Unit

(FY1997-98 to FY 2001-02) In Millions



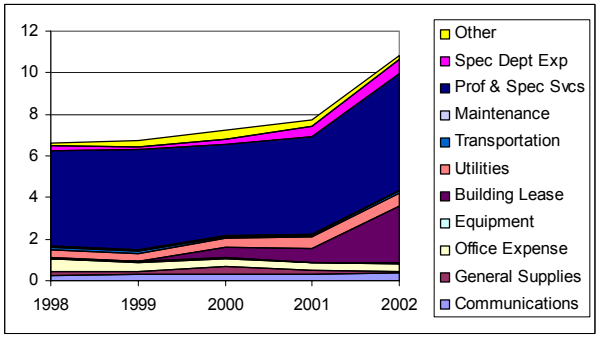
Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of services and supplies expenditures for the Administration Budget Unit.

LASD SERVICES & SUPPLIES

Administration Budget Unit

(FY1997-98 to FY 2001-02) In Millions



	1998	1999	2000	2001	2002	Total	Percent
Communications	$0.3	$0.3	$0.3	$0.3	$0.4	$1.5	4%
General Supplies	$0.2	$0.2	$0.4	$0.2	$0.1	$0.9	2%
Office Expense	$0.6	$0.4	$0.4	$0.4	$0.4	$2.2	6%
Equipment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.1	0%
Building Lease	$0.1	$0.0	$0.5	$0.7	$2.7	$4.0	10%
Utilities	$0.4	$0.4	$0.4	$0.6	$0.6	$2.4	6%
Transportation	$0.1	$0.1	$0.1	$0.1	$0.1	$0.5	1%
Maintenance	$0.1	$0.0	$0.1	$0.1	$0.0	$0.3	1%
Prof & Spec Svcs	$4.6	$4.8	$4.4	$4.7	$5.6	$24.2	62%
Spec Dept Exp	$0.2	$0.2	$0.2	$0.5	$0.7	$1.8	5%
Other	$0.1	$0.3	$0.4	$0.3	$0.2	$1.3	3%
Total	$6.6	$6.7	$7.2	$7.7	$10.9	$39.1	100%

Source: Expenditure Status by Minor Object Reports

As this exhibit shows, expenditures for professional and specials services (62%), and building lease (10%) make up the majority of the Administration budget unit's services and supplies expenditures. Professional and special services include costs for outside audit, legal, and consulting services. Expenditures for professional and special services increased from $4.6 to $5.6 million. Building lease expenditures increased from $.1 to $2.7 million.

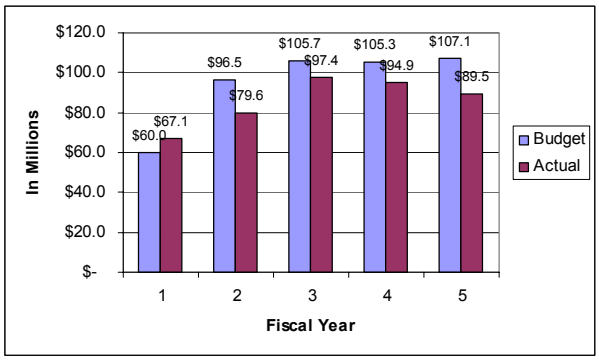
General Support Budget Unit Services and Supplies Expenditures

As the following exhibit shows, the General Support budget unit under spent its services and supplies budget in four of the five years. The General Support budget unit spent an average of 92 percent of the amount budgeted for it to spend on services and supplies. Providing savings to cover excess overtime costs were given as the reason for under spending in the years when under spending occurred.

LASD SERVICES & SUPPLIES

General Support Budget Unit

(FY1997-98 to FY 2001-02) In Millions



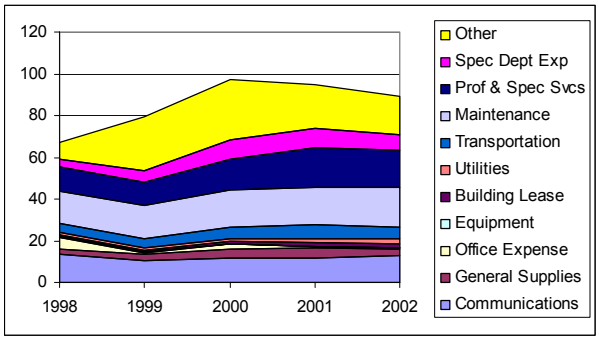
Source: Budgeted Amounts: Annual Adopted Budgets. Actual Amounts: Expenditure Status by Minor Object Reports

The following exhibit shows the trends over the five-year period in each type of services and supplies expenditures for the General Support Budget Unit.

LASD SERVICES & SUPPLIES

General Support Budget Unit

(FY1997-98 to FY 2001-02) In Millions



	1998	1999	2000	2001	2002	Total	Percent
Communications	$13.7	$10.7	$11.6	$11.5	$13.1	$60.5	14%
General Supplies	$2.5	$2.9	$4.3	$4.9	$2.9	$17.4	4%
Office Expense	$5.6	$0.8	$2.4	$0.8	$0.4	$10.1	2%
Equipment	$0.2	$0.2	$0.3	$0.3	$0.2	$1.2	0%
Building Lease	$0.9	$0.7	$0.8	$1.5	$1.9	$5.8	1%
Utilities	$1.3	$1.5	$1.5	$1.6	$2.1	$8.0	2%
Transportation	$4.0	$4.1	$5.5	$6.8	$5.7	$26.1	6%
Maintenance	$15.7	$16.2	$17.9	$17.8	$18.9	$86.6	20%
Prof & Spec Svcs	$11.6	$10.9	$14.5	$19.2	$17.9	$74.0	17%
Spec Dept Exp	$3.5	$5.7	$9.4	$9.4	$7.4	$35.4	8%
Other	$8.3	$26.0	$29.1	$20.9	$18.9	$103.3	24%
	$67.1	$79.6	$97.4	$94.9	$89.5	$428.5	100%

Source: Expenditure Status by Minor Object Reports

As this exhibit shows, expenditures for maintenance (20%), professional and special services (17%), and communications (14%) make up the majority of the General Support budget unit's services and supplies expenditures. Maintenance expenses increased from $15.7 million to $18.9 million. Expenditures for professional and special services increased from $11.6 to $17.9 million. Communications expenditures, which includes the radio and telephone systems, declined from $13.7 to $13.1 million.

APPENDIX E

CONTRACT CITIES COST MODEL EXCLUDED COSTS
ADMINISTRATIVE SUPPORT EXPENSES

ORGANIZATIONAL UNITS	TOTAL COST	PERCENT EXCLUDED	COUNTYWIDE EXCLUDED COSTS
DETECTIVE DIVISION ***(a)***			
Arson/Explosives	$4,707,738	100%	$4,707,738
Forgery/Fraud	6,677,706	65%	4,340,509
Cargo Theft	1,828,839	100%	1,828,839
Computer Crimes	1,408,646	100%	1,408,646
Major Crimes:			
Special Investigation	8,846,472	100%	8,846,472
Administration	2,091,471	100%	2,091,471
STAR	5,849,764	100%	5,849,764
Homicide Bureau	20,069,324	100%	20,069,324
Family Crimes	6,821,449	100%	6,821,449
Narcotics Bureau	22,234,638	100%	22,234,638
T.R.A.P.	2,775,801	100%	2,775,801
Hate Crime Task Force	623,515	100%	623,515
PROF STANDINGS & TRAINING ***(a)***			
P.S.T. Headquarters	18,303,065	100%	18,303,065
Internal Criminal Investigations	4,224,882	100%	4,224,882
Internal Affairs	6,545,556	100%	6,545,556
Special Positions	311,006	100%	311,006
Advanced Training	8,389,750	25%	2,097,438
Recruit Training	17,645,141	100%	17,645,141
TECHNICAL SERVICES DIVISION ***(a)***			
Administration	2,145,774	100%	2,145,774
Communications	36,038,492	100%	36,038,492
Records & Identification	16,707,126	100%	16,707,126
Data Systems	34,966,601	85%	29,721,611
Scientific Services	20,796,337	100%	20,796,337
COURT SERVICES DIVISION ***(a)***	198,069,773	100%	198,069,773
CUSTODY DIVISION ***(a)***	542,746,275	100%	542,746,275

a. Exclusions appear to be primarily based on County Board of Supervisor decisions, influenced by California Government Code 51350 and other contributory factors.
b. Exclusions primarily based on California Government Code 51350.

APPENDIX E

CONTRACT CITIES COST MODEL EXCLUDED COSTS
ADMINISTRATIVE SUPPORT EXPENSES

ORGANIZATIONAL UNITS		TOTAL COST	PERCENT EXCLUDED	COUNTYWIDE EXCLUDED COSTS
OFFICE OF ADMIN SERVICES	***(a)***			
Division Administration		11,946,554	100%	11,946,554
Facilities Services Bureau		37,872,630	95%	35,978,999
Facilities Planning		3,363,004	95%	3,194,854
EXECUTIVE OFFICE	***(b)***			
Office of the Sheriff		3,932,452	100%	3,932,452
Office of the Undersheriff		21,095,989	100%	21,095,989
Office of the Assistant Sheriff		4,435,232	100%	4,435,232
Sheriff's Headquarters		5,556,302	100%	5,556,302
Reserve Forces		1,554,069	100%	1,554,069
SPECIAL OPERATIONS DIVISION	***(a)***			
Administration		1,959,225	100%	1,959,225
Asian Crime Task Force		3,803,281	100%	, 3,803,281
Aero Bureau		11,402,286	100%	11,402,286
Contract Law:				
Custody		30,414	100%	30,414
Courts		359,961	100%	359,961
Private Entities		280,438	100%	280,438
Other County Duties		90,834	100%	90,834
Emergency Operations		3,960,166	100%	3,960,166
Safe Street Bureau		15,884,886	100%	15,884,886
Special Enforcement		12,312,467	100%	12,312,467
Parking Enforcement		4,401,461	100%	4,401,461
FIELD OPERATIONS REGION I	***(a)***			
Administration		4,277,551	100%	4,277,551
FIELD OPERATIONS REGION II	***(a)***			
Administration		1,873,260	100%	1,873,260
Transit Services		19,709,642	100%	19,709,642
Metrolink Unit		4,144,717	100%	4,144,717
Community College Bureau		9,498,096	100%	9,498,096
FIELD OPERATIONS REGION III	***(a)***			
Administration		3,128,879	100%	3,128,879
TOTAL EXCLUDED COSTS				$1,161,722,656

a. Exclusions appear to be primarily based on County Board of Supervisor decisions, influenced by California Government Code 51350 and other contributory factors.
b. Exclusions primarily based on California Government Code 51350.

APPENDIX F

CONTRACT CITIES COST MODEL EXCLUDED COSTS
GENERAL COUNTY OVERHEAD COSTS

COUNTYWIDE COST ALLOCATION PLAN	CCAP SHERIFF AMOUNT	PERCENTAGE EXCLUDED	EXCLUDED COSTS	ALLOCATED COSTS	NOTES
Insurance	($2,593,302)	100%	($2,593,302)		**1,2,5**
Rental Expenses	(29,693,298)	100%	(29,693,298)		**1,2,5**
Building Use Allowance	18,881,820	100%	18,881,820		**2**
Equipment Use Allowance	11,862,220	30.30%	3,594,253	$8,267,967	**3**
Utility Expense	(978,339)	100%	(978,339)		**1,2,5**
Vacant Space	553,582	100%	553,582		**2**
Affirmative Action	535,573	100%	535,573		**2**
Auditor-Controller	950,037	0.834%	7,923	942,114	**4**
Board of Supervisors	210,826	100%	210,826		**2**
Chief Admin Office	1,423,503	100%	1,423,503		**2**
Chief Info Officer	391,126	100%	391,126		**2**
County Counsel	348,454	100%	348,454		**2**
ISD-General	531,673	0.124%	659	531,014	**4**
Human Resources	1,340,146	1.562%	20,933	1,319,213	**4**
Treasurer & Tax Coll	(3,079)	100%	(3,079)		**1,2,5**
EB-General	(38,967)	100%	(38,967)		**1,2,5**
Totals	$3,721,975		($7,338,333)	$11,060,308	

Source: FY 2002/2003 LASD Contract City Billing Model.

APPENDIX F NOTES

Note 1 Credits due to reversals from prior years.

Note 2 California Government Code Section 51350 – The following cost items are considered countywide and are, therefore, excluded from the General County Overhead calculation on the basis of Government Code 51350: Insurance, Rental Expenses, Building Use Allowance, Utility Expense, Vacant Space, Affirmative Action, Board of Supervisors, Chief Admin Office, Chief Information Officer, County Counsel, Treasurer & Tax Collector, EB-General.

Note 3 Equipment Use – The CCAP Sheriff Amount of $11,862,220 was adjusted by $3,594,077 to $8,268,143. Reducing the Total Equipment Cost of $177,844,378 by $53,884,207, which is the Motor Vehicle Replacement Costs for the years of 1998-99 though 2001-02, arrived at the amount of $8,268,143. The reduced amount of $123,960,171 is multiplied by the Use Allowance percentage of 6.67% to arrive at $8,268,143. (Use allowance percentage is internally calculated by the Los Angeles County Auditor-Controller and is based on OMB A-87 guidelines and internal equipment use studies.)

Note 4 Executive Salaries – Executive salaries are considered countywide costs and thus excluded on the basis of Government Code 51350. The Auditor-Controller develops the adjustment factor internally by comparing executive salaries to total salaries.

- Auditor-Controller: $950,037 adjusted by .834% to $942,114.
- ISD: $531,673 adjusted by .124% to $531,014.
- Human Resources: $1,340,146 adjusted by 1.562% to $1,319,213.

Note 5 CCAP Amounts - Negative amounts reflect overcharges to the Sheriff's Department from the County. County charges Sheriff's Department for services based on state guidelines.

APPENDIX G

EXCLUDED COSTS COMPARISON

COST CATEGORIES	Los Angeles County		Santa Clara County		Orange County		San Diego County	
	A	notes	B	notes	C	notes	D	notes
INVESTIGATIVE SERVICES								
Arson Investigation	100%				100%		100%	
Explosives/Bomb Squad	100%		100%		100%		100%	
Forgery/Fraud Investigation	65%	A-1			100%		43%	D.1
Cargo Theft Investigation	100%				100%		100%	
Computer Crimes	100%				100%		100%	
Homicide Investigation	100%				100%		65%	D.1
Family Crimes	100%				100%		46%	D.1
Narcotics Investigation	100%				100%		100%	
TRAINING								
Advanced Training	25%	A-1					100%	
Recruit Training	100%						100%	
TECHNICAL SERVICES								
Radio Communications	100%						100%	
Telephone Communications	100%						69%	D.4
Crime/Arrests Records	100%				100%		100%	
Criminal Identification	100%				100%		100%	
Data Systems	85%	A-1					89%	D.3
Crime Lab Services	100%				100%		100%	
COURT AND CUSTODY SERVICES								
Custody	100%		100%	B-1	100%		100%	
Court Security	100%		100%	B-2	100%		100%	
EXECUTIVE OFFICE								
Office of the Sheriff,Undersheriff	100%		100%		100%		100%	
Assistant Sheriff	100%		100%				100%	
Sheriff's Headquarters	100%		100%		100%		91%	D.2
Reserve Programs & Officers	100%				100%		100%	
OTHER SERVICES								
Aero Support Services	100%						100%	
Other County Duties	100%						100%	
Emergency Operations	100%		100%		100%		100%	
ADDITIONAL COSTS/SERVICES								
Crime Prevention							49%	D.6
Juvenile Intervention							49%	D.6

APPENDIX G NOTES

LASD

A –1 Percentage of exclusion is based on Booze, Allen – Hamilton study, 1972.

Santa Clara County

B – 1 Excluded all costs except Booking fees.
B – 2 100% of costs reimbursed by State Trial Court funding.

Orange County

C – 1 Air Support Services: All contract cities are charged for "enhanced" air support service.
C – 2 All services pursuant to California Government Code Section 51350; which are provided to other non-contract cities within the County at no costs are also provided to Contract Cities at no cost.

San Diego County

D – 1 Costs are allocated based on the number of units generating the need for the service.
D – 2 Excluded per Gov. Code 51350, countywide cost.
D – 3 Data Service Cost – S&B of 2 Info. Tech. Engineers and 1 Senior IT Engineer. ARJIS utilization costs are allocated based on number of units (including unincorporated units). The cost percentage to budget is reflecting in the percentages.
D – 4 Communications Center Cost – Only S&B cost of Sheriff's Comm. Coordinator, Emergency Services Dispatchers and Supervisor Emergency Service Dispatchers are being charged to contract cities. Captain's S&B costs not charged. Again, costs are spread over the number of units requiring the service (both contract cities and unincorporated area).
D – 5 Contract Administration Costs are spread over all contracts and are a general support to Law Enforcement Operations. Salary & Benefits costs are allocated as follows: 95% of Contract Mgr., 50% of Admin. Analyst III, 75% of Secretary II charged to contract cities and a portion of fiscal administrative staff.
D – 6 Crime Prevention and Juvenile Intervention costs are spread over the number of units generating the need for the service. The unallocated costs are related to unincorporated units.