COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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May 13, 2005

TO: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **Sheriff Contract City Billing Practices – Phase II Status Report**

At the May 25, 2004 meeting, your Board directed the Auditor-Controller to review each of the Sheriff's organizational units to identify costs that are excluded from the contract city cost model by current Board policies established in the 1970's, and to make recommendations regarding billing those costs. We were also requested to report on potential unintended outcomes of billing the costs, including potential impacts to public safety.

On March 10, 2005, we issued our Final Phase I report that included findings for all 14 of the Sheriff's unbilled internal support units. It should be noted the Sheriff just provided us with previously unavailable data breaking down Sheriff facility services costs by square feet. This detailed breakdown of facility costs could lower the $10.1 million in unbilled costs we determined in the Phase I report. We are reviewing the accuracy of the data provided, but have preliminarily determined the more precise data could lower the $10.1 million by about $2.5 million.

We have begun Phase II of our review, which focuses on the Sheriff's organizational units that generally provide direct services to the contract cities, independent cities, and unincorporated territory (e.g., Arson/Explosives, Homicide, Narcotics, etc). Current Board policy indicates that cities should not be billed for these organizational units because in the 1970's the Board determined that the services provided by these units were Countywide. We are working with stakeholders including the Sheriff, Chief Administrative Office, with input from the California Contract Cities Association and Independent Cities Association, to develop principles of Countywide services in order to assist the Board in making decisions regarding the appropriateness of billing for these services in the future. We are also working with stakeholders to identify potential impacts and unintended outcomes that could result if these services are billed.

A listing of the organizational units that we reviewed in Phase I and the units that we plan to review as part of Phase II is attached.

Phase II Units/Functions Reviewed to Date

To date, we have begun reviews of the following three Sheriff organizational units that are currently excluded from the contract city billing rates and not billed to independent cities based on current Board policy: Homicide Bureau, Scientific Services, and Recruit Training. Our preliminary review disclosed that:

- A portion of the Homicide Bureau's costs are attributable to cities because the Bureau provides investigative services for unexpected/suspicious deaths, missing persons and deputy involved shootings throughout the County, including contract and independent cities.

- A portion of the Scientific Services Bureau's costs are attributable to cities since the Bureau provides forensic science support services (physical evidence, crime scene investigations, polygraphs, etc.) to most County law enforcement agencies including contract city and independent city police agencies.

- A portion of the Recruit Training unit's costs are attributable to both contract and independent cities since the unit operates the law enforcement training Academy for the Department's newly hired sworn personnel that eventually staff the Department's custody, court services and patrol functions (including contract city patrol). In addition, some independent city recruits attend the Sheriff's training Academy.

For each of the three units, we reviewed the Department's current accounting and personnel records as well as their cost projections for FY 2005-06. We estimate that the total costs for the Recruit Training unit, Homicide Bureau, and Scientific Services Bureau will be approximately $11.5 million, $22 million, and $22.3 million, respectively. However, because these units have historically been classified as Countywide functions, the Sheriff's current systems and procedures are not designed to identify and track the portion of time or expenditures provided to contract cities, independent cities and the unincorporated areas. As a result, we have not been able to estimate the percentage of the Bureau's/Unit's workload/costs attributed to cities and are currently working with the Sheriff to estimate these costs.

Because the above services are provided to both contract and independent cities, if the Board elects to bill cities for these types of services, the costs could not be added to the current Board approved contract city cost model as were the overhead type services reviewed in our Phase I review. Instead, the Sheriff could develop new recordkeeping systems at additional cost, to track contract city, independent city and unincorporated area workloads and expenditures. In some instances we believe it may be difficult for the Sheriff to track specific costs and to determine responsibility for costs. Therefore, we are working with the Sheriff, CAO, and cities to identify potential alternative cost allocation and recovery methods for consideration.

Potential Impacts and Unintended Outcomes

We have preliminarily identified the following implications if the County decides to charge cities for a portion of the costs of the services currently provided without charge.

- Charging cities for these services may result in some cities choosing to reduce services provided to their communities (i.e., Sheriff, fire, etc.). This could have a negative impact on the crime rate and quality of life in the County as a whole. Any reductions in requested services could reduce the quality of city provided services and/or the quality of the Sheriff's overall investigative capabilities.

- Charging cities for investigative services may cause differences in the levels that a particular crime is investigated since some cities may not have the resources to have their crimes investigated to the same degree as more affluent cities. This could impact conviction rates if cases are not properly investigated.

- Some cities may challenge billing for these services in court, resulting in increased legal fees.

While there are drawbacks to charging cities for Phase II services, the Sheriff may be able to increase funding to help improve the quality and quantity of services provided to all cities. We will continue to evaluate the impact of charging cities for these services and incorporating the Sheriff's, California Contract Cities Association's and the Independent Cities Association's concerns with billing for these services.

Principles of Countywide Services

Current Board policies identify individual Countywide services that are not billable. We are not aware of any guiding principles used to determine why certain services were classified as billable and others as "Countywide" and not billable when the billing policy decisions were made in the 1970's. Accordingly, we are trying to establish such guiding principles to help the Board evaluate whether to modify policies and consider recovering costs for some services currently considered Countywide. We are working with Board offices, the Sheriff, CAO, contract cities, and independent cities to develop criteria for classifying services as Countywide.

Some preliminary examples of guiding principles being considered for classifying a service as Countywide include:

- The entire County benefits from the central coordination of the particularly sensitive services including services that are employed during extraordinary or emergency circumstances such as natural disasters (earthquakes, floods, fires, etc.), terrorist events, other disasters (train wrecks, etc.), and riots.

- Services and programs that are legally mandated and/or funded by the State/federal government.

- Certain large, individual services/investigations where the cost for one or a limited number of cities might be prohibitive. We are considering whether a cost threshold or a cap could be placed on amounts billed to cities in such circumstances.

Examples of services that could meet the first guiding principle might include the Emergency Operations Bureau, Office of Homeland Security, and the Computer Crimes Unit. The Board may want to establish a policy not to bill for services due to their Countywide benefits for citizen safety and overall enhancement of law enforcement. We will continue to work with Board offices, the Sheriff and CAO, with input from the contract and independent cities to further develop and define principles/criteria of Countywide services as we proceed with Phase II of our review.

Sheriff Concerns

The Sheriff believes that services provided Countywide should not be viewed from a cost perspective. In addition, the Sheriff believes that as the chief law enforcement officer of the County, he has the expertise and the statutory jurisdiction to determine which law enforcement

services are made available to all portions of the County. Sheriff management also indicated that several cities within Los Angeles County incorporated with the understanding that a certain amount of law enforcement services would be provided to all cities without charge.

We are working with County Counsel, the Sheriff, cities, and the CAO to resolve these issues.

Next Steps

Our next Phase II status report will include our progress on the remaining 16 unbilled administrative organizational units that generally provide direct services to the contract and independent cities, and unincorporated territories. If we conclude there is reason for the Board to consider changing its policies to bill some of the direct service costs reviewed, we will work to develop potential billing approaches for the Board's consideration. We will also continue developing guiding principles for classifying services as Countywide.

Due to the complexity of the Phase II organizational units and the additional time required to develop billing approaches, we believe that it would be more practical to report quarterly on the progress of our review instead of monthly. Therefore, unless otherwise directed by the Board, we plan to issue our next status report in August 2005.

If you have any questions, please contact me or your staff may contact Mike Pirolo at (626) 293-1110.

JTM:MMO:MP
Attachment

c: David E. Janssen, CAO
Leroy D. Baca, Sheriff
Raymond G. Fortner, County Counsel
Violet Varona-Lukens, Executive Officer
Public Information Officer
Audit Committee
California Contract Cities Association
Independent Cities Association

Attachment

Sheriff Contract City Billing Practices Review
Phase I and Phase II Costs by Organizational Unit

Phase I

Organizational Unit	Est. Total Costs for FY 2004-05 [1]
Admin Services Division Admin	$ 16,652,773
Advance Training	$ 6,854,448
Aero Bureau	$ 11,992,512
Contract Law	$ 2,182,544
Data Systems	$ 34,760,040
Facilities Services	$ 41,364,070
Field Oper Regions I, II and III Admi	$ 9,111,621
Internal Affairs	$ 6,313,194
Internal Criminal Investigations	$ 3,937,381
Leadership and Training Admin	$ 3,250,991
Office of the Assistant Sheriff	$ 1,797,282
Office of the Sheriff	$ 2,208,267
Office of the Undersheriff	$ 8,833,364
Sheriff's Headquarters	$ 7,209,515
Total Costs for Units Reviewed to date:	$ 156,468,002

Phase II

Organizational Unit	Est. Total Costs for FY 2005-06
Arson/Explosives	[3]
Cargo Theft	[3]
Communications	[3]
Computer Crimes	[3]
Detective Division Admin	[3]
Emergency Operations	[3]
Family Crimes	[3]
Forgery/Fraud	[3]
Homeland Security Admin	[3]
Homicide Bureau	$ 21,454,690 [2]
Major Crimes Unit	[3]
Narcotics Bureau	[3]
Records and Identification	[3]
Recruit Training	$ 20,412,148 [2]
Reserve Forces	[3]
Safe Street Bureau	[3]
Scientific Services	$ 22,441,835 [2]
Special Enforcement	[3]
Technical Services Admin	[3]
	$ 64,308,673

Footnote Legend

1 The total costs for the organizational units reviewed in Phase I of our review were calculated based on our review of the Sheriff's FY 2004-05 accounting and personell records. It should be noted that these total costs will be adjusted annually and will vary from year-to-year based on changes in the Department's salaries and employee benefits and occasional changes in the Sheriff's organization.

2 Costs are based on our review of the Sheriff's current accounting and personnel records along with certain projections made by the Sheriff for FY 2005-06.

3 We are currently in the process of reviewing the accounting and personnel records for these organizational units and will update the total projected costs for these units as we continue with our Phase II review.