



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

January 3, 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: **Status Report - Sheriff Contract City Billing Practices**

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 Board policy established in the 1970's, and to make recommendations regarding billing those costs. Your Board asked that we provide monthly status reports.

As indicated in our December 2004 status report, in Phase I of our review we are focusing on organizational units that are administrative in nature and generally provide internal support services to the Sheriff's Department (e.g., Facility Services, Internal Affairs, Data Systems, etc.).

Summary of Findings to Date

On December 10, 2004, we issued our second status report that included preliminary findings for six of the Sheriff's 14 unbilled internal support units. Our review noted that costs from all six units appear to be currently billable to contract cities without a Board policy change. We also indicated that billing for these services could potentially result in over \$9.1 million being allocated to contract cities.

Subsequently, we have completed our review of two additional Sheriff internal support units; Internal Criminal Investigations and Leadership and Training Division Administration. We noted that according to current Board policy:

- A portion of the Internal Criminal Investigations unit's costs appear to be billable since the unit reviews allegations of criminal conduct against Sheriff employees,

including employees who work in contract cities. We estimate that including costs for this unit in the billing rates could result in an additional \$500,000 being billed to contract cities annually.

- The Leadership and Training Division Administration unit's costs do not appear to be billable because the administrative services provided are generally not impacted by contract cities.

We are continuing to have ongoing discussions with the Sheriff, Chief Administrative Office (CAO), County Counsel, California Contract Cities Association (CCCA) and Independent Cities Association (ICA) regarding our review and preliminary findings. It must therefore be noted that the estimates of the potential billing impact discussed above are preliminary and could change as we continue our review.

Next Steps

Our next status report will focus on the remaining six unbilled organizational units that are generally internal to the Sheriff's Department. These six units are Administrative Services Division Administration, Contract Law, Data Systems, Office of the Assistant Sheriff, Office of the Sheriff, and Sheriff's Headquarters.

As directed by the Board, we will issue our next status report by the end of January 2005. We plan to complete our Phase I review of the Sheriff's unbilled internal support units by the end of February 2005.

We will begin Phase II and shift our focus to Sheriff services/units that generally provide direct services to the public (e.g., Homicide, Arson, Narcotics, etc.). It appears that billing for these direct services would require a Board policy change. Therefore, we are working with the Sheriff and CAO, with input from the CCCA and ICA, to develop principles/criteria of Countywide services.

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

JTM:MMO:MP

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