



# COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

**OSCAR VALDEZ**  
INTERIM AUDITOR-CONTROLLER

ASSISTANT AUDITOR-CONTROLLERS

**MAJIDA ADNAN**  
**ROBERT G. CAMPBELL**  
**CONNIE YEE**

June 30, 2023

TO: Each Supervisor

FROM: Oscar Valdez, Interim Auditor-Controller

SUBJECT: **SHERIFF'S DEPARTMENT – REPORT ON OPERATIONAL REVIEWS  
(Board Agenda Item 10, October 1, 2019)**

## Background

The Los Angeles County Sheriff's Department (Sheriff, LASD, or Department) provides general law enforcement services to 141 unincorporated communities. The Department also houses and cares for over 13,000 people in the County's eight Custody facilities. In addition, the Sheriff provides contractual law enforcement services to 42 contract cities, the Southern California Regional Rail Authority, the Los Angeles County Metropolitan Transportation Authority, and the Superior Court. For Fiscal Year (FY) 2021-22, the Sheriff had 17,085 budgeted positions and a budget of approximately \$3.5 billion, with a net cost to the County General Fund of \$1.6 billion.

## Audit Scope and Objectives

On October 1, 2019, your Board instructed the Auditor-Controller (A-C), in collaboration with the Chief Executive Office (CEO) and the Office of Inspector General, to conduct an operational review of the Sheriff to determine whether there are areas that can be more efficient and/or operate more effectively. The Board also directed a review of prior reports/audits.

We contracted with BCA Watson Rice LLP (BCA) in March 2020 to perform an Audit Report Follow-ups and Operational Review, and BCA will issue a total of four separate reports for this project: (1) Potential Revenue Shortfalls/Losses (issued January 11, 2022), (2) Operational Review (this report), and future reports on (3) Audit Report Follow-ups, and 4) Summary of Audit Results. BCA indicated they plan to complete the Audit Report Follow-ups and Summary of Audit Results by September 29, 2023 and October 31, 2023, respectively.

## Review Summary

As part of the audit, BCA analyzed and reviewed the Sheriff's operations for overtime, employee benefits, and facilities. The primary objectives of this review were to identify significant causes of budget surpluses/shortfalls, evaluate process and monitoring controls to improve efficiencies, and identify potential alternatives to decrease shortfalls/mitigate costs, while minimizing the impact on public and deputy safety.

BCA's report included three Priority 1 recommendations and five Priority 2 recommendations. The Priority 1 issues are discussed below.

#### Overtime Reporting - Improve Overtime Reporting Accuracy and Conduct Trend Analysis

BCA identified that the current overtime data collected based on the Sheriff's Overtime Hours Work Report Form (Overtime Form) completed for each overtime request does not yield useful overtime data since the Sheriff indicated that at least some portion of the time assigned is the result of the County's electronic Countywide Accounting and Purchasing System (eCAPS) automatically categorizing certain overtime costs with a "Blank" Overtime Reason Code even though a code was entered) and staff not adequately coding overtime on their timecards (e.g., use of non-descriptive or blank Overtime Reason and Activity Codes). BCA noted that approximately 45% of the Overtime Reason Codes in eCAPS for FY 2020-21 were "Blank".

In addition, BCA noted that LASD attributed a portion of the overtime to the County's settlement in the case of Alex Rosas, et al. v. Leroy D. Baca and the subsequent recommendations made by the Citizens' Commission on Jail Violence (CCJV), which required LASD to provide additional staffing/overtime within the Custody Division. However, BCA indicated that reliable data was not available to show the nature of the overtime increases as practices developed to track the "reason" for and the "activity" associated with each overtime expense were flawed.

As a result, while this did not impact the appropriate payment of overtime to employees, due to this lack of specificity and since the Department did not create any mechanism within eCAPS to track overtime associated with these functions, the Department does not have current and complete overtime data from which to draw meaningful conclusions about the long-term trends related to the drivers of overtime costs. BCA recommended that the Sheriff develop processes to ensure that the nature of overtime is reported accurately and used as an effective management tool, including identifying and correcting misreported categorizations of overtime in eCAPS, requiring more specific and accurate overtime codes, conducting routine overtime trend analyses, and developing mitigation strategies to reduce potential excesses in individual overtime categories.

The Sheriff's response indicates that the Sheriff will engage the A-C and CEO to identify potential solutions available within the current Countywide systems which may improve accuracy in reporting. In response to this recommendation, the Sheriff should re-review updates to eCAPS in 2020 that were intended to help the Department address the "Blank" overtime code issue identified in the audit.

#### Overtime Approval - Enhance Overtime Approval Accountability

BCA noted that the Sheriff has policies for approving overtime that require supervisors to provide a detailed explanation and justification for overtime, a code to identify the reason for the overtime, and a code to identify why the hours were worked on the Overtime Form. However, supervisors and Unit Commanders have not consistently followed the guidelines associated with these policies and as a result, authorizations for overtime are routinely approved without sufficient details to allow Unit Commanders and management to effectively evaluate how the Department fills overtime shifts and draw meaningful conclusions about the long-term trends related to the drivers of overtime costs.

BCA recommended that the Sheriff hold supervisors and Unit Commanders accountable for the approval of overtime that does not conform to the Department's policies and guidelines.

The Sheriff's response indicates that they will establish a process of issuing reminders to Unit Commanders about the overtime policies. In addition, the Department will enforce their non-emergency overtime pre-approval policy.

Annual Overtime Budget - Improve the Accuracy and Usefulness of the Overtime Budget to Minimize Ongoing Structural Deficits

BCA noted that the Sheriff's overtime policies and procedures are consistent with their peers at the Los Angeles Police Department and Orange County Sheriff's Department and with best practices identified by the Department of Justice. However, the Sheriff exceeded their overtime budget from FY 2014-15 to FY 2020-21 by amounts ranging from \$50.8 million (33%) to \$150.8 million (127%).

Based on BCA's review, the annual overtime budget developed by the CEO Budget does not realistically project actual overtime expenses, but rather is used as a mechanism to require LASD to manage its overtime budget more aggressively. As a result, the Sheriff has an ongoing structural deficit within their overall budget that must be addressed on an annual basis through reductions in spending in other areas of the Department's approved budget (e.g., under filling budgeted positions, deferring capital and maintenance costs, or underspending the Services and Supplies budget).

BCA recommended that the Department develop a more comprehensive understanding of their overtime expenses and develop an approved overtime budget that reflects the actual and justifiable needs of the Department. The process must begin with developing internal controls that ensure compliance with existing policies related to the approval and coding overtime requests. This process must also include consultations with CEO Budget to determine what additional data and information would allow the CEO to better evaluate LASD's overtime needs.

The Sheriff's response indicates that the Department will collaborate with the A-C and CEO to identify potential solutions available within the current Countywide systems. In addition, the Department will collaborate with the CEO during the budget process to right-size the overtime budget.

Details of these and other findings and recommendations are included in BCA's attached report (Attachment I).

In accordance with our standard procedures, we do not plan to perform follow-ups of recommendations from external consultants/entities. As a result, we recommend that the Sheriff notify the Board upon implementation of the recommendations.

### **Review of Report**

BCA discussed their report with Sheriff's management. The Department's response, included in Attachment II, indicates agreement with the report recommendations.

Each Supervisor  
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If you have any questions please call me, or your staff may contact Mike Pirolo at [mpirolo@auditor.lacounty.gov](mailto:mpirolo@auditor.lacounty.gov).

OV:RGC:MP:JU:gu

Attachments

c: Fesia A. Davenport, Chief Executive Officer  
Celia Zavala, Executive Officer, Board of Supervisors  
Robert G. Luna, Sheriff  
Max Huntsman, Inspector General

*County of Los Angeles*  
*Auditor-Controller*

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Sheriff's Department  
Audit Report Follow-ups and Operational Reviews

**REPORT ON OPERATIONAL REVIEWS**

**FINAL REPORT**

December 2022



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2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501  
t: (310) 792-4640 f: (310) 792-4140



2355 Crenshaw Blvd. Suite 150 Telephone: 310.792.4640  
Torrance, CA 90501 Facsimile: 310.792.4331  
www.bcawatsonrice.com

June 21, 2023

Mr. Oscar Valdez  
Interim Auditor-Controller  
500 West Temple Street, Room 525  
Los Angeles, CA 90012

Dear Mr. Valdez,

BCA Watson Rice LLP is pleased to present the attached report on Operational Reviews of the Los Angeles County Sheriff's Department's (LASD) management and use of overtime, facilities, and employee benefits. The recommendations contained in this report could improve the reporting and/or cost controls over the LASD's management of overtime, facilities, and workers' compensation. LASD management agrees with all of the report's recommendations. LASD's written management response and actions to be taken to each recommendation is included at the end of this report.

We would like to thank LASD management and staff for their efforts and cooperation throughout the review. Please feel free to contact me directly at 310 792-4640 ext. 110 if you should have any questions.

Respectfully,

A handwritten signature in blue ink that reads 'Michael J. de Castro'. The signature is written in a cursive style with a large, circular flourish at the end.

Michael J. de Castro  
Managing Partner

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Attachment: LASD Management Response

## 1. EXECUTIVE SUMMARY

This executive summary provides a brief description of the more significant results by area. For a more detailed discussion of the results, please refer to the body of the report.

### **Background, Scope, and Objectives**

For Fiscal Year (FY) 2019-20, the Los Angeles County Sheriff's Department (Sheriff, LASD or the Department) had 18,300 budgeted positions with a budget of \$3.4 billion. The net cost to the County's General Fund was \$1.6 billion. In September 2019, the Chief Executive Office (CEO) notified the Board of Supervisors (Board) that the LASD closed FY 2018-19 with a net deficit of \$63.4 million. The CEO attributed this net deficit to over-expenditures in salaries and employee benefits, other charges, and under-realization of revenue.

In October 2019, the Board requested that the Auditor-Controller in collaboration with the CEO and the Office of Inspector General conduct an operational review of the LASD to determine whether there are any areas that can be more efficient and/or operate more effectively. The Board also directed a review of LASD's operations, including a review of prior audits and reports.

In March 2020, the Auditor-Controller contracted with BCA Watson Rice (BCAWR) to conduct various audit report follow-ups and operational reviews of LASD operations for overtime, employee benefits, and facilities. This report provides the results of BCAWR's operational review and analyses of those three (3) areas.

The objectives of this operational review were to identify the more significant causes of any budget surpluses/shortfalls, evaluate process and monitoring controls to improve efficiencies, and identify potential alternatives to decrease shortfalls/mitigate costs, while minimizing the impact on public and deputy safety. To conduct our review and analyses, we reviewed information and data from the last five fiscal years, where appropriate. We began our review in June 2021 and completed our review in July 2022.

Overall, we found that there are opportunities for LASD to improve its monitoring of overtime approval and expenditures, and the recording of facilities expenditure transactions. We found that employee benefits deficits were primarily caused by a structural budgetary issue rather than one time expenditure occurrences. We summarize the more significant issues and discuss these opportunities below and provide more detail in the body of this report.



## SIGNIFICANT RESULTS AND RECOMMENDATIONS

***Finding No. 1:*** Supervisors are required to approve an Overtime Hours Worked Report Form for each overtime request. This form is designed to allow Unit Commanders and LASD management to identify trends in overtime in units, divisions and within the entire Department. Through system errors and inadequate coding practices, however, the current overtime data does not allow for a meaningful trend analysis to identify the various reasons for overtime costs incurred within LASD.

### **Recommendation No. 1 (Priority 1)**

LASD should develop processes to ensure that the nature of overtime is reported accurately and used as an effective management tool. First, LASD should work with the Auditor-Controller to identify and correct any systems errors within eCAPS that may result in misreported categorizations of overtime. Second, Supervisors and Unit Commanders should require that Reason and Activity Codes are filled out with reasonable specificity and are reported accurately within the system. And third, once accurate data is secured, Unit Commanders should routinely conduct trend analyses related to the nature of overtime usage within their units. Where negative trends are identified, Unit Commanders should develop mitigation strategies to curb potential excesses in individual overtime categories.

***Finding No. 2:*** As discussed in Finding No. 1 above, because overtime request forms are not routinely filled out with specificity, LASD does not have the overtime data to evaluate how effectively the Department fills overtime shifts. While LASD has policies for approving overtime, the approvals are not always consistent with those policies.

### **Recommendation No. 2 (Priority 1)**

LASD should hold supervisors and Unit Commanders accountable for the approval of overtime that does not conform to the policies set forth in LASD's Manual.

***Finding No. 3:*** While LASD has developed several mitigation measures to minimize the use of overtime, it does not document those practices in sufficient detail to evaluate the fiscal impact of those mitigation measures.

### **Recommendation No. 3 (Priority 2)**

LASD should develop tools to evaluate the impact of mitigation measures undertaken to minimize overtime. These impacts include both the fiscal savings associated with the mitigation measure, and the potential detrimental impact of utilizing those mitigation measures.

***Finding No. 4:*** At present, the approved budget for LASD does not reasonably reflect LASD's actual overtime costs. As a result, LASD's annual budget has a built-in deficit which must be addressed through reductions in spending in other areas of its approved budget. Historically, LASD has addressed this structural deficit by under filling budgeted positions (salary savings) and reducing other types of expenditures. These practices weaken the usefulness and transparency of the budget process.

**Recommendation No. 4 (Priority 1)**

We recommend that LASD develop a more comprehensive understanding of its overtime expenses. The process must begin with developing internal controls that ensure compliance with existing policies related to the approval and coding overtime requests. Reporting accurate and meaningful data is critical. This process must also include consultations with CEO Budget to determine what additional data and information would allow the CEO's Office to better evaluate LASD's overtime needs. The goal should be for the County to develop an approved overtime budget that reflects the actual and justifiable needs of the Department.

**Finding No. 5:** Facilities Services Bureau (FSB) maintains at least 48 different categories of expenses for the purposes of budgeting and reporting. We found that these budgetary line items do not consistently represent the true nature of the actual expenditure. First, the line items contain too many insignificant categories of expenses as represented by the dollar amounts assigned. Second, there is inconsistency in the nature and scope of the expense categories. Some line items represent expenses, other line items represent projects, and finally some line items represent the method of funding or form of payment. These budgeting practices have resulted in a lack of clarity in developing and tracking FSB's expenditures.

**Recommendation No. 5 (Priority 2)**

We recommend that FSB work with the LASD's Administrative Services Bureau (ASB) to develop a more tailored and clearly defined set of expense category line items. These line items should provide well-defined descriptions of key categories of expenses to ensure the effective utilization of resources, provide greater accountability and improve the recording of individual expenditures. Additionally, FSB should consider tracking project costs separately and apart from the way it budgets and tracks ordinary expenses. Finally, FSB should eliminate line items that represent the method of payment or funding.

**Finding No. 6:** Facilities Planning Bureau (FPB) budgetary line items vary significantly in the dollar amounts assigned and scope of services provided. Individual categories can range from \$1,000 to \$1 million, representing almost half of the overall budget. Moreover, generalized categories of expenses such as "Additional Funding" and "Facilities Planning Projects" provide little guidance to the nature of the expenses being tracked. This has led to a lack of clarity in developing and tracking the nature of FPB's expenses.

**Recommendation No. 6 (Priority 2)**

We recommend that FPB work with ASB to develop a more tailored set of line items. These line items should provide clear descriptions of key categories of expenses to ensure effective utilization of resources, provide greater accountability and improve the recording of individual expenditures. Additionally, FPB should consider tracking project costs separately and apart from the way it budgets and tracks ordinary expenses. Finally, FPB should eliminate line items that represent the method of funding.

**Finding No. 7:** FPB has difficulty accurately budgeting for the Facilities Planning Projects and CAP Project Consultant Services. While a portion of underspending is based on the variable nature of the work being performed, some of the underspending is due to a lack of definition to the expense categories and not adequately considering the projects expected to occur in the upcoming fiscal year.

**Recommendation No. 7 (Priority 2)**

The FPB should more closely align the budget for Facilities Planning Projects and CAP Project Consultant Services with the list of known or expected projects for the following year.

**Finding No. 8:** The Department’s employee benefits categories that consistently have the largest budgetary shortfalls for Fiscal Years 2014-15 to FY 2019-20 are as follows:

1. Workers’ Compensation
2. Separation Pay
3. Retiree Health Insurance

The identified budgetary shortfalls were consistent for the six fiscal years reviewed (FY 2014-15 to FY 2019-20), where actual costs exceeded budgeted costs year after year.

Combined Average Annual Actual Over Budget for Workers’ Compensation, Separation Pay, and Retiree Health Insurance					
FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
\$ 8,560,033	\$ 10,322,602	\$ 18,938,538	\$ 23,830,502	\$ 31,212,265	\$ 19,369,879

The details of the above amounts are presented on page 27, Table 9.

Thus, these budgetary shortfalls appear to be a structural budgetary issue rather than a one-time occurrence, and these shortfalls are foreseeable each year. Workers’ compensation is the only employee benefit that the LASD potentially can control a portion of the costs by improving employee safety and training, but an assessment of LASD’s efforts and effectiveness in controlling workers’ compensation costs is beyond the scope of this review. For separation pay and retiree health insurance<sup>1</sup>, LASD has very little to no control over managing these costs. The LASD Budget Services Unit (BSU) monitors changes in all employee benefit costs monthly and provides monthly Budget Status Reports (BSRs) to the CEO.

**Recommendation No. 8 (Priority 2)**

We recommend that a detailed assessment of LASD’s efforts to control workers’ compensation costs be performed. The detailed assessment should include identifying the contributing factors behind the increase in workers’ compensation costs and proposing ways to mitigate on-the-job injury risk factors. In addition, conducting a comparative workers’ compensation benchmarking analyses to other law enforcement agencies will assist in identifying best practices for controlling workers compensation claims and costs.

<sup>1</sup> Effective in FY 2022/23, retiree health insurance will be centrally funded.

## 2. INTRODUCTION AND BACKGROUND

The Los Angeles County Auditor-Controller contracted with BCA Watson Rice (BCAWR) to conduct an audit report follow-up and operational review of certain LASD operations. For FY 2019-20, the LASD had 18,300 budgeted positions with a budget of \$3.4 billion. The net cost to the County's General Fund was \$1.6 billion. In September 2019, the Chief Executive Office (CEO) notified the Board of Supervisors that the LASD closed FY 2018-19 with a net deficit of \$63.4 million. The CEO attributed this net deficit to over- expenditures in salaries and employee benefits, other charges, and under-realization of revenue.

The LASD enforces laws and County ordinances in the unincorporated areas and is responsible for maintaining law and order in all cities in the County. The LASD also provides direct traffic and law enforcement contract services to 42 cities, the Los Angeles County Metropolitan Transportation Authority, and other public agencies. In addition, the LASD provides placement, housing, and care to an average of approximately 13,000 individuals incarcerated in the County jail in eight custody facilities (as of May 2022) and provides bailiff services to the Superior Court.

In October 2019, the Board requested that the Auditor-Controller in collaboration with the CEO and the Office of Inspector General conduct an operational review of the LASD to determine whether there are any areas that can be more efficient and/or operate more effectively. The Board also directed a review of LASD's operations, including a review of prior audits and reports.

In March 2020, the Auditor-Controller contracted with BCAWR to conduct various audit report follow-ups and operational reviews of LASD operations. This report provides the results of BCAWR's operational review and analyses of the following three (3) areas: Overtime, Facilities, and Employee Benefits.

### 3. OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this operational review were to identify the more significant causes of any budget surpluses/shortfalls, evaluate process and monitoring controls to improve efficiencies, and identify potential alternatives to decrease shortfalls/mitigate costs, while minimizing the impact on public and deputy safety.

The scope of our review and analysis covered the last five fiscal years, when applicable. We conducted our review and analysis remotely due to the health and safety protocols of the pandemic. Information was requested and received electronically, and interviews were conducted via conference call or video conferencing.

Below we provide a brief description and the list of the tasks performed for each of the three areas reviewed:

#### 1. Overtime

The Sheriff's Department (LASD) has routinely exceeded its overtime budget with variances ranging from 52% to 113% over the last seven years (excluding FY 2020-21 due to the pandemic). This section will evaluate the nature of these variances by evaluating four tasks below:

***Task No. 1: Performed a budget-to-actual overtime trend analysis.***

***Task No. 2: Identified and evaluated how the Department fills overtime shifts and the means of selecting staff overtime.***

***Task No. 3: Benchmarked overtime policies with other law enforcement entities.***

***Task No. 4: Reviewed and evaluated the methodology used to develop the overtime budget by division and accounting for adjustments throughout the fiscal year.***

#### 2. Facilities

LASD has two units that address its facility needs. The Facilities Services Bureau (FSB) is the larger of the two units and is responsible for the maintenance of existing infrastructure including repairs and upgrades. The Facilities Planning Bureau (FPB) is responsible for non-capital improvements (less than \$100,000) to existing infrastructure such as tenant improvements.

The primary objective of this review was to evaluate variances between the amounts budgeted and expended for facilities for LASD. This includes determining how facilities costs are budgeted, efforts to track and monitor facilities expenditures, if facility budgets have been consistently

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underspent and can be reduced, and the potential impact of overspending in other areas of LASD on facility spending practices. To accomplish this, we performed the following tasks:

**Task No. 1: Performed a historical analysis of the Sheriff's facilities budget and expenditures (as it relates to services and supplies).**

**Task No. 2: Reviewed and evaluated how the Sheriff budgets their annual facilities' cost, including sub-budget allocations, and any adjustments throughout the fiscal year.**

**Task No. 3: Evaluated the LASD's efforts to track and monitor their facilities expenditures and any actions taken to address significant budgetary shortfalls or overages.**

**Task No. 4: Analyzed areas where the Sheriff's annual facility expenditures have been consistently under budgeted and determine if the budgetary funding in those areas can be reduced.**

**Task No. 5: Identified any potential impacts of Sheriff's over expenditures in other areas (e.g., sworn salaries, overtime, employee benefits, etc.) on facility service spending practices.**

### **3. Employee Benefits**

Between FY 2014-15 and FY 2019-20, the LASD has reported to the CEO significant budgetary shortfalls. Sheriff's management attributed a portion of these budgetary shortfalls to significant underfunding of its employee benefit costs. The LASD budgetary appropriations related to employee benefits are intertwined with current and retired staffing levels. These costs are funded from the Department's revenues sources. However, Department appropriations are not sufficient when it comes to funding their increasing employees' benefit costs. To verify these budgetary shortfalls, we performed the following tasks:

*Task No. 1: Reviewed and evaluated how the Sheriff annually budgets for the indicated employee benefit and how any required adjustments throughout the fiscal year are addressed.*

*Task No. 2: We identified employee benefits with significant budgetary shortfalls.*

*Task No. 3: We identified the primary causes of the budget shortfalls. We determined whether the shortfall appears to be a structural budgetary issue or a one-time occurrence.*

*Task No. 4: We evaluated whether the extent of the budget shortfall was foreseeable during the fiscal year.*

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*Task No. 5: We reviewed and evaluated the Sheriff's efforts to monitor the budgetary shortfall and whether they took timely action to mitigate the actual or anticipated shortfall.*

*Task No. 6: We identified opportunities to improve and enhance the Sheriff's employees' benefit processes/practices and include recommendations where possible/practical.*

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## 4. DETAILED RESULTS

Below we provide the details on the results of each of the three review areas:

### 1. Overtime

#### Introduction

The Sheriff's Department (LASD) routinely exceeded its overtime budget during the audit period. This section evaluates the nature of the overtime variances by evaluating the following four elements of LASD's overtime budget and actual expenses: (1) a trend analysis of overtime usage within LASD, (2) the processes used by LASD to assign overtime, (3) a comparison of LASD's overtime policies with peer agencies, and (4) the methodology used to develop LASD's annual overtime budget.

#### Findings and Recommendations

##### *Task 1: Perform a budget-to-actual overtime trend analysis.*

The goal of this task is to present a trend analysis of overtime costs from FY 2014-15 through FY 2020-21. Below, we present an analysis with respect to (1) trends in annual budget-to-actual overtime variances, (2) trends in the causes of overtime expenses and, (3) how overtime costs are calculated and passed on to contract agencies.

##### *Total Overtime Usage*

As shown in Table #1 below, LASD has exceeded their budgetary allowances for overtime consistently during the audit period.

The largest increase in overtime occurred in FY 2015-16 with costs increasing by over \$83.9 million, resulting in a 98.6% variance with the budget. As will be discussed more fully below, reliable data was not available to show the nature of the overtime increases as practices developed to track the "reason" for and the "activity" associated with each overtime expense were flawed.<sup>2</sup>

While LASD's overtime expenses stabilized after FY 2015-16, the overtime budget continued to experience large variances from FY 2016-17 to FY 2019-20. In those years, LASD exceeded its overtime budget by \$125.2 million, \$150.8 million, \$146.7 million, and \$134.7 million,

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<sup>2</sup> During our interviews, LASD indicated that a portion of the increase was related to the County's settlement in the case of *Alex Rosas, et al. v. Leroy D. Baca* (ROSAS). This settlement, as well as the subsequent recommendations made by the Citizens' Commission on Jail Violence (CCJV), required LASD to provide additional staffing within the Custody Division. Because no additional FTEs were provided for this function, LASD has indicated that it utilized overtime to address their increased personnel needs due to this requirement. LASD, however, did not create any mechanism within eCaps to track the overtime associated with this function. As a result, we are unable to quantify the impact of the ROSAS settlement and CCJV recommendations.



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respectively. In FY 2020-21, the first full year of the COVID-19 pandemic, LASD was able to curb its overtime spending by approximately \$100 million resulting in approximately a \$50.7 million variance. This reduction in overtime expenses, however, was unique to the pandemic and is expected to rise back to previous levels in future years.

	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Adjusted Budget	\$124,858,000	\$137,751,000	\$158,756,000	\$118,879,000	\$154,024,000	\$145,569,000	\$129,621,000
Actuals	\$189,646,000	\$273,571,667	\$283,973,099	\$269,673,939	\$300,706,234	\$280,237,475	\$180,376,856
Dollar Variance	-\$64,788,000	-\$135,820,667	-\$125,217,099	-\$150,794,939	-\$146,682,234	-\$134,668,475	-\$50,759,000
Percent Variance	51.9%	98.6%	78.9%	126.8%	95.2%	92.5%	32.7%

These trends represent a fundamental breakdown in the process for budgeting for and control of overtime expenses during the review period.

***Trends in the Causes of Overtime Expenditures (A Review of Budget Activity and Reason Codes)***

To better understand the nature of overtime expenses within the Department, LASD developed policies designed to track the “reason” for and the “activity” associated with each overtime expense. To do this, LASD requires that supervisors approve overtime requests using the Overtime Hours Worked Report Form (SH-AD-678), which includes sections to allow supervisors to enter in both the “reason” for the overtime expense and the related “activity” (i.e., Reason and Activity Codes). This practice is designed to allow Unit Commanders and management a tool for high-level tracking and understanding of the causes of overtime as well as justifications of individual overtime requests.

The Reason Code identifies the function being performed (e.g., Custody, Judicial Procedures, etc.). As stated in LASD’s Manual of Policies and Procedures (“Manual”), when selecting a Reason Code, the supervisor should:

- “Use the most specific code (e.g., what job did the employee perform?).”
- When multiple codes are applicable, “consolidate all activities to the most specific code.”
- When more than one employee is reporting overtime related to several activities, “use the most specific code.”
- “When unable to comply with the above guidelines, code the activity that required the most time.”

The Activity Code identifies “why” the activity is being performed as overtime (e.g., Vacancy Relief, Investigations, etc.). Like the Reason Code, the Manual requires the supervisor to “use the most specific code” when identifying the stated activity.

Despite these policies (implemented in FY 2015-16), these efforts have not yielded useful overtime data. As shown below in Tables #2 and #3, reports tracking the Reason Code and the Activity Code often show “blank” or non-descriptive categories of work, resulting in overtime data that does not enable an in-depth analysis. Nor does it provide a supervisor coding to allow them to sufficiently evaluate the justification for the overtime request. For example, in Table #2 below, the most common Reason Code represented is entitled “Blank”.

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Table #2						
Reason Code Trend -- Top 5						
Reason Code	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
"Blank"	50.4%	27.9%	53.7%	69.3%	55.4%	44.9%
Other Custody	18.6%	23.7%	15.8%	10.0%	15.1%	15.9%
Crime Car	6.2%	10.5%	5.9%	3.4%	4.2%	7.1%
Other Operation	4.4%	6.4%	4.3%	2.9%	4.5%	5.5%
Other Judicial Procedures	3.7%	6.3%	4.3%	2.7%	2.7%	3.0%

Similarly, as shown in Table 3 below, the most reported Activity Code was “Sheriff Default Activity”, a category that does not provide any detail as to the nature of the overtime. Table 3 below displays the top 5 reported “activities” for FY 2018-19.<sup>3</sup>

Table #3			
Paid Overtime by Activity Code (FY2018-19) -- Top 5			
		Cost	Percent of Total Overtime
SH99	Sheriff Default Activity	\$84,850,149	28.2%
VA09	All Other Vacant Positions	\$37,013,261	12.3%
RE11	Contract Vacancy	\$20,419,173	6.8%
VA01	Injured on Duty	\$15,645,574	5.2%
RE16	Board Funded Program	\$15,417,962	5.1%

Our review indicates two potential reasons for the flawed reporting. First, LASD staff has indicated that at least some portion of the time assigned to “Blank” is the result of the overtime system within eCAPS automatically mis-categorizing certain entries resulting in the overuse of this category. Based on our analysis, however, this explanation does not fully account for the commonality of this designation. A second explanation is that supervisors do not closely monitor overtime forms resulting in the use of non-descriptive or blank coding. Due to this lack of specificity, LASD has no overtime data from which to draw meaningful conclusions about the long-term trends related to the drivers of overtime costs within LASD.

**Finding No. 1:** Supervisors are required to approve an Overtime Hours Worked Report Form for each overtime request. This form is designed to allow Unit Commanders and LASD management to identify trends in overtime in units, divisions and within the entire Department. Through system error and lack of adequate coding practices, however, the current data does not allow for a meaningful trend analysis as to the reasons for overtime costs within LASD.

**Recommendation No. 1:** LASD should develop processes to ensure that the nature of overtime is reported accurately and used as an effective management tool. First, LASD should work with the Auditor-Controller to identify and correct any systems errors within eCAPS that may result in misreported categorizations of overtime. Second, Supervisors and Unit Commanders should require that Reason and Activity Codes are filled out with reasonable

<sup>3</sup> Our analysis used FY2018-19 because that was the last full fiscal year pre-pandemic. Additionally, we have excluded the hours provided by the LASD associated with the overtime costs. After review with the LASD, it was determined that a flaw exists with the reporting of the overtime hours data as compared to the overtime costs. While the Sheriff believes the reported overtime costs are accurate, the primary purpose of this table is to show that the Department is not adequately categorizing overtime worked.

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specificity and are reported accurately within the system. And third, once accurate data is secured, Unit Commanders should routinely conduct trend analyses related to the nature of overtime usage within their units. Where negative trends are identified, Unit Commanders should develop mitigation strategies to curb potential excesses in individual overtime categories.

***Overtime for Contracted Agencies***

LASD categorizes overtime costs as “reimbursable” or “non-reimbursable.” “Reimbursable” overtime represents overtime costs incurred while working for a contracted agency or a grant funded program. While the amount of “reimbursable” overtime varied during the audit period, these costs represented between 24% to 44% of all overtime expenditures.

Overtime related to contract agencies (e.g., Contract Cities, LA Metro, etc.) is fully recouped and does not result in a Net County Cost. To ensure full reimbursement, overtime costs are built into the contracted rate which is recalculated on an annual basis. The Auditor-Controller develops a cost methodology using the prior year’s personnel costs, including overtime. To calculate the amount of overtime to include in the methodology, the Auditor-Controller reviews the amount of overtime used less overtime costs associated with filling vacant positions reported by LASD. As a result, there is no Net County Cost.

***Task 2: Identify and evaluate how the Department fills overtime shifts and the means of selecting staff overtime.***

Overtime occurs when a deputy or staff is required to work hours beyond their scheduled shift. Overtime can occur due to a wide variety of situations ranging from a sworn deputy being involved in an incident towards the end of a shift, to cover for a deputy required to appear in court, to address a special event or emergency, or to address short- and long-term vacancies and/or absences of staff.

***Process for Filling Overtime***

The process for authorizing overtime is detailed in the LASD Manual. Except for emergencies, all overtime must be authorized in advance by either Unit Commanders or designated supervisory personnel. It is the responsibility of the supervisor to determine that overtime cannot otherwise be satisfied using proper scheduling, the utilization of reserve deputies or other mitigation measures.

For each separate period of overtime worked, an Overtime and Paid Hours Worked Report form must be submitted. The form requires the supervisor to identify the number of hours worked, provide a detailed explanation and justification, and identify the Reason Code (what job was performed) and the Budget Activity Code (why were the hours worked). To avoid misuse and mismanagement, the Manual requires Unit Commanders to conduct a monthly audit of their overtime accrual to ensure adherence to the guidelines established by the Department. This

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includes an evaluation of the Overtime and Paid Hours Worked Reports.

Despite these policies, supervisors and Unit Commanders have not consistently followed the guidelines associated with these policies. As discussed in Task #1, authorizations for overtime are routinely approved without sufficient detail to allow Unit Commanders and management to evaluate those overtime requests and hold supervisors accountable for unnecessary overtime usage. Unless and until LASD improves practices for approval of overtime, it is not feasible to determine whether LASD is adequately authorizing overtime consistent with the policies of the Department.

### ***Measures to Mitigate Overtime Spending***

LASD has undertaken several efforts to mitigate overtime spending. These efforts include the use of reserve deputies for short-term fill-in assignments, monitoring late calls for possible reassignment to oncoming personnel, and minimizing vacation leaves where overtime would be required to fill positions.

The most innovative mitigation measure -- but also most controversial -- is the Cadre of Administrative Reserve Personnel Program (CARP). As set forth in LASD's Manual, CARP is the process of utilizing personnel to work vacant fixed post assignments to prevent overtime. The shared staff simply work their regular shift at another unit/location. This short-term loan program is a management tool to address temporary operational shortages and are for a limited duration (less than 30 days). The most common usage of CARP is to fill positions due to vacation, leave or special events requiring additional staff. While CARP has been successful in mitigating some of the need for overtime, LASD staff have suggested that this process is not without consequences. For example, if a deputy is temporarily reassigned to patrol, that individual is not performing their own responsibilities within their unit. In custody, CARP staff may not have been fully trained for the unique roles of this unit limiting their productivity and even the potential for safety issues.

While LASD has used strategies to mitigate overtime costs, it is not possible from existing records to evaluate the overall impact of those mitigation measures. LASD does not have a system to track the use of these practices and the impact they have on reducing overtime costs.

***Finding No. 2:*** Because overtime request forms are not routinely filled out with specificity, it is difficult to evaluate how effectively the Department fills overtime shifts. As discussed in Finding No. 1, while LASD has policies for approving overtime, the approvals are not always consistent with those policies.

***Recommendation No. 2:*** LASD should hold supervisors and Unit Commanders accountable for the approval of overtime that does not conform to the policies set forth in LASD's Manual.

***Finding No. 3:*** While LASD has developed several mitigation measures to minimize the use of overtime, it does not document those practices in sufficient detail to evaluate the

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fiscal impact of these mitigation measures.

**Recommendation No. 3:** LASD should develop tools to evaluate the impact of mitigation measures undertaken to minimize overtime. These impacts include both the fiscal savings associated with the mitigation measure, and the potential detrimental impact of utilizing those mitigation measures.

**Task 3: Benchmark overtime policies with other law enforcement entities.**

LASD's Manual sets forth a comprehensive set of policies and procedures addressing the utilization of and reporting for overtime. In this study, we compared and analyzed these practices with two peer law enforcement agencies within the region: the City of Los Angeles Police Department (LAPD) and the Orange County Sheriff's Department (OCSD). We also compared LASD's policies with a set of best practices set forth by the Department of Justice (DOJ). The goal of this analysis was to identify potential best practices to control overtime.

*Key Elements of LAPD and OCSD Overtime Policies<sup>2</sup>*

The core elements of LAPD and OCSD's policies are concise and narrowly focused. The agencies' policies emphasize the following elements:

- *Approval Process and Acceptable Use of Overtime*
  - All overtime must be approved by an appropriate supervisor.
  - The overtime assignment must serve a "legitimate business need" (not defined with specificity in either agency's policies).
  - Special provisions are developed for Court appearances.
- *Fiscal Accountability and Reporting*
  - Supervisors are responsible for ensuring they do not exceed their overtime budget.
  - Overtime must be reported using a properly coded form.

*National Institute of Justice*

The National Institute of Justice through the DOJ published a report detailing key issues associated with controlling overtime within law enforcement. Their findings outline four critical categories of strategies to control the misuse of overtime: Recording, Analyzing, Managing and Supervising.

- *Recording* – maintaining accurate records of the total overtime obligations and the types and circumstances of overtime use. This allows both internal staff and external stakeholders to review and analyze the amount of overtime being utilized and the reasons for the additional costs.
- *Analyzing* – supervisors, managers and leadership must justify the work to be performed or whether such work could be done on "straight time." This justification occurs at the

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<sup>2</sup> Our analysis included a review of OCSD's Policy 1038 (<https://ocsheriff.gov/sites/ocsd/files/2021-03/Policy%201038%20Overtime.pdf>) regarding the use of overtime within the department and LAPD's Policy 708.

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time of approval of individual overtime requests, but more importantly is guided by a department's guidelines on the appropriate uses of overtime.

- *Managing* – clear guidance is provided by leadership that managing overtime is an important tool for fiscal integrity. To aid in the management of overtime, it is critical for an agency to establish strategies to mitigate against the most common types of overtime including court appearances, shift extensions, staff size, emergency mobilizations and special events.
- *Supervising* – front-line supervisors' primary role is to ensure they are following the policies and procedures. While front-line supervisors are envisioned as the "first line of defense" to control overtime expense, ensuring the policies and procedures established by the agency are enforced are far more impactful in controlling overall costs, which is the responsibility of management.

*Elements of LASD Overtime Policies*

LASD's policies and procedures are consistent with and, in some instances exceed the controls of their peers at LAPD and OCSD. Moreover, LASD's adopted policies represent an overall framework that is consistent with the DOJ's report on best practices for the management of overtime within law enforcement agencies. The following is a summary of the core elements of LASD's policy for managing overtime:

- *Approval Process and Acceptable Use of Overtime*
  - All overtime must be pre-approved by the Unit Commander or designated supervisory personnel except for emergencies.
  - Detailed explanation and justification of overtime and/or hours worked.
  - Efforts taken to avoid overtime.
    - Ensure proper scheduling to address unmanned positions are filled without overtime.
    - Utilization of reserved deputies where feasible and appropriate.
    - Delaying assignments where possible during shift changes.
    - Use of CARP
  - Detailed guidelines for specific activities including arrests, subpoenas, late arrests, travel time, training, qualification shooting, and time off
  - Special provisions related to court time
- *Fiscal Accountability and Reporting*
  - Supervisors are responsible for ensuring they do not exceed their overtime budget
  - Unit Commanders are required to perform routine audits of overtime usage.
- *Reporting of Overtime*
  - All overtime must be approved and detailed using an Overtime Hours Worked Report Form. This form is designed to require the supervisor to detail with specificity each element of the form. The Manual provides a summary of the key categories and provides descriptions to aid in filling out the form.

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The overtime policies adopted by LASD are consistent with the guidance provided by the DOJ and the policies currently being used by two regional peers. However, we found that in some instances, the actual practices of the Department do not always comply with the policies and processes stated in the Manual.

For example, based on our interviews with LASD staff and management, there are no formal guidelines on when and how to hold Supervisors or Unit Commanders accountable for exceeding their overtime budget or ensuring compliance with overtime protocols. This creates a disincentive for Supervisors or Unit Commanders to address overages in their overtime budget. In addition, as discussed in Task #4 below, the current reporting protocols and system do not allow the Department to produce reports that would allow them to adequately evaluate the nature of overtime usage. The lack of effective reporting tools and practices limit the ability of both LASD and the CEO's Office to conduct a meaningful overtime analysis.

***Task 4: Review and evaluate the methodology used to develop the overtime budget by division and accounting for adjustments throughout the fiscal year.***

In developing the overall budget, CEO Budget assigns an annual target for overtime expenses for LASD. This target is largely based on prior year budgets with occasional adjustments made to address overtime related to the grant funded program or overtime adjustments for contract agencies. During the audit period, no increases to the overtime budget were provided based on annual Cost of Living increases.<sup>3</sup>

Based on our review, the annual overtime budget developed by the CEO Budget does not realistically project actual overtime expenses, but rather is used as a mechanism to require LASD to manage its overtime budget more aggressively. The result is an ongoing structural deficit within LASD's overall budget that must be addressed on an annual basis by LASD. Set forth below is the methodology used by LASD to manage its overtime budget.

Once the budget is approved by the Board of Supervisors, LASD develops a monthly overtime budget for each division. These internal budget numbers are then tracked by both divisional leadership and budget staff within the Administrative Services Bureau (ASB). Divisional staff is expected to review their overtime numbers on a weekly, if not daily basis. When numbers spike due to unforeseen events or circumstances, it is the expectation that each division will take all reasonable measures to offset the temporary spikes and adjust moving forward to stay within their assigned budget. Set forth on the following page in Table #4 is a summary of actual overtime costs by division during the audit period.

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<sup>3</sup> According to LASD, not adjusting overtime costs to reflect COLA increases is a long-standing practice that only further serves to cause deficits in overtime spending.

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Table #4 Overtime Summary Trends By Division						
Summary by Division	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Administrative & Training	\$5,659,794	\$5,247,563	\$5,208,168	\$5,785,142	\$6,383,469	\$3,146,208
Central Patrol	\$17,668,496	\$17,209,515	\$18,088,904	\$19,692,168	\$19,130,300	\$13,532,467
Countywide Services	\$5,299,654	\$6,248,045	\$5,969,183	\$8,212,962	\$8,774,303	\$5,577,639
Court Services	\$28,724,319	\$29,852,941	\$31,905,611	\$36,094,290	\$25,055,560	\$13,954,690
Custody Services	\$98,159,150	\$101,452,327	\$103,011,066	\$99,386,449	\$103,122,227	\$67,214,481
Detective	\$10,525,661	\$11,680,616	\$11,461,994	\$13,035,023	\$14,478,907	\$13,068,185
East Patrol	\$11,674,834	\$11,808,776	\$11,251,187	\$13,766,930	\$12,898,134	\$10,498,293
Executive Office	\$995,473	\$278,732	\$951,898	\$941,554	\$1,111,585	\$622,160
Field Operations Region	\$0	\$158	\$449	\$424	\$0	\$0
Homeland Security	\$7,601,319	\$5,883	\$153	\$258	\$0	\$0
Medical Services	\$8,005,391	\$8,073,408	\$518,716	\$287,844	\$4,337	-\$2,209
North Patrol	\$22,322,655	\$23,278,028	\$24,254,238	\$26,924,405	\$25,791,912	\$16,194,782
Parks & County Services	\$14,481,012	\$15,046,134	\$14,170,494	\$17,254,946	\$17,204,663	\$12,935,845
Professional Standards	\$1,774,681	\$1,927,965	\$1,870,763	\$2,052,398	\$1,701,347	\$1,768,271
South Patrol	\$17,669,636	\$18,163,296	\$19,393,063	\$21,362,797	\$20,413,824	15,114,489,26
Special Operations	N/A	\$7,860,550	\$8,949,970	\$19,092,175	\$6,473,590	\$4,358,900
Technology and Support	\$2,487,591	\$2,716,772	\$2,452,909	\$2,605,159	\$2,914,026	\$2,120,529
Transit Policing	\$20,423,592	\$22,558,846	\$10,215,173	\$14,211,312	\$14,194,431	\$14,214,284
<b>Totals</b>	<b>\$273,473,261</b>	<b>\$283,409,553</b>	<b>\$269,673,939</b>	<b>\$300,706,234</b>	<b>\$280,237,475</b>	<b>\$180,376,856</b>

As a result of the structural deficit caused by the under budgeting of overtime costs, LASD must purposefully underspend other items within its approved budget. Overall Departmental costs can be reduced by under filling budgeted positions (salary savings), deferring capital and maintenance costs, or underspending the Services and Supplies budget.

LASD's most impactful means of reducing cost is by leaving approved positions vacant. As can be seen in Table #5 below, during the audit period LASD operated with vacancies ranging from 4.5% to 16.2%.<sup>4</sup>

Table #5 Vacancy by Fiscal Year							
	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Positions Available to Fill	19,153	20,404	20,337	20,054	18,584	18,550	17,095
Full Time Positions Filled	16,867	17,040	16,997	15,889	16,209	16,372	15,642
Less than Full-Time Positions	177	235	233	255	253	240	173
Reserves	782	663	663	654	557	546	510
<b>Total Positions: (all categories)</b>	<b>17,826</b>	<b>17,938</b>	<b>17,893</b>	<b>16,798</b>	<b>17,019</b>	<b>17,158</b>	<b>16,325</b>
<b>Percent Vacancy</b>	<b>6.9%</b>	<b>12.1%</b>	<b>12.0%</b>	<b>16.2%</b>	<b>8.4%</b>	<b>7.5%</b>	<b>4.5%</b>

Vacancy adjustments are made on an on-going basis with an effort to identify positions that can be reduced without impacting the ability of the Sheriff to conduct its core law enforcement services. We were unable to identify a reasonable means to calculate the actual amount of salary savings for each fiscal year because the number of vacancies changes over the course of the fiscal year and the costs associated with each vacant position varies greatly. In addition to salary savings associated with maintaining vacancies, LASD also attempts to reduce costs on a case-by-case basis without one single budget category being a primary focus. Historical reductions include deferring capital purchases and reductions in services and supplies.

<sup>4</sup> The data in Table #5 are based on LASD Budget Summaries. The calculations were made based on data for each fiscal year closest to June 30/July 1.



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While LASD utilizes a relief factor – a multiplier used to ensure duty posts are manned during short-term vacancies (e.g., vacations, sick time, etc.) – this relief factor generally is designed to offset structural deficits in overtime caused by long-term vacancies.

***Finding No. 4:*** At present, the approved budget for LASD does not reasonably reflect LASD’s actual overtime costs. As a result, LASD’s annual budget has a built-in deficit which must be addressed through reductions in spending in other areas of its approved budget. Historically, LASD has addressed this structural deficit by under filling budgeted positions (salary savings) and reducing other types of expenditures. These practices weaken the usefulness and transparency of the budget process.

***Recommendation No. 4:*** We recommend that LASD develop a more comprehensive understanding of its overtime expenses. The process must begin with developing internal controls that ensure compliance with existing policies related to the approval and coding overtime requests. Reporting accurate and meaningful data is critical. This process must also include consultations with CEO Budget to determine what additional data and information would allow the CEO’s Office to better evaluate LASD’s overtime needs. The goal should be for the County to develop an approved overtime budget that reflects the actual and justifiable needs of the Department.

## 2. Facilities

### Introduction

LASD has two units that address facility needs. The Facilities Services Bureau (FSB) is the larger of the two units and is responsible for the maintenance of existing infrastructure including repairs and upgrades. The Facilities Planning Bureau (FPB) is responsible for non-capital improvements (less than \$100,000) to existing infrastructure such as tenant improvements (e.g., reconfiguration of existing spaces, painting, changing floors and lighting, etc.).

The objective of this review is to evaluate variances between the amounts budgeted and expended for both FSB and FPB. This analysis includes evaluating how facility costs are budgeted, efforts to track and monitor facility expenditures, if facility budgets have been consistently underspent and can be reduced, and the potential impact of overspending in other areas of LASD on facility spending practices.

### Findings and Recommendations

Below are the responses to the specific tasks outlined in the work order:

**Task No. 1: Perform a historical analysis of the Sheriff’s facilities budget and expenditures (as it relates to services and supplies).**

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We conducted a historical analysis of the individual and combined Services and Supplies budget for FSB and FPB over a seven-year period. Below is a chart showing the seven-year historical trend. We analyzed these trends for FSB and FPB below.

Table #6 Comparison of Facilities Services and Supplies Budgeted to Actuals							
	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Facilities Services Budget	\$10,856,488	\$12,341,446	\$10,913,407	\$13,407,994	\$12,124,841	\$14,868,479	\$12,919,353
Facilities Services Actuals	\$10,086,195	\$12,411,576	\$11,385,797	\$15,201,649	\$9,659,543	\$11,655,933	\$9,924,140
Variance Amount	\$770,293	-\$70,130	-\$472,390	-\$1,793,655	\$2,465,298	\$3,212,546	\$2,995,213
Variance Percentage	7.1%	-0.6%	-4.3%	-13.4%	20.3%	21.6%	23.2%
Facilities Planning Budget	\$7,587,995	\$2,478,260	\$2,050,942	\$1,691,480	\$2,181,071	\$2,397,951	\$516,030
Facilities Planning Actuals	\$5,573,833	\$2,663,911	\$1,589,990	\$560,149	\$1,479,421	\$643,264	\$244,134
Variance Amount	\$2,014,162	-\$185,651	\$460,952	\$1,131,331	\$701,650	\$1,754,687	\$271,896
Variance Percentage	26.5%	-7.5%	22.5%	66.9%	32.2%	73.2%	52.7%
Overall Budget	\$18,444,483	\$14,819,706	\$12,964,349	\$15,099,474	\$14,305,912	\$17,266,430	\$13,435,383
Overall Actuals	\$15,660,028	\$15,075,487	\$12,975,787	\$15,761,798	\$11,138,964	\$12,299,197	\$10,168,274
Variance Amount	\$2,784,455	-\$255,781	-\$11,438	-\$662,324	\$3,166,948	\$4,967,233	\$3,267,109
Variance Percentage	15.1%	-1.7%	-0.1%	-4.4%	22.1%	28.8%	24.3%

*Facilities Services Bureau*

The FSB is responsible for the day-to-day maintenance and upgrades of LASD's facilities. These responsibilities include repairs and upgrades to mechanical, electrical, and plumbing. FSB develops its budget using historical data and an analysis of anticipated one-time projects. Using at least 48 different expense categories, FSB prepares their initial estimates which are reviewed and integrated into a master budget for the unit.

A seven-year analysis of FSB budgets shows both overspending and underspending of budgeted amounts across the review period. The total variance for the seven-year period was \$7.1 million. The largest budget-to-actual variance was in FY2020-21 where the unit underspent its budget by over 23%. In reviewing the individual categories of expenses, some line-items had wide swings in variances (See chart below for a sampling of expense categories).<sup>5</sup> One example is the line-item entitled "Operating Budget." This expense category relates to a broad range of costs from vehicles, car wash services, fuel use, elevator services, as well as others. In FY 2018-19, the unit budgeted \$987,700 for the Operating Budget line-item, but only spent \$42,595. During our review, FSB staff indicated that the variance appeared to be largely the result of the miscoding of expenses, citing the line-item for Janitorial Expenses in FY 2018-19 was overcharged by \$746,000 during that same period. While our analysis suggests this miscoding of expenses is a likely explanation for this variance, the example represents more significant underlying issues related to the budgeting and reporting of FSB costs.

<sup>5</sup> FSP has over 50 different categories of expenses, so the chart provides a sampling of key expenses to evidence the wide swings in variance.

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Description	FY14-15 Variance	FY15-16 Variance	FY16-17 Variance	FY17-18 Variance	FY18-19 Variance	FY19-20 Variance	FY20-21 Variance
Budget Analyst Fund	\$57,100	-\$66,249	\$0	\$35,000	-\$2,250	N/A	N/A
Union Hall Expenses	\$209,827	\$62,082	\$17,942	\$25,160	\$290,714	\$1,717	\$162,807
Custodial & Janitorial Services	\$270,180	-\$357,208	\$0	\$0	-\$746,407	\$182,214	\$109,654
Operating Budget	\$203,305	\$444,208	\$360,246	-\$167,711	\$945,105	\$118,559	\$331,781
Hall of Justice Repair and Reuse Project	\$9,789	-\$145,870	\$0	\$279,847	\$466,869	\$75,922	\$362,449
Cal Card Credit Cards	\$9,213	\$26,748	\$0	\$24,257	\$97,987	\$14,971	\$120,000
Facilities Services and/or Planning Projects (General Funds)	\$86,987	\$193,470	-\$530,957	-\$1,017,619	\$236,964	\$998,244	\$603,330
Additional Funding, Not Part of Annual Disc. Allocation	\$164,352	\$748	\$140,546	\$0	\$12,657	\$0	N/A
Utilities	-\$454,161	-\$374,466	-\$415,318	\$24,311	\$80,988	\$80,988	\$92,460
Unit/Bureau Discretionary Fund	\$629	\$741	\$23,223	\$54,112	\$2,713	\$2,666	\$105

In reviewing the 48 separate line-items<sup>6</sup>, we found that the nature and scope of the existing expense categories had led to an unclear picture of the nature of the unit's actual work and confusion over how to report incoming expenses. The following represents the key issues within the FSB budget identified by our review:

- The amount budgeted for individual line items can range from \$1,000 to over \$4.4 million. While some diversity of expenditures is expected, tracking multiple low dollar expenses diverts focus and attention from more impactful expenditures. Moreover, too specific expense categories (e.g., Rental of Portable Toilets) as well as too generalized categories of expenses with large dollar amounts (e.g., Operating Budget) do not provide adequate insight to the nature and scope of the services being provided.
- Some of the unit's line-items relate to expense types (e.g., Sewer Maintenance, Water Quality Services, etc.), some relate to individual projects (e.g., Hall of Justice Repair and Reuse Project, etc.), and finally some relate to the method of payment (e.g., Cal Card Credit Cards). Once again, these categories do not provide a consistent and clear picture of the types of expenses being budgeted.

The above issues have contributed to a portion of the problems experienced in FY 2018-19, wherein entire categories of expenses were recorded improperly and/or misallocated. But, more importantly, these issues represent a long-term concern for budgeting and reporting this unit's expenses.

**Finding #5:** FSB maintains at least 48 different categories of expenses for purposes of budgeting and reporting. We found that these budgetary line items do not consistently represent the true nature of the actual expenditure. First, the line-items contain too many insignificant categories of expenses as represented by the dollar amounts assigned. Second, there is inconsistency in the nature and scope of the expense categories. Some line-items represent expenses (e.g., utilities), other line-items represent projects (e.g., Hall of Justice), and finally some line-items represent the method of funding or form of payment (e.g., FSB credit cards). These budgeting practices have resulted in a lack of clarity in developing and tracking FSB's expenditures.

<sup>6</sup> The exact number of line-items can change year by year as line-items can be added for specific projects.

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**Recommendation #5:** We recommend that FSB work with the LASD’s Administrative Services Bureau (ASB) to develop a more tailored and clearly defined set of expense category line-items. These line-items should provide well-defined descriptions of key categories of expenses to ensure the effective utilization of resources, provide greater accountability and improve the recording of individual expenditures. Additionally, FSB should consider tracking project costs separately and apart from the way it budgets and tracks ordinary expenses. Finally, FSB should eliminate line items that represent the method of payment or funding.

*Facilities Planning Bureau*

FPB is responsible for supporting small tenant improvements, building infrastructure, office re-alignments due to changes in space standards and similar non-capital improvements (less than \$100,000) to Sheriff facilities. The budget for FPB is prepared using both historical data and estimates related to anticipated improvements during the fiscal year. FPB can use 20+ line-items to budget for and track expenses depending on the fiscal year.

During the seven-year review period, budget-to-actual variances were significant with six out of seven years showing unspent funds. Some of the variances are due to timing issues and/or anticipated projects not moving forward. For example, in FY 2018-19 a portion of the end balance was due to the comparatively light workload for in-house projects, specifically modular furniture configurations and/or workspace refreshing. This not only impacted project related materials, but also the need for project management consulting services. While some of the unit’s variances can be attributed to timing, if this was the sole issue we would expect to see more of a balance between positive and negative variances over time.

Some of the difficulty in analyzing the FPB budget and determining the exact nature of the variances is due to the inconsistent and unclear categorization of expenses, such as:

- Individual line items can have budgets ranging from \$1,000 to \$1 million with little guidance as to what represents a consequential expenditure of funds.
- Categories such as “Additional Funding, Not Part of Annual Discretionary Allocation” and “Facilities Planning Projects, Servicing LASD Locations” provide little guidance as to how the money is being used, yet those two categories represent almost half of the unit’s budget. Conversely, items such as “Proprietorship Program, Public Works” and “Airfare Expenses” combined contribute to only 1.5% of their overall budget.
- Occasionally, line-items are created for individual projects (e.g., Hall of Justice Repair and Reuse Project). It is not effective to do project budgeting and tracking using line-items.
- Some line-items represent the source of funding (e.g., Additional Funding, Not Part of Annual Discretionary Fund). These types of categories do not provide meaningful guidance to the nature of the expenses, the primary purpose of an expense category.

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Description	FY14-15 Variance	FY15-16 Variance	FY16-17 Variance	FY17-18 Variance	FY18-19 Variance	FY19-20 Variance	FY20-21 Variance
CAP Project Consultant Services	\$239,842	\$0	\$326,626	\$1,000,000	\$0	\$372,623	\$0
Rent	\$747	-\$177,908	\$5,837	-\$66,454	\$59,764	\$10,360	\$35,919
Facilities Planning Projects, Servicing Department Locations	\$270,475	\$414,851	\$77,089	\$133,976	\$219,386	\$400,960	\$205,934
Additional Funding, Not Part of Annual Disc. Allocation	\$631,707	\$12,107	\$50,883	-\$21	\$358,663	\$946,050	N/A

Like FSB, the current model for individual line-items has contributed to a portion of the variance issues. Additionally, a more descriptive and coherent set of line-item categories will likely lead to more accurate budgeting and reporting of expenses. (In Task No. 4 we recommend additional budgeting practices to minimize variances and underspending).

**Finding #6:** FPB budgetary line-items vary significantly in the dollar amounts assigned and scope of services provided. Individual categories can range from \$1,000 to \$1 million dollars, representing almost half of the overall budget. Moreover, generalized categories of expenses such as “Additional Funding” and “Facilities Planning Projects” provide little guidance to the nature of the expenses being tracked. This has led to a lack of clarity in developing and tracking the nature of FPB’s expenses.

**Recommendation #6:** We recommend that FPB work with ASB to develop a more tailored set of line-items. These line items should provide clear descriptions of key categories of expenses to ensure effective utilization of resources, provide greater accountability and improve the recording of individual expenditures. Additionally, FPB should consider tracking project costs separately and apart from the way it budgets and tracks ordinary expenses. Finally, FPB should eliminate line items that represent the method of funding.

*Combined Budget and Expenditures*

During the review period, Facilities showed both positive and negative variances. In four out of the seven years, Facilities underspent their budget from between 15.1% and 28.8%. In the other three years, Facilities experience negative variances in the range of 0.1% to 4.4%. Our analysis suggests that some of these variances can be attributed to the variable nature of facilities maintenance and improvements. However, our analysis also suggests that a portion of these variances are due to the existing structure for how the Department budgets for and tracks expenses. Because Facilities does not effectively categorize their expenses, it is difficult for ASB to conduct a meaningful analysis of the budget-to-actuals using the existing reporting structure. As a result, it is more difficult for both the units and the ASB to prevent over- and under-budgeting of significant categories of expenditures.

**Task No. 2: Review and evaluate how the Sheriff budgets their annual facilities’ cost, including sub-budget allocations, and any adjustments throughout the fiscal year.**

Both FSB and FPB prepare annual budgets. These budgets are prepared using both historical data as well as reviewing existing or potential projects that will require special funding. These

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budgets are generally prepared by considering anticipated new projects and deferred maintenance. Expenses are tracked on a regular basis at both the aggregate level, and by project and by region.

As set forth in Task No. 1 above, the primary difficulty in performing a meaningful evaluation of the individual budgets of FSB and FPB is the current structure of the expense categories. Because some of the categories are ambiguous, it is difficult to evaluate the existing budget to determine how the dollars are being spent. In short, the budget does not clearly depict the types of work being performed. Based on interviews with FSB and FPB management, they have a good understanding of the underlying expenses and the relationship to their projects, but those understandings are not represented in the current budgeting and reporting structure.

To develop a more consequential budget and reporting structure, we recommend revamping the existing categories of expenses. (See Recommendations 4, 5 and 6).

**Task No. 3: Evaluate the LASD's efforts to track and monitor their facilities expenditures and any actions taken to address significant budgetary shortfalls or overages.**

As set forth above in Task Nos. 1 and 2, the existing reporting structure for budget-to-actuals for FSB and FPB is flawed. The result is that ASB and other management outside of FSB and FPB have difficulty conducting a thorough and comprehensive analysis of budgetary shortfalls or overages using existing financial reporting processes. LASD staff have attempted to identify areas of concern and address them over time, but the absence of a coherent reporting structure makes it difficult to evaluate and hold individual functions accountable. Instead, they must rely on meetings with FSB and FPB staff to gain additional information, much of which would be time consuming to verify.

While we found that LASD accurately tracks and monitors facility expenditures, our report recommendations would significantly improve the ability of both Facilities staff, and more importantly non-Facilities staff to understand the budgets and expenditures of FSB and FPB.

**Task No. 4: Analyze areas where the Sheriff's annual facility expenditures have been consistently under budgeted and determine if the budgetary funding in those areas can be reduced.**

Our review included an examination of seven years of budgeted and actual expenditures (FY 2014-15 through FY 2020-21) for the individual line-items within the FSB and FPB budgets to determine if there are expenses that are consistently under budgeted.

*Facilities Services Bureau*

The line-item for "Operating Budget" within FSB had consistent variances during the review period. This line item represents expenses related to a broad range of costs from vehicles, car wash services, fuel use, elevator services, as well as others. In FY 2018-19, the budget for this line-item was \$987,000, but actual expenses reported were only \$43,000. In fact, in six out of the seven years this line item showed significant underspending.

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As discussed in Task No. 1, expenses for this line-item are routinely miscoded to other line-items giving the appearance of underspending. This is because this line-item description does not match the nature of the expenses and includes too many different types of unrelated expenses in one category. The result is that in years where this line-item has seen significant underspending, other line-items have seen significant overspending. For example, in FY 2018-19, the Custodial & Janitorial Services line-item was overspent by \$746,000. In FY 2015-16, the Utilities line-item was overspent by \$374,000 and the Custodial & Janitorial Services line-item was overspent by \$357,000, both of which served to help offset the underspending in the Operating Budget line-item.

Our report recommends that FSB reconfigure its current line items to better reflect the nature of the expenses more accurately, and work with ASB to ensure both groups understand how expenses should be categorized.

*Facilities Planning Bureau*

During the seven-year review period, FPB experienced significant underspending in two line-items: Facilities Planning Projects (Service LASD Locations) and CAP Project Consultant Services.

The Facilities Planning Projects line-item represents labor and other expenditures in support of tenant improvements of less than \$100,000. This line item is for both anticipated and unanticipated needs of the LASD's facilities so requires some flexibility. The amount budgeted changes each year based on the expected expenses (ranging from approximately \$340,000 to \$730,000).

In each of the seven years reviewed, this line-item was underspent with the largest difference occurring in FY 2015-16 with underspending of \$414,000 (based on a budget of \$728,000). FPB stated that a portion of these variances were due to timing issues related to construction/improvements outside of their control, and the need for flexibility to ensure that unanticipated expenses would be covered. However, due to the wide variety of expenses included within this one line-item, it is difficult to document the exact causes of the variances over time.

The CAP Project Consultant Services line-item represents costs associated with retaining outside consultants to perform project management services for larger projects within FPB. For six of the seven years reviewed, FPB budgeted \$700,000 to \$1 million for outside consultant services. In four of those years, this line-item was underspent (\$239,000 in FY 2014-15, \$326,000 in FY 2016-17, \$1 million in FY 2017-18 and \$372,623 in FY2019-20).

Project management services costs can be difficult to predict, especially when project delays occur, or unexpected projects arise. However, FPB should have some understanding of the magnitude of the expected projects for which these services will be required. Based on that magnitude and given that this line-item represents almost half of their overall budget, we would expect FPB to adjust this number from year to year to more accurately budget for these

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expenses. It is critical that money be available for unanticipated expenditures related to facilities, but our analysis suggests that given the historic underspending that has been experienced, a more accurate approach to budgeting for this line-item should be made.

***Finding #7:*** FPB has difficulty accurately budgeting for the Facilities Planning Projects and CAP Project Consultant Services. While a portion of underspending is based on the variable nature of the work being performed, some of the underspending is due to a lack of definition to the expense categories and not adequately considering the projects expected to occur in the upcoming fiscal year.

***Recommendation #7:*** FPB should more closely align the budget for Facilities Planning Projects and CAP Project Consultant Services with the list of known or expected projects for the following year.

**Task No. 5: Identify any potential impacts of Sheriff's over expenditures in other areas (e.g., sworn salaries, overtime, employee benefits, etc.) on facility service spending practices.**

Based on our interviews with both LASD and CEO Budget staff, there are structural deficits related to overtime and employee benefits. Overtime and employee benefit costs have not been consistently budgeted for County departments to include cost increases. As a result, the LASD must absorb unbudgeted increased costs within its existing budget. Each year, the LASD requests that bureaus and units restrict "discretionary" spending to provide cost savings to cover these unbudgeted cost increases.

FSB and FPB are conscious of the overall budgetary needs of the LASD, and efforts are made within these units to reduce expenditure where feasible. However, there does not appear to be a consistent trend within the Facilities units of over-budgeting for the purpose of using those funds elsewhere within the LASD. Our review of the Facilities budgets from FY2014-15 through FY2020-21 shows that actual expenditures for Facilities have been both under- and over-spent compared to budget. In FY2015-16, FY2016-17 and FY2017-18, Facilities either met their budget or were over budget by as much as 4.4%. In the years where there were positive variances, staff provided explanations for a portion of the underspending including construction delays outside of their control, but our analysis suggests that the primary cause relates to flaws within the existing budgeting structure. Therefore, we have recommended a series of steps to address those issues to minimize significant variances moving forward.



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### 3. Employee Benefits

#### Introduction

The Sheriff's budgetary appropriations related to employee benefits are intertwined with current and retired staffing levels. These costs are funded from the Department's revenues sources, such as contract law enforcement services and various grants. Department appropriations are limited when it comes to funding their increasing employees' benefit costs. In the CEO's September 25, 2019 "Sheriff's Department Fiscal Year 2018-19 Year-end Closing" memorandum, the Sheriff's over-expenditures in employee benefits in FY 2018-19 were partly attributed to cost overruns in Retiree Health Insurance, Workers' Compensation, and Separation Pay. At the October 1, 2019, Board meeting, Sheriff's management attributed a portion of their overall FY 2018-19 budgetary shortfalls to significant underfunding of employee benefit costs.

The Sheriff Department works with the CEO by providing reports, complying with administrative policies, and working to address budget matters. The CEO acts as the Board's agent to manage County-wide policy objectives and departmental performance management. In accordance with the County Budget Act, the County prepares and adopts a budget on or before October 2 of each fiscal year. The County budget is organized by budget unit and by expenditure object. For example, Patrol is a budget unit and salaries, and employee benefits is the expenditure object.

Between FY 2014-15 and FY 2019-20, the LASD has reported to the CEO significant budgetary shortfalls. Sheriff's management attributed a portion of these budgetary shortfalls to significant underfunding of its employee benefit costs. To verify these budgetary shortfalls, we conducted a historical analysis of the Sheriff's employee benefits cost component and performed procedures/tasks as detailed in the following pages.

Our key conclusions are:

- The Department's employee benefits that consistently have the largest budgetary shortfalls for Fiscal Years 2014-15 through 2019-20 are shown in Table 9 on the following page:

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Table #9						
Largest Categories of Employee Benefit Shortfalls - Year over Year						
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<b>Workers' Compensation</b>						
Budget	\$ 99,373,000	\$ 103,578,000	\$ 102,049,000	\$ 106,308,000	\$ 98,480,000	\$ 108,639,000
Actual	\$ 110,257,244	\$ 116,265,538	\$ 120,768,285	\$ 136,262,651	\$ 143,733,641	\$ 154,957,525
<b>Over (Under) Budget Total</b>	<b>\$ 10,884,244</b>	<b>\$ 12,687,538</b>	<b>\$ 18,719,285</b>	<b>\$ 29,954,651</b>	<b>\$ 45,253,641</b>	<b>\$ 46,318,525</b>
<b>% Actual Cost Exceed Budget</b>	<b>11%</b>	<b>12%</b>	<b>18%</b>	<b>28%</b>	<b>46%</b>	<b>43%</b>
<b>Separation Pay</b>						
Budget	\$ 14,396,000	\$ 14,396,000	\$ 14,396,000	\$ 14,396,000	\$ 16,399,000	\$ 35,408,000
Actual	\$ 26,071,561	\$ 28,309,165	\$ 41,013,819	\$ 40,009,160	\$ 45,538,153	\$ 51,299,106
<b>Over (Under) Budget Total</b>	<b>\$ 11,675,561</b>	<b>\$ 13,913,165</b>	<b>\$ 26,617,819</b>	<b>\$ 25,613,160</b>	<b>\$ 29,139,153</b>	<b>\$ 15,891,106</b>
<b>% Actual Cost Exceed Budget</b>	<b>81%</b>	<b>97%</b>	<b>185%</b>	<b>178%</b>	<b>178%</b>	<b>45%</b>
<b>Retiree Health Insurance</b>						
Budget	\$ 81,722,000	\$ 89,759,000	\$ 85,174,000	\$ 78,094,000	\$ 81,773,000	\$ 111,021,000
Actual	\$ 84,842,294	\$ 94,126,103	\$ 96,652,509	\$ 94,017,695	\$ 101,017,000	\$ 106,921,007
<b>Over (Under) Budget Total</b>	<b>\$ 3,120,294</b>	<b>\$ 4,367,103</b>	<b>\$ 11,478,509</b>	<b>\$ 15,923,695</b>	<b>\$ 19,244,000</b>	<b>\$ (4,099,993)</b>
<b>% Actual Cost Exceed Budget</b>	<b>4%</b>	<b>5%</b>	<b>13%</b>	<b>20%</b>	<b>24%</b>	<b>-4%</b>
<b>Combined Average Annual Actual Over Budget</b>	<b>\$ 8,560,033</b>	<b>\$ 10,322,602</b>	<b>\$ 18,938,538</b>	<b>\$ 23,830,502</b>	<b>\$ 31,212,265</b>	<b>\$ 19,369,879</b>

**Workers' Compensation** – Workers' compensation benefits are designed to provide medical treatment needed to recover from work related injury or illness, and partially replace wages.

**Separation Pay** – Separation pay is the lump-sum amount paid to retirees for the accumulation of vacation, sick leave and overtime.

**Retiree Health Insurance** – Retiree health insurance is a County subsidized retiree health care program based on the years of County service credits completed by County retirees.

- LASD's budget processes appear reasonable considering the budgetary reporting requirements of the County. The Department's Budget Services Unit (BSU) internally tracks the budget and monitors changes/increases in Employee Benefit (EB) costs monthly. Since 2019, changes/increases in EB costs are reported to the CEO/Board by way of Budget Status Reports (BSRs).
- EB deficits occurred year after year for the past several fiscal years. Thus, the budgetary shortfalls appear to be a structural budgetary issue rather than a one-time occurrence, and these shortfalls are foreseeable each year.
- Our review of budget adjustments revealed that any changes/increases of EB costs over its respective budgeted appropriations during the fiscal year are absorbed by the Department.

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## Findings and Recommendations

Below are the results to the specific tasks outlined in the work order:

***Task No. 1: We reviewed and evaluated how the Sheriff annually budgets for the indicated employee benefit and how any required adjustments throughout the fiscal year are addressed.***

As a matter of procedure, the County employees' benefits are addressed Countywide by the CEO during the County's budget process. The CEO sends out annual budget instructions to all County departments, which include notification of certain employees' benefit increases that the Department must absorb.

Most employee benefits programs are centrally funded with Net County Costs (NCC), subject to subvention funding. NCC funding for these benefits is provided when a new position is added to the budget. Centrally funded benefits are adjusted during the various budget phases for rate changes or for cost-of-living adjustments (COLA). Only salary-driven employee benefits are adjusted for COLA, since the benefits are directly correlated to salary movements.

Employee benefits that are not centrally funded with NCC include workers' compensation, separation pay and retiree health benefits. Departments are required to absorb cost increases associated with these benefits within their current resources.

Upon receipt of the budget instructions, the LASD's BSU starts preparing the Department's budget for a particular fiscal year taking into consideration the prior-year budget from actual data. The final department budget is then submitted to the CEO for approval. Any budget adjustments, including those related to employees' benefits, are recommended by the CEO for Board approval.

The BSU internally tracks the Department's budget. The BSU monitors changes/increases in EB costs monthly by performing an analysis using a combination of actual EB expenses and estimates. These increases are reported to the CEO/Board by way of BSRs. BSRs are required of all County departments at the 5th, 7th, 9th, and 11th month of the year. However, since approximately 2019, the Department has been required to provide monthly BSRs to the CEO due to the Department year-end budgetary shortfalls. The BSU also stays in regular communication with the CEO throughout the year and periodically receives updates on various employee benefit cost estimates from the CEO. We found that LASD's budget processes are reasonable considering the budgetary reporting requirements of the County.

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We also inquired and reviewed the LASD procedures in addressing budget adjustments throughout the fiscal year to accommodate changes in budgeted costs. Our review was focused on the following three (3) employees' benefits categories: 1) *Workers' Compensation*, 2) *Retiree Health Insurance*, and 3) *Separation Pay*, which have the most significant budgetary shortfall between FY 2014-15 and FY 2019-20.

The results of our review on budget adjustments revealed that any changes/increases of the above employees' benefits categories over its respective budgeted appropriations during the fiscal year are absorbed by the Department, such that, overages in employee benefits will be offset by under spending in other areas. Historically, LASD has addressed this deficit primarily by under filling budgeted positions (salary savings) and deferring maintenance expenditures.

**Task No. 2: We identified employee benefits with significant budgetary shortfalls.**

We determined the budget to actual variances of the employee benefits categories for the period of FY 2014-2015 through FY 2019-20, and identified three (3) employee benefits categories that consistently have significant unfavorable budget variances highlighted yellow in table #10 below:

Employee Benefit	Cumulative Budget	Cumulative Actual Cost	Cumulative Actual Over Budget	% Over Budget
1 Workers' Compensation	\$ 618,427,000	\$ 782,244,884	\$ 163,817,884	26%
2 Separation Pay	109,391,000	232,240,963	122,849,963	112%
3 Retiree Insurance	527,543,000	577,576,608	50,033,608	9%
4 OASDIMedicare	146,579,000	154,429,234	7,850,234	5%
5 LTD Health Insurance	8,122,000	15,144,993	7,022,993	86%
6 Dental Insurance	23,678,000	26,988,801	3,310,801	14%
7 Options	311,972,000	315,058,880	3,086,880	1%
8 Life Insurance	10,001,000	11,389,712	1,388,712	14%
9 Pension Savings Plan	2,586,000	2,705,969	119,969	5%
10 Retiree Health OPEB Contributions	108,503,000	107,731,000	(772,000)	-1%
11 Flexible Benefit Plan	4,761,000	3,282,534	(1,478,466)	-31%
12 Peace Officer Relief Contributions	21,522,100	20,020,654	(1,501,446)	-7%
13 Unemployment Insurance	3,719,000	2,111,874	(1,607,126)	-43%
14 Disability	19,501,000	17,721,464	(1,779,536)	-9%
15 Dependent Care Spending Account	12,720,000	9,583,851	(3,136,149)	-25%
16 Miscellaneous Bonus/Main	10,683,000	6,507,358	(4,175,642)	-39%
17 Megaflex	90,204,000	80,446,596	(9,757,404)	-11%
18 Savings Plan	29,531,000	19,032,986	(10,498,014)	-36%
19 Health Insurance	55,005,000	43,377,428	(11,627,572)	-21%
20 Choices Plan	1,421,438,000	1,404,990,771	(16,447,229)	-1%
21 Horizons Plan	317,844,000	279,843,250	(38,000,750)	-12%
22 County Retirement	2,298,516,000	2,253,019,950	(45,496,050)	-2%
23 Sheriff S&EB Cost Allocation	6,007,152,000	5,923,794,655	(83,357,345)	-1%
<b>FY 2015-2020 Cumulative Totals</b>	<b>12,159,398,100</b>	<b>12,289,244,415</b>	<b>129,846,315</b>	<b>1%</b>

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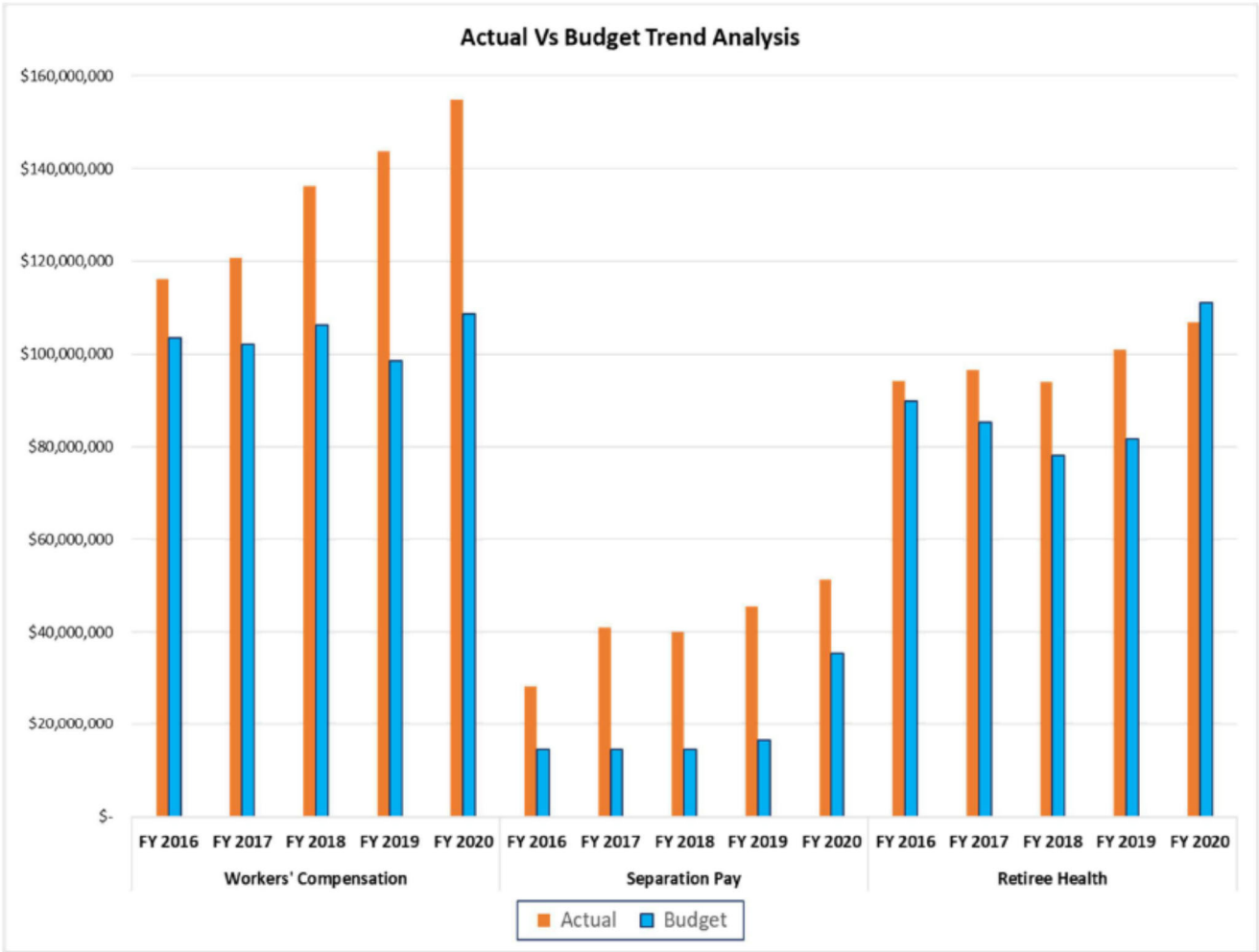
***Task No. 3: We identified the primary causes of the budget shortfalls. We determined whether the shortfall appears to be a structural budgetary issue or a one-time occurrence.***

Based on our analysis, the budget shortfall appears to be a structural budgetary issue rather than a one-time occurrence. The trend is the actual cost of employee benefits increases whereas the budget for these costs are not keeping pace. Based on information from CEO, workers' compensation budgets are based on three years of historical experience. Retirement health benefits are based on the number of active members in the retirement system.

Below we provide Table 11 and related chart showing the annual average variance year by year of actual EB costs versus budgeted EB costs. As shown, actual EB costs have consistently exceeded budgeted EB costs year over year. For FY 2018-19, the Department attributed the decrease in the budgeted amount for Workers' Compensation compared to prior years to a decrease in the number of Department employees that were transferred to the Department of Homeland Security (DHS) and Metro contracts.

Table #11											
% Change in Budget and Actual - Year over Year - FY 2015 through FY 2020											
	FY 2014-15	FY 2015-16	% FY16 over FY15	FY 2016-17	% FY17 over FY16	FY 2017-18	% FY18 over FY17	FY 2018-19	% FY19 over FY18	FY 2019-20	% FY20 over FY19
<b>Workers' Compensation</b>											
<b>Budget</b>	\$ 99,373,000	\$ 103,578,000	4%	\$ 102,049,000	-1%	\$ 106,308,000	4%	\$ 98,480,000	-7%	\$ 108,639,000	10%
<b>Actual</b>	\$ 110,257,244	\$ 116,265,538	5%	\$ 120,768,285	4%	\$ 136,262,651	13%	\$ 143,733,641	5%	\$ 154,957,525	8%
<b>Separation Pay</b>											
<b>Budget</b>	\$ 14,396,000	\$ 14,396,000	0%	\$ 14,396,000	0%	\$ 14,396,000	0%	\$ 16,399,000	14%	\$ 35,408,000	116%
<b>Actual</b>	\$ 26,071,561	\$ 28,309,165	9%	\$ 41,013,819	45%	\$ 40,009,160	-2%	\$ 45,538,153	14%	\$ 51,299,106	13%
<b>Retiree Health Insurance</b>											
<b>Budget</b>	\$ 81,722,000	\$ 89,759,000	10%	\$ 85,174,000	-5%	\$ 78,094,000	-8%	\$ 81,773,000	5%	\$ 111,021,000	36%
<b>Actual</b>	\$ 84,842,294	\$ 94,126,103	11%	\$ 96,652,509	3%	\$ 94,017,695	-3%	\$ 101,017,000	7%	\$ 106,921,007	6%

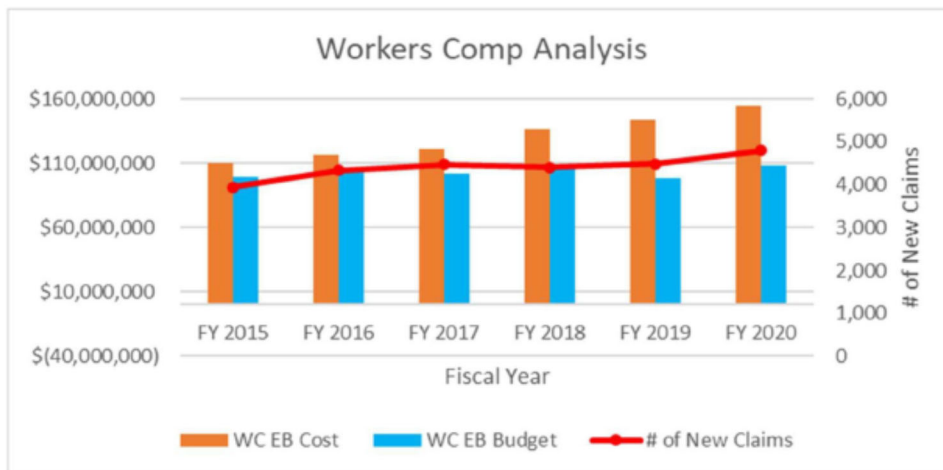
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**Workers' Compensation**

The number of workers' compensation claims were relatively static, but the cost of those claims increased from FY 2014-15 through FY 2019-20. The CEO budget for workers' compensation claims did not keep up with the increased costs related to the claims for FY 2014-15 through FY 2019-20, as shown in the graph below.

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As explained by LASD, the increases in costs of the above employees’ benefits are somewhat beyond the control of the Department. For example, for Workers’ Compensation costs, the Sheriff’s Department’s task is to monitor the safety of its personnel and attempt to get injured employees healthy and back to work in an efficient manner. Monthly meetings are held with Sedgwick (County’s third-party administrator for Workers’ Compensation) and CEO Risk Management regarding early return to work or some type of action plan to assist each employee with progress of claim or help with the process of filing for service-connected disability or disability retirement, voluntary demotion, or voluntary demotion with salary supplement.

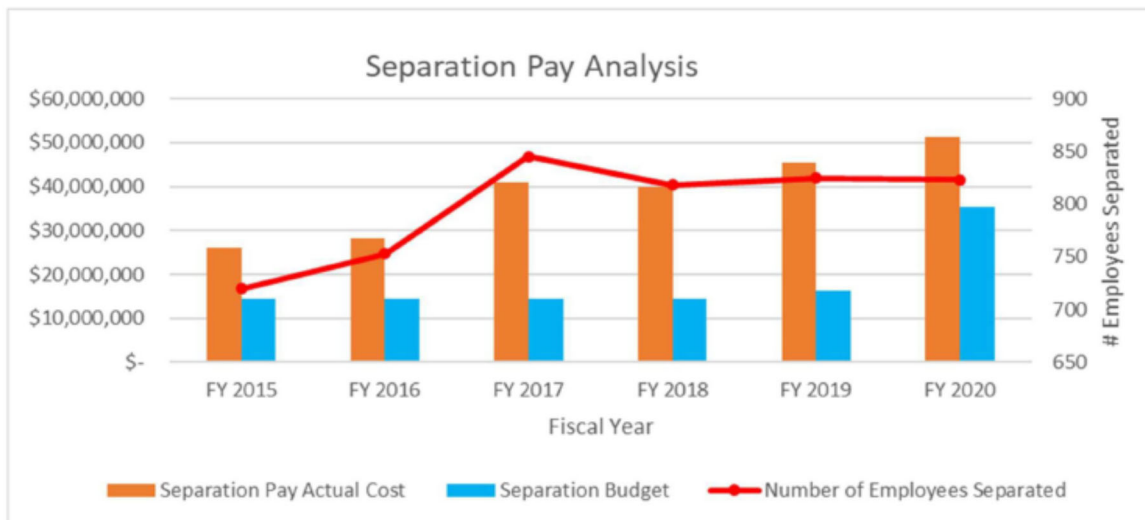
**Finding #8:** Workers’ compensation is the only employee benefit that the LASD potentially can control a portion of the costs of by improving employee safety and training, but an assessment of LASD’s efforts and effectiveness in controlling workers’ compensation costs is beyond the scope of this review.

**Recommendation #8:** We recommend that a detailed assessment of LASD’s efforts to control workers’ compensation costs be performed. The detailed assessment should include identifying the contributing factors behind the increase in workers’ compensation costs and proposing ways to mitigate on-the-job injury risk factors. In addition, conducting a comparative workers’ compensation benchmarking analyses to other law enforcement agencies will assist in identifying best practices for controlling workers compensation claims and costs.

**Separation Pay**

The number of employees separated from the Department each year remained relatively consistent; however, the cost of separation pay, which includes accumulation of vacation, sick leave, and overtime, increased every year from FY 2014-15 through FY 2019-20. The CEO budget for separation pay did not likewise increase commensurate with employee salary increases for the same period, as shown in the graph below.

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**Retiree Health**

Likewise, the budgetary shortfalls of the Retiree Health Insurance were attributable to the increasing costs of health insurance. Retiree Health benefits is a part of the County of Los Angeles employee benefit package. The budgeted costs of retiree health benefits are determined by a third-party actuarial firm. LASD does not monitor retirees’ health insurance; they only oversee claims for active employees, which is handled by its Injury Health and Support Unit (IHSU).

***Task No. 4: We evaluated whether the extent of the budget shortfall was foreseeable during the fiscal year.***

Due to the structural nature of the budgetary shortfalls, it stands to reason that the budget shortfalls are foreseeable each year. The Department continuously communicates the budget shortfalls related to EBs via the monthly BSRs and the County budget process. The foreseeable shortfall is documented in the Department’s submission of the annual Recommended Budget Request and through monthly Budget Status Reports to the CEO. Additionally, the EBs shortfalls are further communicated in a semi-annual joint-letter from the CEO and the A-C, in consultation with the LASD, regarding the Department’s financial status to the Board.

***Task No. 5: We reviewed and evaluated the Sheriff’s efforts to monitor the budgetary shortfall and whether they took timely action to mitigate the actual or anticipated shortfall.***

The Department monitors the EBs costs monthly throughout the fiscal year. To mitigate the anticipated shortfall, the Department actively curtailed overtime, where possible, and routinely deferred expenditures in services, supplies, maintenance, and capital assets to



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offset shortfalls as much as possible. Prior to the budgetary curtailments of FY 2020-21, the Department also maintained vacancies in budgeted/funded positions (salary savings) to mitigate the increasing costs of employee benefits.

***Task No. 6: We identified opportunities to improve and enhance the Sheriff's employees' benefit processes/practices and include recommendations where possible/practical.***

Based on our review and analysis of the three (3) Employees' benefits categories that have significant budget shortfalls, there is only one category, Workers' Compensation, that LASD potentially has influence in controlling a portion of its costs. Controlling workers' compensation claims could be studied but is beyond the scope of this review. The other two categories: 1) Separation Pay, and 2) Retirees' Health Insurance, are not within the Department's ability to mitigate its increasing costs through budget processes or spending practices.

It should be noted that the Department can only attempt to minimize the number of injuries, which results in Workers' Compensation costs. The drivers for the increasing costs (e.g., medical, insurance) in these benefit categories are beyond the Department's control. Accordingly, the Department proactively attempts to provide the training and equipment available to reduce risk in the field. The Department also continuously works with employees returning to work after being injured on duty.



# OFFICE OF THE SHERIFF

COUNTY OF LOS ANGELES

HALL OF JUSTICE

ROBERT G. LUNA, SHERIFF



June 5, 2023

Michael J. de Castro, Managing Partner  
BCA Watson Rice, LLP  
2355 Crenshaw Boulevard, Suite 150  
Torrance, California 90501

Dear Mr. de Castro:

**LOS ANGELES COUNTY SHERIFF'S DEPARTMENT'S  
RESPONSE TO THE REPORT ON OPERATIONAL REVIEWS**

Attached is the Los Angeles County Sheriff's Department's (Department) response to the Report on Operational Reviews performed by BCA Watson Rice, LLP.

The Department is in agreement with the report's findings and will work with the applicable bureaus/units to implement the recommendations.

Should you have any questions regarding the Department's response, please contact Assistant Division Director Glen Joe, Administrative Services Division, at (213) 229-3305.

Sincerely,

A handwritten signature in blue ink that reads "R. Luna".

ROBERT G. LUNA  
SHERIFF

211 WEST TEMPLE STREET, LOS ANGELES, CALIFORNIA 90012

*A Tradition of Service*  
— Since 1850 —

Mr. de Castro

-2-

June 5, 2023

RGL:JFT:mdr  
(Administrative Services Division)

Attachments

c: April L. Tardy, Undersheriff  
Jill Torres, Assistant Sheriff, CFAO  
Conrad Meredith, Division Director, Administrative Services Division (ASD)  
Joel L. Barnett, Commander, Personnel Command  
Glen C. Joe, Assistant Division Director, ASD  
Richard F. Martinez, Assistant Division Director, ASD  
Andrew B. Cruz, Acting Captain, Contract Law Enforcement Bureau  
Tracey Jue, Director, Facilities Planning Bureau  
Clint W. Yates, Director, Facilities Services Bureau

**SHERIFF'S DEPARTMENT – REPORT ON OPERATIONAL REVIEWS  
DEPARTMENT ACTION PLAN/RESPONSE**

<b>ISSUE 1</b>	
<b>BCA Recommendation</b>	LASD should develop processes to ensure that the nature of overtime is reported accurately and used as an effective management tool. First, LASD should work with the Auditor-Controller to identify and correct any systems errors within eCAPS that may result in misreported categorizations of overtime. Second, supervisors and unit commanders should require that Reason and Activity Codes be filled out with reasonable specificity and are reported accurately within the system. And third, once accurate data is secured, unit commanders should routinely conduct trend analyses related to the nature of overtime usage within their units. Where negative trends are identified, Unit Commanders should develop mitigation strategies to curb potential excesses in individual overtime categories.
<b>Priority</b>	<b>PRIORITY 1</b>
<b>Agree/Disagree</b>	Agree
<b>Department Action Plan<sup>1</sup></b>	In premise the Department does agree with the recommendation.  As a result, the Action Plan will be for the Department to engage the Auditor-Controller and the Chief Executive Office (CEO) to seek a collaborative effort to identify potential solutions available within the current Countywide systems (e.g., e-CAPS and e-HR), which may improve accuracy in reporting.  The “Planned Implementation” date, intended to reflect a collaborative action, will be underway. However, the necessary changes to the systems will likely take longer.
<b>Planned Implementation Date</b>	August 31, 2023
<b>Additional Information (optional)<sup>2</sup></b>	

<b>ISSUE 2</b>	
<b>BCA Recommendation</b>	LASD should hold supervisors and unit commanders accountable for the approval of overtime that does not conform to the policies set forth in LASD’s Manual.
<b>Priority</b>	<b>PRIORITY 1</b>
<b>Agree/Disagree</b>	Agree
<b>Department Action Plan<sup>1</sup></b>	Establish a process of issuing reminders to Unit Commander about the overtime policies, including requesting overtime based on relevance, such as staffing levels workload requirements imposed by various mandates. The Department’s non-emergency overtime pre-approval policy will be enforced.
<b>Planned Implementation Date</b>	August 31, 2023
<b>Additional Information (optional)<sup>2</sup></b>	The Department does have a current practice of requiring advanced approval of anticipated overtime, per its <u>Manual of Policies &amp; Procedures (MPP) 3-02/280.10 Overtime Authorization</u> , which results in the issuance of an Overtime Code Number (OCN) for tracking purposes. By and large, overtime is generally worked to fill a position to comply with service levels mandated by court order, contract, or minimum staffing level.

<sup>1</sup> In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

<sup>2</sup> In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 3	
<b>BCA Recommendation</b>	LASD should develop tools to evaluate the impact of mitigation measures undertaken to minimize overtime. These impacts include both the fiscal savings associated with the mitigation measure, and the potential detrimental impact of utilizing those mitigation measures.
<b>Priority</b>	PRIORITY 2
<b>Agree/Disagree</b>	Agree
<b>Department Action Plan<sup>1</sup></b>	<p>The Department agrees there is a correlated relationship between staffing levels and overtime. As a result, the Action Plan will be to collaborate with the CEO to evaluate this correlation.</p> <p>Further, the Department will examine multiple options related to service delivery with the new administration.</p>
<b>Planned Implementation Date</b>	September 30, 2023
<b>Additional Information (optional)<sup>2</sup></b>	Currently, both sworn and professional staff, overtime is necessary to perform the work required despite curtailments, vacancies, impairments, and imposed hiring/promotional freezes. The Department will continue to monitor overtime usage.

ISSUE 4	
<b>BCA Recommendation</b>	We recommend that LASD develop a more comprehensive understanding of its overtime expenses. The process must begin with developing internal controls that ensure compliance with existing policies related to the approval and coding overtime requests. Reporting accurate and meaningful data is critical. This process must also include consultations with CEO Budget to determine what additional data and information would allow the CEO's Office to better evaluate LASD's overtime needs. The goal should be for the County to develop an approved overtime budget that reflects the actual and justifiable needs of the Department.
<b>Priority</b>	PRIORITY 1
<b>Agree/Disagree</b>	Agree
<b>Department Action Plan<sup>1</sup></b>	<p>In premise the Department does agree with the recommendation.</p> <p>As a result, the Action Plan will be for the Department to collaborate with the Auditor-Controller and the CEO to identify potential solutions available within the current countywide systems (e.g., e-CAPS and e-HR), which may improve accuracy in reporting. Further, the Department will collaborate with the CEO during the budget process to right-size the overtime budget. This will likely be a multi-year effort.</p>
<b>Planned Implementation Date</b>	August 31, 2023
<b>Additional Information (optional)<sup>2</sup></b>	Improved accuracy in reporting is welcomed. In the interim, it is worth noting that overtime is generally worked to fill a position to comply with service levels mandated by court orders, contracts, minimum staffing requirements, and due to officer safety.

<sup>1</sup> In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

<sup>2</sup> In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 5	
<b>BCA Recommendation</b>	We recommend that Facilities Services Bureau (FSB) work with the LASD's Administrative Services Division (ASD) to develop a more tailored and clearly defined set of expense category line items. These line items should provide well-defined descriptions of key categories of expenses to ensure the effective utilization of resources, provide greater accountability and improve the recording of individual expenditures. Additionally, FSB should consider tracking project costs separately and apart from the way it budgets and tracks ordinary expenses. Finally, FSB should eliminate line items that represent the method of payment or funding.
<b>Priority</b>	<b>PRIORITY 2</b>
<b>Agree/Disagree</b>	Agree
<b>Department Action Plan<sup>1</sup></b>	The Department will collaborate with the Auditor-Controller and the CEO to identify potential solutions available within the current countywide systems (e.g., e-CAPS and e-Procurement), which may improve tracking of project costs separately and apart from ordinary expenses while utilizing available key categories.
<b>Planned Implementation Date</b>	September 30, 2023
<b>Additional Information (optional)<sup>2</sup></b>	The FSB does utilize a subsequent system named Maximo to track expenses associated with maintenance of LASD's facilities. Interfacing with central countywide systems such as e-CAPS could be an area for enhancement for improved information.

ISSUE 6	
<b>BCA Recommendation</b>	We recommend that Facilities Planning Bureau (FPB) work with ASD to develop a more tailored set of line items. These line items should provide clear descriptions of key categories of expenses to ensure effective utilization of resources, provide greater accountability and improve the recording of individual expenditures. Additionally, FPB should consider tracking project costs separately and apart from the way it budgets and tracks ordinary expenses. Finally, FPB should eliminate line items that represent the method of funding.
<b>Priority</b>	<b>PRIORITY 2</b>
<b>Agree/Disagree</b>	Agree
<b>Department Action Plan<sup>1</sup></b>	The Department will collaborate with the Auditor-Controller and the CEO to identify potential solutions available within the current countywide systems (e.g., e-CAPS and e-Procurement), which may improve tracking of project costs separately and apart from ordinary expenses while utilizing available key categories.
<b>Planned Implementation Date</b>	September 30, 2023
<b>Additional Information (optional)<sup>2</sup></b>	

ISSUE 7	
<b>BCA Recommendation</b>	The Facilities Planning Bureau (FPB) should more closely align the budget for Facilities Planning Projects and CAP Project Consultant Services with the list of known or expected projects for the following year.
<b>Priority</b>	<b>PRIORITY 2</b>
<b>Agree/Disagree</b>	Agree

<sup>1</sup> In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

<sup>2</sup> In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 7	
<b>Department Action Plan<sup>1</sup></b>	The Department will collaborate with the Chief Executive Office's Capital Programs to better predict project management costs with the goal of aligning the CAP Project Consultant Services-line item more closely.
<b>Planned Implementation Date</b>	September 30, 2023
<b>Additional Information (optional)<sup>2</sup></b>	

ISSUE 8	
<b>BCA Recommendation</b>	We recommend that a detailed assessment of LASD's efforts to control workers' compensation costs be performed. The detailed assessment should include identifying the contributing factors behind the increase in workers' compensation costs and proposing ways to mitigate on-the-job injury risk factors. In addition, conducting a comparative workers' compensation benchmarking analyses to other law enforcement agencies will assist in identifying best practices for controlling workers compensation claims and costs.
<b>Priority</b>	<b>PRIORITY 2</b>
<b>Agree/Disagree</b>	Agree
<b>Department Action Plan<sup>1</sup></b>	The Department, as a first step, will collaborate with the CEO and/or the Department of Human Resources (DHR) to identify a resource, such as an independent assessment/consulting service, to conduct a comparative benchmarking to other law enforcement agencies and perform an analysis resulting in recommendations towards mitigating on-the-job injury risk factors since workers' compensation costs have increased.
<b>Planned Implementation Date</b>	September 30, 2023
<b>Additional Information (optional)<sup>2</sup></b>	<p>Additionally, several steps have been or are in the process of being taken to improve our efforts in reducing workers' compensation costs:</p> <ul style="list-style-type: none"> <li>• Working closely with CEO Risk Management and the third-party administrator, Sedgwick, in meeting two times a month to discuss cases in detail, obtain status, and determine an action plan.</li> <li>• Collaborating with CEO and DHR to leverage resources (e.g., staffing, funding, etc.) to minimize department impairments and improve the rate of employees returning to work.</li> <li>• Completed certification training provided by DHR and Shaw HR Consulting launching the new countywide Disability Management and Compliance (DMC) framework; and,</li> <li>• Exploring an Expedited Treatment Policy created by the CEO as piloted by the Fire Department. The purpose is to reduce the real or perceived barriers in the delivery of medical care to employees injured in the course of their employment. The goal under this program is to expedite the delivery of evidence-based quality care, restore functional capacity and return the employee back to employment as soon as practicable.</li> </ul>

<sup>1</sup> In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

<sup>2</sup> In this section the Department can provide any background or clarifying information they believe is necessary.