

CITY OF LOS ANGELES  
CALIFORNIA

FRANK T. MARTINEZ  
City Clerk

KAREN E. KALFAYAN  
Executive Officer

When making inquiries  
relative to this matter  
refer to File No.



ANTONIO R. VILLARAIGOSA  
MAYOR

Office of the  
CITY CLERK  
Council and Public Services  
Room 395, City Hall  
Los Angeles, CA 90012  
Council File Information - (213) 978-1043  
General Information - (213) 978-1133  
Fax: (213) 978-1040

HELEN GINSBURG  
Chief, Council and Public Services Division

04-2415  
04-2368

October 4, 2005

City Administrative Officer  
Chief Legislative Analyst  
City Attorney (with blue sheet)  
Controller: Room 300  
Accounting Division F&A  
Disbursement Division  
Personnel Department  
Police Commission  
Police Department  
City Ethics Commission

RE: ESTABLISHMENT OF A GOVERNMENT EFFICIENCY UNIT TO SCREEN, MONITOR, AND INVESTIGATE ALLEGATIONS INVOLVING FRAUD, WASTE, AND ABUSE OF CITY RESOURCES

At the meeting of the Council held September 13, 2005, the following action was taken:

Attached report adopted.....	_____ X _____
Attached motion (-) adopted.....	_____ _____
Attached resolution adopted.....	_____ _____
FORTHWITH.....	_____ _____
Mayor concurred .....	_____ 9-23-05 _____
To the Mayor FORTHWITH .....	_____ X _____
Motion adopted to approve communication recommendation(s).....	_____ _____
Motion adopted to approve committee report recommendation(s)...	_____ _____
Ordinance adopted.....	_____ _____

City Clerk  
crm



TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your **BUDGET AND FINANCE** Committee

reports as follows:

Public Comments: Yes No  
X     

BUDGET AND FINANCE COMMITTEE REPORT relative to establishment of a Government Efficiency Unit to screen, monitor, and investigate allegations involving fraud, waste, and abuse of City resources.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

- RESOLVE that Employment Authority, that the following additional positions in the Office of the Controller for the Governmental Efficiency Unit, for the period of August 15, 2005 through June 30, 2006, subject to paygrade determination by the City Administrative Officer (CAO) Employee Relations Division, is APPROVED:

<u>No.</u>	<u>Class Title</u>	<u>Class Code</u>
1	Special Investigator I	0602-1
1	Special Investigator II	0602-2
1	Senior Clerk Typist	1368

- TRANSFER \$240,000 from the Fund 100/Department 58, Unappropriated Balance, Governmental Efficiency Unit Line Item 0173, to the Office of the Controller, Fund 100/26 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries General	\$182,810
3040	Contractual Services	50,000
6010	Office and Administrative Expense	3,590
7300	Furniture, Office and Technical Equipment	<u>3,600</u>
	<b>Total</b>	<b>\$240,000</b>

- REQUEST the City Attorney to determine whether it is permissible for the proprietary departments to reimburse the General Fund for costs associated with the investigation of complaints of fraud, waste and abuse occurring within those departments.
- REQUEST the Controller to report back to the Council on a quarterly basis with a summary of the investigative and financial results achieved by the implementation of the Fraud, Waste and Abuse Investigation Unit.
- INSTRUCT the Chief Legislative Analyst to work with the City Attorney to draft a resolution that protects whistleblowers from retaliation even if they use a City computer during work hours to make the report.
- NOTE and FILE the Controller's reports, dated January 4, 2005 and May 25, 2005, relative to the Fraud, Waste and Abuse Investigation Unit and proposed criteria for referring whistleblower cases to other agencies, inasmuch as the reports are submitted for information, and no Council action is necessary.

Fiscal Impact Statement: The 2005-06 General Fund cost of the proposed Governmental Efficiency Unit will total \$240,000. The cost to the General Fund of the new Unit will be reduced by any permissible reimbursement for investigation of complaints pertaining to the proprietary departments and any recovery of funds resulting from the discovery of irregularities, fraud, collusion, conflict of interest or improprieties through investigations conducted by the new Unit.

## SUMMARY

At its meeting of August 9, 2005, the Budget and Finance Committee considered a Budget and Finance Committee report and a joint report of the Audits and Governmental Efficiency Committee and Communication from Member of the Personnel Committee relative to the proposed Government Efficiency Unit. On February 8, 2005, during consideration of this matter, the Council referred the matter back to the Budget and Finance Committee for further review.

During the Committee's discussion, the Controller reported that over the past year the Controller's Office has received 137 whistleblower complaints, trips and allegations involving waste and fraud. Several dozen have already been referred to appropriate law enforcement, the Ethics Commission and various City departments. There are at least 60 complaints/tips/allegations that have been determined to need additional investigation by the Office of the Controller. The Controller, however, reported that there is currently no funding for these investigations.

The CAO expressed overall support for the Government Efficiency Unit and submitted a revision to its recommendations contained in the CAO report dated January 4, 2005. In its January 4, 2005 report, the CAO recommended approval of three resolution authorities for the Government Efficiency Unit and the transfer of \$108,294 from the Reserve Fund to the Unappropriated Balance and appropriation to the Office of the Controller for salaries, contractual services, equipment, etc., for the Unit. During the Budget and Finance Committee, the CAO submitted a revision to its previous recommendations. In addition to the recommended resolution authorities, the CAO recommended a transfer of \$240,000 from the Unappropriated Balance, Governmental Efficiency Unit to the Office of the Controller for salaries, equipment, etc., for the Government Efficiency Unit.

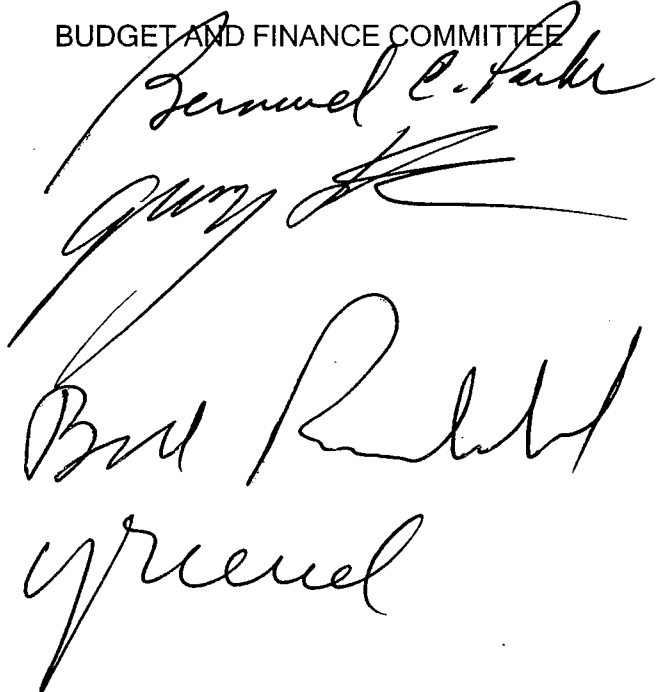
The Controller reported that many of the complaints received are about the proprietary departments, and that during informal discussions during the past fiscal year with General Managers of those departments, they expressed support for reimbursing the Controller for fraud investigations. The Controller additionally reported that proprietary departments have in the past partially reimbursed the General Fund for some of the audits performed. The CAO reported that reimbursement by the proprietary departments for investigations performed by the Government Efficiency Unit would be sought. The Executive Director of the Ethics Commission also expressed support for reimbursement by proprietary departments for investigations performed not only by the Government Efficiency Unit but by any investigative agency in the City, including the Ethics Commission. The CAO reported that if the City Attorney opines that the proprietary department investigation costs are reimbursable, the CAO will bill the departments through the CAO's annual billing process.

The Controller reported that the Controller, City Attorney, Los Angeles Police Department, City Ethics Commission, the Personnel Department, as well as all City Departments, depending on what the complaint is, will be working together in partnership and meeting regularly to ensure that complaints are being referred and/or handled correctly. The Committee additionally suggested that when reports of the Unit activities are brought forward to the Council, that they be handled as personnel matters and discussed in Executive Session.

The Budget and Finance Committee, at its meeting of August 9, 2005, recommended approval of the CAO recommendations as amended in Committee and to note and file the Controller reports dated January 4, 2005 and May 25, 2005, as the reports are submitted for information, and no Council action is necessary. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
CARDENAS:	YES
SMITH:	YES
GREUEL:	YES
ROSENDAHL:	YES

LB  
#042415B  
8/29/05

RPT.  
**ADOPTED**

SEP 13 2005

**LOS ANGELES CITY COUNCIL**  
**TO THE MAYOR FOR INFO WITH**

MAYOR WITH FILE