

CITY OF LOS ANGELES, CALIFORNIA

Cost Allocation Plan 41
For Department Administration and Support,
And Compensated Time Off

(With Independent Auditor's Report)

For the Fiscal Year Ended June 30, 2017



Certified
Public
Accountants

CITY OF LOS ANGELES, CALIFORNIA
Cost Allocation Plan 41
For Department Administration and Support,
And Compensated Time Off
For the Fiscal Year Ended June 30, 2017

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Independent Auditor's Report

Honorable Members of the City Council
City of Los Angeles, California

We have audited the accompanying Schedule of Department Administration and Support Salary Base, Administration and Support Costs, and Rates by Department and the Schedule of Compensated Time Off Salary Base, Compensated Time Off Costs, and Rates by Department (Schedules) of the City of Los Angeles, California (City) Cost Allocation Plan 41 for the fiscal year ended June 30, 2017, and the related notes to the Schedules as listed in the table of contents.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules in accordance with Title 2 in the Code of Federal Regulations (CFR), Subtitle A, Chapter II, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the Department Administration and Support Salary Base, Administration and Support Costs, and Rates by Department and Compensated Time Off Salary Base, Compensated Time Off Costs, and Rates by Department, for the City Cost Allocation Plan 41 for the fiscal year ended June 30, 2017 in accordance with the basis of accounting described in Note 1.

Basis of Accounting

Note 1 to the Schedules describes the basis of accounting. The Schedules were prepared by the City on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information and use of City management, City Council, others within the City, and the U.S. Department of Housing and Urban Development, and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Los Angeles, California
January 23, 2019

CITY OF LOS ANGELES, CALIFORNIA
COST ALLOCATION PLAN 41
Schedule of Department Administration and Support Salary Base,
Administration and Support Costs, and Rates by Department
Based on the Fiscal Year Ended June 30, 2017
To Be Applied in Fiscal Year 2018-2019

DEPARTMENT/Cost Center	Department Administration and Support Salary Base	Department Administration and Support Costs	Rates
AGING			
Balance of Department	N/A	N/A	N/A
Special Fund (Title V)	N/A	N/A	N/A
ANIMAL SERVICES	\$ 17,926,764	\$ 5,332,579	29.75%
BUILDING and SAFETY	72,172,790	20,988,568	29.08%
CITY ADMINISTRATIVE OFFICER			
Proprietary, Capital Projects (Physical Plant)	1,556,253	320,296	20.58%
Disaster Grants Coordination	239,267	48,152	20.12%
CITY ATTORNEY			
Criminal	48,642,693	2,112,944	4.34%
Direct, at User's Site	15,009,833	373,256	2.49%
Direct, in City Space	4,706,224	204,451	4.34%
CITY CLERK			
Elections	4,811,323	2,997,592	62.30%
Special Assessment Section	1,091,410	782,618	71.71%
CONTROLLER			
Direct, at User's Site	810,149	1,018,317	125.69%
Direct, in City Space	919,197	1,137,305	123.73%
CULTURAL AFFAIRS	4,615,186	2,168,439	46.98%
DEPARTMENT on DISABILITY	1,004,444	1,394,473	138.83%
ECONOMIC and WORKFORCE DEVELOPMENT			
Balance of Department	N/A	N/A	N/A
As Needed Employees	N/A	N/A	N/A
EL PUEBLO de LOS ANGELES	1,094,104	1,856,785	169.71%
EMERGENCY MANAGEMENT			
Emergency Preparedness Policy & Public Information	991,653	765,017	77.15%

The accompanying notes are an integral part of this schedule.

CITY OF LOS ANGELES, CALIFORNIA
COST ALLOCATION PLAN 41
Schedule of Department Administration and Support Salary Base,
Administration and Support Costs, and Rates by Department
Based on the Fiscal Year Ended June 30, 2017
To Be Applied in Fiscal Year 2018-2019

DEPARTMENT/Cost Center	Department Administration and Support Salary Base	Department Administration and Support Costs	Rates
FINANCE			
Revenue Collections	\$ 20,330,551	\$ 7,293,164	35.87%
Cash Management and Investment	964,018	352,668	36.58%
FIRE			
Civilian	7,862,330	2,316,884	29.47%
Sworn	337,196,212	139,166,765	41.27%
<i>Field Support rate, Sworn only -></i>	324,954,127	53,124,161	16.35%
GENERAL SERVICES			
Materials Testing	7,089,412	638,574	9.01%
Print Shop	2,405,838	247,709	10.30%
HOUSING + COMMUNITY INVESTMENT DEPARTMENT			
Grant Funded & Special Programs	N/A	N/A	N/A
Enforcement	N/A	N/A	N/A
Internal Administration	N/A	N/A	N/A
LIBRARY	58,618,336	14,755,377	25.17%
CONVENTION & TOURISM DEVELOPMENT	691,193	1,480,524	214.20%
MAYOR			
Executive Policy	8,076,895	708,560	8.77%
Grant Funded & Special Programs	6,862,912	493,553	7.19%
NEIGHBORHOOD EMPOWERMENT	1,184,617	2,156,009	182.00%
PERSONNEL			
Custody Care (Jails)	4,820,239	1,018,203	21.12%
Grant Funded & Special Programs	599,571	102,197	17.05%
PLANNING	26,182,123	6,428,905	24.55%
POLICE			
Civilian	152,949,995	181,156,076	118.44%
Sworn	915,778,780	319,778,047	34.92%
<i>Field Support rate, Sworn only -></i>	903,533,625	392,075,499	43.39%

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CITY OF LOS ANGELES, CALIFORNIA
COST ALLOCATION PLAN 41
Schedule of Department Administration and Support Salary Base,
Administration and Support Costs, and Rates by Department
Based on the Fiscal Year Ended June 30, 2017
To Be Applied in Fiscal Year 2018-2019

DEPARTMENT/Cost Center	Department Administration and Support Salary Base	Department Administration and Support Costs	Rates
PUBLIC WORKS			
Board			
Public Services	\$ 965,088	\$ 54,193	5.62%
Contract Administration			
Construction Inspection	20,619,046	3,655,127	17.73%
Engineering			
Clean Water Infrastructure	32,403,373	4,487,513	13.85%
Development Services	11,420,557	1,724,951	15.10%
Mobility	17,363,217	2,436,989	14.04%
Public Buildings & Open Spaces	13,773,930	1,856,829	13.48%
Sanitation			
Solid Waste Program	96,330,278	12,303,078	12.77%
Cleanwater and Stormwater	110,202,660	9,539,056	8.66%
Street Lighting	20,452,612	2,683,719	13.12%
Street Services	66,598,348	16,284,740	24.45%
RECREATION AND PARKS	117,581,008	15,022,109	12.78%
TRANSPORTATION	103,356,363	17,613,209	17.04%
ZOO	14,040,410	3,100,940	22.09%

The accompanying notes are an integral part of this schedule.

CITY OF LOS ANGELES, CALIFORNIA
COST ALLOCATION PLAN 41
Schedule of Compensated Time Off Salary Base,
Compensated Time Off Costs, and Rates by Department
Based on The Fiscal Year Ended June 30, 2017
To Be Applied in Fiscal Year 2018-2019

<u>DEPARTMENT/Cost Center</u>	<u>Compensated Time Off Salary Base</u>	<u>Compensated Time Off Costs</u>	<u>Rates</u>
AGING			
Balance of Department	\$ 2,488,973	\$ 551,614	22.16%
Special Fund (Title V)	186,767	52,756	28.25%
ANIMAL SERVICES	15,081,247	3,536,741	23.45%
BUILDING and SAFETY	68,014,751	13,316,442	19.58%
CITY ADMINISTRATIVE OFFICER			
Proprietary, Capital Projects (Physical Plant)	11,185,435	2,198,193	19.65%
Disaster Grants Coordination	11,185,435	2,198,193	19.65%
CITY ATTORNEY			
Criminal	92,314,836	20,400,142	22.10%
Direct, at User's Site	92,314,836	20,400,142	22.10%
Direct, in City Space	92,314,836	20,400,142	22.10%
CITY CLERK			
Elections	4,117,642	381,980	9.28%
Special Assessment Section	5,816,703	1,196,548	20.57%
CONTROLLER			
Direct, at User's Site	11,913,270	2,330,360	19.56%
Direct, in City Space	11,913,270	2,330,360	19.56%
CULTURAL AFFAIRS	3,441,211	609,253	17.70%
DEPARTMENT on DISABILITY	1,249,819	219,154	17.53%
ECONOMIC and WORKFORCE DEVELOPMENT			
Balance of Department	9,841,406	2,225,534	22.61%
As Needed Employees	N/A	N/A	N/A
EL PUEBLO de LOS ANGELES	736,650	151,025	20.50%
EMERGENCY MANAGEMENT			
Emergency Preparedness Policy & Public Information	2,393,499	418,195	17.47%

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CITY OF LOS ANGELES, CALIFORNIA
COST ALLOCATION PLAN 41
Schedule of Compensated Time Off Salary Base,
Compensated Time Off Costs, and Rates by Department
Based on The Fiscal Year Ended June 30, 2017
To Be Applied in Fiscal Year 2018-2019

<u>DEPARTMENT/Cost Center</u>	<u>Compensated Time Off Salary Base</u>	<u>Compensated Time Off Costs</u>	<u>Rates</u>
FINANCE			
Revenue Collections	\$ 22,476,973	\$ 5,291,994	23.54%
Cash Management and Investment	22,476,973	5,291,994	23.54%
FIRE			
Civilian	24,172,796	5,215,573	21.58%
Sworn	275,266,136	72,916,150	26.49%
GENERAL SERVICES			
Materials Testing	5,073,389	1,302,861	25.68%
Print Shop	1,889,352	499,668	26.45%
HOUSING + COMMUNITY INVESTMENT DEPARTMENT			
Grant Funded & Special Programs	36,749,570	7,953,552	21.64%
Enforcement	36,749,570	7,953,552	21.64%
Internal Administration	36,749,570	7,953,552	21.64%
LIBRARY	50,966,689	9,918,861	19.46%
CONVENTION & TOURISM DEVELOPMENT	1,030,732	206,446	20.03%
MAYOR			
Executive Policy	10,115,050	1,081,576	10.69%
Grant Funded & Special Programs	2,978,812	443,164	14.88%
NEIGHBORHOOD EMPOWERMENT	1,401,186	334,524	23.87%
PERSONNEL			
Custody Care (Jails)	34,229,785	9,294,522	27.15%
Grant Funded & Special Programs	34,229,785	9,294,522	27.15%
PLANNING	24,674,036	4,402,780	17.84%
POLICE			
Civilian	171,145,881	49,955,673	29.19%
Sworn	764,504,446	261,971,131	34.27%

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CITY OF LOS ANGELES, CALIFORNIA
COST ALLOCATION PLAN 41
Schedule of Compensated Time Off Salary Base,
Compensated Time Off Costs, and Rates by Department
Based on The Fiscal Year Ended June 30, 2017
To Be Applied in Fiscal Year 2018-2019

<u>DEPARTMENT/Cost Center</u>	<u>Compensated Time Off Salary Base</u>	<u>Compensated Time Off Costs</u>	<u>Rates</u>
PUBLIC WORKS			
Board			
Public Services	\$ 2,676,936	\$ 447,493	16.72%
Contract Administration			
Construction Inspection	22,271,708	4,352,170	19.54%
Engineering			
Clean Water Infrastructure	66,768,592	13,391,943	20.06%
Development Services	66,768,592	13,391,943	20.06%
Mobility	66,768,592	13,391,943	20.06%
Public Buildings & Open Spaces	66,768,592	13,391,943	20.06%
Sanitation			
Solid Waste Program	73,886,086	17,619,594	23.85%
Cleanwater and Stormwater	86,179,711	19,285,465	22.38%
Street Lighting	17,332,902	3,416,733	19.71%
Street Services	56,038,465	12,857,194	22.94%
RECREATION AND PARKS	132,803,271	21,508,750	16.20%
TRANSPORTATION	81,294,537	19,602,424	24.11%
ZOO	10,875,459	2,564,083	23.58%

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CITY OF LOS ANGELES, CALIFORNIA
Cost Allocation Plan 41
For Department Administration and Support,
And Compensated Time Off
Notes to Schedules
For the Fiscal Year Ended June 30, 2017

Note 1 – Accounting Policies

The City of Los Angeles (City) prepares its Cost Allocation Plan (CAP) in accordance with Title 2 of the Code of Federal Regulations (CFR), Subtitle A, Chapter II, Part 200, “*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*” (formerly CFR 225).

The Department Administration and Support CAP is prepared for certain City departments (see Note 2) to allow for the recovery of administrative overhead costs incurred within departments from Federal and State grants. The administrative costs included in the Department Administration and Support CAP represent the actual costs incurred in fiscal year ended June 30, 2017 as reported in the City’s accounting system, Financial Management System (FMS). Costs reported in FMS are accounted for on the cash basis method of accounting. The administrative and support indirect costs are not always the same as the City’s General Administration and Support Program (GASP). Expenditures are included in the Department Administration and Support CAP if they conform to the following criteria: benefit the department as a whole; are not directly charged to a Federal or State grant; are not direct operating expenditures; and are costs which are not practical to directly bill, even though they might be considered allocable to direct operations. Actual costs incurred during fiscal year ended June 30, 2017 are added to “carry forward” amounts, which represent the difference between the costs theoretically recovered in fiscal year ended June 30, 2017 and the costs entitled to be recovered in fiscal year ended June 30, 2017. The sum of the actual and carry forward costs (i.e., total allocated costs) is divided by departmental administrative and support salary base (see Note 3) to calculate overhead rates for each department cost center (see Note 4). Overhead rates are calculated for “direct” departments, which are departments that do not provide services to other City departments, and for “support” departments with direct cost objectives. Overhead rates of support departments are only calculated for the “direct” components of such departments.

The Compensated Time Off (CTO) rates are to be used only when sick, vacation, and other CTO hours are not directly charged to a fee or grant project (see Notes 5 and 6). For employees who charge only part of their hours worked to a grant, their time off is not being charged to the project, so the cost of that time off may be recovered using the CTO rates. For employees whose entire annual salary is charged to a fee or grant, CTO is recovered as they take their time off, and the CTO rates are not to be used. When applicable, CTO costs should be billed to granting agencies or recipients of special services, either as a separate line item, or as an adjustment to salaries, increasing net salaries to gross salaries. The adjustment to salaries resulting in gross salaries is computed by applying the CTO rate to net salaries and adding this derived amount to net salaries. The derived gross salaries become the base against which the fringe benefit rate and other indirect cost rates are applied.

Note 2 – Departments without Department Administration and Support Rates

The City does not calculate Department Administration and Support rates for the Departments of Aging, Economic & Workforce Development, and Housing + Community Investment. These departments have been presented to be consistent with the presentation of the City’s Central Services CAP.

The Department of Aging cannot recover administrative costs from its grants due to grant expenditure limitations. Department Administration and Support rates are not computed for the Departments of Economic & Workforce Development and Housing + Community Investment because their administrative and support costs are directly billed to the grants.

CITY OF LOS ANGELES, CALIFORNIA
Cost Allocation Plan 41
For Department Administration and Support,
And Compensated Time Off
Notes to Schedules
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 3 – Department Administration and Support CAP - Salary Base and Overhead Rates

The salary base used to calculate overhead rates includes salaries of line employees only. It includes CTO and excludes overtime and unused sick and vacation pay. Line employees are those employees directly involved with the administration of the grant program.

Note 4 – Cost Centers and Cost Categories

Cost centers are determined based on department functions. As the City reorganizes its departments, cost centers are revised to adjust to the City's reorganization. Cost centers are also revised to allocate costs more accurately to the proper organizational units, and to accommodate the inclusion of allowable, but previously unrecovered costs. The cost categories are the Department Administration and Support costs and CTO costs for each cost center, as discussed in Note 1.

Note 5 – Compensated Time Off CAP – Salary Base and Overhead Rates

The salary base used to calculate the CTO rates includes salaries for actual hours worked (without CTO). The CTO cost includes salaries paid to employees who are on paid leave such as:

Sick Leave	Injury on Duty
Vacation	Jury Duty
Holiday	Bereavement Leave
Military Leave	Preventive Medicine
Family Illness	Floating Holiday
Workers' Compensation (Salary continuance paid by the employing department)	

Note 6 – Cost Center with no Compensated Time Off Rate

The City does not calculate a CTO rate for the Economic & Workforce Development Department – As Needed Employees since this cost center consists of part-time employees who are not entitled to CTO.