



RON GALPERIN
CONTROLLER

April 21, 2017

Honorable Councilmember Paul Krekorian
Chair, Budget and Finance Committee
c/o Office of the City Clerk
200 N. Spring Street, Room 395
Los Angeles, CA 90012

RE: Controller's Office – Mayor's Proposed Budget FY 2017-2018

Dear Honorable Members of the Budget and Finance Committee:

Thank you for the opportunity to submit my letter to your Committee regarding my assessment of the Mayor's Proposed Budget for the Controller's Office. As Controller, I am charged with maintaining critical operations of the City. Unfortunately, next year's Budget, as proposed, recommends a variety of cuts to our Office, which will adversely impact our ability to properly perform our Charter-mandated duties and responsibilities.

I respectfully request that your Committee consider the following adjustments, as you begin your deliberations:

1. Contractual Audit Services Funding Restoration - \$235,000

The proposed Budget reduces our Contractual Audit Services to \$265,000 -- a reduction of \$235,000. This funding has remained stagnant at \$500,000 since 1999, when it was *reduced* from \$750,000. Meanwhile, the cost of hourly and contract auditing rates has nearly doubled. Since 1999, the Auditing Division has also been cut a staggering 26 budgeted positions (from 47 positions to 21 positions) or 55% in staffing overall. As staffing levels have decreased, the need for outside consultants to perform audits has increased.

It is imperative that the Auditing Division have at a very minimum \$500,000 for needed contractual services to fulfill its Charter mandate.

2. Special Funds - Funding Necessary for Staffing Mandate - \$265,311

The proposed Budget requires the Controller's Office to conduct a comprehensive and long-overdue reconciliation of all City Special Fund balances. The Budget provides for two unfunded resolution authorities for two accountants.



The process of reviewing, reconciling, analyzing and effectuating a more strategic use of the City's 900+ special funds requires specific skills and knowledge of the City, its Departments and its processes.

Therefore, the Controller's Office requests that the currently-unfunded authorities of two accountants **be revised as authorities for one Senior Management Analyst I and one Senior Management Analyst II -- with funding.**

3. PaySR / Payroll Risk Mitigation Funding - \$212,794

The City of Los Angeles Payroll System (PaySR), a custom developed software, is increasingly at risk due to the overdependence of one sole contractor. In addition, multiple modifications, new laws and regulations, increasingly complex MOU and salary structures, and the growing needs of various departments -- continue to put the City at risk in delivering its payroll needs to 47,600 full time employees and 11,000-part time City employees across 40 departments. Research and analysis is currently being performed by this Office in partnership with ITA and Personnel for a long-term strategy for PaySR replacement (Council File #17-0075).

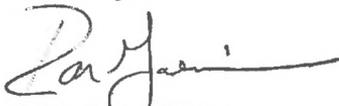
There is an urgent need to address short term strategies and solutions, as the City's sole consultant and architect of PaySR intends to retire in 2018. In order to mitigate any risk prior to eventual system replacement, the Payroll Division needs enhanced management of critical must-have items, more training for relevant employees and better documentation. This short term risk mitigation plan requires a Senior Management Analyst II, a Fiscal Systems Specialist I and modest upgrades to two existing positions; these are essential to maintaining PaySR while we work with ITA and Personnel to explore long-term options to sustain payroll operations.

- **The Senior Management Analyst II** position will be responsible for the interpretation, implementation and monitoring of the City's 43 MOU agreements and coordination with the CAO and labor. The analyst would also be responsible for training, understanding IRS regulations, changes to Administrative Code and Charter rules, and state and federal law changes. Because the City's MOU's are complicated and they are built on the prior year agreements, this is an ongoing process.
- **The Fiscal Systems Specialist I** will be responsible for creating the documentation needed to sustain PaySR after the contractor has retired. This is critical to ensuring the sustainability of the system.

I look forward to continued collaboration with the Budget and Finance Committee as well as the full Council during this budget process and beyond.

Thank you for your consideration.

Sincerely,



RON GALPERIN
City Controller