



OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

200 N. MAIN STREET, RM 300  
LOS ANGELES 90012  
(213) 978-7200  
[www.lacity.org/ctr](http://www.lacity.org/ctr)

October 7, 2008

Honorable Antonio R. Villaraigosa, Mayor  
Honorable Rockard J. Delgadillo, City Attorney  
Honorable Members of the City Council

**SUBJECT: REVIEW OF THE DEPARTMENT OF TRANSPORTATION'S FISCAL  
YEAR 2007-2008 INTERNAL CONTROL CERTIFICATION PROGRAM**

I am releasing the enclosed report entitled, "Review of the Department of Transportation's Fiscal Year 2007-2008 Internal Control Certification Program." A copy of this report was provided to the Department.

If you have any questions or comments, please contact Farid Saffar, Director of Auditing at (213) 978-7392.

Sincerely,

A handwritten signature in cursive script that reads 'Laura N. Chick'.

LAURA N. CHICK  
City Controller

Enclosure



OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

200 N. MAIN STREET, RM 300  
LOS ANGELES 90012  
(213) 978-7200  
[www.lacity.org/ctr](http://www.lacity.org/ctr)

October 7, 2008

Rita L. Robinson, General Manager  
Department of Transportation  
100 S. Main Street, 10<sup>th</sup> Floor  
Los Angeles, CA 90012

Dear Ms. Robinson:

Enclosed is a report entitled "Review of the Department of Transportation's Fiscal Year 2007-2008 Internal Control Certification Program." A draft of this report was provided to you on September 8, 2008. Comments provided by your Department at the meeting held on September 15, 2008 were evaluated and considered prior to finalizing the report.

Please review the final audit report and advise the Controller's Office by November 7, 2008 on planned actions you will take to implement the recommendations. If you have any questions or comments, please contact me at (213) 978-7392.

Sincerely,

FARID SAFFAR, CPA  
Director of Auditing

Enclosure

cc: Robin Kramer, Chief of Staff, Office of the Mayor  
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor  
Jaime de la Vega, Deputy Mayor, Office of the Mayor  
Paul Kim, President, Board of Transportation Commissioners  
Raymond P. Ciranna, Interim City Administrative Officer  
Karen E. Kalfayan, Interim City Clerk  
Gerry F. Miller, Chief Legislative Analyst  
Antoinette D. Christovale, Director of Finance  
Independent City Auditors



**City of Los Angeles  
Office of the Controller**

---

**Review of the Department of  
Transportation's  
Fiscal Year 2007-2008 Internal Control  
Certification Program**

**October 7, 2008**

**Laura N. Chick**  
City Controller

---

## TABLE OF CONTENTS

---

I EXECUTIVE SUMMARY .....	1
II BACKGROUND AND METHODOLOGY.....	6
III AUDIT FINDINGS AND RECOMMENDATIONS .....	7
APPENDIX I - RANKING OF RECOMMENDATIONS.....	15

# REVIEW OF DEPARTMENT OF TRANSPORTATION'S FISCAL YEAR 2007-2008 INTERNAL CONTROL CERTIFICATION PROGRAM

## EXECUTIVE SUMMARY

The Audit Division has completed a review of the Department of Transportation's (DOT or Department) fiscal year 2007-2008 Internal Control Certification Program (ICCP) packet. The main objective of the review was to evaluate DOT's overall administration of the ICCP to determine whether DOT is effective in identifying all internal control weaknesses and to determine if the Department's improvement plan adequately addresses weaknesses that the Department identified.

### Background

It is the responsibility of departmental management to ensure that its internal control structure is sound and functioning as planned. Strong internal controls provide management with assurances that operations are functioning as they should and that threats to successful performance will be timely identified and addressed, thereby reducing the risk of error, fraud and other improper activities.

### Scope

Our audit was performed in accordance with Generally Accepted Government Auditing Standards and covered the period from July 2006 to May 2008. Fieldwork was conducted between April and July 2008. Our audit did not include the entire operations of the Parking Violations Bureau which is operated by a contractor, ACS State and Local Solutions. The Bureau is responsible for processing and tracking parking citations, performing administrative reviews of citations, collecting parking fines on behalf of the City, and scheduling Administrative and Boot and Tow hearings.

### Summary of Audit Results

Our audit found that DOT has made good progress in implementing its improvement plans for the weaknesses it identified. Seven of the eight weaknesses have been corrected, and the remaining one should be corrected within the next three months. However, the Department did not identify several internal control weaknesses, and it did not give adequate consideration to ensuring that significant Departmental operations have effective controls in place. The control weaknesses resulted in the Department losing or being in danger of losing several hundred thousand dollars in parking citation

revenue. In addition, the Department lacks adequate controls over nearly three million dollars of computer equipment items.

### **Key Findings**

- **Assessable functions were not determined based on an effective risk assessment, resulting in material functions and operations not being evaluated.**

The ICCP instructions require department management to “segment the department into appropriate organizational components (assessable units) to be reviewed separately.” An assessable unit could be a bureau, division, unit, field location, etc. Assessable units are important to the ICCP because they dictate who will complete the various questionnaires and which operations will be reviewed. Proper establishment of the assessable units will help ensure adequate coverage of the Department’s operations, particularly high risk areas.

Our review disclosed that the Department did not adequately identify assessable units. Emphasis was placed on accounting functions without always considering key DOT operations. This resulted in inadequate coverage of the Department, and in some cases resulted in several key controls not being considered. For example, the Department answered only one of the 36 Grant control questions and only five of the 27 Payroll control questions.

In addition, the 14 Bureaus completed only the Operation control questionnaire without considering whether the Bureau handles other key functions. The Head of Bureau of Parking Enforcement and Traffic Control stated that his Bureau is responsible for issuing parking tickets which brings in approximately \$120 million in annual revenue. Therefore, the Department should have completed the Revenue controls questionnaire for the parking operations.

- **The Department has lost an estimated \$648,000 in parking citation revenue because it did not conduct timely investigations of parking citation complaints. In addition, the Department is at risk of losing \$1,080,000 in revenue per year if it does not conduct complaint investigations timely.**

Section 40215 of the California Vehicle Code states that when an individual receives a parking citation, he/she has the option not to pay the fine and to request an administrative review of the citation within 21 days of the date the citation was issued, or within 14 days from the date the notice of Delinquent Parking Violation was mailed. The individual’s request to request an administrative review is referred to as a complaint investigation (CI).

As of September 20, 2007 the Department had 23,788 CIs that had been received over 240 days ago but had not been processed. The citations were issued as far back as January 2004. The City Attorney’s Office has advised the Department that

these citations should be dismissed. This will result in an estimated revenue loss of \$648,000 because the complaint investigations had not been completed in a timely manner.

Currently, the Department does not have any staff to work CIs. As a result, the Department is at risk of losing \$1,080,000 in revenue per year. However, recently the Department obtained approval from the CAO to hire seven as-needed employees to work the CIs. According to DOT, the selection process for the seven positions has been completed, and hiring is pending upon completion of medical examinations.

- DOT does not consistently follow up outstanding accounts receivables to ensure it maximizes collections.**

The Department has \$442,000 in outstanding receivables related to 18 projects for which the latest billing was made prior to 2007. The \$442,000 relates to retentions held by the Metropolitan Transit Authority (MTA) until the project is complete. Inactive billings are an indication that the projects have been completed. However, DOT performs limited follow-up to determine the status of the projects.

Also, DOT has about \$241,944 in receivables for temporary traffic sign and transportation control services provided to private companies and individuals. DOT's aging report shows about \$85,658 in delinquent accounts, including \$19,927 (67 invoices) that have been outstanding between 121 days and two years and \$65,731 (113 invoices) that are over 2 years old. The Department does not send past due notices and does not utilize the services of the Office of Finance or an outside collection agency to assist in collecting the delinquent accounts.

In addition, DOT excludes delinquent accounts of \$103,000 in its Aging Report of Receivables, without referring the accounts to the Board of Review.

- DOT cannot ensure that all the parking meters are collected as scheduled.**

DOT maintains approximately 37,000 on-street, 2,900 off-street and 60 multi-space parking meters. Parking meter coins are to be collected by a contractor on a schedule approved by DOT showing routes and the frequency of collections. The contractor is paid based upon the number of meters that were attempted to be collected regardless of the operating status of parking meters.

DOT does not have the current route map of all the parking meters and does not own the technology to know the exact number of parking meters attempted to be collected by the Contractor. According to the Chief Transportation Investigator of the Meter Investigation and Security Section, DOT developed a route map of all parking meters more than twenty years ago.

Also, the Department does not have any procedures to help ensure the contractor empties all the meters they are contractually obligated to empty. For example, the contractor could fail to empty a particular meter(s), either by mistake or intentionally, and DOT would not be able to identify these instances.

- **DOT has not performed a physical inventory of computer equipment in at least four years. Also, the Department has 16 new computers and 20 new monitors which were purchased over one year ago that are still in storage.**

According to the ServiceDesk Online System (SOS), the citywide equipment system, DOT has 3,070 computer equipment items with a cost of \$2.8 million. The Department has not completed a physical inventory of the equipment items for at least four years. We noted that over 50% of the items on the SOS list do not show the name of the employee responsible for the equipment. Also, approximately 900 items with a cost of \$700,000 reflect the Figueroa building as the location of the equipment, even though DOT has not had any offices in this building since February 2005. It appears that the Department lacks adequate monitoring and tracking of its computer equipment items.

We also observed that DOT has a locked storage room where it stores new and used computer equipment. In addition to the used equipment, we observed 16 new computers (with an approximate price of \$1,000 each) and 20 new monitors (with an approximate price of \$260 each) in the storage room. These items appear to have been purchased one to two years ago but have not yet been deployed to an end user.

### **Review of Report**

We met with DOT management on September 15, 2008 to discuss the contents of the audit report. Department management generally agreed with the findings and recommendations and stated that the Department has already begun taking actions to implement several of the recommendations. We considered the Department's comments before finalizing the report. We would like to thank DOT management and staff for their cooperation and assistance during the audit.

## TABLE OF RECOMMENDATIONS

	RECOMMENDATIONS	PAGE REFERENCE
	DOT management should:	
1.	Identify the assessable units based on a risk assessment to ensure adequate coverage of the Department's operations, particularly high risk areas.	8
2	Hire and train the seven as-needed staff as soon as possible to ensure timely processing of backlogged CIs.	10
3	Monitor to ensure administrative reviews of parking citations are conducted in a timely manner to avoid any future backlogs.	10
4	Ensure that delinquent accounts receivable are closely monitored and that collections are made in compliance with the City's collection procedures.	12
5	Expediently work towards utilizing the new GPS technology in handheld devices in order to ensure that all parking meters are collected as scheduled.	12
6	Ensure that the Department conducts a biennial inventory of computer equipment to reflect the current location of the equipment and the name of the employee assigned to the equipment in the ServiceDesk Online system.	13
7	Facilitate the deployment of new computer equipment to put them into service as soon as possible. In addition, future equipment purchases should be based on the Department's needs.	13
8	Ensure all stolen items are promptly reported to the Controller's Office.	14

---

## **BACKGROUND AND METHODOLOGY**

---

### **Background**

The Audit Division of the Controller's Office is responsible for coordinating and administering the Internal Control Certification Program (ICCP). Introduced in 1993, the ICCP is designed to help departmental management ensure that their department's internal control structure is adequate and functioning as planned. Strong internal controls help ensure that assets are safeguarded from waste and fraud and that transactions are authorized, valid, complete, and accurate. Strong internal controls also help ensure compliance with laws, regulations, and policies, and they can help management evaluate the performance of its organizational units.

Under the ICCP, every three years, departments are required to self-evaluate their internal controls by completing a questionnaire for each of nine financial control areas: cash, revenues, expenditures, payroll, grants, warehouse inventory, capital assets, computer and investment controls. Starting fiscal year 2007-2008, another control called "Operational" was added. These operational controls address laws and regulations, purpose and goals, resources, operations and processes, outputs and outcomes related to significant activities and programs.

### **Objectives, Scope and Methodology**

The objective of our review was to evaluate DOT's overall administration of the ICCP to determine whether DOT was effective in identifying all internal control weaknesses and to determine if the improvement plan adequately addresses weaknesses that the Department identified. In performing our audit, we interviewed DOT's management and staff to gain an understanding of DOT's existing controls, observed procedures, and tested selected records for the period from July 2006 to May 2008.

The remainder of this report details our findings, comments and recommendations.

---

## AUDIT FINDINGS AND RECOMMENDATIONS

---

**Finding #1: Assessable functions were not determined based on an effective risk assessment, resulting in material functions and operations not being evaluated.**

The ICCP instructions require department management to “segment the department into appropriate organizational components (assessable units) to be reviewed separately.” An assessable unit could be a bureau, division, unit, field location, etc. Assessable units are important to the ICCP because they dictate who will complete the various questionnaires and which operations will be reviewed. Proper establishment of the assessable units will help ensure adequate coverage of the Department, particularly high risk areas.

The Head of the Bureau of Auditing and Investigation is DOT’s Internal Control Certification Program coordinator (ICCP Coordinator). According to the ICCP Coordinator, he identified DOT’s assessable units based on past experience and DOT’s existing organization chart. DOT audit staff sent the pertinent ICCP Control questionnaire to the Heads of 29 assessable units; 14 DOT Bureaus, 12 Accounting Sections, Material Services, the Meter Collection Coin Room and Fiscal Systems and assisted them in filling out their respective sections of the ICCP.

Our review disclosed that the Department did not adequately identify assessable units. Emphasis was placed on accounting functions without always considering key DOT operations. This resulted in inadequate coverage of the Department, and in some cases resulted in several questions not being answered. For example, the Department answered only one of the 36 Grant control questions and only five of the 27 Payroll control questions.

In addition, the 14 Bureaus completed only the Operation control questionnaire without considering whether the Bureau handles other key functions. It is common in other departments to have each Bureau complete several of the questionnaires. In DOT’s case, each Bureau probably should have completed at least the Payroll questionnaire, although some of the questions may not pertain to the Bureau.

Following are examples of specific problems we noted:

- The Cash control questionnaire was completed by the supervisors of the Accounting Section and the Meter Collection Coin Room. The Head of Bureau of Franchise Regulation and Parking Operation Support stated his Bureau is responsible for administering and oversight of the parking management contractor. They also administer the various franchise fees relating to taxis, ambulances, non-ambulances, and utilities. However, this Bureau completed

only the Operation control questionnaire. The Bureau should have also completed at least the Cash and Revenue control questionnaires.

- The Revenue control questionnaire was completed by Accounting Section supervisors. The Head of Bureau of Valley Operations is also in charge of “preferential parking” and “special events”. These two key functions generate revenues and the costs of the special services rendered for special events are to be recovered. The Head of Bureau of Parking Enforcement and Traffic Control stated that his Bureau is responsible for issuing parking tickets which brings in approximately \$120 million in annual revenue. There are approximately 1,300 employees within the Bureau. His Bureau is also responsible for staffing “Special Events” some of which are reimbursable. Therefore, the Department should have completed at least the Revenue and Payroll control questionnaires for the parking operations.
- The Expenditure control questionnaire was completed by supervisors of the Accounting Section and the Head of Material Services. The Parking Facilities Division handles contracted services for the management of off-street parking facilities. However, the Parking Facilities Division did not complete any of the ICCP questionnaires.
- The Payroll control questionnaire was completed only by the Payroll Supervisor who is under the Bureau of Accounting. However, out of 27 Payroll questions, 22 (81%) were marked “Not Applicable” and under the “comments column” the response stated that the Bureau of Personnel Services or the supervisor of each Division handled the task.
- The Grants control questionnaire was completed by an Accounting Supervisor who responded “Not Applicable” to all the ICCP questions except for one question. The questionnaire should have been completed by the personnel in charge of grant programs.

Some of the weaknesses noted in our audit may have been identified if the Department had done a better job of identifying assessable units.

### **Recommendation**

- 1. DOT management should identify the assessable units based on a risk assessment to ensure adequate coverage of the Department’s operations, particularly high risk areas.**

**Finding #2: The Department has lost an estimated \$648,000 in parking citation revenue because it has not conducted timely investigations of parking citation complaints.<sup>1</sup> In addition, the Department is at risk of losing \$1,080,000 in revenue per year if it does not process complaints timely.<sup>2</sup> Currently, no staff has been assigned to investigate complaints.**

Section 40215 of the California Vehicle Code states that when an individual receives a parking citation, he/she has the option not to pay the fine and to request an administrative review of the citation within 21 days of the date the citation was issued, or within 14 days from the date the notice of Delinquent Parking Violation was mailed.

Requests for an administrative review are referred to as complaint investigations (CIs). An internal DOT report dated September 20, 2007 showed 23,788 CIs that had not been processed and were more than 240 days old. The citations were issued as far back as January 2004. Of the 23,788 CIs, 12,965 individuals paid the citation even though they were not required to do so. The following table summarizes the 23,788 CIs.

Description	Number/Amount
Total Number of Expired CIs (over 240 days)	23,788
Total Number of Expired CIs Not yet Paid by Individuals	10,823
Total Number of Expired CIs Already Paid by Individuals	12,965
Total Amount of Expired CIs Paid by Individuals to be refunded	\$791,517

According to the Assistant General Manager of the Office of Regulatory Services (AGM), there are no regulations that specify the timeframe for the City to complete an administrative review. However, due to major staffing shortages and large backlogs, prior management had set a 240 day requirement. DOT staff stated that the City Attorney's Office has advised them that CIs over 240 days should be dismissed and payments refunded because if the individual appeals his/her parking citation, a Court would likely find that over 240 days is too long of a period wherein the City had not conducted any investigation and would likely rule in favor of the individual.

Based on advice from the City Attorney's Office, DOT has been dismissing the tickets that were over 240 days old. This will result in \$791,517 having to be refunded. As of June 30, 2008, several hundred thousand dollars still needs to be refunded. As of June 1, 2008, the backlog has been reduced but is still significant. The Complaint and

---

<sup>1</sup> DOT's data shows that 45% of CIs are determined to be valid. Thus 55% of the \$791,517 or \$435,334 would have had to be refunded even if the CIs were worked timely and \$356,183 would have been kept by DOT. However, 45% of the 10,823 of the individuals who did not remit money would have had to pay their citations. The average ticket is approximately \$60 (\$791,517/12,965). This would result in \$292,221 in additional revenue (10,823 x \$60 x 45%). Thus DOT lost approximately \$648,404 (\$356,183 + \$292,221).

<sup>2</sup> The Department receives about 40,000 CIs per year. Therefore, they are at risk of losing \$1,080,000 (40,000 x \$60 x 45%) in revenue if it is unable to process the CIs.

Investigation Aging Report showed 16,585 pending tickets; 8,897 less than eight months old and 7,688 over eight months old. Approximately 2,978 (33%) of the 8,897 tickets less than eight months old have been outstanding for at least 90 days.

The Department attributed the backlog to a variety of reasons. A memo from the AGM to the General Manager dated September 20, 2007 stated ...” In 2004, as a result of department-wide reorganization, the investigation of signs and curbs was reassigned temporarily to the Bureau of Parking Enforcement and Intersection Control and the Parking Meter Operations function was taken out of the chain of command of the Office of Regulatory Services. As a result of continuous turnover, transfers of staff, a hard hiring freeze which resulted in changing priorities and shifting of staff, and an antiquated Paradox tracking system in both divisions, the majority of these CIs simply “fell through the cracks” and were never completed.”

The AGM stated that currently the DOT Operational Target Goal to conduct the investigations for an administrative review is 90 days. He stated that the change was made on June 9, 2008 to respond more timely to complaints. Also, the City Attorney’s Office has advised that 90 days is more reasonable.

Even though the DOT has a goal of 90 days to conduct administrative reviews, it does not have the staffing to meet the goal. According to the Supervisor of the Parking Operation Support Division (Supervisor), as of July 7, 2008, he has no one to process the CIs. However, on June 26, 2008, the CAO approved seven “as-needed” positions that will form a Complaint Investigation Unit within the Parking Operation Support Division. The selection process for the seven as-needed positions has now been completed, and hiring is pending upon completion of medical examinations.

The failure to process CIs in a timely manner inhibits DOT’s ability to determine whether the citation was valid. Also, processing the CIs timely will eliminate the need to return monies as a result of not conducting the investigation timely.

### **Recommendations**

**DOT management should:**

- 2. Hire and train the seven as-needed staff as soon as possible to ensure timely processing of backlogged CIs.**
- 3. Monitor to ensure administrative reviews of parking citations are conducted in a timely manner to avoid any future backlogs.**

**Finding #3: DOT does not consistently follow up outstanding accounts receivables to ensure it maximizes collections.**

Section 1.8.2 of the Controller’s User Department Manual requires that accounts receivable be monitored frequently to identify delinquent accounts and that appropriate

follow-up procedures be initiated. Section 5.181 of the Administrative Code requires that any account that has been outstanding for more than 75 days from the invoice date (45 days of delinquency) be referred to the Office of Finance or outside collection agency for further collection efforts. Uncollected account receivables should be written off in accordance with Section 5.182 of the Administrative Code.

As discussed further below, the Department does not consistently follow up on outstanding accounts receivable and does not always comply with the Controller's User Department Manual and the Administrative Code.

### MTA Projects

DOT's Billings and Receipts Report for the Metropolitan Transportation Authority (MTA) projects (Transportation Grant Fund #655) shows a balance of \$8.8 million as of June 26, 2008. Of this amount, there is \$442,855 held for 18 MTA projects for which the latest billing was made prior to 2007. The outstanding receivables are mostly for retentions held by MTA (there is a 5% retention held for projects that are over \$1 million and a 10% retention for projects less than \$1 million). The retention will be released upon the completion of the project and the final project review by MTA. Projects where no billings have occurred since 2006 may indicate that the project is closed and that DOT is owed the 5% or 10% retention.

The project managers are responsible for following-up on the status of the projects and notifying DOT's Accounting Bureau to request MTA to release the retention, if any. DOT's Accounting Bureau sends monthly reports to the project managers requesting statuses on projects where the retention has not been released. However, the Accounting Bureau performs limited follow up when project managers do not provide status reports.

### Temporary Traffic Sign Services and Pipeline Franchise Fees

DOT has approximately \$241,944 in receivables for temporary traffic sign and transportation control services provided to private companies and individuals. DOT's aging report shows about \$85,658 in delinquent accounts receivable, including \$19,927 (67 invoices) that have been outstanding between 121 days and two years and \$65,731 (113 invoices) that are over two years old. Except for the initial billings, no past due notices were sent out to collect the delinquent accounts, and the accounts were not referred to the Office of Finance or to an outside collection agency.

In addition, DOT has \$103,000 receivables for pipeline franchise fees that are more than three years old. However, the \$103,000 is not included in the Department's Aging Report of Receivables. For example, according to DOT Accounting staff, they excluded \$97,000 for pipeline franchise fees because the ownership of the company had changed and DOT staff determined that the receivable was uncollectible. The account had not been referred to the Office of Finance. We informed DOT Accounting staff that they should not exclude any receivables from the Aging Report without first referring the

accounts to the Office of Finance for further collection efforts and then obtaining the Board of Review's approval to write off the accounts. Based on our findings, DOT added back \$103,000 to its receivables.

#### **Recommendation**

- 4. DOT management should ensure that delinquent accounts receivable are closely monitored and that collections are made in compliance with the City's collection procedures.**

**Finding #4: DOT cannot ensure that all the parking meters are collected as scheduled.**

According to the Assistant General Manager of the Office of Regulatory Services, DOT maintains approximately 37,000 on-street, 2,900 off-street and 60 multi-space parking meters. Parking meter coins are to be collected by a contractor on a schedule approved by DOT showing routes and the frequency of collections. The contractor is paid based upon the number of meters that were attempted to be collected regardless of the operating status of parking meters.

However, DOT does not have the current route map of all the parking meters and does not own the technology to know the exact number of parking meters attempted to be collected by the Contractor. According to the Chief Transportation Investigator of the Meter Investigation and Security Section, DOT developed a route map of all parking meters more than twenty years ago.

Also, the Department does not have any procedures to help ensure the contractor empties all the meters they are contractually obligated to empty. For example, the contractor could fail to empty a particular meter(s), either by mistake or intentionally, and DOT would not be able to identify these instances.

Using new GPS technology in handheld devices, DOT recently began the process of updating their parking meter inventory records and developing a route map. The anticipated completion date of this project is October 2008. Once complete, they can utilize the handhelds to provide an accurate count of meters. Additionally, the handhelds will be able to capture other statistics such as amount collected per each meter and the status for broken meters.

#### **Recommendation**

- 5. DOT management should expeditiously work towards utilizing the new GPS technology in handheld devices in order to ensure that all parking meters are collected as scheduled.**

**Finding #5: DOT has not performed a physical inventory of computer equipment in at least four years. Also, the Department has 16 new computers and 20 new monitors which were purchased over one year ago that are still in storage.**

According to the ServiceDesk Online System (SOS), the citywide equipment system, DOT has 3,070 computer equipment items with a cost of \$2.8 million. A review of the SOS equipment list showed that the list is incomplete or inaccurate. Over 50% of the items do not reflect the name of the employee who has been assigned the equipment. Also, 24 items assigned to the DOT's main office per the list are individuals who are no longer employed by the City or by DOT. Lastly, approximately 900 items with a cost of \$700,000 show the Figueroa building as the location for the equipment, even though DOT has not had any offices in the building since February 2005. The Department has not conducted a physical inventory of computer equipment in at least four years. Section 2.4.1 of the Controller's User Departmental Manual requires departments to conduct biennial inventories.

We also observed that DOT has a locked storage room where it stores new and used computer equipment. In addition to the used equipment, we observed 16 new computers (with an approximate price of \$1,000 each) and 20 new monitors (with an approximate price of \$260 each) in the storage room. These items appear to have been purchased one to two years ago but have not yet been deployed to an end user.

We believe that purchasing computer components for "stock" and not using them for an extended period is not an effective use of City funds. Typically, most computer components can be delivered within a couple of weeks once an order is placed. Therefore, with proper planning, there is usually no need to stock computer components. Furthermore, delaying the use of computer components will, in effect, reduce the warranty period for the items.

### **Recommendations**

**DOT management should:**

- 6. Ensure that the Department conducts a biennial inventory of computer equipment to reflect the current location of the equipment and the name of the employee assigned to the equipment in the ServiceDesk Online system.**
- 7. Facilitate the deployment of new computer equipment to put them into service as soon as possible. In, addition, future equipment purchases should be based on the Department's needs.**

**Finding #6: Stolen equipment is not reported to the Controller's Office as required.**

Section 2.4.1 of the Controller's User Departmental Manual states that all stolen items must be reported to the Controller's Office. According to DOT records, it appears that a digital camera for an unspecified amount and a light bar with a cost of \$450 were identified as missing on July 30, 2007 and June 8, 2007 respectively. Lost and stolen reports were filed with DOT management; however, the Controller's Office was never notified. DOT stated that its written procedures do not include the Controller's Office on its distribution list for the lost/stolen reports.

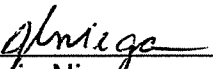
After this finding was brought to the attention of the Head of Material Services Division, DOT added the Controller's Office to its distribution list of Offices to be provided with reports of lost, stolen or damaged City equipment.


**Recommendation**

- 8. DOT management should ensure all stolen items are promptly reported to the Controller's Office.**


Respectfully submitted,

*Faw*   
\_\_\_\_\_  
Erendira Sanchez, CPA  
Internal Auditor

  
\_\_\_\_\_  
Gloria Niega  
Internal Auditor

  
\_\_\_\_\_  
Mike Lee, CPA, CIA  
Chief Auditor

*Ricky a. Deguchi*  
\_\_\_\_\_  
Ricky Deguchi, CPA, CIA, CISA  
Chief Internal Auditor

*Faw*   
\_\_\_\_\_  
Farid Saffar, CPA  
Director of Auditing

July 29, 2008

**APPENDIX I  
OFFICE OF THE CONTROLLER**

REVIEW OF THE DEPARTMENT OF TRANSPORTATION'S FISCAL YEAR 2007-2008  
INTERNAL CONTROL CERTIFICATION PROGRAM

**Ranking of Recommendations**

Finding Number	Description of Finding	Ranking Code	Recommendations
			DOT management should:
1.	Assessable functions were not determined based on an effective risk assessment, resulting in material functions and operations not being evaluated.	U	1. Identify the assessable units based on risk assessment to ensure adequate coverage of the Department's operations, particularly high risk areas.
2.	The Department has lost an estimated \$648,000 in parking citation revenue because it has not conducted timely investigations of parking citation complaints. In addition, the Department is at risk of losing \$1,080,000 in revenue per year if it does not process complaints timely. Currently, no staff has been assigned to investigate complaints.	U  U	2. Hire and train the seven as-needed staff as soon as possible to ensure timely processing of backlogged CIs.  3. Monitor to ensure administrative reviews of parking citations are conducted in a timely manner to avoid any future backlogs.
3.	DOT does not consistently follow up outstanding accounts receivables to ensure it maximizes collections.	U	4. Ensure that delinquent accounts receivable are closely monitored and that collections are made in compliance with the City's collection procedures.
4.	DOT cannot ensure that all the parking meters are collected as scheduled.	N	5. Expediently work towards utilizing the new GPS technology in handheld devices in order to ensure that all parking meters are collected as scheduled.

5.	DOT has not performed a physical inventory of computer equipment in at least four years. Also, the Department has 16 new computers and 20 new monitors which were purchased over one year ago that are still in storage.	N  N	6. Ensure that the Department conducts a biennial inventory of computer equipment to reflect the current location of the equipment and the name of the employee assigned to the equipment in the Service Desk Online system.  7. Facilitate the deployment of new computer equipment to put them into service as soon as possible. In addition, future equipment purchases should be based on the Department's needs.
6.	Stolen equipment is not reported to the Controller's Office as required.	N	8. Ensure all stolen items are promptly reported to the Controller's Office.

**Description of Recommendation Ranking Codes**

**U – Urgent** – The recommendation pertains to a serious or materially significant audit finding or control weaknesses. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

**N – Necessary** – The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. The recommendation should be implemented within six months.

**D – Desirable** – The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

**N/A – Not Applicable**