



OFFICE OF
CONTROLLER

LAURA N. CHICK
CONTROLLER

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

April 3, 2009

Mr. Raymond P. Ciranna
Interim City Administrative Officer
Room 1500, City Hall East
200 North Main Street
Los Angeles, CA 90012

Dear Mr. Ciranna:

**SUBJECT: EVALUATION OF RESPONSE TO AUDITS OF CITY HOME -
GARAGED VEHICLES AND CITY PASSENGER VEHICLES
AND FUEL USAGE**

My Audit Division evaluated your March 2, 2009 response to the two audits of city vehicles issued on January 22, 2009. I am pleased to see that the Office of the City Administrative Officer is committed to working the departments to address the issues noted in the audits.

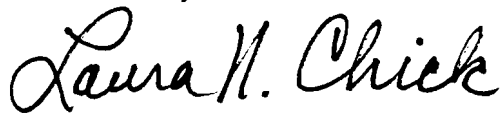
I accept your Department's response. However, with respect to the enforcement of the insurance requirements for home-garaged vehicles, your response indicates that this is a responsibility of the general managers. As indicated in the audit report, without central oversight, there is a greater likelihood that the requirements will not be followed. Also, as indicated in the report, none of the 40 sampled employees had the required insurance. This may have been because the employees were not clear as to the type of insurance they were required to have. Having the CAO centrally monitor the insurance requirements will help ensure the City is adequately protected.

As part of my Office's follow-up program, we will be requesting a status report in approximately five months. The objective of the follow-up program is to ensure that the audit recommendations have been properly addressed.

Raymond P. Ciranna
April 3, 2009
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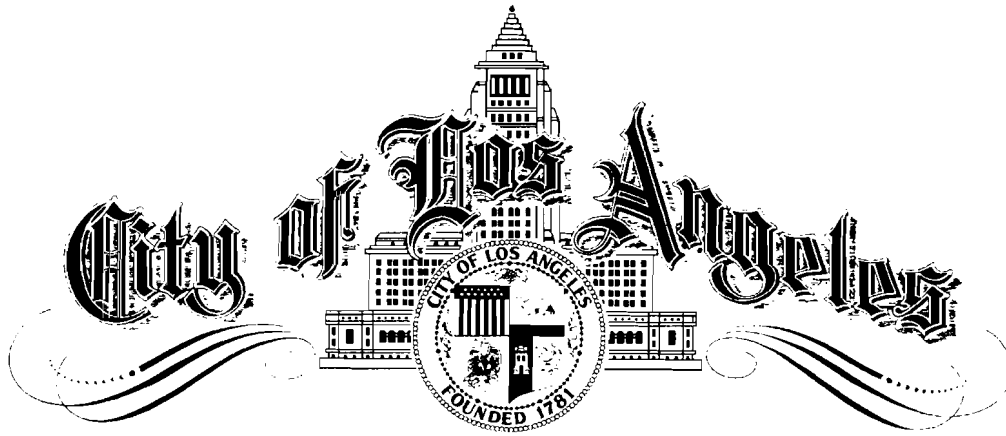
If you have any questions or comments, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

LAURA N. CHICK
City Controller

cc: Robin Kramer, Chief of Staff, Office of the Mayor
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
Gerry F. Miller, Chief Legislative Analyst
Honorable José Huizar, Chair, Audits and Governmental Efficiency Committee



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April 1, 2009

Mr. Tony M. Royster, General Manager
Department of General Services
Room 701, City Hall South
Los Angeles, CA 90012

Dear Mr. Royster:

**SUBJECT: EVALUATION OF RESPONSE TO AUDITS OF CITY HOME -
GARAGED VEHICLES AND CITY PASSENGER VEHICLES
AND FUEL USAGE**

My Audit Division evaluated your February 19, 2009 response to the two audits of city vehicles issued on January 22, 2009. I am pleased to see that the Department is in agreement with the majority of the recommendations in the reports. I accept your Department's response. However, I have the following comments relating to six recommendations in the city passenger vehicles and fuel usage report:

Recommendation #5 – The Mayor should instruct GSD to develop a standardized methodology that can be used by departments to track usage of City vehicles.

The use of City vehicles should be for the benefit of the citizens of Los Angeles. As reported, our office has received several anonymous calls from employees and citizens on our Fraud, Waste and Abuse hotline on employees potentially abusing City vehicles by using them for personal business during and after work hours.

The auditors visited several facilities to assess whether the facilities have controls to monitor usage and ensure the vehicles are only used for City business. The auditors found that many facilities do not use any check-out/usage logs to capture relevant trip information, and the departments that do use logs do not consistently complete and review them for anomalies. There are also many different types of check-out logs being

used. Your response indicates that GSD will provide utilization reports to departments. However, this recommendation refers to a standardized methodology to record vehicle usage such as a check-out or usage log.

Recommendation #6 - Departments should conduct regular periodic physical inventories of cars and light trucks. The inventories should be conducted on a surprise basis by someone independent of individuals responsible for the vehicles.

Your response indicates that performing additional physical surprise inventories of vehicles is an inefficient use of resources. This suggests that GSD already performs physical inventories of vehicles. The audit found that none of the six departments (including GSD) visited had policies in place to conduct physical inventories on a regular basis. The audit also found that many vehicles are being home-garaged without proper authorization. Periodic surprise physical inventories of vehicles could help identify instances of abuse or unauthorized use of vehicles.

You also indicated that GSD will explore GPS opportunities to monitor vehicles deployed where the possibility of abuse exists. I agree that GPS is one of the best available monitoring tools. However, with City's current financial condition, installing GPS may not be a viable option based on the high number of city passenger vehicles. In the absence of GPS monitoring, GSD should reconsider performing periodic physical inventories of its passenger vehicles. The physical inventories could be performed on a sample basis.

Recommendation #10 – GSD should establish appropriate criteria to measure the utilization and efficiency of the Motor Pool vehicles.

Recommendation #11 - GSD management should evaluate whether it could reduce the number of the vehicles in the Motor Pool.

Your response indicates that GSD believes that the Motor Pool is at an optimized level when 99% of requests are fulfilled on peak days. A 99% goal for peak days may not be cost effective for the City if it comes at the cost of maintaining additional vehicles when the demand for vehicles is not at its peak. For example, if 100 vehicles are needed to fulfill 99% of requests during a three hour period during one day of the week, but an average of only 75 is sufficient to meet the demand at all other times, it may not be cost effective for the City to maintain 25 additional vehicles that would only be needed one day a week for a few hours.

Our audit, as well as GSD's own analysis, showed that there is a high disparity in the number of vehicle requests on peak days (usually one day of the week) versus non-peak days (the remaining four days). For instance, during the audit, we physically counted the number of available vehicles at the City Hall East location on 38 days and analyzed the data. The demand for vehicles appears to peak on paydays. We determined that there was an average of 27 vehicles available (eight sedans and 19 vans) on payday compared to an average of 57 vehicles available (35 sedans and 22 vans) for each of the remaining days of the week.

We noted that the number of vehicles available on paydays has increased dramatically. For example, our counts for the last six paydays showed an average of 38 sedans available. This is an increase of over 375% of the number available on paydays during our audit. We focused on sedans because GSD reduced the number of vans since our audit was completed. Our recent counts suggest there is the potential to further reduce the size of the motor pool.

Recommendation #18 - GSD should determine the feasibility of implementing a driver's safety program for non-commercial drivers with multiple accidents.

Your response indicates that this is a responsibility of each department. I believe that it would be more efficient and effective to have one centralized department responsible for a City-wide driver safety program. Therefore, I encourage you to discuss the feasibility of implementing this recommendation with the Mayor's Office.

Recommendation #23 - RAP and Zoo management should work with GSD and the appropriate vendor(s) to resolve the discrepancy issues relating to fuel deliveries and discontinue paying more than the quantity shown on the fuel receipt report/veeder root tape.

The audit noted a discrepancy problem that had been ongoing for most of 2008 relating to RAP and Zoo facilities. There were many instances where the discrepancy between the quantity of fuel delivered (as indicated on the Fuel Receipt by Site Report) and the quantity invoiced was more than GSD's established acceptable rate of 10%, with invoiced quantities being higher almost all the time.

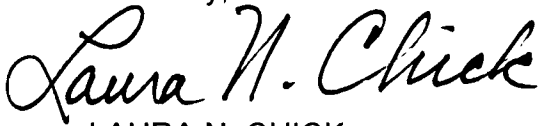
As of the time our audit concluded, RAP was unable to correct the discrepancies. I encourage the Department to continue to resolve this issue to ensure that the City is only paying for the quantity of fuel delivered.

Tony M. Royster
April 1, 2009
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As part of my Office's follow-up program, we will be requesting a status report in approximately five months. The objective of the follow-up program is to ensure that the audit recommendations have been properly addressed.

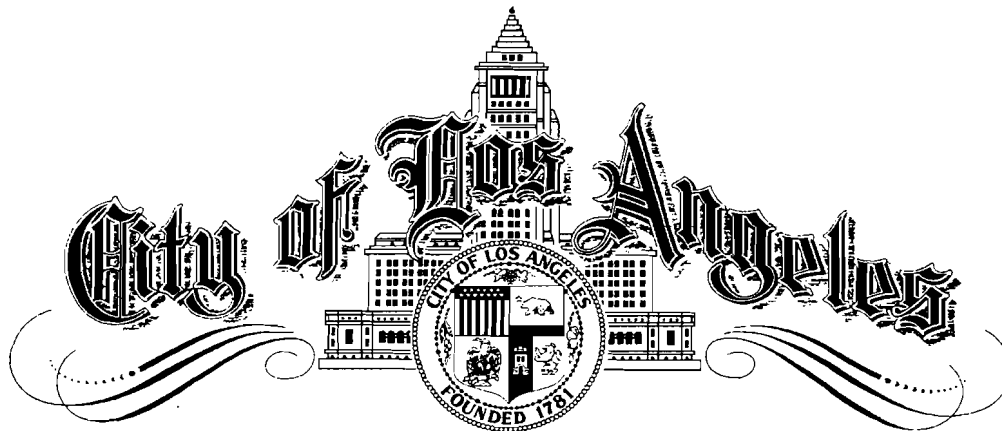
If you have any questions or comments, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

LAURA N. CHICK
City Controller

cc: Robin Kramer, Chief of Staff, Office of the Mayor
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
Gerry F. Miller, Chief Legislative Analyst
Honorable José Huizar, Chair, Audits and Governmental Efficiency Committee



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March 16, 2009

Enrique C. Zaldivar, Director
Department of Public Works
Bureau of Sanitation
1149 South Broadway, 9th floor
Los Angeles, CA 90015

Dear Mr. Zaldivar:

**SUBJECT: EVALUATION OF RESPONSE TO AUDITS OF CITY HOME -
GARAGED VEHICLES AND CITY PASSENGER VEHICLES AND FUEL
USAGE**

My Audit Division evaluated your February 20, 2009 response to the two audits of city vehicles issued on January 22, 2009. I am pleased to see that the Department has already begun implementing the recommendations which will result in improvements and enhancements to the Bureau's vehicle and fuel usage policies. I accept your Department's response. However, your response did not address recommendation #18 in the home-garaged vehicle audit report.

Recommendation #18 relates to the taxable income requirement for the eight Bureau employees with unapproved home-garaged vehicles. As discussed in the audit report, the personal use of a City vehicle is considered a "non-cash" fringe benefit subject to taxes. Commuting is considered personal use. City employees who are assigned home-garaged vehicles must report the personal use portion as a fringe benefit. To qualify for an exception, the vehicle assigned to the employee must be considered a "non-personal use vehicle" as defined by Internal Revenue Service (IRS) Publication 15-B, "Employer's Tax Guide to Fringe Benefits."

Since the eight employees were not on the City Administrative Officer's approved listing of home-garaged vehicles, the employees were never assessed taxable income on the personal use of their assigned vehicles, as required by the IRS. The recommendation

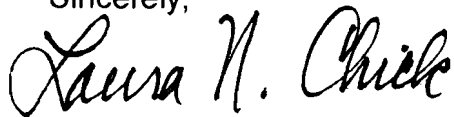
Enrique C. Zaldivar
March 16, 2009
Page 2 of 2

was for the Bureau of Sanitation to work with the employees to determine the estimated personal use (commuting) portion of the total vehicle usage for each year they have had their City-owned vehicles. The estimated mileage data should be submitted to the Payroll Operations of the Controller's Office so that these employees can be properly assessed fringe benefits.

As part of my Office's follow-up program, we will be requesting a status report in approximately five months. The objective of the follow-up program is to ensure that the audit recommendations have been properly addressed.

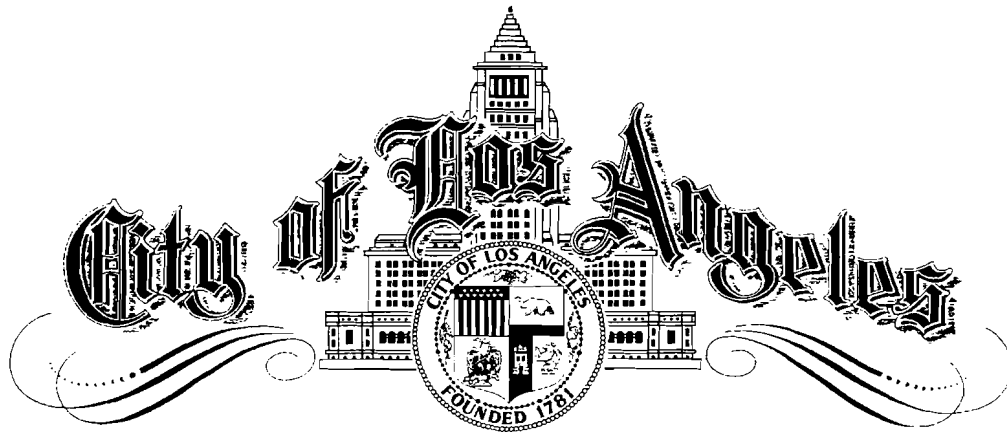
If you have any questions or comments, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

LAURA N. CHICK
City Controller

cc: Robin Kramer, Chief of Staff, Office of the Mayor
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
Cynthia M. Ruiz, President, Board of Public Works
Honorable José Huizar, Chair, Audits and Governmental Efficiency Committee



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March 9, 2009

William J. Bratton, Chief of Police
Los Angeles Police Department
Room 619, Parker Center
Los Angeles, CA 90012

Dear Chief Bratton:

**SUBJECT: EVALUATION OF RESPONSE TO AUDITS OF CITY HOME -
GARAGED VEHICLES AND CITY PASSENGER VEHICLES AND FUEL
USAGE**

My Audit Division evaluated your February 20, 2009 response to the two audits of city vehicles issued on January 22, 2009. I am pleased to see that the Department has reviewed its current procedures and has already instituted or will institute additional improvements and enhancements to the Department's vehicle and fuel usage policies. I accept your Department's response. However, I have the following comments relating to recommendations #1 and #2 in the home-garaged vehicle audit report.

Recommendation #1

This recommendation was directed to the Mayor and the Council and is intended to ensure that the City is only assigning home-garaged vehicles based on business needs. With respect to employees at the rank of captain and above, your response indicates that, in 1997, the Board of Police Commissioners authorized the home-garaging privileges as a benefit and therefore, is outside the purview of the Department's review committee. This suggests that LAPD is not willing to review this benefit policy. Please clarify.

I encourage the LAPD to work with the Mayor and the Council to evaluate whether it is in the best interests of the City to continue to automatically grant

William J. Bratton
March 9, 2009
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home-garaging authority to all employees at the level of captain and above (including Civilian equivalents).

Recommendation #2


This recommendation was also directed to the Mayor and the Council. Your response indicated that, in December 2008, LAPD eliminated 112 home-garaging authorities, saving the City one million dollars.

The auditors did not note any reduction in home-garaging authorities during the audit. It was my office's understanding that at the time of our report issuance, LAPD had only sent out letters to bureaus/division heads requesting that they notify the employees that their home-garaging authority would be revoked 30 days after notification. Please clarify whether you are in the process of reducing the authorities or whether you have already completed this action. If already completed, please provide a listing of the authorities revoked.

As part of my Office's follow-up program, we will be requesting a status report in approximately five months. The objective of the follow-up program is to ensure that the audit recommendations have been properly addressed.

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

Sincerely,



LAURA N. CHICK
City Controller

cc: Robin Kramer, Chief of Staff, Office of the Mayor
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
Gerry F. Miller, Chief Legislative Analyst
Anthony Pacheco, President, Board of Police Commissioners



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March 4, 2009

Randi Levin, General Manager
Information Technology Agency
200 North Main Street, Suite 1400
Los Angeles, CA 90012

Dear Ms. Levin:

**SUBJECT: EVALUATION OF RESPONSE TO AUDIT OF CITY PASSENGER
VEHICLES AND FUEL USAGE AND CITY HOME-GARAGED
VEHICLES**

My Audit Division evaluated your February 20, 2009 response to the Audit of City Passenger Vehicles and Fuel Usage and Audit of the City's Home-Garaged Vehicles issued on January 22, 2009. I am pleased to see that the Department has begun taking action to implement the recommendations.

I accept your Department's response. However, it is unclear from your response whether the three Senior Communications Electrician Supervisors will home-garage City vehicles more than 60 days annually. CAO Rule No. 5 limits occasional home-garaging to 60 days in any consecutive 12 month period.

As part of my Office's follow-up program, we will be requesting a status report in approximately five months. The objective of the follow-up program is to ensure that the audit recommendations have been properly addressed.

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

Sincerely,


LAURA N. CHICK
City Controller



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February 12, 2009

Douglas L. Barry, Fire Chief
Los Angeles Fire Department
200 N. Main Street
Los Angeles, CA 90012

Dear Chief Barry:

**SUBJECT: EVALUATION OF THE FIRE DEPARTMENT'S RESPONSE TO THE
CONTROLLER'S AUDIT OF THE CITY'S HOME-GARAGED VEHICLES**

My Audit Division received your February 4, 2009 response to the "City's Home-Garaged Vehicles Audit." I recognize your Department's commitment to improve controls over the assignment, usage and monitoring of home-garaged vehicles. I am pleased to see that your Department agrees with the findings and recommendations, and I look forward to seeing a reduction in the number of home-garaged vehicles.

As part of my Office's follow-up program, we may request periodic status reports to ensure that the audit recommendations have been fully addressed.

Sincerely,

A handwritten signature in black ink that reads 'Laura N. Chick'. The signature is written in a cursive, flowing style.

LAURA N. CHICK
City Controller

cc: Genethia Hudley-Hayes, President, Board of Fire Commissioners