

OFFICE OF  
CONTROLLER

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October 6, 2009

Raymond S. Chan, Interim General Manager  
Department of Building and Safety  
201 N. Figueroa, Suite 1000  
Los Angeles, CA 90012

Dear Mr. Chan:

**SUBJECT: EVALUATION OF RESPONSE TO THE AUDIT OF THE  
DEPARTMENT OF BUILDING AND SAFETY BUILDING PERMIT  
ENTERPRISE FUND**

My Audit Division has evaluated your June 5, 2009 response to the "Audit of the Department of Building and Safety Building Permit Enterprise Fund" issued on May 8, 2009.

I accept the Department's actions to address the report's recommendations, except for Recommendations #3 and #4 discussed below.

**Finding #1 (Recommendation #3)**

This recommendation is for the Department to develop a staffing plan, which considers the use of as-needed staff where applicable. You indicated that the Department does not agree with the use of as-needed staff to provide plan check and inspection services due to the needs of staff training and the possible conflict with the contracts and Memoranda of Understanding of City Employee Bargaining Units. However, you did not present an alternative staffing plan to accommodate plan check and inspection services.

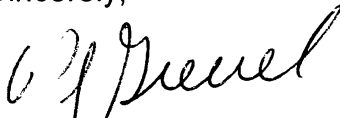
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Finding #2 (Recommendation #4)

We understand that the City's Comprehensive Annual Financial Report (CAFR) is properly prepared on the basis that debt service expenditures are recorded when payment is due. However, California Government Code Section 66014 states that a Building and Safety Building Permit fee may not exceed the estimated reasonable cost of providing the service for which the fee is charged. Currently, all costs associated with permit activities, such as debt service expenditures, are not captured in a timely manner in the Department of Building and Safety Building Permit Enterprise Fund (Enterprise Fund). Timely capturing of all relevant costs would enable the Department to comply with Section 66014. Specifically, the Enterprise Fund did not capture \$1.19 million debt service expenditures incurred in Fiscal Year 2007-08 as plan check and permit fee expenditures. These \$1.19 million debt service expenditures should be charged to the Enterprise Fund's record in the year they were incurred, and adjusted in the CAFR report where necessary.

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

Sincerely,



WENDY GREUEL  
City Controller

cc: Reverend Jeff Carr, Chief of Staff, Office of the Mayor  
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor  
Bud Ovrom, Deputy Mayor, Office of the Mayor  
Marsha L. Brown, President, Board of Building and Safety Commissioners  
Miguel A. Santana, City Administrative Officer  
June A. Lagmay, City Clerk  
Gerry F. Miller, Chief Legislative Analyst  
Independent City Auditors