



JOHN NAIMO  
AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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OFFICE OF COUNTY INVESTIGATIONS  
500 W. TEMPLE ST., ROOM 515  
LOS ANGELES, CA 90012-3756

April 4, 2018

TO: Daryl L. Osby, Fire Chief  
Fire Department

FROM: Robert G. Campbell, Chief  
Office of County Investigations

SUBJECT: **FIRE DEPARTMENT – IMPROVEMENT OPPORTUNITIES NOTED  
DURING CONFIDENTIAL INVESTIGATION #2015-10161**

During a recent confidential investigation at the Fire Department (Fire), the Los Angeles County Auditor-Controller's (A-C) Office of County Investigations (OCI) noted areas where Fire can strengthen its internal controls over travel and equipment usage. Our observations and recommendations for corrective action are detailed in Attachment I.

### **Review of Report**

We discussed these findings and recommendations with Fire managers and supervisors responsible for the affected program areas, who indicated general agreement and described how they plan to implement the recommendations. We also included your written response in Attachment II. Attachment III describes our priority rankings system and prescribed timelines for the implementation of recommended corrective actions.

### **Follow-up Process**

The A-C has a follow-up process designed to provide assurance to the Board of Supervisors that departments are taking appropriate and timely corrective action to address recommendations for corrective action. Within six months of the date of this report, the department must submit a Corrective Action Implementation Report (CAiR) detailing the corrective action taken to address all recommendations in the report. Departments must also submit documentation with the CAiR that demonstrates the corrective action taken. We will review the department's reported corrective action and supporting documentation, and report back on the results. For any recommendations not fully implemented, departments must report the status of corrective action within six months after our first follow-up report is issued.

### **Management’s Responsibility for Internal Controls**

Management of each County department is primarily responsible for designing, implementing, and maintaining a system of internal controls that provides reasonable assurance that important departmental and County objectives are being achieved. Internal controls should sustain and improve departmental performance, adapt to changing priorities and operating environments, reduce risks to acceptable levels, and support sound decision-making.

Management must monitor internal controls on an ongoing basis to ensure that any weaknesses or non-compliance are promptly identified and corrected. The A-C’s role is to assist management by performing periodic assessments of the effectiveness of the department’s internal control systems. These assessments complement, but do not in any way replace management’s responsibilities over internal controls.

### **Limitations of Internal Controls**

Any system of internal controls, however well designed, has limitations. As a result, internal controls provide reasonable, but not absolute assurance that an organization’s goals and objectives will be achieved. Some examples of limitations include errors, circumvention of controls by collusion, management override of controls, and poor judgment. In addition, there is a risk that internal controls may become inadequate due to changes in the organization, such as reduction in staffing or lapses in compliance.

We thank Fire management and staff for their cooperation and assistance during our investigation. If you have any questions please call me, or your staff may contact Supervising Investigator Thomas Wood at (213) 893-0848.

RGC:GH:TW

R-2015-10161 Findings and Recommendations

Attachments (3)

c: John Naimo, Auditor-Controller  
Audit Committee

**FIRE DEPARTMENT - IMPROVEMENT OPPORTUNITIES  
NOTED DURING CONFIDENTIAL INVESTIGATION #2015-10161**

<b>FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION</b>					
	<b>ISSUE</b>	<b>RISK</b>	<b>RECOMMENDATION</b>	<b>P<sup>1</sup></b>	<b>SUMMARY OF RESPONSE</b>
<b>1</b>	<b>Inspection Travel:</b> We observed that Fire commonly includes costs for vendor-paid inspection trips in certain purchase orders and contracts, rather than having employees book travel through the Travel Store. On November 1, 2011, the Board of Supervisors (Board) adopted a policy requiring that all employees use the County's designated travel vendor, Travel Store, Inc. (Travel Store), for County travel. The Auditor-Controller (A-C) is the liaison between County travelers and the Travel Store.	Prevents management from effectively monitoring and controlling inspection-related travel and costs. In addition, travel booked outside the designated travel vendor may not be at the most favorable rates, and/or may not comply with County travel policy requirements.	<b>Fire management discontinue the inclusion of inspection-related travel in contracts and purchase orders, and require employees to arrange County-related travel through the A-C's negotiated agreement with the Travel Store.</b>	<b>2</b>	<b>Department management agreed they need to ensure that official travel is procured through the County's travel vendor, and indicated that language describing vendor-paid inspections will be removed from future solicitations.</b>
<b>2</b>	<b>Returning County-owned property:</b> Fire does not always ensure that County employees return County-issued equipment while on extended leave. Board Policy 6.101, Use of County Information Technology (IT) Resources, prohibits the use of County IT resources for "personal purpose where activities are for private gain or advantage."	Allowing employees to retain County-assigned portable equipment while on long-term leave increases the risk of loss and/or misuse.	<b>Fire management implement a policy to require employees to return County-assigned portable IT equipment (e.g. laptop computers, cellular telephones, etc.) when staff will be on extended leaves of absence.</b>	<b>3</b>	<b>Department management agreed and indicated they will create and implement policies relating to the issuance and return of County-assigned portable IT equipment for all situations, including when employees are on extended leaves of absence.</b>

<sup>1</sup> **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment II for definitions of priority rankings.



**COUNTY OF LOS ANGELES  
FIRE DEPARTMENT**

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www.fire.lacounty.gov

*"Proud Protectors of Life, Property, and the Environment"*

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FIRE CHIEF  
FORESTER & FIRE WARDEN

April 2, 2018

TO: ROBERT G. CAMPBELL, CHIEF  
OFFICE OF COUNTY INVESTIGATIONS

FROM: DARYL L. OSBY, FIRE CHIEF *DLO*

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER FINDINGS AND RECOMMENDED  
CORRECTIVE ACTIONS OFFICE OF COUNTY INVESTIGATIONS CASE  
NUMBER 2015-10161**

The Department has reviewed the Auditor-Controller's report and is in agreement with the findings and recommendations. The Department will report the corrective actions planned and/or taken to address the recommendations within the respective timeframes established by the priority rankings.

If you have any questions, please contact me at (323) 881-6180, or your staff may contact Chief Deputy Dawnna B. Lawrence, Business Operations at (323) 881-2478.

DLO:zr

c: John Naimo  
Thomas Wood

SERVING THE UNINCORPORATED AREAS OF LOS ANGELES COUNTY AND THE CITIES OF:

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AZUSA  
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SIGNAL HILL  
SOUTH EL MONTE  
SOUTH GATE  
TEMPLE CITY  
WALNUT  
WEST HOLLYWOOD  
WESTLAKE VILLAGE  
WHITTIER

## **PRIORITY RANKING DEFINITIONS**

Auditors use professional judgment to assign rankings to recommendations using the criteria and definitions listed below. The purpose of the rankings is to highlight the relative importance of some recommendations over others based on the likelihood of adverse impacts if corrective action is not taken and the seriousness of the adverse impact. Adverse impacts are situations that have or could potentially undermine or hinder the following:

- a) The quality of services departments provide to the community,
- b) The accuracy and completeness of County books, records, or reports,
- c) The safeguarding of County assets,
- d) The County's compliance with pertinent rules, regulations, or laws,
- e) The achievement of critical programmatic objectives or program outcomes, and/or
- f) The cost-effective and efficient use of resources.

### **Priority 1 Issues**

Priority 1 issues are control weaknesses or compliance lapses that are significant enough to warrant immediate corrective action. Priority 1 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category may be situations that create actual or potential hindrances to the department's ability to provide quality services to the community, and/or present significant financial, reputational, business, compliance, or safety exposures. Priority 1 recommendations require management's immediate attention and corrective action within 90 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

### **Priority 2 Issues**

Priority 2 issues are control weaknesses or compliance lapses that are of a serious nature and warrant prompt corrective action. Priority 2 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category, if not corrected, typically present increasing exposure to financial losses and missed business objectives. Priority 2 recommendations require management's prompt attention and corrective action within 120 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

### **Priority 3 Issues**

Priority 3 issues are the more common and routine control weaknesses or compliance lapses that warrant timely corrective action. Priority 3 recommendations may result from weaknesses in the design or absence of a procedure or control, or when personnel fail to adhere to the procedure or control. The issues, while less serious than a higher-level category, are nevertheless important to the integrity of the department's operations and must be corrected or more serious exposures could result. Departments must implement Priority 3 recommendations within 180 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.