



JOHN NAIMO  
AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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June 7, 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 LIMITED REVIEW – CASE #2017-13239**

During a recent limited review at the Fire Department (Fire), we noted areas where Fire can strengthen its internal controls over the Request for Bid process for non-agreement purchases. Our observations and recommendations are detailed in Attachment I.

### **Review of Report**

We discussed these findings and recommendations with Fire and Internal Services Department (ISD) managers and supervisors responsible for the affected 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 Auditor-Controller (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 and ISD management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Supervising Investigator Cristina del Rosario at (213) 893-0868.

RGC:GH:CDR  
IOR-2017-13239

Attachments (3)

c: John Naimo, Auditor-Controller  
Scott Minnix, Director, Internal Services Department  
Audit Committee

**FIRE DEPARTMENT - IMPROVEMENT OPPORTUNITIES  
NOTED DURING LIMITED REVIEW – CASE #2017-13239**

<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>	<p>Fire can do more to maximize competition in solicitations. Specifically, we identified one instance in which a Request for Bid (RFB) contained detailed specifications that were ultimately disregarded by Fire when they awarded the contract to the only vendor whose bid did not meet advertised specifications. Fire and ISD indicated that the solicitation and award was permissible under County rules due to a clause in the RFB that allows Fire to accept alternate offers they determine will meet the functional requirements. However, Fire might have received additional bids and better terms if the original bid did not contain the unnecessary specifications.</p> <p>ISD Policy M-1000 states that specifications should be written in a manner that describes the requirements in sufficient detail to ensure the functional requirements are met without overly restricting competition.</p> <p>ISD Policy A-350 requires every procurement decision-maker to obtain the maximum benefit for funds spent as an agent for the County.</p>	<p>Including unnecessarily restrictive specifications in a solicitation limits competition and could prevent the County from obtaining the most favorable terms.</p>	<p><b>Fire management ensure that it maximizes competition in all procurement transactions by including in solicitation documents only the minimum specifications necessary to meet functional requirements.</b></p>	<b>2</b>	<p><b>Fire agreed and indicated that they will ensure that specifications are written to only include descriptions that meet the functional requirements.</b></p>

<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 III 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"*

DARYL L. OSBY  
FIRE CHIEF  
FORESTER & FIRE WARDEN

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April 18, 2018

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

FROM: DARYL L. OSBY, FIRE CHIEF

**RESPONSE TO AUDITOR-CONTROLLER IMPROVEMENT OPPORTUNITIES NOTED  
DURING CONFIDENTIAL INVESTIGATION #2017-13239**

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

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

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ARTESIA  
AZUSA  
BALDWIN PARK  
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BELL GARDENS  
BELLFLOWER  
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LOMITA  
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SIGNAL HILL  
SOUTH EL MONTE  
SOUTH GATE  
TEMPLE CITY  
WALNUT  
WEST HOLLYWOOD  
WESTLAKE VILLAGE  
WHITTIER

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.

<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 III for definitions of priority rankings.