



JOHN NAIMO
AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

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

July 10, 2018

TO: John Wicker, Director
Department of Parks and Recreation

FROM: Robert G. Campbell, Chief *RC by Guy Helms*
Office of County Investigations

SUBJECT: **DEPARTMENT OF PARKS AND RECREATION – IMPROVEMENT
OPPORTUNITIES NOTED DURING LIMITED REVIEW – CASE #2017-
12981**

During a recent limited review at the Department of Parks and Recreation (Parks), the Los Angeles County Auditor-Controller's (A-C) Office of County Investigations (OCI) noted areas where Parks can strengthen its internal controls over their inventory. Our observations and recommendations for corrective action are detailed in Attachment I.

Review of Report

We discussed these findings and recommendations with Parks 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 ranking 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 Parks management and staff for their cooperation and assistance during our review. If you have any questions please call me at (213) 893-0058, or your staff may contact Cristina del Rosario at (213) 893-0868.

RGC:GH:CDR

IOR-2017-12981

Attachments

c: John Naimo, Auditor-Controller
Audit Committee

FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION					
	ISSUE	RISK	RECOMMENDATION	P ¹	SUMMARY OF RESPONSE
1	<p>The Department of Parks and Recreation (Parks) North Agency does not have an inventory record-keeping system in place to track plumbing supplies inventory used by employees on each job order, and beginning/ending plumbing supplies inventory on hand.</p> <p>Parks policy P.M. #439 requires that all supplies and materials owned by the department are properly accounted for and used only for County projects and activities.</p> <p>County Fiscal Manual (CFM) Section 5.2.2 states that departments must establish procedures and controls to ensure that inventories are safeguarded from theft or personal use.</p> <p>CFM Section 5.2.6 states that management must ensure that perpetual inventory controls are established for large inventories to the greatest extent practicable, and additions and deletions of inventory items are recorded as they occur.</p>	Lack of an inventory record-keeping system and controls prevents proper tracking of materials purchased and used, and allows theft to go undetected.	<p>Parks management should ensure that North Agency and all other Parks agencies:</p> <ol style="list-style-type: none"> 1. Implement an inventory record-keeping system to track the purchase and usage of high-value materials on each job. 2. Perform an annual inventory count and investigate any discrepancies between expected amount versus actual amount of inventory on hand to properly account for materials. 3. Require employees to document and account for the materials used in each job, and consider requiring staff take before/after digital photos or another comparable means of documenting the scope of work performed and materials used. 	<p>2</p> <p>2</p> <p>2</p>	Parks management agreed with the finding and recommendations and indicated that they will implement the necessary corrective actions within the timeframe specified in the Priority Ranking Definitions.

1 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
DEPARTMENT OF PARKS AND RECREATION

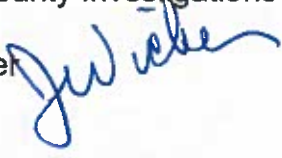
"Parks Make Life Better!"

John Wicker, Director

Norma E. Garcia, Chief Deputy Director

July 3, 2018

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

FROM: John Wicker 
Director

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW
CASE #2017-12981**

The Department of Parks and Recreation (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 (626) 588-5373, or your staff may contact Elizabeth Mendez of the Management Services Section at (626) 588-5201.

JW:NEG:MR:EM:me

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.