



JOHN NAIMO  
AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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LOS ANGELES, CA 90012-3756

July 31, 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 #2017-13042**

During a recent limited review at the Los Angeles County (County) Fire Department (Fire), the County Auditor-Controller's (A-C) Office of County Investigations noted areas where Fire can strengthen its internal controls over committee guidelines and the reporting of potential conflicts of interest. 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 review. If you have any questions please call me at (213) 593-0058, or your staff may contact Supervising Investigator Thomas Wood at (213) 893-0577.

RGC:GH:TW:gls  
IOR-2017-13042

Attachments

c: John Naimo, Auditor-Controller  
Audit Committee

**FIRE DEPARTMENT – IMPROVEMENT OPPORTUNITIES  
NOTED DURING LIMITED REVIEW #2017-13042**

<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>
1	<p><b>Formal Written Guidelines for Committees:</b> Fire does not have formal written guidelines for the Equipment Development and Apparatus Specification Committees. Los Angeles County Code, Ordinance 5.04.080 states that it is the County’s right to determine the mission of each of its constituent departments, boards and commissions, set standards of services to be offered to the public, and exercise control and discretion over its organization and operations.</p>	<p>Committee members lack formal guidance defining their Committee responsibilities, particularly concerning interactions with Fire equipment and apparatus vendors, which could result in members engaging in activities that create the appearance of favoritism.</p>	<p>Fire management establish formal written guidelines (e.g., Vision, Mission, Objectives, Strategies, Action Plans, responsibilities, specific conflict of interest rules, etc.) for Equipment Development and Apparatus Specifications Committees. Fire management also ensure Committee members sign an acknowledgment of responsibilities and conflict of interest rules specific to Committee participation.</p>	1	<p>Fire Department management agreed and indicated they will create and implement formal written guidelines for the Equipment Development and Apparatus Specification Committees and require members to sign an acknowledgment of responsibilities and conflict of interest rules specific to their participation. Additionally, Fire Compliance Office indicated that a new conflict of interest policy has been drafted and is being reviewed by Department management.</p>
2	<p><b>Fire’s Conflict of Interest (COI) Code:</b> We observed that Fire’s current COI Code does not require all members of the Equipment Development and Apparatus Specification Committees to complete a Statement of Economic Interests (Form 700), despite all members’ involvement in the development and evaluation of vendor-provided equipment and apparatuses. The Political Reform Act (California</p>	<p>The absence of an annual Form 700 from these Committee members hinders management’s ability to effectively monitor potential conflicts of interest created by economic interests received and/or held by Committee members.</p>	<p>Fire management revise the COI Code to designate all members of the Equipment Development and Apparatus Specification Committees to complete and submit a Form 700 on an annual basis.</p>	3	<p>Fire Department management agreed and indicated that a revised COI Code was adopted by the Board of Supervisors (BOS) on March 20, 2018 to include all Equipment Development Committee members. They also indicated that a revised COI Code revision for all</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.

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	Government Code 81000, <i>et seq.</i> ), administered by the Fair Political Practices Commission (FPPC), requires public officials to disclose assets and income that may be materially affected by their official actions. The FPPC requires all public employees who make or influence governmental decisions to submit a Form 700 in accordance with their respective agency's designated disclosure categories.				members of the Apparatus Specifications Committee is forthcoming.

<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 #2017-13042**

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

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SANTA CLARITA

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.