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August 20, 2020

TO: Norma E. Garcia, Director
Department of Parks and Recreation

FROM: Mike Pirolo, Chief 
Audit Division

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

We have completed a follow-up review of the Department of Parks and Recreation’s (DPR or Department) Improvement Opportunities Noted During Limited Review (Case #2017-12981) dated July 10, 2018. As summarized in Table 1, DPR partially implemented the recommendation from the initial review. DPR should fully implement the recommendation to strengthen inventory controls over high-value plumbing supplies.

Table 1 - Results of First Follow-up Review

PRIORITY RANKINGS	TOTAL RECOS	RECOMMENDATION IMPLEMENTATION STATUS		
		FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	OUTSTANDING RECOMMENDATIONS NOT IMPLEMENTED
PRIORITY 1	0	N/A	N/A	N/A
PRIORITY 2	1	0	1	0
PRIORITY 3	0	N/A	N/A	N/A
TOTAL	1	0	1	0

Attachment I details our review and the Department’s corrective actions. We will follow-up and report back on the outstanding recommendation. The issuance of this report was delayed due to other high-priority assignments and our Department’s COVID-19 mitigation assistance.

We thank DPR management and staff for their cooperation and assistance during our review. If you have any questions please contact me at mpirolo@auditor.lacounty.gov, or your staff may contact Carrie Guo at cguo@auditor.lacounty.gov.

AB:OV:PH:MP:JO:cg

Attachment (Report #K19EW)

c: Arlene Barrera, Auditor-Controller
Audit Committee
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AUDIT DIVISION

Report #K19EW

DEPARTMENT OF PARKS AND RECREATION – IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (CASE #2017-12981) – FIRST FOLLOW-UP REVIEW

	RECOMMENDATION	A-C COMMENTS
<p>1 Priority 2 - The Department of Parks and Recreation (DPR or Department) management should ensure that North Agency and all other DPR agencies:</p> <ol style="list-style-type: none"> 1) Implement an inventory recordkeeping 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 amounts 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>Original Issue/Impact: DPR did not have an inventory recordkeeping system or processes to track and account for the high-value plumbing supplies (e.g., water heaters and copper pipes) purchased and used for each job, including the beginning and ending balances of their supplies inventory (i.e., perpetual inventory records). These weaknesses increase the risk for the loss or theft of plumbing supplies going undetected. DPR estimates they spent approximately \$206,000 on plumbing supplies during Fiscal Year 2019-20.</p>	<p>Recommendation Status: Partially Implemented</p> <p>The intent of the recommendation was to implement inventory controls over high-value plumbing supplies. We confirmed DPR, in coordination with the Internal Services Department (ISD), is in the process of enhancing their existing project management system to help facilitate the recordkeeping and annual inventory of plumbing supplies, by reviewing system development plans and email correspondence between DPR and ISD management. The enhancements will enable the system to maintain perpetual inventory records, interface with the electronic Countywide Accounting and Purchasing System to obtain inventory purchase/cost information, facilitate inventory counts, and upload digital photos of completed jobs to account for supplies used.</p> <p>DPR management indicated they are unable to provide a target implementation date for the system enhancement due to budget constraints related to the COVID-19 health crisis.</p> <p>In the interim, we confirmed DPR developed alternative controls to track and document the plumbing supplies purchased and used for each job by reviewing documentation, such as a list of supplies purchased, sign-out logs for supplies used, and photos for a completed job. However, these documents are maintained separately and there is no centralized document/list that reflects their supplies inventory.</p> <p>DPR should establish a process for maintaining centralized or perpetual supplies inventory records. For example, DPR could maintain a centralized list to track supplies purchased and used, and include details, such as quantity, cost, and job information. DPR should also establish processes to perform annual inventory counts, reconcile counts to</p>	

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

RECOMMENDATION	A-C COMMENTS
	<p>perpetual inventory records, and investigate any discrepancies. DPR also needs to document these processes in their written standards and procedures.</p> <p>DPR plans to fully implement these alternative processes/controls by December 31, 2020.</p>

We conducted our review in conformance with the International Standards for the Professional Practice of Internal Auditing. For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management’s responsibility for internal controls, visit auditor.lacounty.gov/audit-process-information.

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency’s operations if corrective action is not taken.