



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

OFFICE OF COUNTY INVESTIGATIONS
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October 8, 2020

TO: Mark Pestrella, Director
Department of Public Works

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

SUBJECT: **IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW
#2019-15040**

NUMBER OF RECOMMENDATIONS
PRIORITY 1 1 CORRECTIVE ACTION REQUIRED WITHIN 90 DAYS
PRIORITY 2 0 CORRECTIVE ACTION REQUIRED WITHIN 120 DAYS
PRIORITY 3 0 CORRECTIVE ACTION REQUIRED WITHIN 180 DAYS

During limited reviews we conducted at the Department of Public Works' (DPW or Department), we noted areas where DPW can strengthen its internal controls over high-valued assets stored at District facilities. Please see Attachment I, Table of Findings and Recommendations for Corrective Action, for details of our observations and recommendations.

Review of Report

We discussed our report with DPW management. The Department's response (Attachment II) indicates general agreement with our findings and recommendations.

We thank DPW management and staff for their cooperation and assistance during our review. If you have any questions please contact me at (213) 893-0058 or rcampbell@auditor.lacounty.gov, or your staff may contact Greg Hellmold at (213) 893-0243 or ghellmold@auditor.lacounty.gov.

RGC:GH:SL

Attachments

c: Arlene Barrera, Auditor-Controller
Audit Committee
Audit Division

REPORT #OR-2019-15040

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment I
Page 1 of 1

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Robert G. Campbell
DIVISION CHIEF

Office of County Investigations

Report #IOR-2019-15040

DEPARTMENT OF PUBLIC WORKS HIGH-VALUE ASSETS AT DISTRICT FACILITIES IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2019-15040

BACKGROUND

The Department of Public Works (DPW or Department) provides regional infrastructure and services to County residents, including road maintenance, flood control, and water supply. In support of these operations, DPW utilizes District facilities to store heavy equipment, trailer-mounted mobile generators, and gasoline and diesel fuel. We conducted limited reviews of two recent thefts of high-value assets stored at such facilities and noted areas where the Department can strengthen its security measures to better safeguard these assets.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

ISSUE		RECOMMENDATION
1	<p>Physical Security Controls at District Facilities – We found that DPW does not have adequate security measures (e.g., access controls and surveillance) in place to prevent unauthorized access to deter potential theft, and safeguard high-value assets and fungible commodities stored at District facilities. For example, a mobile generator valued at \$250,000 was stolen from Waterworks District 29 - Malibu Topanga Canyon facility, and in an unrelated incident 1,400 gallons of diesel fuel was stolen from the Road Maintenance District 1 - Temple City facility. We investigated both thefts but were unable to identify the perpetrators or determine when and how the crimes occurred because of deficiencies in physical security at these sites and a lack of video surveillance.</p> <p>County Fiscal Manual Section 6.1.2 – Objective of Internal Control Over Capital Assets, states that controls over capital assets are necessary to safeguard County investments and to establish responsibility for the custody of each asset.</p> <p>Impact: Failure to strengthen access controls and security measures increases the risk of future thefts involving high value assets and fungible commodities.</p>	<p>Priority 1 - DPW management conduct security assessments of DPW facilities where high-value assets and fungible commodities are stored, and develop a risk-based plan to implement appropriate physical security measures, asset tracking, and surveillance equipment to minimize the risk that such assets and commodities are subject to loss or theft.</p> <p>Department Response: Agree Implementation Date: May 31, 2021</p>

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.



MARK PESTRELLA, Director

COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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<http://dpw.lacounty.gov>

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

IN REPLY PLEASE

REFER TO FILE:

FI-2

September 30, 2020

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

FROM: Mark Pestrella 
Director of Public Works

**RESPONSE TO AUDITOR-CONTROLLER FINDINGS AND
RECOMMENDED CORRECTIVE ACTIONS – REPORT NO. 2019-15040**

Public Works has reviewed the Auditor-Controller's report and agree with the findings and recommendations. Attached is our plan of corrective action.

If you have any questions, please contact me at (626) 458-4001 or your staff may contact Vivian Wang, Head Compliance Officer, at (626) 458-6551.

DH:dbm

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Attach.

DEPARTMENT OF PUBLIC WORKS IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2019-15040 DEPARTMENT ACTION PLAN/RESPONSE	
ISSUE 1: PHYSICAL SECURITY CONTROLS AT DISTRICT FACILITIES	
A/C Recommendation	DPW management conduct security assessments of DPW facilities where high-value assets and fungible commodities are stored, and develop a risk-based plan to implement appropriate physical security measures, asset tracking, and surveillance equipment to minimize the risk that such assets and commodities are subject to loss or theft.
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan¹	<p>We will monitor/control high-value assets and fungible commodities by performing the following:</p> <ul style="list-style-type: none"> • Store portable generators only at facilities with video surveillance systems (effective 9/1/20). • Place wheel locks on portable generators or remove the tires when they are left at remote locations during emergencies (effective 9/1/20). • Revise the specifications for new generators to include geolocating device; also, install device on existing generators (effective 12/31/20). • Park additional vehicle over fuel tanks to prevent access afterhours (effective 9/10/20). • Install security cameras to allow remote viewing when alarm is tripped (effective 3/1/21). • Dispatch to notify staff every time alarm is tripped (effective 9/10/20). • Develop risk-based plan to conduct an internal review of Public Works' controls over high-value assets and fungible commodities (effective 5/31/21).
Planned Implementation Date	Noted in parentheses for each item above.
Additional Information (optional)²	

¹ In this section, the Department should only describe the efforts they plan to take to implement the recommendation. The Department should include any other information in the Additional Information section that follows.

² In this section, the Department can provide any background or clarifying information they believe is necessary.