



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

**OFFICE OF COUNTY INVESTIGATIONS  
KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 514  
LOS ANGELES, CALIFORNIA 90012-3557**

**ARLENE BARRERA**  
AUDITOR-CONTROLLER

**OSCAR VALDEZ**  
CHIEF DEPUTY AUDITOR-CONTROLLER

ASSISTANT AUDITOR-CONTROLLERS:

**PETER HUGHES  
KAREN LOQUET  
CONNIE YEE**

February 24 2021

TO: Mark Pestrella, Director  
Department of Public Works

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

SUBJECT: **DEPARTMENT OF PUBLIC WORKS – IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (REPORT #IOR-2018-14398) - FIRST FOLLOW-UP REVIEW**

We have completed the first follow-up review of recommendations we made to the Department of Public Works (DPW or Department) in an Improvement Opportunities Report dated January 30, 2020 (Report #IOR-2018-14398). As summarized in Table 1, DPW partially implemented the recommendations to strengthen its internal controls over voided transactions to ensure the accountability and security over cash collections at the Building & Safety Division Southwest Office.

**Table 1 - Results of First Follow-up Review**

PRIORITY RANKINGS	TOTAL RECOS	RECOMMENDATION IMPLEMENTATION STATUS		
		FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
PRIORITY 1	1	0	1	0
PRIORITY 2	1	1	0	0
PRIORITY 3	0	0	0	0
TOTAL	2	1	1	0
			1	

The Attachment details our review and the Department’s corrective actions taken to date. We will follow-up and report back on the outstanding Priority 1 recommendation.

Mark Pestrella  
February 24, 2021  
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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 via e-mail at rcampbell@auditor.lacounty.gov, or your staff may contact Supervising Investigator Tim Takara at (213) 893-0918 or via e-mail at ttakara@auditor.lacounty.gov.

RGC:AS:TT

Attachment

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

# LOS ANGELES COUNTY AUDITOR-CONTROLLER

Peter Hughes  
ASSISTANT AUDITOR-CONTROLLER

Robert Campbell  
DIVISION CHIEF

Office of County Investigations

Report #F1-2018-14398

## DEPARTMENT OF PUBLIC WORKS #2018-14398 - FIRST FOLLOW-UP REVIEW

RECOMMENDATION	A-C COMMENTS
<p><b>1</b> <b>Priority 1</b> – Department of Public Works (DPW) management should:</p> <ul style="list-style-type: none"> <li>a) Implement physical and/or logical controls within the Development and Permit Tracking System (DAPTS) to require supervisor approval of voided transactions and eliminate the ability for someone to unilaterally void receipts.</li> <li>b) Ensure that supervisors reconcile voided transactions daily and follow-up on any discrepancies.</li> </ul> <p><b>Original Issue/Impact:</b> Systems that lack physical or logical security controls to prevent a single user from voiding transactions expose the County and customers to potential losses from improper and unaccountable voids and increase the potential for fraud and theft.</p>	<p><b>Recommendation Status: Partially Implemented</b></p> <p>a) <b>Not Implemented.</b> DPW is unable to make changes to their cashiering system at this time because the Building &amp; Safety Division (BSD) is currently transitioning from a legacy system (DAPTS) to Electronic Permitting and Inspections for the County of Los Angeles (EPIC-LA). DAPTS is a mainframe-based application and the source software cannot be updated because it is no longer supported by programmers. EPIC-LA is the County’s name for EnerGov software developed by Tyler Technologies. EPIC-LA is an off-the-shelf, web-based application and as configured does not require supervisor approval for voided transactions. DPW indicated they do not have the legal right to change the proprietary EPIC-LA software.</p> <p>We noted that the EnerGov platform is currently used by several County departments as well as various jurisdictions across California and in other states. Per DPW, software change requests are subject to Tyler Technologies review and determination of whether the requested change will benefit the community of users, is a high priority, and meets their vision for the software.</p> <p>DPW reports they have initiated the process of submitting a software change request, and Tyler Technologies will ultimately decide whether to implement the change and the timing of any changes.</p> <p>DPW has partially implemented the recommendation for issue 1.b) to address the risk created by allowing a single employee to void transactions without supervisor review or approval.</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>b) <b>Partially Implemented.</b> We confirmed that both DAPTS and EPIC-LA automatically generate and send a daily "Void Report" to supervisors which allows them to independently reconcile voided transactions. This is a manual process where supervisors sign and date the daily reports to document their review. Due to COVID-19 and the closure of County offices, there are no in-person transactions and there have not been any voided transactions to review, or a record of such reviews for us to examine to determine if the process is functioning as intended and providing assurance that voided transactions are properly reconciled.</p>
<p><b>2</b> <b>Priority 2</b> – DPW management should:</p> <ul style="list-style-type: none"> <li>a) Ensure that staff with cashiering responsibilities are trained on and comply with voided transactions policies.</li> <li>b) Develop a process to consistently document staff’s acknowledgment of policies.</li> <li>c) Consider implementing formal training for all staff with cash handling or cashiering responsibilities.</li> </ul> <p><b>Original Issue/Impact:</b> Failure to collect and retain a voided receipt could allow a customer to later present it as proof of payment, increasing the risk of fraud/loss in the permit fee collection process.</p>	<p><b>Recommendation Status: Implemented</b></p> <p>We confirmed the following:</p> <ul style="list-style-type: none"> <li>a) A copy of Reporting Procedure 30 and other applicable procedures were distributed to all managers, assistant office managers, and line staff on January 21, 2021.</li> <li>b) BSD e-mailed staff the training manual, procedures, and forms on January 21, 2021. Included in the e-mail was an electronic acknowledgment form for employees to agree they received, understand, and will follow the policies. DPW management indicated that staff will be required to complete acknowledgment forms upon completing future trainings.</li> <li>c) BSD conducted a training for all building permit technicians on February 6, 2020. BSD will provide refresher training on an annual basis to all staff and managers responsible for collecting permit fees.</li> </ul>

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](http://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.