



**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

OSCAR VALDEZ  
AUDITOR-CONTROLLER

ASSISTANT AUDITOR-CONTROLLERS:

MAJIDA ADNAN  
ROBERT G. CAMPBELL  
CONNIE YEE

September 5, 2023

TO: Mark Pestrella, Director  
Department of Public Works

FROM: Greg Hellmold, Chief *Greg Hellmold*  
Office of County Investigations

SUBJECT: **DEPARTMENT OF PUBLIC WORKS – IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (REPORT #IOR-2020-17348) – FIRST AND FINAL FOLLOW-UP REVIEW**

We completed the first follow-up review of the Department of Public Works (DPW or Department) Improvement Opportunities Report dated June 27, 2022 (Report #IOR-2020-17348). As summarized in Table 1, DPW fully implemented the three recommendations to improve accountability over collections/deposits, researching permittee inquiries and discrepancies, and reconciling collections received via mail.

**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	1	1	0	0
PRIORITY 2	2	2	0	0
PRIORITY 3	0	0	0	0
<b>TOTAL</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>

For details of our review and the Department’s corrective actions, see Attachment. Since DPW implemented all three recommendations, this is our first and final follow-up.

We thank DPW management and staff for their cooperation and assistance during our review. If you have any questions please contact me at (213) 893-0243 or via e-mail at [ghellmold@auditor.lacounty.gov](mailto:ghellmold@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](mailto:ttakara@auditor.lacounty.gov).

GH:TW:TT:jlc  
Attachment

c: Oscar Valdez, Auditor-Controller  
Audit Committee  
Audit Division

**Report #F1-2020-17348**

# LOS ANGELES COUNTY AUDITOR-CONTROLLER

**Robert G. Campbell**  
ASSISTANT AUDITOR-CONTROLLER

**Greg Hellmold**  
DIVISION CHIEF

## OFFICE OF COUNTY INVESTIGATIONS

Report #F1-2020-17348

### DEPARTMENT OF PUBLIC WORKS IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (#IOR-2020-17348) FIRST AND FINAL FOLLOW-UP REVIEW

RECOMMENDATION	A-C COMMENTS
<p><b>1</b> <b>Priority 1</b> – The Department of Public Works (DPW or Department) management ensure that staff responsible for receiving and/or handling collections:</p> <ul style="list-style-type: none"> <li>a) Deposit all collections by the end of the next business day after they are received.</li> <li>b) Post unidentified collections to a departmental trust account, and follow-up to reconcile unidentified collections in a timely manner.</li> <li>c) Receive periodic training on internal controls over handling cash, cash equivalents, and deposits, including relevant portions of the County Fiscal Manual (CFM).</li> </ul> <p><b>Original Issue/Impact:</b> DPW staff was not aware of CFM Section 1.3.7.1 - General Controls Over Deposits, which requires payments be deposited within one day and that unidentified payments be posted to a departmental trust account until the proper revenue account is identified.</p> <p>We noted an instance where Fiscal Division mishandled an annual industrial waste fee payment received in the mail. Specifically, the permittee's check lacked sufficient information to credit it to a specific revenue account and Fiscal Division staff improperly gave it to another DPW employee who had no cash handling responsibilities to research it. Fiscal Division did not follow-up on the check, and the employee who received it later deposited it into his personal bank account.</p> <p>Approximately three months later, the permittee who remitted the mishandled payment contacted DPW after receiving the first of three late payment notices and provided DPW evidence that the check had been negotiated. DPW ultimately credited the permittee for the prior year fee and reported this matter to the Office of County Investigations in accordance with County policy. The DPW</p>	<p><b>Recommendation Status: Implemented</b></p> <p>We confirmed DPW Fiscal Division updated their Cashier Unit Procedures as follows:</p> <ul style="list-style-type: none"> <li>a) The Cashier Unit performs a daily reconciliation of the mail-in payments to the deposit permits to ensure the checks are deposited by the next business day. DPW provided a copy of the Administrative Services Division Mail Center's Mailed-in Payment Log, which is maintained by the Cashier Unit, and the Mail-in Payments and Deposit Permits Reconciliation worksheet with which the Cashier Unit records their daily reconciliation results and creates the deposit permit in the County's electronic Countywide Accounting and Purchasing System (eCAPS). We reviewed the Mailed-in Payment Log and reconciliation worksheet for December 19, 2022, and noted the Cashier Unit appropriately performed a reconciliation of daily mailed-in payments and the total mailed-in payments matched the deposit permit recorded in eCAPS.</li> <li>b) The Environmental Program Division (EPD) posts unidentified collections to departmental trust account #V09-7794. Additionally, the Reconciliation Unit Head and the Revenue Management Section Head will review account #V09-7794 monthly to ensure that staff resolve the unidentified payments. DPW provided their December 2022 reconciliations for account #V09-7794, and we noted no discrepancies and that management signed both reconciliations. DPW also provided a spreadsheet maintained by EPD that tracked the status of six permittee inquiries received from September 26, 2022, through December 21, 2022, and we noted none of the inquiries involved an unidentified payment.</li> </ul>

**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>employee who received the check claimed he deposited it in error, and subsequently repaid the Department.</p> <p>Failure to deposit checks timely increases the risk that payments may be mishandled or misappropriated.</p>	<p>c) DPW will conduct training annually and whenever procedures are updated. DPW indicated cashiers will be trained on internal controls over handling cash, cash equivalents, and deposits. Additionally, they provided a copy of their Desk Procedures Acknowledgment log that the cashiers signed on January 11, 2023. The log indicates the cashiers acknowledged receiving the training, and that they reviewed and understand the desk procedures.</p>
<p><b>2</b> <b>Priority 2</b> – DPW management provide staff with guidance and/or training to ensure that customer inquiries, particularly late payment notices, are consistently logged, followed-up on, and resolved in a timely manner.</p> <p><b>Original Issue/Impact:</b> DPW staff did not thoroughly or timely follow-up on a customer-reported payment discrepancy (same instance as cited in Issue No. 1). Specifically, EPD did not notify Fiscal Division timely when a permittee reported that their industrial waste permit check was cashed but not credited to their account. Our review noted that the permittee remitted payment timely, but it was mishandled by DPW. The Department subsequently sent the permittee three late payment notices, and the permittee responded by calling and emailing EPD and providing documentation that their permit fee check was cashed.</p> <p>EPD acknowledged the permittee’s communications and indicated they would follow-up. However, we found no record of any action for approximately 13 months after the permittee provided them with proof of payment and noted that it took approximately 23 months for DPW to credit the permittee’s account.</p> <p>Complaints of mishandled payments, particularly when accompanied by supporting documentation, should be investigated timely since they may indicate business process deficiencies or potential fraud.</p> <p>Not timely following-up and investigating mishandled payments increases the risk that lost, stolen, or misappropriated payments go undetected. This may also create a negative perception of the Department’s customer service</p>	<p><b>Recommendation Status: Implemented</b></p> <p>DPW management created a tracking spreadsheet for EPD staff to log customer inquiries and their resolution. DPW provided us with a copy of the spreadsheet that tracked permittee inquiries received from September 26, 2022, through December 21, 2022. We noted the six inquiries received during that period were followed-up on and tracked consistent with the recommendation.</p>

RECOMMENDATION		A-C COMMENTS
	and diminish public trust in the Department's handling of collections.	
<b>3</b>	<p><b>Priority 2</b> – DPW management ensure that staff responsible for handling mail and collections log checks received in the mail, and reconcile those logs to bank deposits records in a timely manner:</p> <p><b>Original Issue/Impact:</b> DPW Fiscal Division staff did not reconcile the log of checks received via mail with bank deposits. We noted an instance (same instance as cited in Issue No. 1) where Fiscal Division received a check via mail, which was initially received in the DPW mailroom and recorded in the mail log by mailroom staff, but the check was mishandled by Fiscal Division and never deposited to a DPW account. This mishandled check went undetected for approximately three months until the customer contacted DPW because they received a late payment notice.</p> <p>CFM Section 1.3.6 – Collections Received by Mail – Internal Controls, states that employees should reconcile mail receipts to checks and supporting documents to ensure that all receipts have been accounted for.</p> <p>Failure to reconcile checks received via mail to deposits increases the risk that mail collections are mishandled or misappropriated, and that missing checks go undetected.</p>	<p><b>Recommendation Status: Implemented</b></p> <p>As described above, DPW management provided us with the Mail-in Payment Log for December 19, 2022, which we reconciled to the Mail-in Payments and Deposit Permits Reconciliation spreadsheet for the same period. We noted staff reconciled the mail collections on the same day they received them. Additionally, we confirmed DPW accurately recorded deposit permits in eCAPS on the same day they received the checks.</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](http://auditor.lacounty.gov/audit-process-information).