



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

February 22, 2011

To: All Department Heads

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

AUDIT INFORMATION UPDATE - 2011

On January 4, 2011, the Board of Supervisors directed this Office to instruct departments to conduct an internal review of the controls over their cell phone and data card usage policies and procedures, and make necessary improvements consistent with the Auditor-Controller's (A-C) audit recommendations stemming from their report of the Department of Children and Family Services (DCFS-Cellular Phone Review). The results of the survey and subsequent actions by your departments will result in improvements in policy, compliance and cost reduction.

Consistent with this effort, we would like to inform you of several planned and pending audits to be conducted by the A-C, as well as an Internal Revenue Service (IRS) audit of Riverside County that may impact our organization.

Auditor-Controller Audit Plan for 2010-11

Listed below is a sampling of planned audits that may have countywide implications and provide an opportunity for departments to proactively address areas that may require strengthening.

- Fleet Management/Services Compliance
- Review of Proposition A Contracts
- Business Continuity Planning
- Employee Expense Claims Review
- Trust Funds, Accruals and Commitments
- Contracting Review
- Telephone Billing Review
- Contract City Billing Rate
- American Recovery and Reinvestment Act Grant Reviews

The formal audit calendar is currently under review by the Audit Committee. Once it is approved, it will be shared with all County departments.

"To Enrich Lives Through Effective And Caring Service"

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Internal Revenue Service Audit of County of Riverside

In May 2007, the IRS initiated an audit of the County of Riverside that initially focused on whether or not the County and its employees were appropriately disclosing any personal use of County cell phones, cars or laptop computers. It is our understanding that this audit led to other areas of focus as it progressed. While the results of the audit have not been disclosed, as the audit is still in progress, we would like you to take this opportunity to ensure your departments are following established policies and procedures relative to these items.

Two articles related to the Riverside audit are included as Attachments I and II.

Should you have questions regarding this memorandum, please let me know, or your staff may contact James Hazlett at 213.974.1148, or jhazlett@ceo.lacounty.gov.

WTF:EFS:MKZ
FC:JLH:ib

Attachments (2)

c: Each Supervisor



MANAGING PUBLIC SECTOR
VEHICLES & EQUIPMENT

TOP NEWS

July 23, 2009

Riverside County Audit Prompts Stricter Take-Home Policy

RIVERSIDE, CA - Based on the recent findings of a Riverside County audit revealing fleet is costly and too big, county supervisors plan to cut fleet in half by implementing a stricter take-home policy, reported *The Press-Enterprise*.

Cited as one of the largest fleets in the state of California, the county maintains a fleet of about 5,300 vehicles at a cost of about \$43.7 million a year, the report said. That cost includes vehicle payments, maintenance, and fuel expenses.

The audit advises that the county could save an estimated \$2.3 million by reducing the numbers of cars employees take home each night, better tracking county car use, and limiting the size of the fleet.

Currently, county-authorized employees take home 1,055 or about one in every five county cars in the fleet. Those employees' daily commutes alone cost the county an estimated \$4.7 million annually for gas and maintenance, the report said. In addition, a surprise audit inspection found about 130 cars missing from their designated overnight parking spots, suggesting employees may be driving cars home without authorization, the report said.

Under the approved recommended policy, take-home cars will be limited to employees whose jobs may require them to respond to after-hour emergencies.

The executive office said the changes should cut in half the number of take-home cars in the county and could save more than \$2.2 million -- most of it in public safety departments.

The new policy does not apply to supervisors' cars or county cars driven by high-ranking officials as part of their compensation plans.

The audit also recommended revising policy to ensure the county does not acquire new vehicles while ones on hand remain underused. The executive office said it plans to submit a policy revision for supervisors' approval by Oct. 20. The county has reportedly frozen new fleet purchases and already begun selling off underutilized vehicles, according to the *Enterprise*.

A sample of 2,000 passenger fleet vehicles reviewed in the audit found more than one-third did not meet the minimum mileage of 7,200 miles per year, and resulted in a loss of more than \$700,000 in fixed costs, according to the *Enterprise*.



IRS scrutinizing Riverside County, employees

10:00 PM PDT on Monday, September 21, 2009

By JULIA GLICK
The Press-Enterprise

The **Internal Revenue Service** is auditing Riverside County and could demand back taxes from the county and from employees who did not report fringe benefits such as cars, cell phones and laptop computers.

The federal tax enforcement agency began the audit in May, county spokeswoman Lys Mendez said. The county has been supplying documents and data and does not know when the audit will conclude, she said.

The scrutiny comes as county leaders are working to tighten controls on take-home cars and cell phones and to otherwise trim unnecessary expenses from the county's shrinking budget.

A recent internal audit found the county was supplying take-home cars to employees who did not need them, prompting supervisors to change the county's vehicle policy in July. Supervisors are expected to consider more tweaks to car policy over the next month or so.

"If there is something we should be doing differently, we'll do it," Supervisor Marion Ashley said of the IRS audit. "Right now the federal government is trying to squeeze money out of every turnip they can, so they are probably looking at many government agencies."

IRS spokesman Jesse Weller said the agency does not confirm or deny audits. San Bernardino County officials did not respond to calls asking if the IRS had contacted them.

Daniel Morris, a certified public accountant and specialist in federal tax audits, said the IRS is likely examining whether Riverside County and its employees are appropriately disclosing any personal use of county cell phones, cars or laptop computers. Such fringe benefits must be included as compensation on employee W-2 forms, said Morris, with the firm Morris + D'Angelo in San Jose and Portland, Ore..

"It's the county's duty to make sure people report their true earnings," said Morris, who is not involved in the Riverside County audit. "The county is treated no different by the IRS than any other business. You can't provide personal benefits to employees and not have them pay taxes on it."

Morris said the IRS could potentially find that employees owe the federal government money. The agency could also require the county to retool its policies to further prevent employees from using work cars and electronics for their personal benefit without reporting it.

Morris said he doubts the IRS would seek much more than \$100,000 or so per year in back taxes from the entire county, even in a grim scenario. However, it could be challenging if the county tried to recoup that money from its employees, he said.

Supervisor Bob Buster agreed.

"In the worst case, you could have a retroactive mess, where the water has already left the dam, and you are trying to collect from employees who in some cases have already left," he said Friday.

The county has roughly 20,000 employees.

Buster said he had not been told about the audit but felt it could be helpful for the county in the long run.

A county internal audit this summer found that one in every five vehicles from the county's fleet of 5,300 cars and trucks was a take-home vehicle.

It found that many employees were driving take-home cars needlessly, and that department heads assigned some vehicles without appropriate authorization.

On July 14, supervisors limited take-home cars to sworn law enforcement officers and certain employees expected to respond regularly to specific emergencies.

County supervisors plan to consider further changes to the vehicle policy some time before the end of next month.

Reach Julia Glick at 951-368-9442 or jglick@PE.com