J. TYLER McCAULEY
AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

October 8, 2003

TO: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley By
Auditor-Controller PTM

SUBJECT: **EXECUTIVE OFFICE OF THE BOARD OF SUPERVISORS FISCAL REVIEW**

At the request of Executive Office of the Board of Supervisors' (Executive Office or Department) management, we have reviewed the fiscal operations of the Department. The review was requested due to changes in personnel in the Department's fiscal/administrative management. The review focused on evaluating the Department's internal controls and its compliance with County policies and procedures in key fiscal areas including revenue and expenditure processing, payroll and personnel, contracting, procurement, trust fund accounting, and travel expenses. In addition, we reviewed the Department's budgetary performance, fixed assets and portable equipment controls.

Summary of Findings

Internal Control Certification Program

The County's Internal Control Certification Program (ICCP) is intended to give departments the ability to assess their own internal controls and take corrective action to ensure compliance with County policies and procedures. Many of the internal control weaknesses discussed in this report could have been identified and corrected if the Department had properly completed the ICCP as required. Department management needs to conduct the annual reviews in accordance with the ICCP procedures and ensure the accuracy of the information before submitting the information to the Auditor-Controller.

Budgeting

The Executive Office has operated within its budget. For the four years reviewed, the Executive Office's Net County Cost variance ranged between $17.7 and $27.1 million, the Department expended significantly less than budgeted, 37%, 32%, 31%, and 30%, respectively. The majority of the budget-to-actual variances were the result of the Board Offices significantly under spending their discretionary funds (Community Programs), which are included in the Executive Office's budget. The Department's budget also includes provision for the five Board Offices and several commissions.

The California Government Code provides the County with significant flexibility regarding the degree of budgetary control it utilizes. The County can establish one budget unit per department, or it can establish numerous budget units to control separately the various functions performed within a department. The County established only one budget unit for the Executive Office, even though the Department handles transactions for the Board of Supervisors, County commissions and a number of small County departments. In our opinion, because of its operational diversity and various functions, one budget unit does not provide sufficient detailed information to allow the Executive Office management to more effectively oversee and control the Department's operations. We have recommended that a minimum of four budget units be established. The additional budget units will provide more detailed financial information to the Board Offices and the public. We have also presented for consideration an alternative to strict budgetary control which would provide maximum flexibility to the Executive Office while providing most of the informational benefits of a more detailed budget.

Trust Accounts

Our review of the Department's trust accounts identified over $9 million in revenue for rents, parking, and commission services that was not transferred from trust on a contemporaneous basis, i.e., as it was earned. Some of the revenues were received as early as Fiscal Year 1997-98. Although the revenue was under the budgetary control of the Chief Administrative Office (CAO), the Executive Office, as the agency responsible for providing accounting services to the CAO, needs to work with its client departments (in this case the CAO), to ensure earned revenues are contemporaneously transferred to appropriate pre-established revenue accounts (e.g., rents, parking, fees, etc.) On at least an annual basis, unearned revenues and other deposits in trust also need to be routinely reviewed with client departments to ensure appropriate and timely disposition of their trust deposits. The practice of not transferring funds to revenue as soon as earned impairs the County's ability to monitor revenue trends, may impair General Fund cash flow, and does not disclose available fund balance for budgeting purposes.

Procurement

The Department needs to improve its controls over its procurement function. We noted instances where the Department is not complying with its payment voucher internal control plan and is not obtaining sufficient justification to pay vendors. For example, purchases were not always pre-approved and payments were made without documentation that the goods and services were actually received. In addition, we noted instances where items were not purchased from County agreement vendors and other instances where items were purchased sole source when potential competitors were available. Further, we noted instances where the Department exceeded its purchasing authority by splitting purchases so the accounting records did not indicate that limitations had been exceeded.

Accounts Payable

Department management needs to train fiscal staff on accounting procedures for accounts payable. The Department often overstates its year-end payables and charges current year expenditures to prior year accounts. These errors misstate the County's accounting records and year-end financial position, and complicate budget forecasting.

Payroll and Personnel

The Executive Office needs to improve data security access controls to the Countywide Timekeeping and Payroll and Personnel System (CWTAPPS). In some instances the Department's Payroll and Personnel Section staff have greater access profile levels into CWTAPPS than required. In addition, we noted instances where staff have access to their own personnel and payroll information. The Department can improve security by periodically reviewing employee security profile assignments for appropriateness and ensuring employees do not have access to information outside the scope of their job responsibilities.

Fixed Assets and Portable Equipment

The Department needs to improve its accountability over fixed assets and portable equipment. For example, the Department does not perform an annual portable equipment inventory or maintain complete, centralized records of its portable equipment items. Also, the Department does not always forward required fixed asset information to the Auditor-Controller. In addition, we identified several fixed assets and portable equipment items that could not be located or were obsolete and should have been disposed of/salvaged. Internal controls over fixed assets and portable equipment help ensure Countywide accounting records are accurate and minimize the risk of misappropriated assets.

Details of our findings and recommendations for corrective action are included in the attached report.

Review of Report

Department management was very cooperative during our review and actively participated in the review process. Management recognizes the need for improvement and indicated its commitment to correcting the problem areas noted and began to take action to correct some of the findings during our fieldwork. The Department's response is attached.

Overall, the Department agrees with the majority of our recommendations. In the few areas where the Department disagrees with our recommendations, we will continue to work with the Department to develop acceptable alternatives to meet the intent of those recommendations. In addition, it is noteworthy that the Department's response indicates that it has already fully implemented 11 of the 32 recommendations.

If you have any questions regarding this report, please contact me or have your staff contact DeWitt Roberts at (626) 293-1101.

JTM:DR

Attachments

c: David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

Table of Contents

Background and Scope 1

County Internal Control Certification Program 1

Board Adopted Budget 2

Trust Fund Accounting 3

Procurement 5
- Purchasing Compliance 5
- Payment Controls 6
- Purchase Requisitions 7

Accounts Payable 8

Revolving Funds 8
- Petty Cash Fund Purchases 9
- Reconciling Items 9
- Replenishments/Assignments 10
- Statement of Responsibility 10

Mail Opening Procedures 10

Payroll and Personnel 11
- Security Profiles 11
- Processing Centers 12
- Transaction Deadlines 12

Time and Attendance 13
- CWTAPPS Reports 13
- Overtime and Compensatory Time Pre-Approvals 13

Fixed Assets and Portable Equipment 14
- Physical Inventories and Missing Fixed Assets 14
- Property Transfers and Equipment Acquisition Check Sheets 15
- Portable Equipment 16

Travel Expenses 16
- Travel Advances 17
- Reconciliation of Travel Billing Statements 17

Cellular Telephone Bill Verification 18

EXECUTIVE OFFICE OF THE BOARD OF SUPERVISORS
FISCAL REVIEW

Comments and Recommendations

Background and Scope

The Board of Supervisors, as the governing body of Los Angeles County, enacts ordinances, directs overall operation of County departments and districts, and oversees the delivery of services in the County. The Executive Office of the Board of Supervisors (Executive Office or Department), as the vital support team to the Board, prepares agendas, statements of proceedings, minutes and communications, and maintains the official records. In addition, they provide administrative support to Board appointed commissions, committees and task forces, and small County departments and budget units. The Executive Office's budget for fiscal year (FY) 2002-03 totaled $60 million.

We conducted a review of the Executive Office's controls over its fiscal operations. Our review focused on evaluating the Department's internal controls and compliance with County policies and procedures in key fiscal areas including procurement, revenue, expenditures, contracting, and payroll. We also reviewed the Department's budgetary performance and trust fund accounting controls.

County Internal Control Certification Program

County Code Section 2.10.015 requires County departments to annually evaluate their fiscal controls using the Internal Control Certification Program (ICCP). The ICCP program is intended to give departments the ability to assess their own internal controls and take corrective action to ensure compliance with County policies and standards.

When the Executive Office evaluated its fiscal controls using the ICCP, management certified controls were in effect when they were not. Many of the internal control weaknesses discussed in this report may have been identified if the Department had correctly completed its ICCP. Further, we noted that in January 1998, our office granted the Department's request to conduct biennial ICCP reviews. In light of the internal control weaknesses we identified in this review, the Department should conduct annual ICCP reviews.

Department management needs to conduct the annual reviews in accordance with the ICCP procedures and ensure the accuracy of the information before submitting the information to the Auditor-Controller.

Recommendation

1. **Executive Office management conduct annual ICCP reviews in accordance with the ICCP procedures and ensure the accuracy of the information before submitting the ICCP to the Auditor-Controller.**

Board Adopted Budget

The Executive Office has operated within its budget. We reviewed the Department's actual financial results as compared to the budget for the last four fiscal years. For the four years, the Executive Office had a positive (under budget) Net County Cost variance that ranged between $17.7 and $27.1 million. The results are summarized below:

Budget to Actual Financial Comparison

Fiscal Year 2001-02

	Budget	Actual	Over or (Under) Budget
Expenditures	$ 67,859,000	$ 43,027,456	$ (24,831,544)
Intrafund Transfer	$ 4,409,000	$ 5,583,433	$ 1,174,433
Revenue	$ 3,449,000	$ 4,580,275	$ 1,131,275
Net County Cost	$ 60,001,000	$ 32,863,748	$ (27,137,252)

Fiscal Year 2000-01

	Budget	Actual	Over or (Under) Budget
Expenditures	$ 63,435,000	$ 43,215,557	$ (20,219,443)
Intrafund Transfer	$ 4,215,000	$ 5,413,317	$ 1,198,317
Revenue	$ 2,942,000	$ 5,471,572	$ 2,529,572
Net County Cost	$ 56,278,000	$ 32,330,668	$ (23,947,332)

Fiscal Year 1999-2000

	Budget	Actual	Over or (Under) Budget
Expenditures	$ 57,552,000	$ 39,710,010	$ (17,841,990)
Intrafund Transfer	$ 3,501,000	$ 4,166,130	$ 665,130
Revenue	$ 2,235,000	$ 4,631,894	$ 2,396,894
Net County Cost	$ 51,816,000	$ 30,911,986	$ (20,904,014)

Fiscal Year 1998-99

	Budget	Actual	Over or (Under) Budget
Expenditures	$ 50,045,000	$ 35,275,233	$ (14,769,767)
Intrafund Transfer	$ 3,566,000	$ 3,820,761	$ 254,761
Revenue	$ 2,235,000	$ 4,902,315	$ 2,667,315
Net County Cost	$ 44,244,000	$ 26,552,157	$ (17,691,843)

In the four fiscal years, the Department expended significantly less than budgeted, 37%, 32%, 31%, and 30%, respectively. The majority of the budget-to-actual variances were the result of the Board Offices significantly under spending their discretionary funds (Community Programs), which are included in the Executive Office's budget. Their budget also includes provision for the five Board Offices and several commissions.

The California Government Code provides the County with significant flexibility regarding the degree of budgetary control it utilizes. The County can establish one budget unit per department or it can establish numerous budget units to control separately the various functions performed within a department.

In our opinion, because of the Department's diversity and various functions, the Executive Office should have more than one budget to provide a more effective basis for planning, decision making, and controlling variances. To differentiate between budget units and ensure funds are not commingled between budget units, we believe the Department should establish four budget units. At a minimum, separate budget units should be established for the Board Offices, commissions, Board Community Programs, and the Executive Office. The additional budget units will provide more detailed financial information to the Board Offices and the public.

If the Executive Office believes that formal budgetary control for these separate units would hinder their ability to operate, the Executive Office should consider the option of using "presence control" whereby the Executive Office's budget would be formally controlled on a department-wide basis, while the budget would be broken down in the accounting system by the above functions for information and monitoring purposes. This would provide for the communication improvements of a detailed budget, while at the same time providing the Executive Office with maximum operational flexibility.

Recommendations

2. **Executive Office management utilize four budget units to budget their Department.**

3. **If the Executive Office believes such controls would be too restrictive, the Executive Office should consider the "presence control" option.**

Trust Fund Accounting

The Executive Office provides accounting services for client department trust funds, including preparing monthly reconciliations, processing trust transactions, and maintaining trust documentation and records. The Executive Office maintains 18 trust funds that include departmental trust funds, donation trust funds, and litigation and liability trust funds. As of February 2003, the trust funds had a total balance of approximately $45.6 million.

We reviewed the Executive Office's general controls over trust funds and reviewed trust fund balances and transactions and noted:

- $9 million in revenue for rents, parking, and commission services that was not transferred from trust on a contemporaneous basis, i.e., as it was earned. Some of the revenues were received as early as Fiscal Year 1997-98. Although the revenue was under the budgetary control of the Chief Administrative Office (CAO), the Executive Office, as the agency responsible for providing accounting services to the CAO, needs to work with its client departments (in this case the CAO), to ensure earned revenues are contemporaneously transferred to appropriate pre-established revenue accounts (e.g., rents, parking, fees, etc.). On at least an annual basis, unearned revenues and other deposits in trust also need to be routinely reviewed with client departments to ensure appropriate and timely disposition of their trust deposits.

  We reviewed the trust items with the CAO who acknowledged the monies needed to be transferred from trust. During Fiscal Year 2002-03, the CAO transferred $1.2 million from the trust account to revenue. The CAO has preliminary plans that identify budget units to distribute the remaining $8 million in Fiscal Year 2003-04. The Auditor-Controller will assist the CAO in processing the appropriate accounting documents to transfer the funds.

  The practice of not transferring funds to revenue as soon as earned impairs the County's ability to monitor revenue trends, may impair General Fund cash flow, and does not disclose available fund balance for budgeting purposes.

- Six trust funds (Antelope Valley Telebusiness Center, John Anson Ford Theatre, Native American Indian, Pico Rivera Settlement, Records Grant Project, and State Child Care Grant) totaling $6,542 were inactive. In addition, nine of 11 sub-accounts in the Commission Donations Trust Fund totaling $5,742 were also inactive. According to the Department, the $12,284 combined total represents the remaining balance of funds/sub-accounts whose purpose no longer exists.

- Various accounting errors such as double entries, entry reversals, trust sub-accounts with negative balances, and transactions without descriptions were noted in trust ledgers. Although these errors were subsequently corrected by Executive Office staff, the Department should ensure transactions are complete, accurate, and closely monitored.

Department management needs to better monitor its trust accounts to ensure proper accountability over trust fund monies. The Executive Office should work with its client departments to ensure earned revenues are transferred to appropriate pre-established budget units (i.e., rents, parking, fees, etc.) on a contemporaneous basis. In addition, the Executive Office, on at least an annual basis, should routinely review unearned revenues and other trust deposits with client departments to ensure appropriate and timely disposition of departments' trust deposits, in accordance with the County Fiscal Manual. Further, the Executive Office should review trust and trust fund sub-accounts annually and close inactive funds, if appropriate. Finally, the Department should ensure that trust fund records are complete, accurate, and closely monitored.

Recommendations

Executive Office management:

4. **Work with its client departments to ensure earned revenues are transferred to appropriate pre-established budget units (i.e., rents, parking, fees, etc.) on a contemporaneous basis.**

5. **On at least an annual basis, routinely review unearned revenues and other trust deposits with client departments to ensure appropriate and timely disposition of departments' trust deposits, in accordance with the County Fiscal Manual.**

6. **Close inactive funds, if appropriate, and ensure trust fund records are complete and accurate.**

Procurement

The Executive Office provides procurement services for the Board of Supervisors, as well as to 28 County departments (e.g. Chief Administrative Office, Chief Information Office, etc.) and budget units. The Fiscal Year 2002-03 services and supplies budgets, including client departments, are over $400 million.

Purchasing Compliance

County purchasing guidelines state that purchases from non-agreement vendors are limited to $5,000 per transaction without the Purchasing Agent's (ISD) approval (there is no dollar limit on transactions with agreement vendors). However, some departments, including the Executive Office and its client departments, have been granted increased purchasing authority to make non-agreement purchases up to $15,000 based upon past compliance with purchasing policies and procedures. These departments must obtain at least three phone quotes for purchases between $1,500 and $5,000. For purchases between $5,001 and $15,000, at least three vendor fax quotes or other documented quotes are required. Non-agreement transactions exceeding $15,000 must be processed through the Internal Services Department (ISD). When County agreements are available, agreement vendors and purchase orders must be used.

In addition, any sole source purchase over $5,000 must be approved by the Purchasing Agent and reported to the Board of Supervisors on a monthly basis. Sole source purchases under $5,000 may be processed by the department. The sole source purchase must be approved by a departmental manager and the department maintain documentation justifying not following the competitive procurement process.

The Executive Office does not always adhere to County purchasing guidelines. We reviewed 26 purchases and noted the following:

- Eight purchases, ranging from $900 to $3,300, were from non-agreement vendors even though the items were available through vendor agreements. The items included toner, paper, folders, pens, etc. ISD permits procuring agreement items through non-agreement vendors if an emergency or out-of-stock condition exists, or if the non-agreement vendor can supply the item at a lower cost. However, the Department did not maintain written documentation justifying using non-agreement vendors for these purchases.

- Eight purchases, ranging from $400 to $4,100, were made without documentation justifying the sole source purchase. The items included office window tinting, office plants, plaques, etc. We noted additional vendors were available to provide the items and additional price quotes should have been obtained.

In addition, we tested 33 non-agreement purchases for splits (i.e., splitting a purchase to avoid purchasing authority limits). We noted four purchases that appeared to be split and, therefore, the requirement to process transactions over $15,000 through ISD was bypassed. For example, the purchase of several posters and calendars was split into two separate transactions totaling $12,076 and $3,509, respectively. The posters were purchased for the same Executive Office Unit from the same vendor on the same day. County guidelines prohibit splitting purchases to avoid complying with delegated purchasing authority limits.

To ensure the Department receives the best possible prices, Executive Office management should require staff to comply with County purchasing guidelines and monitor for compliance. The Executive Office should also investigate the circumstances related to the apparent purchase split and take appropriate action if it is determined the purpose was to avoid purchasing limits as it appears.

Recommendation

7. **Executive Office management require staff to comply with County purchasing guidelines and monitor for compliance.**

8. **Executive Office management investigate the circumstances related to the apparent purchase split and take appropriate action if it is determined the purpose was to avoid purchasing limits.**

Payment Controls

The Department's Accounts Payable staff pay vendors using the CAPS on-line Payment Voucher (PV) system. All departments using the CAPS on-line PV system are required to develop an internal control plan that the Auditor-Controller must approve. The Department's plan requires that payments only be made after staff review and compare invoices, purchase authorizations, and receiving reports.

Accounts Payable staff do not always comply with the Department's on-line PV control plan. We reviewed 46 payment files and noted 10 instances where receiving reports

were missing from payment documentation. In all 10 instances, there was no documentation that the items ordered were ever received. Executive Office management should reinforce with Accounts Payable staff the importance of obtaining receiving reports and matching the receiving reports and purchase orders prior to initiating payments to vendors.

Recommendation

9. Executive Office management reinforce with Accounts Payable staff the importance of obtaining receiving reports and to match the receiving reports and purchase orders prior to initiating payment to vendors.

Purchase Requisitions

Executive Office procedures require requesting unit personnel to complete a purchase requisition and forward it to the Executive Office's Procurement Unit. All requisitions require approval by the Executive Office's Procurement Head. In addition, only authorized personnel are allowed to requisition items.

We noted that the Executive Office and client departments can improve their ordering process. Our review of 46 payment files disclosed the following:

- Fourteen instances where orders were placed without requisitions.
- Eleven instances where orders were placed without approved requisitions.
- Nine instances where orders were placed using informal requisitions (e.g., post-it notes, phone messages, e-mails, faxes, memos, etc.).
- Twenty-one instances where unauthorized staff requisitioned items.

To ensure only appropriate items are purchased, and purchases are properly pre-approved, the Department should standardize their requisition sheets, ensure requisition sheets are completed for all orders, allow only authorized staff to order items, and ensure requisitions are properly pre-approved. In addition, the Executive Office should monitor all purchases for appropriate pre-approvals and take corrective action when unauthorized orders are placed.

Recommendations

Executive Office management:

10. Standardize purchase requisition sheets, ensure requisition sheets are completed for all orders, allow only authorized staff to order items, and ensure requisitions are properly pre-approved.

11. Monitor all purchases for appropriate pre-approvals and take corrective action when orders are placed without approval.

Accounts Payable

Accounts payable represent liabilities for goods and services received during the fiscal year, but not paid as of year-end. Each year, the Auditor-Controller provides departments with accounts payable instructions to help ensure the County has accurate records of its financial position and results of its operations.

We tested $96,000 in payments charged to the Fiscal Year 2000-01 accounts payable to determine whether amounts paid were for goods and services received in Fiscal Year 2000-01. Conversely, we tested $184,000 in payments charged against Fiscal Year 2001-02 purchase orders to determine whether goods and services were appropriately charged to Fiscal Year 2001-02. We noted the following:

- Current year expenditures of $19,000 (20%) were inappropriately charged against the payables, as the goods and services were received after June 30, 2001.

- Goods and services totaling $32,000 (18%) were inappropriately charged to current year purchase orders, as the goods and services were received before June 30, 2001 and should have been accrued as accounts payable.

In addition, we noted one payable totaling $490,000 which should have been classified as a commitment since services were for future obligations that had not been performed as of the end of Fiscal Year 2000-01.

By not accurately accounting for its payables, the Department is misstating the amount it owes at year-end. This misstates the County's financial position and distorts the fund balance amount available to finance the following year's budget. This can also result in errors in budget estimates and projections.

Department management needs to re-instruct fiscal staff on proper accounts payable procedures and monitor for compliance. Currently, Accounts Payable staff do not analyze year-end purchasing documents to determine accounts payable. Instead, they rely on estimates of outstanding goods/services provided by procurement staff.

Recommendation

12. Executive Office management re-instruct fiscal staff on proper accounts payable procedures and monitor for compliance.

Revolving Funds

A revolving fund is a predetermined amount of money maintained on an imprest basis that is available for use by departments in carrying out official County business. The Executive Office maintains a $10,000 revolving fund for incidental expenses, a $9,500

petty cash fund, and a $1,500 revolving fund for the Women's Commission donation trust fund. The Executive Office pays its own expenses and also several client department expenses from their petty cash fund.

Petty Cash Fund Purchases

CFM Section 4.4.1 states that petty cash funds are to be used for emergencies, when prepayment is required or when immediate payment can result in cost savings or a purchasing advantage. In all other instances, various vendor purchase orders should be used. We reviewed 46 petty cash fund purchases and noted that 16 (35%) of the purchases (e.g., telephone bills, event/party decorations for community reception, etc.) totaling $1,462 should not have been paid from their petty cash fund. The Department should ensure that petty cash fund disbursements are made in accordance with County Fiscal Manual guidelines.

Recommendation

13. Executive Office management ensure petty cash fund disbursements are made in accordance with County Fiscal Manual guidelines.

Reconciling Items

CFM Section 1.2.3 states that a formal written reconciliation of each bank account must be performed monthly and reconciling items must be reviewed and researched immediately. Items that cannot be resolved by the next bank statement must be monitored until resolved. We reviewed the Department's monthly petty cash and revolving funds reconciliations for the period July 2001 through March 2002 and noted the following:

- Sub-assignments from the petty cash fund totaling $2,190 are not reconciled and monitored.

- Eleven outstanding checks totaling $700 in the petty cash fund and 17 outstanding checks totaling $1,300 in the revolving fund have been outstanding since Fiscal Year 2000-01 and Fiscal Year 1999-2000, respectively. In addition, these items have not been resolved.

The Department indicated that they have never reconciled or monitored the $2,190 sub-assignment. In addition, Departmental records indicate that reconciling items from the two revolving funds were not researched or resolved. The Department needs to ensure that revolving fund sub-assignments are reconciled monthly and that reconciling items are investigated and if appropriate, written-off.

Recommendation

14. Executive Office management ensure that revolving fund sub-assignments are reconciled monthly and reconciling items from the revolving funds are investigated and if appropriate, written-off.

Replenishments/Assignments

CFM Section 1.6.6 requires revolving funds to be replenished at least once each month and states that, if reimbursement of a revolving fund is not regularly needed on a monthly basis, it may be an indication that the fund assignment is excessive for the department's need. The Department had not replenished the Women's Revolving trust fund in more than eight months and had not returned the excess funds. In such situations, department management must re-evaluate the amount of the fund assignment and excess funds should be returned to the Auditor-Controller's Accounting Division.

Recommendation

15. Executive Office management re-evaluate the amount of the fund assignment and return excess funds to the Auditor-Controller's Accounting Division.

Statement of Responsibility

CFM Section 1.6.3 requires a statement of responsibility, which specifies the amount of the assigned fund and which is signed by the current custodian of the fund, to be on file in the department's business office. We noted the Executive Office does not maintain a statement of responsibility for any of their three revolving funds. To ensure proper accountability over the Department's revolving funds, the Executive Office should ensure statements of responsibilities are completed and maintained for revolving funds.

Recommendation

16. Executive Office management ensure statements of responsibility are completed and maintained for revolving funds.

Mail Opening Procedures

The Department can improve procedures to better safeguard collections prior to deposit. Specifically, a log of checks received is not maintained and mail is not opened by two employees. CFM Section 1.3.6 requires departments to assign two employees to open mail and record receipts. Since our review, the Department established procedures to ensure compliance and assigned two employees to open mail. The Department should monitor for compliance with the new mail opening procedures.

Recommendation

17. Executive Office management monitor for compliance with the new mail opening procedures.

Payroll and Personnel

The Countywide Timekeeping and Payroll/Personnel System (CWTAPPS) allows departments to process personnel actions (e.g., hires, changes in employee status, terminations, etc.) online. It also maintains a variety of employee data (e.g., birth dates, hire dates, social security numbers, etc.) and employee work histories. CWTAPPS also automates the leave record including leave balances and the disposition of year-end balances.

We examined the Department's compliance with County payroll and personnel policies to determine whether adequate safeguards are in place to ensure employees are properly paid and the integrity and confidentiality of payroll and personnel data is protected. Our review included interviewing staff and conducting testwork related to CWTAPPS security, bonuses, terminations, time and attendance records, compensatory time, overtime, leave accounting, and overpayment processing.

Security Profiles

Profiles determine which CWTAPPS screens a user can access and the specific actions (e.g., inquiry, add, update or delete) that can be processed on each screen. CFM Section 3.1.5 requires departments to restrict profile assignments to the scope of the employee's job responsibilities. Profiles that permit changes to both payroll and personnel information should be restricted to management and high level supervisory personnel.

The Department's Payroll and Personnel section staff have greater access levels into CWTAPPS than required. Seven non-management employees (one personnel employee and six payroll employees) have the ability to view all departmental screens and perform all payroll and some personnel functions. This allows them to change salary rates, add bonuses, add or delete benefit balance amounts, and change their own payroll information.

The Department indicated that they have other controls in place to ensure transactions entered into CWTAPPS are appropriate, such as reviewing CWTAPPS generated reports and processing incomings, promotions, and job changes with the Department of Human Resources. However, the Department has no controls in place to ensure bonuses are appropriate. In addition, employees can change salary rates, add or delete benefit balance amounts, and change their own payroll information. Further, internal reviews conducted by our Department of other County departments disclosed payroll/personnel staff improperly keeping employees who have left County service on the payroll records. This resulted in the issuance of additional payroll warrants. Since transactions of employees who have left County service require both payroll and

personnel entry on CWTAPPS, having access to both functions facilitated these improprieties.

Personnel section employees should only have the capability to perform personnel functions and view payroll data, and payroll section employees should only have the capability to perform payroll functions and view personnel data.

Recommendation

18. Executive Office management restrict profile assignments to the scope of their employees' job responsibilities and periodically review profile assignments for appropriateness.

Processing Centers

In addition to profiles, employees can be grouped into processing centers (e.g., pay location, division, etc.) to further control the payroll and personnel information accessible to each authorized user. CFM Section 3.1.5 states that processing centers should be utilized so that payroll and personnel staff do not have access to their own personnel and payroll information on CWTAPPS.

We reviewed the Executive Office's use of processing centers and noted the Department utilizes 14 processing centers (13 for their client departments and one for the Executive Office). However, seven staff have CWTAPPS access that allows them data entry access to every employee's payroll and personnel information, including their own. Although, Executive Office management indicated that these employees are not allowed to enter their own personnel or time card information into CWTAPPS, there is no substantive control in place to ensure that this is not being done.

Recommendation

19. Executive Office management ensure an additional processing center is utilized so that payroll and personnel staff do not have access to their own payroll and personnel information.

Transaction Deadlines

To ensure accurate payments to employees, departments must comply with Auditor-Controller deadlines for processing payroll and personnel transactions into CWTAPPS. Not meeting these deadlines could result in employees being paid incorrectly and/or the Auditor-Controller billing the department for additional CWTAPPS transactions. We selected 19 bonus (e.g., out of class, bilingual, etc.) and 10 terminated employee transactions to determine if bonus/termination data was entered into CWTAPPS timely. We noted three bonus transactions and one termination transaction were entered into CWTAPPS an average of 32 and three days late, respectively. Although no overpayments resulted from any of the transactions, the three bonus transactions resulted in employees being paid late and the Department incurring additional charges

for adjustment transactions. The late termination transaction resulted in the Department having to manually process the transaction, increasing the possibility of errors.

Recommendation

20. Executive Office management establish procedures and monitor to ensure bonus and termination transactions are processed within Auditor-Controller deadlines.

Time and Attendance

CWTAPPS Reports

Payroll departments obtain several time card reports each pay period to review exceptions of processed transactions and CWTAPPS activity. We noted that the exception reports for the Executive Office and client departments were not annotated to document the disposition of each entry and were not signed and dated by the payroll staff or supervisor.

Recommendation

21. Executive Office management ensure exception reports are reviewed, the disposition of each entry is documented, and the report is signed and dated by both the staff and supervisor.

Overtime and Compensatory Time Pre-Approvals

The Executive Office's overtime/compensatory time policy requires all overtime and compensatory time worked to be pre-approved by either a Chief Deputy, Deputy Executive Officer, or Senior Executive Officer. In addition, CFM Section 3.1.8 indicates that each department must establish a system of requesting, authorizing, and monitoring overtime hours.

We noted 11 employees with overtime earnings and seven employees with compensatory time earnings that did not obtain written pre-approval for overtime worked during Fiscal Year 2001-02. Our interview with Department management disclosed that this was attributable to the Department not requiring formal written pre-approval for overtime and allowing employees to work overtime with only verbal pre-approval.

In addition, Executive Office management does not monitor overtime and compensatory time to their quarterly CAO overtime request. Payroll and personnel management indicated that each division/section manager is responsible for tracking and monitoring the overtime hours worked in their respective division/section. We interviewed division/section managers and they indicated they were not monitoring overtime and were not aware that they were required to do so. Without proper tracking, management is unable to effectively monitor the overtime worked by their employees.

In order to improve overtime and compensatory time controls, Executive Office management should require written pre-approval for all overtime and compensatory time hours worked, prepare a formal written policy specifying how managers should track and monitor overtime and compensatory time, and require division/section managers to track and monitor overtime and compensatory time hours worked to their quarterly CAO overtime request.

Recommendations

Executive Office management:

22. Require written pre-approval for all overtime and compensatory time hours worked.

23. Prepare a formal written policy specifying how managers should track and monitor overtime and compensatory time.

24. Require division/section managers to monitor and track overtime and compensatory time hours worked to their quarterly CAO overtime request.

Fixed Assets and Portable Equipment

Chapter six of the CFM includes requirements for departments to account for fixed assets and portable equipment. These requirements are designed to help ensure Countywide accounting records are accurate and minimize the risk of misappropriated assets.

Physical Inventories and Missing Fixed Assets

The Executive Office conducted its most recent physical inventory of fixed assets in March 2002. We tested the accuracy of the Department's fixed asset inventory listing by selecting a sample of seven items from the fixed asset listing and attempting to physically locate the items. Two items, valued at $68,000, could not be located. The items included a Hewlett Packard storage device acquired in July 1999 and an audio system control panel acquired in August 1999. Department staff had no knowledge of the items' whereabouts and could not account for the assets via Property Transfer Advice forms or Equipment Loss (stolen/salvage) reports. The Department subsequently found the control panel (valued at $59,000) and indicated that it was moved during the time of our audit. However, as noted above, the asset was not properly accounted for via a Property Transfer Advice form. We also identified two additional fixed assets (laptop computer and a computer storage tower) costing $18,445 that were obsolete and should have been disposed/salvaged. Department staff confirmed that the items are currently not in use by the Department and have been replaced by newer models.

To provide an accurate and complete accounting of fixed assets, the Department should ensure that staff conduct more accurate physical inventories and investigate missing items. Specifically, staff should account for all items recorded on the fixed asset inventory listing, investigate missing items, and annotate the list to reflect property transfers, disposals, losses, or thefts.

Recommendation

25. Executive Office management ensure that staff, in conducting fixed asset inventories, account for all items on the listing; investigate missing items; and annotate changes due to property transfers, disposals, losses, or thefts.

Property Transfers and Equipment Acquisition Check Sheets

The CFM requires departments to complete an Equipment Acquisition Check Sheet (EACS) when purchasing fixed assets and a Property Transfer Advice form when transferring/disposing of fixed assets. EACS and Property Transfer Advice forms must be completed by departments and forwarded to the Auditor Controller's Fixed Asset Unit within 30 days of the date the invoice is paid or the fixed asset is transferred/disposed.

The Executive Office does not always submit EACS and Property Transfer Advice forms to the Auditor-Controller Fixed Asset Unit timely. As of May 2002, the Auditor-Controller Fixed Asset Unit indicated the Executive Office did not submit EACS for the acquisition of five items (e.g., digital recorder, computers, etc.) totaling $57,030 that were purchased in Fiscal Year 1999-2000. In addition, the Auditor-Controller Fixed Asset Unit identified eight transferred/salvaged fixed assets (e.g., vehicles, computer equipment, etc.) totaling $125,122 where the Department did not submit a Property Transfer Advice form.

The Department indicated that EACS and Property Transfer Advice forms were not completed for these fixed assets because staff were new and unfamiliar with the procedures for purchasing and transferring/disposing of fixed assets. Executive Office management should ensure staff receive training on the proper procedures for purchasing and transferring/disposing of fixed assets and ensure EACS and Property Transfer Advice forms are completed and submitted to the Auditor-Controller's Fixed Asset Unit on a timely basis.

Recommendation

26. Executive Office management ensure staff receive training on the proper procedures for purchasing and transferring/disposing of fixed assets and ensure EACS and Property Transfer Advice forms are completed and submitted to the Auditor-Controller's Fixed Asset Unit on a timely basis.

Portable Equipment

A portable equipment item is defined as equipment that can be easily carried or moved, especially by hand and have a unit cost of less than $5,000. The CFM requires departments to keep a department-wide list of the individual responsible for portable equipment items (e.g., computers, printers, fax machines, adding machines/calculators, copiers, etc.) at each location. A current listing of all portables should also be maintained by the assigned manager/supervisor at each location. The listing should include a description of the item, the County identification number, and the name of the individual to whom the item is assigned. A physical inventory of all portables must be taken at least once each year and the results of the physical inventory should be reconciled to the department's master listing of portable equipment.

The Executive Office maintains a listing for computers and printers, but does not maintain a listing for all other portable equipment items. In addition, the Department does not perform annual inventories of its portable equipment as required. Department staff indicated that the Department had never maintained a listing of non-computer items or performed an inventory of portable equipment and were not aware they were required to do so.

We selected five items from the Executive Office's computer and printer listing and noted that three of the five items (personal computers) could not be located. The Department did not know the location of the items.

To minimize the risk of portable items being misappropriated without detection and to help ensure that the accounting records are accurate and complete, the Department should implement procedures to account for and inventory all portable equipment, and ensure a physical inventory of all portable equipment items are performed annually.

Recommendations

Executive Office management:

27. Implement procedures to account for and inventory all portable equipment.

28. Ensure a physical inventory of all portable equipment items are performed annually.

Travel Expenses

The Executive Office requires travel for meetings, seminars, conferences and other County related business. The Department is also responsible for processing and maintaining the travel records and expenditures for 18 client departments (e.g., CAO, Chief Information Office, Human Resources, etc.).

We interviewed staff, reviewed payment listings, and tested sample transactions to determine whether the Department properly monitors and controls travel expenses. The review included assessing whether the Department's travel expenses were properly authorized, accurate, and complete.

Our observations and testwork disclosed that management needs to better monitor and control travel expenses.

Travel Advances

When travel advances are requested, the employee completes the Executive Office's Claim for Travel and/or Registration Advance Claim detailing the employee's name and number, the destination and purpose for travel, and the dollar amount requested. Within two weeks of completing the trip, the traveler must complete an expense report and submit it to the Accounting section of the Executive Office. In addition to the expense report, related travel and expense receipts and documents must be submitted. If an employee is advanced funds, the employee must refund amounts received in excess of their actual travel expenses. If the advance is not sufficient to cover the employee's actual cost, the Department reimburses the employee for the additional expenses.

We sampled nine travel advances and noted that for six, totaling $3,521, employees did not submit an expense report. As a result, we could not determine whether the advances were used for approved purposes or whether the amounts advanced exceeded the employee's actual expenses. In addition, Executive Office management does not have a monitoring system in place to identify and follow-up with employees who receive a travel advance and do not submit an expense report.

Executive Office management should monitor to ensure employees submit travel expense reports and supporting documents timely. In addition, Department management should develop a travel advance control log to assist in managing and monitoring travel expenses.

Recommendations

Executive Office management:

29. Monitor to ensure employees submit travel expense reports and supporting documents timely.

30. Develop a travel control log to monitor travel advances.

Reconciliation of Travel Billing Statements

Each month, American Express (AE) sends the Department a billing statement that lists travel charges assessed to the Department. The Department indicated that they review AE's billing statement to ensure the traveler is an employee of the Department and the

period of travel is accurate. However, the Department does not prepare a formal monthly reconciliation of AE's billing statement to approved travel authorization forms or confirm that the prices charged are accurate.

To ensure that all billed AE travel expenses are for authorized travel and that billing amounts are accurate, Executive Office management should monthly reconcile AE billing statements to approved travel authorization forms and expense reports.

Recommendation

31. Executive Office management monthly reconcile American Express billing statements to travel authorization forms and expense reports.

Cellular Telephone Bill Verification

The Executive Office incurred approximately $38,000 for cellular telephone use in Fiscal Year 2001-02. CFM Section 4.5.2 requires individual users to check and verify that charges on their monthly cellular telephone bills are correct and to reimburse the County for the cost of all reimbursable personal calls. Departments are required to ensure cellular telephone users review their bills to ensure calls made are appropriate and reimburse personal calls.

The Executive Office does not require users to check and verify their cellular telephone bills. As a result, the Department cannot ensure that telephone calls made are appropriate and all personal calls are reimbursed. Of the 18 cellular telephone bills reviewed, 16 (89%) had no indication that the user verified their bill. The Department should require cellular telephone users to review their bills for accuracy, identify personal calls, and reimburse the County for personal calls. In addition, Department management should monitor for compliance.

Recommendation

32. Executive Office management monitor cellular telephone users to ensure they review their telephone bills for accuracy, and identify and reimburse the County for personal telephone calls.

EXECUTIVE OFFICE OF THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

VIOLET VARONA-LUKENS
Executive Officer

October 7, 2003

TO: J. Tyler McCauley
Auditor-Controller

FROM: Violet Varona-Lukens vvl
Executive Officer

SUBJECT: **EXECUTIVE OFFICE OF THE BOARD OF SUPERVISORS FISCAL REVIEW**

Attached is our department's response to the recommendations made in the fiscal review of the Executive Office of the Board of Supervisors. We appreciate the cooperation of your staff in working with us to finalize the review process.

As a result of this review, various operational deficiencies were identified and resolved prior to the conclusion of the review process while other changes are currently taking place. We concur with many of the recommendations included in the review and these recommendations have provided us the ability to make proactive changes in our processes.

There are other recommendations where, at the current time, we have not reached resolution and we will continue working with your staff regarding these areas to find workable solutions. Again, we appreciate the cooperation of your staff. We thank you for working with us to identify areas of improvement.

If you have any questions, please contact me at 213-974-1401 or your staff may contact Charlene Abe, Chief Deputy at 213-974-1410. Thank you.

VVL:mm
Attachment

383 KENNETH HAHN HALL OF ADMINISTRATION / LOS ANGELES, CALIFORNIA 90012
(213) 974-1411 FAX (213) 620-0636

Review Summary

Recommendation #1 - Executive Office management conduct annual ICCP reviews in accordance with the ICCP procedures and ensure the accuracy of the information before submitting the ICCP to the Auditor-Controller.

Department's Response – AGREE
The department concurs with this recommendation.

Board Adopted Budget

Recommendation #2 - Executive Office management utilize four budget units to budget their Department.

Department's Response – DO NOT AGREE
The department does not concur with this recommendation; however, the department will implement the presence control option (see Recommendation #3).

Recommendation #3 - If the Executive Office believes such controls would be too restrictive, the Executive Office should consider the "presence control" option.

Department's Response – AGREE
The department concurs with this recommendation. The Executive Office is developing a budget plan that will provide an increased level of detail regarding expenditure and revenue information. This plan will improve the recordkeeping of such information via utilization of the CAPS fund organization and account code structure.

Trust Fund Accounting

Recommendation #4 - Executive Office management work with its client departments to ensure earned revenues are transferred to appropriate pre-established budget units (i.e., rents, parking, fees, etc.) on a contemporaneous basis.

Department's Response – AGREE
The department concurs with this recommendation. The Auditor-Controller staff met with representatives from the Chief Administrative Office regarding this matter (the CAO's response is attached). The department will work with our

client departments to develop a transfer notification schedule to advise them of revenues in trust.

Recommendation #5 - Executive Office management on at least an annual basis, routinely review unearned revenues and other trust deposits with client departments to ensure appropriate and timely disposition of department's trust deposits, in accordance with the County Fiscal Manual.

Department's Response – AGREE
The department concurs with this recommendation.

Recommendation #6 – Executive Office management close inactive funds, if appropriate, and ensure trust fund records are complete and accurate.

Department's Response – AGREE
The department concurs with this recommendation.

Procurement – Purchasing Compliance

Recommendation #7 - Executive Office management require staff to comply with County purchasing guidelines and monitor for compliance.

Department's Response – AGREE
The department concurs with this recommendation and as a result of the review, is in compliance. The Executive Office complies with all County purchasing guidelines using both agreement and non-agreement vendors. Agreements are "non-exclusive" and non-agreement vendors can be used per County Purchasing Policy P-1800.

Recommendation #8 - Executive Office management investigate the circumstances related to the apparent purchase split and take appropriate action if it is determined the purpose was to avoid purchasing limits.

Department's Response – AGREE
The department concurs with this recommendation and as a result of the review, is in compliance.

Procurement – Payment Controls – Accounts Payable

Recommendation #9 - Executive Office management reinforce with Accounts Payable staff the importance of obtaining receiving reports and to match the receiving reports and purchase orders prior to initiating payment to vendors.

Department's Response – AGREE
The department concurs with this recommendation. Measures are being implemented to more strictly control this process. Coordination of the processes between purchasing and accounting staffs is under review and a new operational policy will be developed.

Procurement – Purchase Requisitions

Recommendation #10 - Executive Office management standardize purchase requisition sheets, ensure requisition sheets are completed for all orders, allow only authorized staff to order items and ensure requisitions are properly pre-approved.

Department's Response – AGREE
The department concurs with this recommendation and as a result of the review, is working toward compliance. A standardized order form is being designed for use by all requestors.

Recommendation #11 - Executive Office management monitor all purchases for appropriate pre-approvals and take corrective action when orders are placed without approval.

Department's Response – AGREE
The department concurs with this recommendation. The department will document for its recordkeeping purposes all cases of requests placed telephonically, via email or fax, or received verbally.

Expenditure Accounting – Accounts Payable

Recommendation #12 - Executive Office management re-instruct fiscal staff on proper accounts payable procedures and monitor for compliance.

Department's Response – AGREE
The department concurs with this recommendation. Staff will monitor future accounts payable submissions for compliance.

Revolving Funds – Petty Cash Fund Purchases

Recommendation #13 - Executive Office management ensure petty cash fund disbursements are made in accordance with County Fiscal Manual guidelines.

Department Response – AGREE
The department concurs with and is in compliance with this recommendation.

Revolving Funds – Reconciling Items

Recommendation #14 - Executive Office management ensure that revolving fund sub-assignments are reconciled monthly and reconciling items from the revolving funds are investigated and if appropriate, written-off.

Department Response – AGREE
The department concurs with and is in compliance with this recommendation. The reconciliation process has been implemented and each month, staff reconciles the fund including the investigation and adjustment of various exceptions.

Revolving Funds – Replenishments/Assignments

Recommendation #15 - Executive Office management re-evaluate the amount of the fund assignment and return excess funds to the Auditor-Controller's Accounting Division.

Department's Response – AGREE
The department concurs with this recommendation. This process needs to be reviewed with staff.

Revolving Funds – Statement of Responsibility

Recommendation #16 - Executive Office management ensure statements of responsibility are completed and maintained for revolving funds.

Department's Response – AGREE
The department concurs with and is in compliance with this recommendation.

Mail Opening Procedures

Recommendation #17 - Executive Office management monitor for compliance with the new mail opening procedures.

Department's Response – AGREE
The department concurs with this recommendation and as a result of the review, is in compliance. This procedure is currently in place and revisions are being made for improvements in recordkeeping.

Personnel and Payroll Security Profiles

Recommendation #18 - Executive Office management restrict profile assignments to the scope of their employees' job responsibilities and periodically review profile assignments for appropriateness.

Department's Response – DO NOT AGREE
The department does not concur with this recommendation. Access to all the functions required to complete assigned duties is operationally necessary. Due to the distinctive duties performed by the BOS' payroll analyst, payroll staff has been allowed to view all screens and perform all payroll and personnel functions for many years.

It is impossible for the staff to create or revise employee records, salary rates, bonuses, etc. or change their own payroll information without authorization because of the following County and departmental internal controls, checks and balances: 1) All transactions require CAO approval; and 2) All incomings, promotions, job changes, etc. must be processed through DHR because payroll specialists do not have access to perform the functions at their own work stations. As a follow-up, the CAO and payroll staffs receive and review a monthly report generated by CWTAPPS summarizing these transactions.

Personnel & Payroll - Processing Centers

Recommendation #19 - Executive Office management ensure an additional processing center is utilized so that payroll and personnel staff do not have access to their own payroll and personnel information.

Department's Response – DO NOT AGREE
The department does not concur with this recommendation. The revised audit review indicated that the department utilizes 14 processing centers, including one for each of the thirteen client departments, allowing the payroll staff data entry

access to every employee's payroll and personnel information, including their own. This department utilizes only one processing center. Also, each month CWTAPPS prints out a report indicating all updates to the employee's information, i.e., emergency updates, warrant recipient designations, time balances, etc. The report is thoroughly reviewed, to ensure for checks and balances, by the payroll supervisor as well as the assistant Division Chief.

Personnel & Payroll – Transaction Deadlines

Recommendation #20 - Executive Office management establish procedures and monitor to ensure bonus and termination transactions are processed within Auditor-Controller deadlines.

Department's Response – PARTIALLY AGREE
The department partially concurs with this recommendation. According to the audit, there were three bonus and one termination transactions entered into CWTAPPS an average of 32 and three days late respectively. Established Auditor-Controller deadlines are met on a regular basis. These transactions were entered late due to circumstances beyond our control. Occasionally the request for a transaction is not submitted on time from a client department as is the case with the termination transaction. The late termination did result in a manual process, as noted on your report. However, it should also be noted that to date there have been no errors as a result of late termination transactions.

Personnel & Payroll – CWTAPPS Reports

Recommendation #21 - Executive Office management ensure exception reports are reviewed, the disposition of each entry is documented, and the report is signed and dated by both the staff and supervisor.

Department's Response – AGREE
The department concurs with this recommendation. Prior to this audit, all CWTAPPS reports were reviewed but not signed. As a result of a recommendation made during this audit, all CWTAPPS reports are reviewed and signed by the staff and supervisor. Processed exception transactions requiring immediate action are properly annotated to document the disposition of the transaction. There are some exception transactions that do not require action by the payroll staff, such as defaulting time variance codes, weekends/holidays for employees on a leave of absence without pay, etc. Please note on your report that this process has been in place for at least the last 12 months.

Overtime and Compensatory Time Pre-Approvals

Recommendation #22 – Executive Office management require written pre-approval for all overtime and compensatory time hours worked.

Department's Response – DO NOT AGREE
This recommendation is misleading and fails to note adherence to existing policies. The Executive Office has a functioning overtime policy, dated January 1992.

There is also in place a formal process to request overtime, which requires managers to complete and sign a County of Los Angeles Request for Overtime Authorization form prior to the start of the new quarter for which overtime is being requested. This process satisfies the requirements of County Code Section 6.15 for departments to obtain CAO approval for all overtime.

The overtime directive, issued in August 2002, was consistent with the guidelines set forth in CAO's April 26, 1996 directive. Also, in February 2003, the CAO Budget Analyst advised that because the Department consistently under-utilizes budgeted overtime hours, it is necessary that we complete interim requests as outlined in CAO's directive. Rather, we were instructed to submit an amendment with the request for the following quarter, which itemizes the total number of additional requested overtime hours.

Recommendation #23 – Executive Office management prepare a formal written policy specifying how managers should track and monitor overtime and compensatory time.

Department's Response – PARTIALLY AGREE
The department partially concurs with this recommendation. The Department has a formal overtime policy. The policy will be revised to reflect the monitoring controls recommended by the Auditor-Controller. In July 2, 2002, the Personnel and Special Services Division developed an internal tracking mechanism to monitor each Division's overtime and compensatory time. Due to the Department's small size, the monitoring functions normally carried out by management in larger departments are performed by a Head Board Specialist, under the general supervision of a Senior Departmental Personnel Technician, using printout reports from CWTAPPS. A summary of these reports are provided to the Personnel Officer no later than five working days after the accrual period. Managers are notified by the Personnel Officer of instances where employees worked "unapproved" overtime hours. Currently, the Personnel and Special Services Division is revising the Department's overtime policy. The proposed

policy will decentralize the monitoring functions currently in place to line management.

Recommendation #24 – Executive Office management require division/section managers to monitor and track overtime and compensatory time hours worked to their quarterly CAO overtime request.

Department's Response – AGREE
The department concurs with this recommendation. As indicated above, the Personnel and Special Services has monitored and tracked overtime hours and compensatory time, since July 2002. Again, the existing policy will be revised to include monitoring provisions, which will be decentralized for use by line management.

Fixed Assets & Portable Equipment – Physical Inventories and Missing Fixed Assets

Recommendation #25 - Executive Office management ensure that staff, in conducting fixed asset inventories, account for all items on the listing; investigate missing items; and annotate changes due to property transfers, disposals, losses or thefts.

Department's Response – AGREE
The department concurs with this recommendation. The department is working to improve its current system. It should be noted that the audio system control panel was moved during the time of the audit but has since been returned to its original location.

Fixed Assets & Portable Equipment – Property Transfers and Equipment Acquisition Check Sheets

Recommendation #26 - Executive Office management ensure that staff receive training on the proper procedures for purchasing and transferring/disposing of fixed assets and ensure EACS and Property Transfer Advice forms are completed and submitted to the Auditor-Controller's Fixed Asset Unit on a timely basis.

Department's Response – AGREE
The department concurs with and is in compliance with this recommendation. These forms are submitted when we are notified of the transfer or disposal of the equipment item.

Fixed Assets & Portable Equipment – Portable Equipment

Recommendation #27 - Executive Office management implement procedures to account for and inventory all portable equipment.

Department's Response – AGREE
The department concurs with this recommendation and will inventory all portable equipment items.

Recommendation #28 - Executive Office management ensure that a physical inventory of all portable items is performed annually.

Department's Response – AGREE
The department concurs with this recommendation.

Travel Expenses – Travel Advances

Recommendation #29 - Executive Office management monitor to ensure employees submit travel expense reports and supporting documents timely.

Department's Response – AGREE
The department concurs with and is in compliance with this recommendation. It should be noted that staff followed up on the outstanding advances and of the six travel advances reviewed, four had expense claims filed following the review.

Recommendation #30 - Executive Office management develop a travel log to monitor travel advances.

Department's Response – AGREE
The department concurs with this recommendation. Staff will be expanding the existing log to ensure that travel advances and expense claims are monitored.

Travel Expenses – Reconciliation of Travel Billing Statements

Recommendation #31 - Executive Office management monthly reconcile American Express billing statements to travel authorization forms and expense reports.

Department's Response – AGREE

The department concurs and is in compliance with this recommendation. Corrections are requested to the Auditor-Controller as identified.

Cellular Telephone Bill Verification

Recommendation #32 - Executive Office management monitor cellular telephone users to ensure they review their telephone bills for accuracy, and identify and reimburse the County for personal telephone calls.

Department's Response – AGREE
The department concurs with this recommendation. The department has an existing policy in place whereby users are provided copies of their billing statements for review and reimbursement is made for non-business calls. We will be reviewing this policy to determine the best way to include a verification acknowledgement.

County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE
713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
http://cao.co.la.ca.us

DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

September 11, 2003

To: J. Tyler McCauley
Auditor-Controller

From: Sharon R. Harper
Chief Deputy

EXECUTIVE OFFICE FISCAL REVIEW

As requested, the Chief Administrative Office (CAO) is responding to your recommendation regarding the status of funds remaining in the CAO's sub-accounts within the Board of Supervisor's Trust Fund. The following issues will be addressed:

1) The CAO's plan for distribution of the funds in the Trust Fund.

2) The reasons why the funds have not been transferred.

Attached is the CAO's plan for distribution of the $9,151,331.79 trust fund balance stated in the Executive Office Fiscal Review as of March 31, 2002. During 2002-03, $1,153,387.49 of this $9,151,331.79 was transferred out of the trust fund. The balance of $7,997,944.30 will be distributed during 2003-04. The CAO's plan has been to use the monies in trust for Board-approved property development projects, CAO's capital improvements and services & supplies, IT upgrades and ongoing CAO property development operating costs.

For your information, Board-approved budget appropriation funded by property development revenues in 2002-03 and 2003-04 are as follows:

	2002-03	2003-04
Extraordinary Maintenance		$4,594,000
CAO Capital Project 86525		$ 900,000
CAO Operating Budget	$1,793,000	$1,793,000
Project and Facilities Budget	$1,031,000	
Total	$2,824,000	$7,287,000

The following are the reasons for the delay in transferring the funds:

- CAO's Budget & Fiscal staff, CAO Program staff and the Executive Office/Fiscal Services staff have been working together to try to reconcile these sub-accounts within the trust fund. When a sub-account has been fully reconciled and disposition has been determined, the monies have been transferred out of the trust fund. During the course of the audit, CAO's Budget & Fiscal staff has made suggestions on better accounting of the trust funds and recommendations for improving the internal controls.
- Funds have been appropriated and approved in the Budget, however, for General Fund budget units, monies remain in trust until expenditures are authorized and expended. Revenues are brought in to cover the actual expenditures at the end of each fiscal year.
- Part of the project development revenues has been earmarked for ongoing operations costs for future asset development projects. Due to the slow down of the economy, projects have been delayed so monies have remained in trust until new projects are authorized by the Board of Supervisors.
- One-time property development monies have been set aside for the CAO's refurbishment project. Originally, the Board approved the CAO's refurbishment project (CP 86525) totaling $900,000 in the 2002-03 Budget. Due to delays, the project has been re-appropriated in the 2003-04 Budget. Our revised project estimate at this time is $1.25 million. The CAO will be going to the Board of Supervisors this fiscal year with our proposed capital project.
- Historical Structure report and Environmental Impact have been resolved with Rancho, which is enabling the County to proceed with the Rancho South Campus Rehabilitation project. During Final Changes for the 2002-03 Budget, monies were approved for this project. Due to delays, the project was re-appropriated in 2003-04.

If you have any questions or need additional information, you can contact Shari Nishi of my staff at (213) 974-1134.

DEJ:SRH
SN:sn

Attachment

c: Executive Officer, Board of Supervisors

BOARD OF SUPERVISOR TRUST FUND

CAO Sub-Accounts

Plan for Transfer of Funds as of March 31, 2002

CAO Sub-Accounts	A/C FISCAL REVIEW		CAO'S PLAN			
	Balance as of March 31, 2002	Revenue Identified as of March 31, 2002	Revenue Transferred FY02-03	Anticipated Revenue To be Transferred FY03-04		Anticipated Transfer Plan
BS10 - State of California	5,009,450.00	-	-	-	*	
CAO2 - Fairplex	1,988,454.30	**1,988,454.30**	-	1,988,454.30		CAO CP 86525 (onetime)
CAO7 - Fremont Rancho, Ltd	4,544,299.65	**3,035,305.76**	-	3,035,305.76		Extraordinary Maintenance
CAO9 - ISD/Parking Revenue	711,458.80	**107,103.49**	107,103.49	-	**	
CAO12 - Long Beach/Signal Hill Development	2,150,316.55	**1,928,602.87**	-	1,928,602.87		CAO operating (ongoing)
CAO17 - SBE Project - County of L. A.	1,216,546.63	**946,546.63**	-	946,546.63		CAO CP and operating (onetime)
CAO18 - Southern California Gas Co. - Rent	1,046,284.00	**1,046,284.00**	1,046,284.00	-	***	
CAO19 - State of California - EMA	529,609.50	-	-	-	**	
CAO24 - Starbucks Coffee Bar	99,034.74	**99,034.74**	-	99,034.74		CAO operating (ongoing)
CAO27 - Child Care Grant	301,618.00	-	-	-	****	
TOTAL	17,597,072.17	**9,151,331.79**	1,153,387.49	7,997,944.30		

* State grant for child care provider stipends.

** Ongoing transfer to participating agencies.

*** Sub-account closed.

**** State local child care grant