

LOS ANGELES FIRE DEPARTMENT



MAY 20 2008

DOUGLAS L. BARRY
FIRE CHIEF



May 12, 2008

BOARD OF FIRE COMMISSIONERS
FILE NO. 08-075

TO: Board of Fire Commissioners

FROM: Douglas L. Barry, Fire Chief 

SUBJECT: **WRITE-OFF OF \$105,272.00 UNCOLLECTIBLE LAFD CHARGES FOR SERVICES OF INSPECTION RESTITUTION, INV#FR000000001 FOR FISCAL YEAR 1997**

FINAL ACTION:	<input type="checkbox"/> Approved	<input type="checkbox"/> Approved w/Corrections	<input type="checkbox"/> Withdrawn
	<input type="checkbox"/> Denied	<input type="checkbox"/> Received & Filed	<input type="checkbox"/> Other

Recommendations: That the Board:

Authorize the Fire Chief to refer to the Board of Review \$105,272.00 an uncollectible account for write-off authority. This recommendation is based on the findings below and in accordance with Section 5.182 (Ch. 11, Art. 1) of the Los Angeles Administrative Code.

Findings:

1. The Los Angeles Municipal Code Section 11.04 (Ch. 1, Art. 1) provides that any Board, Commission, or Head of a Department may prepare a report setting forth findings regarding the status of unpaid accounts. This report may then be submitted to the Board of Review for appropriate actions.
2. The Office of the Controller's audit dated June 11, 2007, disclosed that LAFD currently has an outstanding receivable item being carried in the books for over 3 years, amounting to \$105,272.00. The audit recommends that LAFD research the supporting documentation for this account and if no support could be found, the item should be submitted to the Board of Review for write-off approval.
3. Investigation by Accounting Services staff revealed that the amount of \$105,272.00 was an invoice billed to John D. Smithers on June 13, 1997 for Inspection Restitution Services (see attachment). The account was originally referred to the City Attorney in 1999 for collection. The uncollected account was mislaid when the City Attorney's bad debts collection function was transferred to the Office of Finance in 2003. No further information was attainable by the Office of Finance after the transition.

Also, supporting field reports, time sheets and payroll information to validate the invoice are no longer available in the Accounting Services Section.

4. In view of the fact that Invoice No. FR000000001 for Fiscal Year 1997 in the amount of \$105,272.00 has passed the statute of limitations, being outstanding for almost eleven years, and given that the claim is difficult to substantiate due to lack of any supporting documentation, further collection efforts may be disproportionately costly in relation to its probable outcome. Therefore, the Office of Finance recommends that the claim be referred to the Board of Review for write-off.

Conclusion:

In view of the above findings, it is appropriate that this uncollectible Invoice No. FR000000001 (see attachment) for Fiscal Year 1997 in the amount of \$105,272.00 be referred to the Board of Review in compliance with the Los Angeles Municipal Code.

Upon your Board's approval, Board of Review and Council consideration/approval will be initiated

Board report prepared by Isela Iniguez, Secretary, Bureau of Administrative Services.

ii:Board Report- INV#FR000000001

Attachments

**BOARD OF FIRE
COMMISSIONERS**

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CITY OF LOS ANGELES

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MAYOR

FIRE DEPARTMENT

—
DOUGLAS L. BARRY
FIRE CHIEF

200 NORTH MAIN STREET
LOS ANGELES, CA 90012

(213) 978-3838
FAX: (213) 978-3814

www.lafd.org/comm.htm

May 6, 2008

Louis J. Benjamin, Chairperson
Board of Review
Office of the Controller
Room 300, City Hall East

Dear Chairperson Benjamin:

**WRITE-OFF OF \$105,272.00 UNCOLLECTIBLE LAFD CHARGES FOR SERVICES
OF INSPECTION RESTITUTION FOR FISCAL YEAR 1997**

BACKGROUND

Los Angeles Administrative Code, Chapter 11, Article 1, Section 5.183, provides that the Fire Chief of the Los Angeles Fire Department (LAFD) shall review the status of uncollectible accounts to determine whether they are collectible. He shall refer those accounts determined to be uncollectible to the Board of Review in accordance with the Los Angeles Municipal Code, Article 1, Section 11.04, for appropriate action. The removal of these unpaid account from the current Services of Inspection Restitution account shall not preclude the City from collecting any sum that later proves to be collectible.

RECOMMENDATIONS

It is recommended that the Honorable Board of Review approve the write-off of Invoice No. FR000000001 in the amount of \$105,272.00 for an uncollected, Services of Inspection Restitution, account for Fiscal Year 1997. The removal of this unpaid account shall not preclude the City from collecting any sum that later proves to be collectible.

FINDINGS:

1. The Los Angeles Administrative Code, Chapter 11, Article 1, Section 5.183, provides that the Fire Chief of the Fire Department shall review the status of unpaid accounts to determine whether they are collectible.


Board of Review
May 6, 2008
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He shall refer those accounts determined to be uncollectible to the Board of Review in accordance with the Los Angeles Municipal Code, Article 1, Section 11.04, for appropriate action.

2. The Office of the Controller's audit dated June 11, 2007, disclosed that LAFD currently has an outstanding receivable item being carried in the books for over 3 years, amounting to \$105,272.00. The audit recommends that LAFD research the supporting documentation for this account and if no support could be found, the item should be submitted to the Board of Review for write-off approval.
3. Investigation by Accounting Services staff revealed the amount of \$105,272.00 was an invoice billed to John D. Smithers on June 13, 1997 for Inspection Restitution Services (see attachment). The account was originally referred to the City Attorney in 1999 for collection. The uncollected account was mislaid when the City Attorney's bad debts collection function was transferred to the Office of Finance in 2003. No further information was attainable by the Office of Finance after the transition. Also, supporting field reports and payroll information to validate the invoice are no longer available in the Accounting Services Section.
4. In view of the fact that Invoice No. FR000000001 for Fiscal Year 1997 in the amount of \$105,272.00 has passed the statute of limitations, being outstanding for almost eleven years, and given that the claim is difficult to substantiate due to lack of any supporting documentation, further collection efforts may be disproportionately costly in relation to its probable outcome. Therefore, the Office of Finance recommends that the claim be referred to the Board of Review for write-off.
5. Writing off this account would be consistent with General Accepted Accounting Principles. This is also consistent with existing City policy to reflect the accurate status of accounts in the City's financial statement so not to overstate the revenue.

If you require additional information, please contact Accountant II Emma Pangilinan at (213) 978-3452.

Very truly yours,


DOUGLAS L. BARRY
Fire Chief

DLB:ii

**CITY OF LOS ANGELES**

3/19/2008

INVOICE

INVOICE NO.	CUSTOMER ID	INV DATE	DUE DATE	AMOUNT DUE
38 FR000000001	0000226543	06/13/1997	07/13/1997	105,272.00

LINE	DESCRIPTION	NO. UNITS	MEASURE	UNIT PRICE	LINE AMOUNT
01	FIRE SERVICE RESTITUTION FEES				105,272.00

AMOUNT DUE: **\$105,272.00***Retain this portion for your records**Return this portion with your payment***CITY OF LOS ANGELES****Remit To:**

CITY OF LOS ANGELES
DEPARTMENT OF FIRE
CITY HALL EAST
LOS ANGELES, CA 90012

CONTACT: DIANE H. LEE
213 847-6722

Bill To:

SMITHERS JOHN D
C/O BARBARA J SMITHERS
7020 SYRACUSE AVENUE
STANTON, CA 90680

INVOICE NO.	CUSTOMER ID
38 FR000000001	0000226543

INVOICE DATE	DUE DATE
06/13/1997	07/13/1997

AMOUNT DUE	AMOUNT ENCLOSED
\$105,272.00	

Make Check Payable To**** CITY OF LOS ANGELES ****

had prepared some of the write-off requests as early as 2003. However, staff indicated that it did not submit the requests because the Board of Review was inactive for several years.

The department also has had a \$105,272 receivable on the books for over three years. The department could not provide support documentation for the receivable and did not know the type of service related to the account. If the department cannot locate any records related to this amount, it should request write-off approval from the Board of Review.

EAD

Environmental Affairs has not made Board of Review referrals for at least four years. We identified \$11,866 that had been billed over three years ago that had not been written-off.

Recommendations

4. Department management should ensure that write-off requests are submitted to the Board of Review in a timely manner.
5. The Fire Department should research the \$105,272 to determine if it can locate support documentation for the receivable. If no support can be found, Fire Department management should submit the account to the Board of Review for write-off approval.

For accounts over \$1,000, Allied periodically returns uncollectible accounts to the Office of Finance, which then prepares transmittal letters to departments so the accounts can be submitted for write-off approval. We reviewed all 37 transmittal letters of uncollectible accounts returned to Office of Finance by Allied since October 2005. We noted that in 16 (43%) instances, Office of Finance took more than two months (an average of six months) to notify the departments of the returned accounts. The total amount returned on these 16 transmittals was \$600,000.

The Office of Finance needs to establish controls to ensure that it more expeditiously processes uncollectible accounts returned by Allied. Once Office of Finance processes the accounts, the write-off process could be improved if Office of Finance made the referrals directly to the Board of Review. Copies could be sent to the departments so they can update their accounts receivable records. Not only would this process be more expedient, it would eliminate the problem of departments failing to make the referrals.

The Office of Finance stated that it prefers to refer the uncollected accounts back to the departments and have the departments make the referrals to the Board of Review. The Office of Finance stated that some departments may want to continue to pursue collecting certain accounts or may want to pursue legal action.

TABLE of RECOMMENDATIONS

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Section I: Accounts Receivable Reporting	21
We recommend that:	
1. The Mayor should direct the Office of Finance to consider the feasibility of centralizing billing functions under the Office of Finance.	22
2. The Office of Finance should assess whether any departments should be exempt from submitting quarterly accounts receivable reports due to the department's minimal accounts receivable activity.	22
3. The Office of Finance should monitor to ensure that all departments, unless exempt, submit the required quarterly accounts receivable reports.	22
4. Department management should ensure that write-off requests are submitted to the Board of Review in a timely manner.	24
5. The Fire Department should research the \$105,272 to determine if it can locate support documentation for the receivable. If no support can be found, Fire Department management should submit the account to the Board of Review for write-off approval.	24
6. The Office of Finance should establish controls to ensure uncollectible accounts returned by Allied are processed in a timely manner.	25
7. For accounts returned as uncollectible by Allied, the Office of Finance should refer the accounts directly to the Board of Review for write-off approval unless a specific department requests to make the referrals itself.	25
8. The Office of Finance, in conjunction with the Controller's Office should provide additional clarification and guidelines on how to report accounts receivables,	26