



OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

200 N. MAIN STREET, RM 300  
LOS ANGELES 90012  
(213) 978-7200  
[www.lacity.org/ctr](http://www.lacity.org/ctr)

July 15, 2008

Mr. Douglas L. Barry, Fire Chief  
Los Angeles Fire Department  
Room 1800, City Hall East  
200 North Main Street  
Los Angeles, CA 90012

Dear Mr. Barry:

**SUBJECT: EVALUATION OF RESPONSE TO THE REVIEW OF THE INTERNAL  
CONTROLS AT THE LOS ANGELES FIRE DEPARTMENT**

My Audit Division has evaluated your June 19, 2008 response to the Review of the Internal Controls at the Los Angeles Fire Department (LAFD) issued on May 6, 2008. I am pleased to see that the Department concurs overall with the findings and recommendations.

I accept the Department's completed and planned actions to address the report's recommendations. However, I have the following comments:

**Audit Finding No. 6 (Recommendation No. 9)**

Your response stated that "Maintenance of the computer components described in the audit findings was a temporary measure that does not reflect the standard operating procedure of the Department".

Our review of the LAFD computer inventory records showed that LAFD acquired the computer components in "stock" in ten different instances for the period from January 2005 to June 2007, which indicates that it was not a temporary measure. I encourage purchases of computer components are closely monitored to ensure purchases are made as need arises.

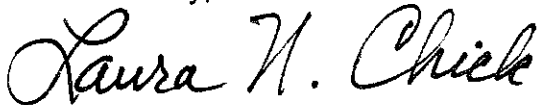
Douglas L. Barry  
July 15, 2008  
Page 2 of 2

Audit Finding No. 8 (Recommendation No. 13)

Recommendation No. 13 is for LAFD to establish controls which ensure it maintains accurate payroll records to support salary payments. We recognize that the Department has been working with the Controller's Payroll Replacement Systems (PAYSR) Section to maintain benefit balances in PaySR and encourage LAFD to continue to work with PAYSR to arrive with a mutually agreeable timeline to implement this important feature that accurately supports salary payments.

As part of my office's follow-up program, we will be requesting a status report approximately six months after the report issuance date. The objective of the follow-up program is to ensure that the audit recommendations have been properly addressed.

Sincerely,



LAURA N. CHICK  
City Controller

cc: Honorable Antonio R. Villaraigosa, Mayor  
Robin Kramer, Chief of Staff, Office of the Mayor  
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor  
Raymond P. Ciranna, Acting City Administrative Officer  
Karen E. Kalfayan, City Clerk  
Gerry F. Miller, Chief Legislative Analyst  
✓ Genethia Hudley-Hayes, President, Board of Fire Commissioners  
Independent City Auditors

GENETHIA HUDLEY-HAYES  
PRESIDENT

CASIMIRO U. TOLENTINO  
VICE PRESIDENT

DIANA M. BONTÁ  
ANDREW FRIEDMAN  
JILL FURILLO

BLANCA GOMEZ-REVELLES  
EXECUTIVE ASSISTANT II

CALIFORNIA



ANTONIO R. VILLARAIGOSA  
MAYOR

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](http://www.lafd.org/comm.htm)

July 9, 2008

Honorable Members of the City Council  
City of Los Angeles  
City Hall, Room 395  
Attention: City Clerk's Office

C.F. 08-1169 - REVIEW OF INTERNAL CONTROLS AT THE LOS ANGELES FIRE DEPARTMENT

Transmitted herewith for your consideration is the Fire Department's response to the Controller's correspondence dated May 6, 2008, Review of Internal Controls at the Los Angeles Fire Department. The documents were adopted at the Board of Fire Commissioners meeting of June 17, 2008.

Should you need additional information, please contact the Board Office at 978-3838.

Sincerely,

Blanca Gomez-Revelles  
Commission Executive Assistant II

Attachment – BFC 08-074-S1

c: Board of Fire Commissioners  
Douglas Barry, Fire Chief

GENETHIA HUDLEY-HAYES  
PRESIDENT

CASIMIRO U. TOLENTINO  
VICE PRESIDENT

DIANA M. BONTÁ  
ANDREW FRIEDMAN  
JILL FURILLO

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CALIFORNIA



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DOUGLAS L. BARRY  
FIRE CHIEF

200 NORTH MAIN STREET  
LOS ANGELES, CA 90012

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

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July 9, 2008 (revised)

Honorable Laura Chick  
Controller, City of Los Angeles  
City Hall East, Room 300

C.F. 08-1169 - REVIEW OF INTERNAL CONTROLS AT THE LOS ANGELES FIRE DEPARTMENT

At its meeting of May 20, 2008 the Board of Fire Commissioners considered the "Review of Internal Controls at the Los Angeles Fire Department" and instructed the Fire Department to prepare a response for the Board's approval. On June 17, 2008, the Board reviewed and adopted the Fire Department's audit response.

The Fire Department will move forward with the measures for compliance of the audit findings and recommendations, which we accept as accurate. However, after a comprehensive review of the pertinent documentation and information considered at the two meetings, the Board identified areas of concern that we feel need to be brought to your attention. The Board believes that several issues outlined in the scope of the audit and the Department's response do not fully take into consideration critical factors which are essential when implementing and maintaining new internal controls. It is important to further examine recommendations that call for enhancement of effective controls which are primarily influenced by the current budget constraints and the economic challenges which the Department and the City as a whole are experiencing.

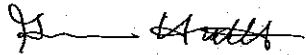
Several of the findings and recommendations outlined in the audit correlate specifically to staff shortages, lack of resources and funding for technological advances. Some areas of operation have been directly impacted by workload increases and a high-vacancy rate. With so many positions vacant, tasks must be prioritized based on the Department's workload and staff availability. Regarding data capture systems; it is difficult to keep up with technology if funding and staffing resources are not readily available. The Department is in the process of transitioning to electronic tracking and data collection systems. However, hampering this is the fact that city fiscal resources have not kept pace with the cost of upgrades to technology. Additionally, recent legislation requires hospitals to implement new interactive, statewide medical electronic record systems. As this new technology advances, the Fire Department will need to keep pace with the local hospital emergency medical service electronic systems.

The Board of Fire Commissioners is mindful of the City's budgetary constraints. We support the City's need to create government efficiencies and cost savings in all departments. The impact of these measures must be taken into consideration as we all work to ensure that the Los Angeles Fire Department continues to correct areas identified by your audits. We will continue to exercise fiscal responsibility and take steps to continue to instruct the Department to implement cost saving measures while maintaining the expected high-level of service to the public.

We appreciate your invaluable service; it is our hope that when reviewing the Fire Department's infrastructure, you give consideration to the budgetary constraints that we are all faced with. The Board looks forward to working with you and to continue serving the citizens of Los Angeles.

Should you need additional information, please contact the Board office at 978-3838 or Fire Chief Barry at 978-3800.

Sincerely,



GENETHIA HUDLEY-HAYES  
President

GHH:BGR/BFC 08-074-S1

Attachment

cc: Honorable Members of the City Council  
Honorable Antonio Villaraigosa, Mayor  
Honorable Rockard Delgadillo, City Attorney  
Robin Kramer, Chief of Staff, Office of the Mayor  
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor  
Arif Alikhan, Deputy Mayor, Office of the Mayor  
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Board of Fire Commissioners  
Douglas Barry, Fire Chief

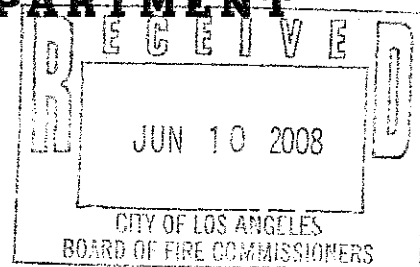
JUN 17 2008

# LOS ANGELES FIRE DEPARTMENT



APPROVED: 6/17/08  
BOARD OF FIRE COMMISSIONERS  
BY: *[Signature]*  
COMMISSION EXECUTIVE ASSISTANT II

DOUGLAS L. BARRY  
FIRE CHIEF



June 10, 2008

BOARD OF FIRE COMMISSIONERS  
FILE NO. 08-074-51

TO: Board of Fire Commissioners

FROM: Douglas L. Barry, Fire Chief *DLB*

SUBJECT: LAFD'S RESPONSE TO THE OFFICE OF THE CONTROLLER'S AUDIT  
- "REVIEW OF INTERNAL CONTROLS AT THE LOS ANGELES FIRE  
DEPARTMENT"

FINAL ACTION:	<input checked="" 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:

The following recommendations are submitted to the Board for consideration. It is recommended that the Board:

1. Approve the attached response to the Office of the Controller's audit "Review of Internal Controls at the Los Angeles Fire Department."
2. Authorize the Fire Chief to sign the response and subsequent written correspondences regarding this audit.
3. Direct the Board's Executive Assistant to forward the Response to the Office of the Controller.

## Summary:

The report was prepared in response to the Office of the Controller's audit the "Review of Internal Controls at the Los Angeles Fire Department." The audit required the Department's response by June 2, 2008, however, the Department requested an extension to June 19, 2008 to allow the Board to hear and approve the response.

The objective of the review was to determine whether the Department maintains effective internal controls over its operations. The audit focused primarily on the



operations of the Supply and Maintenance Division, the Management Services Division, and the Management Information Systems Division. The audit report contained nine findings, comments, and fourteen recommendations. The Department's comment/response focused on the fourteen recommendations.

On May 20, 2008, the Board heard the audit report and instructed the Department to prepare a response to the audit and to submit the response for Board approval before submission to the Office of the Controller.

Board report prepared by Ngozi Mbamalu, Senior Management Analyst I, Administrative Services Bureau.

Attachment

GENETHIA HUDLEY-HAYES  
PRESIDENT

CASIMIRO U. TOLENTINO  
VICE PRESIDENT

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ANDREW FRIEDMAN  
JILL FURILLO

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ANTONIO R. VILLARAIGOSA  
MAYOR

DOUGLAS L. BARRY  
FIRE CHIEF

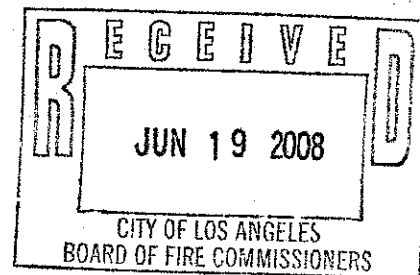
200 NORTH MAIN STREET  
LOS ANGELES, CA 90012

(213) 978-3838  
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June 19, 2008

Honorable Laura N. Chick  
Controller, City of Los Angeles City  
Room 300, City Hall East  
Los Angeles, CA 90012



Dear Ms. Chick:

Review of Internal Controls at the Los Angeles Fire Department

The Fire Department (LAFD) is in receipt of your recent audit the "Review of Internal Controls at the Los Angeles Fire Department." The Department's comments on the recommendations are as follows:

**Recommendation No 1:**

LAFD management should develop controls that provide assurance that a billing results for each billable emergency medical service provided, until a field capture system is implemented.

**Response:**

The Department has implemented additional controls to ensure that billable 902M's are captured in the EMS Billing System. The procedures include the generation of Monthly Exception Reports (MER). The MER provides a listing of unbilled incidents and is used to track missing 902M's based on recorded incidents. The Follow Up Sub Unit of the EMS Billing Unit has staff dedicated to research, locate, and resolve open items reflected in the MER.

**Recommendation No 2:**

LAFD management should work with the Mayor's Office to arrive at comprehensive fees, as related to filming activities, consistent with the Mayor's strategy.

**Response:**

Staff from the Bureau of Fire Prevention met with the Mayor's Office regarding the Film fees. The Mayor's Office has requested cost information for the Uniform Fire Safety Officer and the cost of inspecting film sites. Staff is preparing the information and will continue to work with the Mayor's Office to resolve issues surrounding the



implementation of fees for full cost recovery for Film projects. Any new fees or an increase in existing fees is contingent upon the approval of the Mayor and Council.

**Recommendation No 3:**

LAFD management should require deposits from clients who request Fire Safety Watch services. The deposit amount should equal the estimated cost of providing service.

**Response:**

The Department is conducting a study to determine the discrepancy between the requested number of hours for a Uniform Fire Safety Officer and the actual hours required. The Department's target date for implementation is September 30, 2008. LAFD receives an average of over 250 Uniform Fire Safety requests each month.

**Recommendation No 4:**

LAFD management should stop issuing permits to companies with past due Fire Safety Watch uncollected accounts.

**Response:**

The Department has put in place a procedure to minimize Fire Safety Watch services to vendors that have a past due balance. On a monthly basis, a list of vendors and their past due amounts will be made available to the staff that assigns Fire Safety Watch Officers. Those vendors with past due amounts will be required to pay their outstanding debt prior to the issuance of a Fire Watch Officer to their event. The Department's Fire Prevention Bureau has dedicated staff to coordinate and monitor the assignment of Fire Safety Watch Officers to ensure that delinquent fees are paid first.

**Recommendation No 5:**

LAFD management should maintain perpetual inventory records of items in the warehouse, conduct physical inventories at least once a year, and repair the warehouse security system. The physical inventories should be conducted by an individual independent of ordering, receiving, and warehouse functions.

**Response:**

The Department is reviewing the inventory systems currently described in the Citywide Application Portfolio for Asset Management to determine, which system will best meet the Department's needs. The Department has set a target date of September 30, 2008 for the selection and establishment of an inventory system.

Further, the initial warehouse physical inventory count will be conducted in May 2009 to ensure the accuracy of fiscal year 2008-2009 year-end balances. Thereafter, the warehouse physical inventory will be conducted every fiscal year. The Department's Internal Audit staff will coordinate and supervise the annual physical inventory.

RD Systems has been awarded the contract to repair/upgrade the warehouse security system. The total cost of equipment and installation is \$50,968.44. The estimated completion date is August 31, 2008.

**Recommendation No 6:**

LAFD management should update the Centralized Asset Management System on a regular basis to reflect acquisitions and dispositions.

**Response:**

The responsibility of the update of the Centralized Asset Management System has been assigned to the Department's Supply & Maintenance Division. However due to the high employee turnover, updates to the system have been delayed. The Department is working to fill the Senior Clerk Typist position, which has been vacant. The Senior Clerk Typist will be responsible for updating the system on a regular basis. In fiscal year 2006-2007, there were 52 line item acquisitions totaling \$4,225,490 and dispositions totaling \$2,570,823.

**Recommendation No 7:**

LAFD management should conduct a physical inventory of its equipment every two years.

**Response:**

The Department is in agreement with this recommendation. Effective fiscal year 2008-2009, a physical inventory will be conducted and subsequently every two years. The Department's Internal Audit staff will coordinate and supervise the physical inventory.

**Recommendation No 8:**

LAFD management should submit to the Controller's Office the certification signed by the Fire Chief for all the funds to acknowledge all the equipment under charge of the Department.

**Response:**

The current practice is to submit certification equipment procured with the General Fund monies as requested by the Controller's Memorandum dated August 9, 2007. Effective July 1, 2008, certification will be submitted for equipment procurements through the General Fund and all Special Funds.

**Recommendation No 9:**

LAFD management should stop maintaining computer components as stock items and determine its needs before purchasing computer components.

**Response:**

Maintenance of the computer components described in the audit findings was a temporary measure that does not reflect the standard operating procedure of the Department. Computer components are purchased as the need arises and funds are designated. The Department will continue to procure computer components as the need arises.

**Recommendation No 10:**

LAFD management should facilitate the deployment of new computer components to put them in service as soon as practicable.

**Response:**

The Department's Management Information Systems Division (MISD) orders computer components as needed. Once received the items are deployed based on staff availability and work priority. Such deployments are done in a timely and efficient manner that reflects the geographic distribution of the 114 sites that are supported by MISD.

**Recommendation No 11:**

LAFD management should send to salvage in a timely manner, any computer components that are no longer needed.

**Response:**

Staff has implemented a system to allow for pickup of salvage items more frequently. The frequency of pickups is dependent on the quantity of salvage items collected. The Department has limited storage capacity, but also the largest distribution of physical sites supported by any systems group in the City. Therefore, in order to facilitate an efficient and effective method of salvaging equipment, items are temporarily housed in storage until such time as to allow for pickup for salvage. The Department's MISD has assigned staff to coordinate the delivery and pickup of salvage items.

**Recommendation No 12:**

LAFD management should establish procedures which ensure that the Department conducts a periodic and thorough review of open encumbrances to identify funds that should be reverted to the Reserve Fund.

**Response:**

LAFD currently reviews open encumbrances each fiscal year. Effective July 1, 2008, the Department has established procedures for a thorough review of all open encumbrances biannually, determine the status of each encumbrance, and revert funds when appropriate. The Department's Budget Section will coordinate the review and will work with the Accounting Section and the Supply and Maintenance Division to revert funds when appropriate.

**Recommendation No 13:**

LAFD management should establish controls which ensure it maintains accurate payroll records to support salary payments.

**Response:**

LAFD has been concerned with this problem for four years and has requested the Controller's Office to remedy this condition. The Controller's Office is the Administrator of the City's payroll system and the Department looks to them for the implementation of this recommendation.

**Recommendation No 14:**

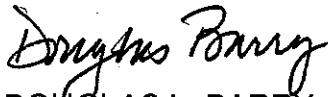
LAFD management should periodically review the list of employees who have access to the Emergency Medical System to ensure that the employees' access is still appropriate and that terminated employees are deleted from the System.

**Response:**

LAFD will continue to maintain a list of employees with authorized access to the Emergency Medical System and quarterly review the list to ensure that employees' access is appropriate and that terminated employees are removed from the System. The Department's Fiscal System's Analyst has been assigned the responsibility for reviewing and reporting exceptions to management.

It is the intent of LAFD to establish and maintain internal controls that would allow the Department to operate efficiently and effectively within the constraints of the Department's budget. LAFD will cooperate with the implementation of the recommendations. If you have any questions, please contact Ngozi (Zim) Mbamalu at (213) 978-3402.

Respectfully submitted,



DOUGLAS L. BARRY  
Fire Chief

DB:lk:

cc: Robin Kramer, Chief of Staff, Office of the Mayor  
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor  
Karen Sisson, City Administrative Officer  
Karen E. Kalfayan, Interim City Clerk  
Gerry F. Miller, Chief Legislative Analyst  
Genthia Hudley-Hayes, President, Board of Fire Commissioners  
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