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## LA CONTROLLER

**Los Angeles Fire Department (LAFD)
IT Commodity Procurement Review
August 6, 2019**

An effective and efficient information technology (IT) procurement process is critical for the City of Los Angeles (City) to leverage technology to conduct business and serve the public. City departments must have appropriate and effective fiscal controls to prevent IT commodity contract misuse (e.g., paying for commodities that are not operationally necessary).

The Office of the City Controller conducts periodic IT commodity procurement reviews to assess how well City departments, such as LAFD, are monitoring IT commodity purchases.

**Compliance Review Results**

Based upon a sample of the LAFD's IT commodity purchases, certain enhancements to its policies and procedures are necessary. Specifically:

**Written procedures and segregation of duties are necessary:** LAFD does not have written procedures documenting its procurement process for IT purchases, nor do they have proper segregation of duties over its purchasing function. There were procurement transactions showing instances where the same individual processed purchase orders, verified that the items were received and accepted the commodities in the City's Financial Management System. This same individual also physically distributed the commodities. Additionally, some purchases did not have the required signature approvals or written justifications for the expenditures.

**Physical inventories need to be completed annually and enhancements to radio communication equipment inventory controls are needed:** During our Review, we identified computer equipment that was not entered into LAFD's inventory system. LAFD also does not have a complete inventory listing or tracking system to account for the locations and status of its extensive inventory of mobile and hand-held radios. Management acknowledged that they have not conducted a physical inventory count for its computer equipment and radio equipment for several years.

## Key Facts

FACT #1

**The LAFD is the City's first responder for medical emergencies, fires and other natural disasters, responding to an average of 330,000 medical emergency calls annually. The LAFD transports more than 500 people every day to local hospitals.**

FACT #2

**LAFD's Fiscal Year 2019 adopted budget is just over $674 million, with $662 million (98%) funded by the City's General Fund.**

FACT #3

**Approximately 84% ($565 million) of LAFD's Fiscal Year 2019 adopted budget is devoted to three programs, Fire Suppression, Fire Prevention, and Emergency Medical Services.**

FACT #4

**Between July 2017 and February 2019, LAFD purchased over $3.3 million in computer hardware and software, and $4 million in Motorola radio equipment. We estimate that LAFD has over 11,000 mobile radios that are installed in LAFD equipment and have a total estimated cost of more than $70 million. This estimate excludes the cost of handheld radios which are either checked out or assigned to LAFD employees.**

## LAFD – IT COMMODITY PROCUREMENT REVIEW

## OPPORTUNITIES FOR IMPROVEMENT

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|---|-------|------|----------------|---------------|
| 1 | The City requires individual departments to establish written policies and procedures to purchase its supplies and equipment while adhering to the City's Administrative Code guidelines and regulations.  LAFD does not have written policies or procedures in place to procure its information technology equipment and software purchases.  We sampled 17 purchase transactions, totaling $2.6 million, and found that seven of these transactions did not have adequate separation of duties. Specifically, the same individual had processed purchase orders, verified that the items were received, accepted the commodities in the City's Financial Management System, and also physically distributed the commodities.<br><br>We also identified nine purchase transactions that did not include an approved Form F225, this is a requirement for LAFD purchases. LAFD Form F225 is the Department's internal correspondence that justifies the expenditure, budget approval, and appropriate signature from command staff.   LAFD purchasing staff acknowledged Form F225 isn't always used, but they will ensure future purchases have an approved Form F225. | Inadequate separation of duties and insufficient controls may result in fraud, waste or abuse | 1. LAFD should develop written procurement procedures, providing guidance on obtaining quotes, ordering, approving, and receiving commodity purchases. These procedures should also ensure separation of duties amongst these four functions. | **1. LAFD agrees with the auditors' comments regarding the need for written procurement procedures with regards to the purchase of computer hardware, software, and accessories. LAFD will develop written procedures to provide guidance, consistency, and controls around the procurement of information technology equipment. The procedures will address the process of requesting, approving, ordering, and receiving of information technology equipment. These procedures will define roles and responsibilities that provide adequate separation of duties with regards to the requesting, approving, ordering, and receiving of information technology equipment. These procedures will be developed and implemented by December 31, 2019.**<br><br>**LAFD would like to note that the use of F-225 as part of the procurement of Motorola equipment was not discussed during the Controller's Office audit visit and isn't currently used as part of the procurement process of voice and radio equipment.  LAFD will implement a simplified F225 process for the purchase of voice and radio equipment** |

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| | | | | **for consistency and establish thresholds that would require additional signatures.** |
| 2 | While analyzing our expenditure sample, we conducted a physical inspection of the ITB computer equipment storage area, as well as the radio equipment inventoried at LAFD's Supply and Maintenance facility.  There were more than 20 unopened boxes containing computer monitors with purchase dates from 2016 and 2017 in the storage area, which indicates the purchasing of these monitors may not have been operationally necessary.<br><br>We also requested the records of all computer equipment held in storage, as well as documentation from the last inventory count, but the Department does not have a comprehensive inventory or tracking system to account for computer hardware, nor the locations and status of its handheld and mobile radio equipment. Although LAFD uses Information Technology Agency's (ITA) tracking systems to request installations of radios and computer equipment and service requests, this is not a comprehensive inventory as computer equipment, and mobile radios not ready for installation, as well as hand-held radios with no-service issues, aren't included in these systems. | Waste, inefficient and ineffective use of resources; risk of loss or theft of information technology equipment | 2a.  LAFD should be monitoring to ensure IT commodity purchases, including software, are operationally necessary before ordering items. Those charged with oversight should also ensure that all purchases are entered into the inventory system immediately upon receipt of commodities.<br><br>2b. A person independent from purchasing and receiving should complete an inventory reconciliation each fiscal year.  Section 3.5.1 of the Controller's Manual also requires a | **2a. LAFD agrees with the auditors' comments regarding the need for operationally necessary related to the procurement of computer hardware, software, and accessories, and the following action will be taken to improve the situation. LAFD will ensure that purchases are reviewed and approved based on operational needs. To address the age of the equipment in the LAFD storage area, LAFD will ensure that IT inventory is deployed in a first-in-first-out method to eliminate cases where older orders remaining in storage. LAFD will include in the written procedures guidelines for the timely entry of newly received commodities into the citywide SNOW inventory system.**<br><br>**LAFD agrees with the auditors' comments regarding voice and data radio equipment at** |

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| | | | Citywide Asset Management System (CAMS) reconciliation and certification of inventory value at fiscal year-end by the Department head.<br><br>2c. LAFD enhance its tracking of all radio equipment to include deployment location or the names of LAFD employees assigned to the radios. | **Supply & Maintenance, and the following action will be taken to improve the situation. LAFD will have the Section Fire Captain document and inventory radio equipment at Supply & Maintenance and send outdated items to City Salvage by the end of the third quarter of 2019.  LAFD will then consolidate our findings into the new M5 inventory system that will be available to all Section members in the future.  Updates to the M5 inventory database will be made as needed to ensure the inventory data is current at all times at this location. The Section members will be advised of all updates.**<br><br>**Also, LAFD agrees with the auditors' comments regarding voice and data radio equipment at S&M that all purchases are entered into the inventory system immediately upon receipt of commodities.  We recommend access to the new M5 inventory system when established (web-based), and that it be made available at S&M (Radio Inventory Control) on 2nd Floor and the Piper Tech Facility.** |

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| **#** | **ISSUE** | **RISK** | **RECOMMENDATION** | **LAFD RESPONSE** |

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|  |  |  |  | **2b.  LAFD will include in the written procedures the need for annual computer hardware inventory reconciliation.  This process will ensure that a person independent from purchasing and receiving perform an annual inventory reconciliation of computer hardware stored in the ITB computer equipment storage area. The Citywide Asset Management System (CAMS) will be replaced by the Software Now (SNOW) Inventory Module in August 2019. LAFD computer hardware inventory is currently maintained in the Software Now (SNOW) citywide inventory tracking system and will facilitate the fiscal year-end inventory value reporting of computer assets.** <br><br> **The LAFD Voice and Data Radio Section will commit to periodic inventory reconciliation; however, due to the large inventory of equipment and a lack of staffing necessary to perform this task, the department will not be able to perform this task annually.** <br><br> **2c.   All mobile voice and data systems equipment is entered into the Communications Asset Inventory Management System (CAIMS) by ITA at the** |

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| | | | | time of apparatus install. The LAFD does not have access to the CAIMS system but will have access to the new M5 inventory system to ensure that inventory is current and accurate. LAFD will enhance the tracking of all radio equipment by including location and/or employee name associated with each piece of equipment. Due to the volume and lack of a complete tracking system for both mobiles and portables, the completion of this item is estimated to be in 2020. |