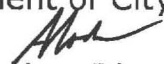


**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

**DATE:** December 9, 2016

**TO:** Vincent P. Bertoni, Director  
Department of City Planning

**FROM:**  Alfred Rodas, Director of Auditing  
Office of the Controller

**SUBJECT: LIMITED SCOPE FISCAL AUDIT AT THE DEPARTMENT OF CITY PLANNING**

The Controller's Office conducted a limited scope fiscal audit at the Department of City Planning (Planning), focused on cash handling and payroll. We performed surprise cash counts to ensure that any collections and the authorized petty cash and change funds are accounted for and adequate internal controls are in place over these funds. We also completed a limited payroll review, which entailed verifying hours worked, overtime, and bonuses paid to sampled employees over a two week period, were properly supported.

Our audit was performed in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Overall Results

The petty cash fund, change funds, and collections were properly accounted for and collections were deposited timely. Planning has adequate internal controls to ensure petty cash reimbursements/disbursements are appropriate and authorized. However, management should ensure that the change fund custodian completes an Accountability Receipt to formally acknowledge responsibility for the two change funds.

Although the Department of Building and Safety (DBS) is primarily responsible for Planning's cash collection activity, there are certain controls, such as using sequential official receipts and performing reconciliations, which Planning should implement to verify collections are complete.

Our payroll review found all payments for hours worked, overtime, and bonuses were properly approved and supported.

### Department Response

We provided a draft report to your Department on November 30, 2016, and Planning representative's indicated general agreement with the findings and recommendations. The Action Plan submitted by your Department on December 5, 2016 is included as an attachment to this report. We now consider four recommendations Implemented and the remaining recommendation In Progress.

We appreciate the cooperation and assistance provided by Planning management and staff during our audit.

### **OBSERVATIONS**

#### **Cash Handling**

It is the responsibility of each City Department to maintain effective controls to properly account for and safeguard cash and deposit all collections in a timely manner. Departments must develop procedures for their specific operations that reduce the risk of errors and irregularities while incorporating good internal controls, such as segregation of duties. Department management should monitor compliance with these procedures.

DBS provides cashiering services for Planning at its public counter locations in Downtown Los Angeles and Van Nuys. Staff at these locations collect payments for Planning's review of land use entitlements and other services rendered to customers. DBS deposits collections into the City's Treasury daily, and allocates revenues to Planning via a daily journal entry in the City's Financial Management System (FMS).

Planning's Office of Historic Resources (OHR) and Automated Records and Files (ARF) Unit also collect payments from customers. These collections are forwarded to Planning's Accounting and Purchasing Section (APS) for deposit into the Treasury approximately twice per week, depending on the amounts collected.

When a customer pays an invoice for services or entitlements, even if processed by DBS, Planning staff will later document the payment in Planning Case Tracking System (PCTS).

The ARF Unit is authorized for two \$100 change funds, and APS is authorized to have a \$500 petty cash fund for incidental services, materials and supplies. Each fund is to remain intact.

**Observation#1: Formal accountability of change funds should be documented.**

Internal controls surrounding the petty cash and change funds were sound. However, our review identified that the custodian for the two change funds had not completed an Accountability Receipt. Good internal controls require that accountability for cash be properly established since officially designated custodians are more likely to exercise a higher level of care over funds.

**Observation#2: Use of non-sequentially numbered customer receipts could lead to inappropriate use.**

The ARF Unit issues handwritten official receipts that are not sequentially numbered and there is no inventory control over these receipts. Without a proper accounting of official City receipts there is an increased risk of misuse.

**Observation #3: Checks are not immediately endorsed upon receipt.**

During our cash count at ARF Unit, and while following-up with OHR, we found that staff are not immediately endorsing checks received, which increases the risk of loss and theft. Upon receipt, Department's should endorse checks to the "City of Los Angeles" and mark them as being for "deposit only".

**Observation#4: Reconciliations of paid invoices to reported collections are not occurring.**

DBS' collection of payments on behalf of Planning are subsequently allocated to Planning via a daily journal entry in FMS. According to Planning, the entry lacks individual collection transaction level detail.

Although Planning utilizes PCTS to generate certain invoices while staff subsequently document the payments within PCTS, Planning does not complete periodic reconciliations to PCTS or supporting documents to verify completeness of collection transfers. Further, collections received by ARF Unit and OHR are not being reconciled to subsequent FMS deposits.

While multiple City Departments, including Planning and DBS, are currently working to implement a Universal Cashiering System, Planning should

implement formal reconciliation processes to verify completeness of collections reported in FMS.

### **Recommendations**


#### **Planning Management should:**

- 1. Require the change fund custodian to sign an Accountability Receipt, formally acknowledging responsibility for the funds.**
- 2. Develop an inventory control log to track all receipts issued by Planning staff.**
- 3. Utilize sequentially numbered customer receipts throughout the Department.**
- 4. Ensure clerks appropriately endorse checks immediately upon receipt.**
- 5. Require periodic reconciliations to invoices, receipts, PCTS, and data maintained by DBS to verify the completeness and accuracy of collections reported in FMS.**

**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

December 5, 2016

TO: Alfred Rodas  
Director of Auditing  
Office of the Controller

FROM: Vincent P. Bertoni, AICP   
Director of Planning  
Department of City Planning

SUBJECT: **LIMITED SCOPE FISCAL AUDIT AT THE DEPARTMENT OF CITY  
PLANNING**

In response to the above-titled report, attached is the Department's proposed action plan that the Department of City Planning is taking to address your recommendations.

If you have any additional questions regarding this matter, please contact Deputy Director Jan Zatorski at (213) 978-1271, or Senior Management Analyst II Ly Lam at (213) 978-1206.

Attachment

c: Livea Yeh, City Planning  
Siri Khalsa, Office of the Controller  
Beth Kennedy, Office of the Controller  
Dalia Tajirian, Office of the Controller

Report Title:  
 Department responsible for Implementation:  
 Reported Status Date:

Controller's Audit of Cash Handling & Payroll  
**City Planning**  
 5-Dec-16

CONTROLLER'S OFFICE RECOMMENDATION		PLANNING DEPARTMENT'S REPORTED INFORMATION	
Recommendation No.	Recommendation	Current Status	Action Plan
1	Require the change fund custodian to sign an Accountability Receipt, formally acknowledging responsibility for the funds.	I	Memo was completed and filed in September 2016.
2	Develop an inventory control log to track all receipts issued by Planning staff.	I	DCP instructed staff and implemented a control log to track all receipts issued by Planning staff in December 2016
3	Utilize sequentially numbered customer receipts throughout the Department	I	DCP has implemented the use of sequentially numbered receipts in ARF Unit in December 2016
4	Ensure clerks appropriately endorse checks immediately upon receipt.	I	DCP instructed staff to endorse all checks received immediately in December 2016
5	Require periodic reconciliations to invoices, receipts, PCTS, and data maintained by DBS to verify the completeness and accuracy of collections reported by FMS.	PI	DCP tracks collections processed by the Expedited Processing Unit and other Citywide projects. The Department is working with the Department of Building & Safety on a Universal Cashiering System which, when fully implemented, will provide transaction details of collections and allow DCP to more fully perform reconciliations with FMS.

I - Implemented  
 PI - Partially Implemented or In Progress  
 NI - Not Implemented  
 D - Disagree