


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: August 4, 2017

TO: Holly Wolcott, City Clerk
Office of the City Clerk

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

**SUBJECT: RESULTS OF LIMITED SCOPE FISCAL AUDIT AT THE
OFFICE OF THE CITY CLERK**

The Controller's Office completed a Limited Scope Audit of Fiscal Controls at the Office of the City Clerk (City Clerk). We conducted a limited payroll review, which entailed an analysis of hours worked, overtime and bonuses paid for a sample of employees during Pay Period 3, 2016, to ensure payments to employees were properly supported. We also conducted a review of bank accounts managed by your Office that are not controlled by the City Treasurer, and surprise cash counts at five City Clerk locations to ensure that collections and authorized petty cash/change funds were properly accounted for and that adequate controls over those funds were in place.

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

Our review identified weaknesses relative to the City Clerk's payroll and petty cash controls. We identified no significant cash shortages or overages, but the City Clerk should address the petty cash allocations and obtain signed custodian forms to ensure full compliance with City guidelines.

Department Response

Controller Office staff discussed the observations with the City Clerk and they were responsive to our concerns and agreed that conditions would be addressed.

A draft report was provided to the City Clerk on July 25, 2017. Based upon the response you submitted to our Office on August 3, 2017, you indicated that you generally agree with the findings, noting that you implemented recommendation #4 and are in the process of implementing recommendations #1 and #2. In addition, you indicated that while you agree with our Observation relative to recommendation #3, you will maintain the \$25 change fund because it is a nominal amount of cash to have on hand.

We appreciate the cooperation and assistance provided by the Office of the City Clerk during our review.

OBSERVATIONS

PAYROLL

Observation #1: *The City Clerk did not properly pre-approve overtime or bonus payments for two employees.*

For our sample pay period (PP3) the City Clerk paid \$352,000 to 114 employees and one temporary poll worker. We selected 17 employees and one temporary poll worker for our payroll observation and analysis, and tested controls over supplemental pay, including overtime payments and bonuses.

For our sample, the City Clerk paid approximately \$5,137 in supplemental pay as depicted in **Exhibit 1**:

Exhibit 1: Type and Amount of Supplemental Pay, PP3

Payment Type	Purpose	Amount
Overtime	Working beyond 40 hours	\$ 799
Minute Clerk	Monitoring meeting in City Council Meetings	\$ 450
Acting Pay	Increase in rate for working out of one's specified class	\$2,488
Language Bonus	Using a secondary language as needed	\$ 400
Poll Worker	Paid to temporary poll workers that are not City employees	\$ 750
Car Allowance	Paid to department head for a car in lieu of a City vehicle	\$ 250
	Total	\$5,137

We noted the City Clerk did not have written pre-approvals for overtime or acting-pay bonus for two employees; this additional pay totaled \$2,276, or 44% of the supplemental amounts paid.

The City Clerk’s Executive Officer subsequently provided a retroactive approval for the paid overtime and acting-pay bonus. Generally, overtime should be worked only when it is necessary to meet public service demands, and be acknowledged as required by management through a documented pre-approval process. In addition, Departments should retain documentation supporting all bonus payments.

BANK ACCOUNTS AND PETTY CASH

The City Clerk has three petty cash funds and two change funds for various purposes as shown in **Exhibit 2**. The petty cash funds are maintained in separate bank accounts (not controlled by the City Treasurer), with a small amount kept as cash on hand. All petty cash and change funds are accounted for on an imprest basis, as a “revolving fund” with a consistent balance to be available, as indicated by the stated amount below.

Exhibit 2: Petty Cash and Change Funds

Division	Type of Fund	Amount	Purpose
Administrative Services	Petty Cash (bank & cash)	\$10,000	Reimburse City Clerk Staff and 15 Council Offices/Mayor’s Office/Chief Legislative Analyst for minor and emergency expenditures
Elections	Petty Cash (bank & cash)	\$1,000	Reissue checks to poll workers for services rendered
Neighborhood/Business Improvement District	Petty Cash (cash)	\$1,000	Reimburse City Clerk staff for bus/train fares to attend meetings
Council/Public Services	Change	\$25	Revenue collection for copies, filing fees, etc.
Elections	Change	\$50	Revenue collection for copies, maps, candidate filings

The \$10,000 petty cash fund managed by the **Administrative Services Division** (ASD) is maintained in a bank account and cash on hand to reimburse expenditures incurred by eighteen offices, i.e., the Office of City Clerk, as well as the Offices of the Chief Legislative Analyst, the Mayor and all

fifteen Council District Offices. Expenditures reimbursed through this petty cash fund are charged against the City Clerk's annual appropriation for Administrative Expenses.

The City Clerk administers all City elections and recruits temporary poll workers, who are paid to work on an election day. The petty cash fund managed by the **Elections Division** is also maintained in a bank account with some cash on hand which is used to issue payments to poll workers when the worker did not receive or lost the check initially issued by the Controller's Office. In these cases, the City Clerk requests the Controller's Office to issue a stop payment on the initial check.

The petty cash fund managed by the **Neighborhood/Business Improvement District Division** is maintained as cash on hand, and used to reimburse City Clerk employees' for transportation costs incurred for traveling to and from Neighborhood/Business Improvement meetings.

As the custodian for these funds, the City Clerk must assure adherence to appropriate internal controls and compliance with City protocols by any employee/office utilizing the petty cash funds.

We reviewed the City Clerk's bank reconciliations and noted no internal control deficiencies. We also conducted surprise cash counts and reviewed documents supporting petty cash disbursements.

Observation #2: *The City Clerk should ensure fund custodians sign a statement of responsibility and consider reducing some of its petty cash/change fund allocations.*

We found no material overages or shortages during the surprise cash counts. However, we noted two cash funds with minimal activity that we believe should be reduced or eliminated to decrease the risk of loss or misuse.

The Neighborhood and Business Improvement District Division (NBID) is assigned a \$1,000 petty cash fund, which was to be used primarily to fund bus/train fares for staff traveling to various business improvement districts throughout the City¹. We noted that NBID had utilized only \$206 of the petty cash fund since 2013. As a result, the Division has not replenished the amounts it disbursed for at least three years. Given such limited activity, management should consider reducing or eliminating this petty cash fund.

¹ City Staff may also use a City car or be considered for mileage reimbursement for business travel.

The City Clerk's Council and Public Services (CPS) Division is assigned a \$25 change fund, to facilitate cash transactions related to providing document copies to the public, and accepting candidate filing fees. However, we noted no recent transaction history. Since the public can access Council documents on-line there have been relatively few requests for copies; and candidate filing fees are infrequent, and typically not paid in cash. Therefore, City Clerk management should determine whether the change fund amount can be reduced or eliminated.

Additionally, there was no statement of responsibility signed by the custodian for the funds. Custodians are required to acknowledge they are responsible for the public funds by signing a statement of responsibility. This should be retained in the Department's administrative records.

To address the conditions noted by this audit related to controls over payroll and petty cash, City Clerk Management should:

- 1. Require supervisors to complete and submit approved overtime documents noting their acknowledgement and necessity of employees to work overtime, prior to the employees actually working the additional time.**
- 2. Consider reducing the NBID Division's petty cash fund to an amount more in line with expenditures.**
- 3. Consider reducing or eliminating the \$25 change fund assigned to the Council and Public Services Division.**
- 4. Ensure that the designated fund custodian of Council and Public Services Division change fund signs a statement of responsibility, if management determines the change fund should remain.**

HOLLY L. WOLCOTT
CITY CLERK

City of Los Angeles
CALIFORNIA

OFFICE OF THE
CITY CLERK

SHANNON D. HOPPE
EXECUTIVE OFFICER

Executive Office
200 N. Spring Street, Room 360
Los Angeles, CA 90012
(213) 978-1020
FAX: (213) 978-1027



ERIC GARCETTI
MAYOR

clerk.lacity.org

August 2, 2017

Mr. Alfred Rodas, Director of Auditing
Office of the Controller
200 N. Main Street, 4th Floor
Los Angeles, CA 90012

**SUBJECT: RESPONSE TO LIMITED SCOPE FISCAL AUDIT AT THE OFFICE OF
THE CITY CLERK**

The Controller's Office completed a Limited Scope Audit of Fiscal Controls for the Office of the City Clerk that included a limited payroll review, a review of bank accounts not controlled by the City Treasurer, and surprise cash counts at five City Clerk locations. The fieldwork identified areas to address relative to payroll and petty cash controls.

The Office of the City Clerk has reviewed the results and generally agrees with the findings contained in the fiscal audit. As requested, the following actions are in place, or will soon be implemented, to address the Controller's recommendations.

1. Require supervisors to complete and submit approved overtime documents noting their acknowledgement and necessity of employees to work overtime, prior to the employees actually working the additional time.

Response: The Office of the City Clerk has an overtime approval process in place that documents pre-approval by executive management. A memo is created that outlines the necessity for the overtime and the hours to be worked. Once the overtime is approved, the memo is filed with Department payroll documents. In some instances, overtime cannot be predicted due to the nature of the work (i.e. extended Council Committee meetings). In those instances, a memo will still be created and filed to document the approval and necessity for the overtime hours worked. The Department is also considering moving toward an electronic pre-approval process.

Mr. Alfred Rodas
August 2, 2017
Page 2

2. Consider reducing the Neighborhood and Business Improvement District (NBID) Division's petty cash fund to an amount more in line with expenditures.

Response: The NBID Division's petty cash will be reduced from \$1,000 to \$500 in the current fiscal year. The Office of the City Clerk will continue to monitor the use of this fund and make future adjustments, as needed.

3. Consider reducing or eliminating the \$25 change fund assigned to the Council and Public Services Division.

Response: The Office of the City Clerk has decided to continue the \$25 change fund to facilitate cash transactions at the public counter. While it is acknowledged that this fund is seldom used, it is a nominal amount of cash to have on hand in the event a member of the public requires change when purchasing file copies.

4. Ensure the designated custodian of Council and Public Services Division's change fund signs a statement of responsibility.

Response: An appropriate statement of responsibility form has been created, signed, and is filed with the Administrative Services Division.

Thank you for your thoughtful attention to ensure our office maintains the highest quality with regard to our fiscal controls.

Sincerely,



Holly L. Wolcott
City Clerk

HW/SH/PS:amm
EXE-032-17