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CONTROLLER

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November 28, 2006

The Honorable Antonio Villaraigosa  
The Honorable Rockard J. Delgadillo  
The Honorable Members of the City Council  
City Hall  
Los Angeles, California 90012

Dear Mayor Villaraigosa, City Attorney Delgadillo and Members of the City Council:

Many of the elected leaders of the City of Los Angeles, and many of the participants in Neighborhood Councils, have had from the beginning, an expansive view of what this "grand experiment" called Neighborhood Councils could and should be.

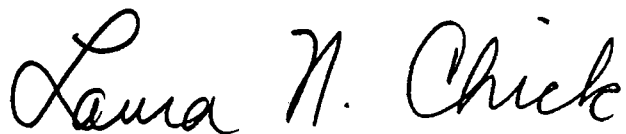
Many of the audit's findings echo comments I've personally heard from varied Neighborhood Council board members and the Department of Neighborhood Empowerment (DONE) staff. Based on undisputed findings and a seven year track record, this audit announces that the original vision is far from achieved. But rather than declare "mission failed," my report instead, lays out clear recommendations to address known problems and move DONE and Neighborhood Councils to an overdue Phase II...one of true and full community representation and empowerment.

First and foremost, DONE must be given the mandate, authority and ability to be the real leader for Neighborhood Councils. The citizen led Neighborhood Council Review Commission process is well underway and will also yield important feedback regarding Neighborhood Councils and DONE. The Mayor's current strong interim management is also helping to take this Department where it needs to go, and its future management will be key.

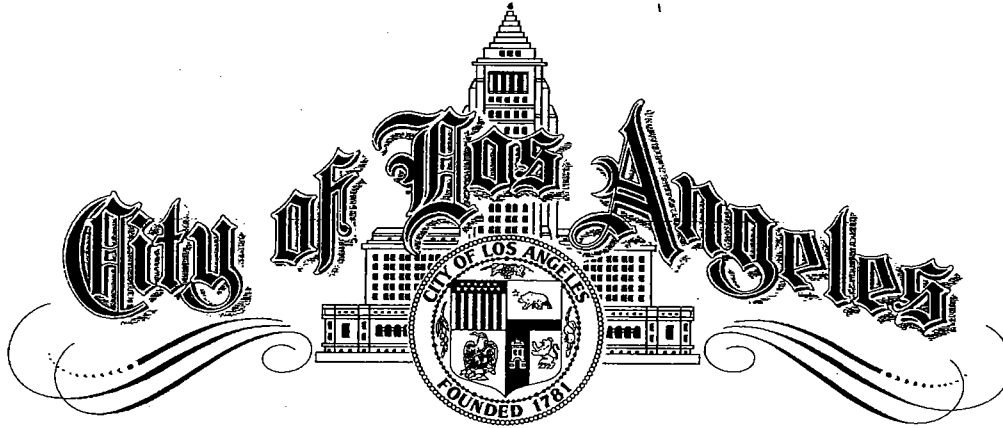
Honorable Anotnio Villaraigosa  
Honorable Rockard J. Delgadillo  
Honorable Members of the City Council  
November 28, 2006  
Page two

Grassroots democracy is not an easy or pretty thing. It takes hard work, a shared long-term vision and commitment to make it really work. Now is the time for the elected leadership of this City to deliver on the promise of a real Department of Neighborhood Empowerment.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

LAURA N. CHICK  
City Controller



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November 28, 2006

Ms. Lisa W. Sarno, Interim General Manager  
Department of Neighborhood Empowerment  
334-B East Second Street  
Los Angeles, CA 90012

Dear Ms. Sarno:

Enclosed is a report entitled, "Performance and Financial Audit of the Department of Neighborhood Empowerment." A draft of this report was provided to your office on November 16, 2006. Comments provided by your Department were evaluated and considered prior to finalizing this report.

Please review the final report and advise the Controller's Office by December 29, 2006 on planned actions you will take to implement the recommendations. If you have any questions or comments, please contact me at (213) 978-7392.

Sincerely,

FARID SAFFAR, CPA  
Director of Auditing

Enclosure

cc: Robin Kramer, Chief of Staff, Office of the Mayor  
Marcus Allen, Deputy Chief of Staff, Office of the Mayor  
Larry Frank, Deputy Mayor, Office of the Mayor  
William T Fujioka, City Administrative Officer  
Frank T. Martinez, City Clerk  
Gerry F. Miller, Chief Legislative Analyst  
Board of Neighborhood Commissioners  
Independent City Auditors





# **City of Los Angeles Office of the Controller**

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## **Performance and Financial Audit of the Department of Neighborhood Empowerment**

November 28, 2006

**Laura N. Chick**  
City Controller

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**PERFORMANCE AND FINANCIAL AUDIT OF THE DEPARTMENT  
OF NEIGHBORHOOD EMPOWERMENT**

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**EXECUTIVE SUMMARY**

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The Office of the Controller's Audit Division has completed a performance and financial audit of The Department of Neighborhood Empowerment (DONE or Department). The primary objectives of the audit were to: determine how well the Department is meeting its mission and whether it is doing so in an efficient and effective manner, evaluate the Department's operations to ensure there is proper oversight over monies provided to Neighborhood Councils (NCs), and to determine whether the Department has adequate internal controls over its financial operations.

The performance component of the audit was conducted by a Contractor, Thompson, Cobb, Bazilio & Associates, PC, working under the direction of the Controller's office.

**Background**

DONE was established to promote more citizen participation in government and to make government more responsive to local needs by developing a Citywide system of Neighborhood Councils (NC). The adopted plan for a Citywide system of neighborhood councils ensures that every part of the City is within the boundary of a neighborhood council. The Department assists neighborhoods in preparing petitions for recognition or certification, identifying boundaries that do not divide communities, and organizing themselves, in accordance with the plan. It arranges biannual Congress of NC meetings, assists NCs with the election of their officers, and arranges training for NCs' officers and staff.

Each NC can receive up to \$50,000 a year in funds to be used for community outreach, community projects, and operating expenses. Since there are currently 86 NCs, the City appropriates approximately \$4.3 million a year for expenses incurred by NCs. DONE has 51 authorized positions and its FY 2005-06 operating budget was \$4.3 million. Salaries comprise 70% of the operating budget.

## **Scope**

The audit was performed in accordance with General Accepted Government Auditing Standards and covered the period from January 1, 2003 to August 15, 2006. Fieldwork was conducted between May 2006 and September 2006.

## **Summary of Audit Results**

Since its inception in 1999, DONE's focus has primarily been on the implementation and certification of the Neighborhood Councils (NC). As DONE is close to achieving its goal of having every area of the City represented by a NC, its focus has been moving from certification of NCs to support, facilitation and oversight of the NC system. However, our audit found that DONE has not positioned itself to transition to this new role smoothly and effectively.

One key reason why DONE has not transitioned smoothly to its new role is that there is currently no official document that clearly defines DONE's oversight and monitoring role. This apparent lack of authority has weakened DONE's efforts to establish standardized operating procedures to effectively monitor and support the NCs, as evidenced by the weaknesses in controls discussed throughout this report.

In addition, we noted significant internal control deficiencies in DONE's financial operations, which require management attention. As it moves forward, DONE must work with the appropriate City officials and stakeholders to clearly define its oversight role and to establish and implement operating procedures that will result in protecting City resources and increased efficiency and effectiveness of NC operations. Following are examples of our key findings:

## **Key Findings**

### **Section I DONE's Performance Evaluation Issues**

- **There is a lack of a formal document that assigns the Department of Neighborhood Empowerment (DONE) the authority to directly monitor, regulate or provide oversight to Neighborhood Councils (NCs).**

There is no governing document such as a City Ordinance or the Plan for a Citywide system of Neighborhood Councils (the "Plan") that assigns DONE the authority to directly monitor, regulate or provide oversight to NCs. This lack of authority has weakened DONE's efforts to effectively support the NCs and has created confusion and tension among NCs and DONE as to what DONE's regulatory and oversight role should be.



- ❑ **Widely divergent bylaws adopted by NCs have reduced DONE's overall effectiveness in supporting and facilitating the empowerment of NCs.**

NCs have developed their own individual bylaws for certain operating provisions that are common to all NCs such as Conflict of Interest and Code of Civility. This has resulted in 86 different sets of bylaws that DONE must understand, manage, and administer. These tasks are both time-consuming and difficult, consuming many man-hours and resources that could be better utilized in supporting and facilitating the empowerment of NCs.

- ❑ **DONE's efforts in supporting the NCs progress in increasing civic participation, diversity, and community representation are not adequate.**

A primary goal of the NC system is to increase civic participation in City government. Our analysis of NC data such as number of votes cast in NC elections, number of NCs that have submitted Community Impact Statements, and diversity (e.g. ethnicity) within NCs indicates that DONE can make significant improvements in civic participation and community representation. For example, one tool available to NCs for providing input on City issues is the Community Impact Statement. So far in 2006, 56 of the 86 NCs have not submitted any Community Impact Statements. DONE acknowledged that they have not made training available on how to develop and file a statement.

- ❑ **Roles and responsibilities of NC Project Coordinators are not clearly defined, resulting in varying levels and types of services provided by DONE Project Coordinators to NCs.**

As DONE's liaison to NCs, Project Coordinators work to fulfill the responsibilities of DONE to the NCs as written in the Plan and City Ordinance 176704. We found that the roles, responsibilities and expectations of NC Project Coordinators are too broadly defined and the parameters of services to be provided are unclear. These unclear parameters have led to varying levels and types of services provided by Project Coordinators. For example, some Project Coordinators provide word processing, computer technical assistance, copying, and translation services for NCs. Other Project Coordinators do not believe these services are their responsibility. This has sometimes led to confusion among NCs regarding the types of services they can expect DONE to provide.

- ❑ **DONE has not developed performance measures to evaluate and measure progress towards achieving its mission.**

To date, the most illustrative measure of the performance of DONE has been the creation of the 86 NCs. However, along with the development of NCs, the relevant measures of performance are evolving into the next stage of development. DONE's initial primary objective was the establishment of NCs.

Now the primary focus of DONE is to support and facilitate the NCs in achieving public participation in government. New performance measures need to be established based on outcomes and alignment with the mission of DONE as outlined in the Plan. Once performance measures have been established, they will need to be monitored to determine whether progress has been made.

- ❑ **DONE does not utilize the Contact Management System (CMS) to track, trend, and analyze reoccurring problems.**

DONE support requests are initiated by NC Project Coordinators, DONE administrative staff and City Attorneys. Although these requests are logged on the Contact Management System (CMS), they are not tracked, trended, and analyzed for reoccurring problems to facilitate systemically identifying the root causes of problems. Trending and analyzing CMS data and sharing this information with Project Coordinators should increase the effectiveness and efficiency of support provided by Project Coordinators to the NCs. Further, DONE personnel that use the CMS have not been trained to fully use the system's analytical and reporting functionality.

## **Section II: DONE's Financial Control Issues**

- ❑ **The budgets submitted by NCs are not performance based and serve little purpose.**

DONE requires each NC to submit a yearly budget showing how they propose spending their available funds. Based on our review of a sample of budgets and interviews with DONE staff, these budgets serve little purpose to DONE. Generally, each NC can establish their own budget categories and can budget any dollar amount for these categories. Once an NC submits a budget, DONE does not evaluate the reasonableness of the budget, nor does the Department monitor to determine if NCs are spending their funds in accordance with the budget.

For example, one NC spent over \$80,000 (72% of its allocation) over the last three years on accounting and office support activities. Two other NCs spent over \$40,000 each on these types of services during the same three year period. DONE did not contact these NCs to inquire why they are budgeting/spending high dollar amounts on accounting/support services, especially considering that 74 of the 86 NCs spent less than \$5,000 on these services during the same period. DONE staff indicated that the Department's philosophy has been to give NCs wide latitude on how they spend their funds. The absence of a general framework with budgeting guidelines could result in funds being spent in areas that are not providing any benefits to NCs in achieving the primary goal of increasing citizen participation in City government.

- **Through the end of fiscal year 2005-06, the City had appropriated \$10.9 million for the NCs. However, as of June 30, 2006, over 50% was unspent.**

Each NC receives an appropriation of \$50,000 each year. Unspent appropriations can be carried forward for up to three years. Through the end of fiscal year 2005-06, the City had appropriated a total of \$10.9 million for the NCs. However, as of June 30, 2006, \$5.6 million (51%) was unspent. These monies were carried forward as “roll-over” appropriations into fiscal year 2006-07. As of June 30, 2006, 47 NCs had spent less than 50% of their available funds. This included 23 NCs that had spent less than 30% of their funds.

Although DONE generates periodic reports showing the amount of each NC’s unspent appropriations, it generally does not attempt to determine why certain NCs have spent such a small percentage of their available appropriations. Based on discussions with DONE, the NCs may have difficulty identifying projects or there may be conflicts within the NCs where members may have difficulties in deciding the best use of the funds. Unspent appropriations tie up funds that could potentially be used for other City purposes.

- **DONE does not enforce its policies and procedures related to expenditures made by NCs.**

DONE’s policies and procedures require that NCs submit documentation to show that each purchase was authorized by the NC’s governing body and identified by category in the approved budget. We sampled 260 expenditures, totaling \$380,000, made by 16 NCs to determine whether the expenditures complied with DONE’s policies. We noted numerous exceptions. For example, for one NC, of the 23 (\$99,345) expenditures for community improvement, 11 (\$56,019) did not show they were approved by the NC’s board. Most of the expenditures were supported only with invoices and were not identified in the approved budget.

DONE is also substantially behind in reviewing NCs’ expenses. For example for 14 NCs, DONE has not reviewed any expenses since the NCs’ enrollment in the neighborhood council program. Seven of these NCs have been in existence for over one year. Nine of the 14 NCs have not submitted documentation for any of its expenses since their inception in the program.

- **There are lax controls in the Department’s other financial areas.**

We identified several other weaknesses in the Department’s internal controls such as:

- Overtime hours worked are not pre-approved.
- There is a lack of separation of duties over the warrant distribution process.
- A surprise cash count found \$600 missing from the Department's \$1,000 petty cash fund.
- The Department does not have its employees review cellular phone bills and reimburse the City for any personal calls made.
- DONE has not performed a physical inventory of equipment purchased by the NCs since its inception.

To be an effective organization, DONE needs to establish sound financial and operational controls to safeguard City resources.

### **Subsequent Department Actions**

Our audit covered activities of the Department between July 1, 2003 and August 15, 2006. The General Manager during most of this period terminated City service in April 2006. An Interim General Manager was appointed in April 2006, which is about the time we started the audit.

During the course of the audit, we met periodically with the Interim General Manager to discuss our observations and preliminary findings. In several instances, the Interim General Manager began taking corrective action either during our audit or subsequent to our fieldwork. These actions included assigning an additional staff person to help review NC expenses, performing more thorough reviews of NC expenses, and separating personnel functions from the warrant distribution process.

### **Review of Report**

A draft report was provided to DONE management on November 16, 2006. We discussed the contents of the report with Department management on this date. The Department concurred with the findings and recommendations. As previously indicated, the Department has already begun addressing several of the recommendations. We would like to thank DONE management and staff for their cooperation and assistance during the audit.

## TABLE of RECOMMENDATIONS

RECOMMENDATIONS	PAGE REFERENCE
<b><u>Section I: Performance Evaluation Issues</u></b>	16
DONE management should:	
1. Work with the appropriate parties to amend Ordinance No. 176704 to provide DONE with the explicit authority to monitor, regulate or provide oversight to NCs as directed by the Mayor, City Council and/or BONC.	18
2. To the degree feasible, DONE management should develop standardized bylaws for common operating processes and procedures for NCs, such as those governing Conflict of Interest, Code of Civility and outreach efforts to incorporate into the bylaws of each NC.	20
3. Identify, prioritize and implement initiatives that will measurably increase civic participation and community representation. DONE should also provide NCs with training on how to develop and file Community Impact Statements.	21
4. Develop performance measures to evaluate and measure progress towards achieving its mission. Once performance measures have been established, DONE should monitor them on a regular basis to determine whether progress is being made in achieving its outcomes.	22
5. Develop a comprehensive plan for the delivery of essential training to NCs. NC board members should also be required to participate in certain mandatory training courses.	23
6. Clearly define the roles, responsibilities, levels and types of service that NC Project Coordinators are to provide to NCs.	24
7. Develop workload indicators to determine optimum	24

RECOMMENDATIONS	PAGE REFERENCE
staffing requirements, taking into consideration the cost of adding any additional staff.	
8. Formally document and share best practices from the most effective NCs with other NCs in the system.	24
9. Implement trending functionality for the CMS. Requests initiated by Project Coordinators, administrative staff and City Attorneys should be tracked, trended and analyzed for reoccurring problems and used for management analysis and planning.	25
10. Increase its efforts to train personnel in the use of the CMS through implementing a user training program. Training should include the system's analytical and reporting functionality.	25
11. Develop a central database to house the most current master copies of NC bylaws. The database should ensure proper version control and maintenance of current bylaw information. This information should be accessible to NCs.	26
12. Increase its efforts to train NC members in the use of information systems designed for NCs. NC members should, at a minimum, be trained in the use of the NC database for accessing election procedures and other important information. Where practical, the training should be computer based.	26
13. Administer a periodic IT User Satisfaction Survey to gauge and monitor user satisfaction with IT services.	26
<b><u>Section II: Financial Control Issues</u></b>	27
DONE management should:  14. Improve the budget process by:	28

RECOMMENDATIONS	PAGE REFERENCE
<ul style="list-style-type: none"> <li>a) Working with the Mayor and the Board of Commissioners to establish a budgetary framework that clearly identifies goals and associated priorities for the Neighborhood Council system.</li> <li>b) Requiring NCs to submit a budget that links the goals and priorities to the budget. This could include placing restrictions on the percentage of funds that can be used for certain categories.</li> <li>c) Monitor NCs to ensure they spend their funds in accordance with their budget.</li> </ul>	
<p>15. Provide its Project Coordinators with periodic reports showing the amount of unspent funds for their responsible NCs.</p>	29
<p>16. Require Project Coordinators to attempt to determine the reason why certain NCs have a large amount of unspent funds and to assist the NCs with any difficulties they may have in identifying uses for the funds. DONE should also consider providing assistance to NCs in identifying projects that are in line with the goals of the program.</p>	29
<p>17. Work with the Mayor and the Board of Commissioners to determine the pros and cons of prohibiting NCs from carrying forward large appropriations without a detailed plan for how the funds will be spent.</p>	29
<p>18. Maintain a log showing a running bank balance and reconcile the log to bank statements and to the Financial Management Information System.</p>	30
<p>19. Remind NCs of the documentation requirements for expenses and notify the NCs that failure to comply will result in DONE withholding funds from the NC.</p>	32
<p>20. Develop a plan for keeping its reviews of NC expenses up-to-date. This should include reviewing expenses on a sample basis, at least until DONE is able to keep the reviews current.</p>	33

RECOMMENDATIONS	PAGE REFERENCE
21. Separate the duties of authorizing issuances/uploads of CARDS and accessing the System to initiate issuances/uploads.	34
22. Require someone independent of the authorizing and initiating functions to review the bank statements to verify that each issuance and upload has been properly authorized and supported by proper documentation.	34
23. Prohibit the sharing of passwords for the CARD Whiz System.	34
24. Evaluate its process for completing the Internal Control Certification Program to determine how it can better identify internal control weaknesses in the Department's financial operations.	37
25. Correct the weaknesses identified in this finding.	37



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## **BACKGROUND AND METHODOLOGY**

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### **Background**

The Los Angeles Citywide system of Neighborhood Councils was created following the enactment of a City Charter, which was approved by voters in June 1999. On May 25, 2001, the City Council approved the implementation plan for the Neighborhood Council system. This plan was amended in November 2002 and May 2005 and includes guidelines for the Department of Neighborhood Empowerment's (DONE or Department) mission and goals. A primary goal of the Neighborhood Council (NC) system is to promote public participation in City governance and decision making processes so that government is more responsive to local needs and requests and so that more opportunities are created to build partnerships with government to address local needs and requests.

### **Organization of DONE**

The responsibilities of the DONE are set forth in Article IX, section 22.801 of the Los Angeles Administrative Code and Ordinance No. 176704. DONE was created to guide and support the Citywide NC system. DONE's mission statement reads "To promote public participation in government and make government more responsive to local needs by creating, nurturing, and supporting a Citywide system of grass-roots, independent, and participatory neighborhood councils." To carry out this mission, DONE is managed by a seven-member Board of Commissioners (BONC), a General Manager and an Assistant General Manager. BONC is appointed by the Mayor and is designed to represent diverse geographic areas of the City. BONC is charged with setting policy and certifying or de-certifying Neighborhood Councils and deciding on issues such as boundary disputes between Neighborhood Councils.

As of August 2006, DONE was authorized to employ 51 employees (excluding BONC). DONE's Executive Office consists of the General Manager, Assistant General Manager and their support staff. The General Manager manages the daily operations of DONE as well as the budget and staffing in accordance with City Charter and civil service requirements. The current General Manager was appointed by the mayor on an interim basis in April 2006. The Department is organized into three sections, as follows:

- The Field Operations Section conducts outreach and helps city residents organize their Neighborhood Councils after certification by the BONC. The field operations staff is divided into three regional groups headed by a Senior Project Coordinator. The regional group is further split into smaller geographic areas each headed by a Project Coordinator. Each geographic area consists of between three and seven Neighborhood Councils. Excluding the Senior Clerk

Typist, this section is currently staffed with 19 Project Coordinators out of an authorized total of 26.

- The Systems Section maintains DONE's computer network and provides computer-related technical support to staff. It also develops and maintains DONE's web site as well as the technical infrastructure to maintain communication between DONE and the Neighborhood Councils. This section also provides limited technical support to the certified Neighborhood Councils.
- The Administrative Services Section provides fiscal, personnel, training, and other support services for DONE.

### DONE's Responsibilities and Goals

Under the Plan and City Ordinance 176704, DONE is charged with the following duties:

- 1) Assist groups and stakeholders seeking certification as a NC.
- 2) Assist neighborhoods and NCs with public and civic education, outreach and training.
- 3) Assist applicants and neighborhoods prepare all petitions and forms referenced in the Plan, identify suitable NC boundaries, and organize NCs in accordance with the plan.
- 4) Assist NCs with the election or selection of their governing body.
- 5) Help coordinate meetings and facilitate communication among NCs that request assistance.
- 6) Help coordinate, arrange and convene the biannual Congress of NC meetings.
- 7) Promote and facilitate open communication among City agencies and NCs, and provide education, guidance and assistance in developing strategies for providing comments and feedback to the City Council and its committees and City boards and commissions.
- 8) Provide operational support and facilitate the sharing resources among NCs, including meeting and office space, office equipment and mail and communications.
- 9) Create and maintain a database of information about NCs, including names and contact information that are available for public use.
- 10) Act as an information clearinghouse and resource for NCs.
- 11) Coordinate efforts to establish and ensure continued operation of the Early Notification System.
- 12) Arrange for training for NC officers and staff.
- 13) Review and evaluate the NC system on an annual basis.
- 14) Report quarterly to the appropriate Council Committee on the Department's certification efforts.
- 15) Provide adequate levels of staff, with consideration to resource availability, for each NC.

The initial focus of DONE was on the implementation of the Plan and the certification of NCs. Since the first NCs were certified in December 2001, DONE has assisted 88 NCs to become certified. As of August 2006, DONE was close to achieving its goal of having every area of the City represented by a NC. The needs of the NC system are now moving beyond certification into the next stage of its development. Table 1 shows the number of NCs certified in each year since 2001.

Table 1. Number of Neighborhood Councils Certified by Year

<b>Year</b>	<b>Number of Certified NCs</b>
2001	2
2002	57
2003	22
2004	4
2005	2
2006	1 (year to date)
Subtotal:	88
	-2 (decertified)
Total:	86

As the system of NCs has matured, DONE's focus has been moving from certification of NCs to support, facilitation and oversight of the NC system. The most recent example is DONE's development of templates for election procedures. Another example includes the work performed by the City Attorney's Office in defining how the operations of NCs must conform to various laws, such as the Brown Act and the American with Disabilities Act.

Since its inception, DONE has been successful in creating and assisting in the certification of NCs as reflected in the above table. DONE supported and encouraged the NCs to develop their own operating rules, bylaws and procedures, as per the original plan and concept that each NC uniquely reflect its own local community. In prior years, management's philosophy was to have each NC operate independently, while limiting DONE's involvement in day-to-day operations and avoiding the establishment of standardized operating procedures for all NCs. The philosophy of the current management is to implement some standardized operating procedures without inhibiting the individuality and uniqueness of each NC. The current Interim General Manager believes implementing some standardized operating procedures will result in more order, structure, and consistency in NC operations, which will ultimately result in increased efficiency and effectiveness of NC operations.

### Program Funding

Each of the NCs is allocated \$50,000 each year to pay for expenses related to community outreach, community projects, or administrative costs. For expenses exceeding \$1,000, NCs submit a payment request to DONE's NC's Funding Unit. Upon

approval, the Funding Unit initiates a transaction on the City's Financial Management Information System (FMIS) and applies the necessary electronic approvals on FMIS to generate the check.

For expenses up to \$1,000, the NCs can use a commercial prepaid card (CARD), which is similar to a debit card. NCs request a new CARD by submitting an application to DONE's Funding Program Administrator. Upon approval, the Funding Program Administrator accesses the website of "CARD Whiz" (a sub-contractor of Bank of America) using his password, to initiate the issuance of the CARD. The CARDS are issued directly from the bank to the NC's treasurer.

Once a CARD has been issued to the NC, the Funding Program Administrator accesses CARD Whiz to "upload" the CARD. This has the effect of putting an amount of money on the CARD so it can be used to pay expenses. NCs request subsequent uploads using a Request For Prepaid Card Upload form. Generally, the amount uploaded is equal to \$6,250, less the remaining balance on the CARD. Thus, the balance on the card will never exceed \$6,250 unless the NC has obtained approval from DONE.

NCs can use their CARD to withdraw up to \$500 in cash each month to use as petty cash. NCs are required to maintain documentation showing how the petty cash funds were spent.

Since there are currently 86 NCs, DONE appropriates approximately \$4.3 (86 X \$50,000) million for the NCs' expenses. In addition, DONE has its own operating budget of \$4.3 million. Of this amount, approximately 70% is for salaries. The remaining 30% is for contract services, printing and binding, office and administrative expenses, and supplies.

### **Scope and Methodology**

The objective of the performance component of the audit was to determine how well DONE is meeting its mission, and whether it is doing so in an effective manner. In order to achieve these objectives, we:

- Interviewed key stakeholders, including representatives from the Office of the Mayor, Board of Commissioners, the prior General Manager, and a Council office.
- Interviewed DONE management and staff.
- Met with NC representatives in an open forum meeting to obtain feedback on DONE's performance from the NCs' perspective.
- Reviewed and analyzed surveys completed by NCs and a small sample of stakeholder grievances.

- Reviewed key documents, such as City Ordinance No. 176704; The Plan for a Citywide System of Neighborhood Councils; organization charts; and Departmental performance manuals, guidelines, policies, and procedures.

The overall objectives of the financial component of our audit were to determine if there is proper oversight over monies provided to NCs and to evaluate the Department's internal controls over its financial operations. Specific objectives included:

- Determining whether monies are provided to NCs based on established policies and procedures.
- Determining whether the Department has adequate controls to ensure that NCs spend funds for eligible/budgeted expenses.
- Determining the reasonableness of the procedures used by the Department before granting funds on an annual basis to the NCs.
- Determining whether the Department has adequate controls over its own financial operations in areas such as payroll, cash, and expenditures.

In conducting the financial component of the audit, we interview DONE management and staff, reviewed applicable policies and procedures, examined financial records, and tested samples of transactions.

### **Summary of Audit Results**

Since its inception in 1999, DONE's focus has primarily been on the implementation and certification of the NCs (NC). As DONE is close to achieving its goal of having every area of the City represented by a NC, its focus has been moving from certification of NCs to support, facilitation and oversight of the NC system. However, our audit found that DONE has not positioned itself to transition to this new role smoothly and effectively.

One key reason why DONE has not transitioned smoothly to its new role is that there is currently no official document that clearly defines DONE's oversight and monitoring role. This apparent lack of authority has weakened DONE's efforts to establish standardized operating procedures to effectively monitor and support the NCs, as evidenced by the weaknesses in controls discussed throughout this report. As it moves forward, DONE must work with the appropriate City officials and stakeholders to clearly define its oversight role and to establish and implement operating procedures that will result in protecting City resources and increased efficiency and effectiveness of NC operations.

The remainder of this report provides detailed findings and recommendations:

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## AUDIT FINDINGS AND RECOMMENDATIONS

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### Section I. PERFORMANCE EVALUATION ISSUES

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**Finding #1:** There is a lack of a formal document that defines and assigns the Department of Neighborhood Empowerment (DONE) the authority to directly monitor, regulate or provide oversight to Neighborhood Councils (NC).

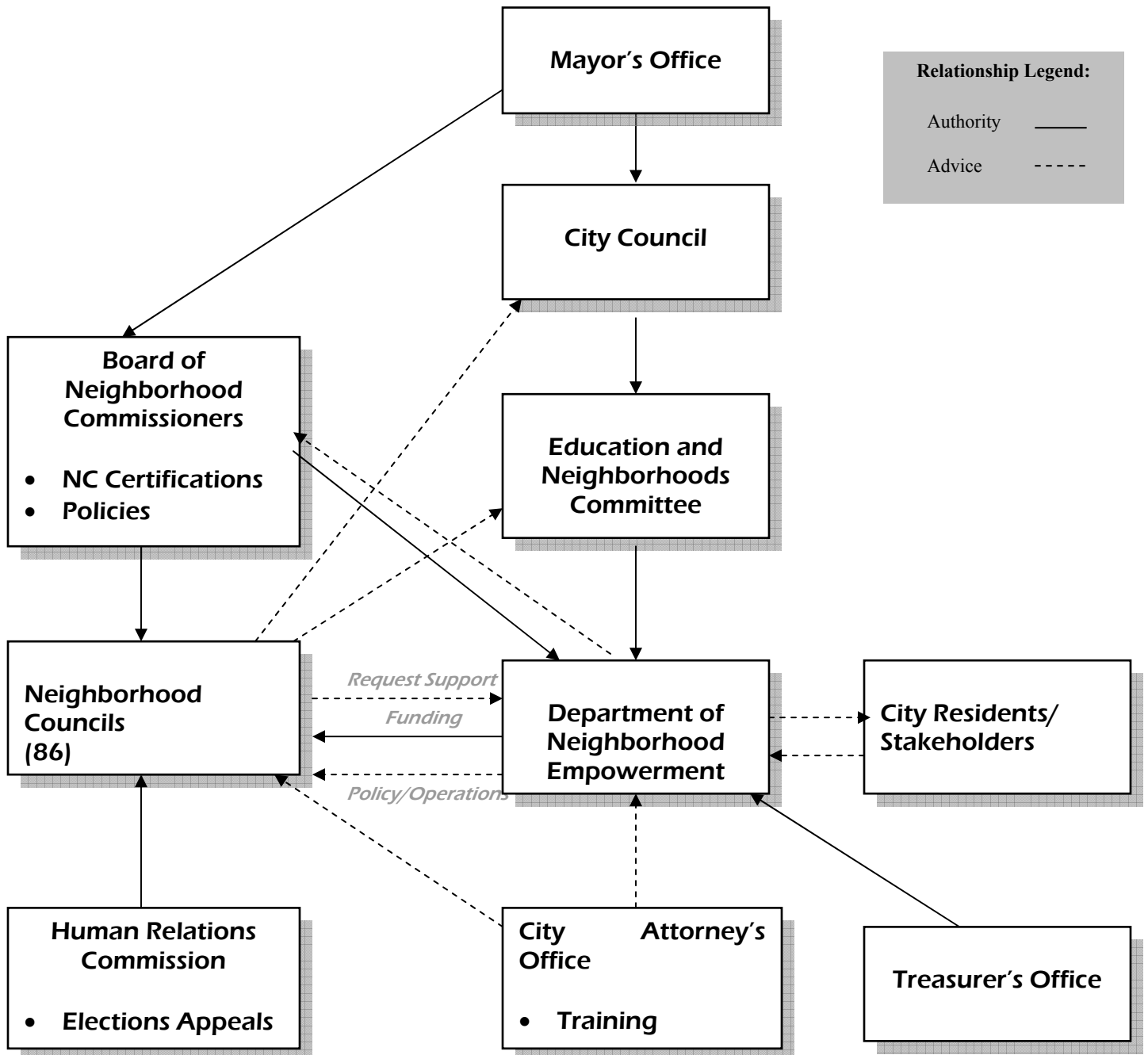
There is no governing document such as a City Ordinance or the Plan for a Citywide System of Neighborhood Councils (the “Plan”) that assigns the Department of Neighborhood Empowerment (DONE) the authority to directly monitor, regulate or provide oversight to Neighborhood Councils (NC). This lack of authority has weakened DONE’s efforts to effectively support the NCs and has created confusion among the NCs as to DONE’s regulatory role. The lack of authority has also created tensions between DONE and the NCs, which DONE is charged with supporting.

As is illustrated on the following page, DONE is overseen and managed by four entities, but possesses no authority over the NCs to enforce the policies or directives from the managing entities. DONE is responsible to the following entities:

- Mayor’s Office: As a City Department, the General Manager of DONE is appointed by the Mayor, subject to confirmation by the City Council. Thus, the general direction of DONE is set by the Mayor’s Office and City Council.
- Education and Neighborhoods Committee of the Los Angeles City Council: The Education and Neighborhoods Committee consists of three City Council members, and provides Council oversight of and serves as the point of input from DONE and the system of NCs. Proposed changes to the City rules and/or regulations concerning DONE or the system of NCs goes through this Committee before being forwarded to the full City Council.
- Board of Neighborhood Commissioners: The City Charter also created a Board of Neighborhood Commissioners (BONC), charged with “...policy setting and policy oversight, including approval of contracts and leases and promulgation of rules and regulations, but not for day-to-day management.” The BONC consists of seven commissioners, appointed by the Mayor. In addition to setting policy, the BONC has approval authority over DONE’s recommendations regarding certification or decertification of a NC. In practice, DONE executive staff attends all meetings of the BONC, and provide staff support to the BONC.

- Los Angeles City Treasurer: The City Treasurer oversees DONE in their fiduciary responsibilities to manage and control the allocation of funds to NCs.

## NEIGHBORHOOD COUNCIL SYSTEM DIAGRAM



The only remedy DONE may use when a NC is in violation of a City law or the Plan is to recommend decertification. City Ordinance 176704 indicates that DONE is only to become involved after it has received a complaint about a potential violation of any provision of the Plan "...including, but not limited to, a violation of open meeting procedures, a failure to comply with the diversity goals of the Plan, violations of the code of ethics..." DONE may, without waiting for a formal complaint, request decertification for violations of the Neighborhood Council Election Procedures.

There is a wide managerial gap between the foremost action of decertifying a NC and having the authority to ensure that NCs are operating and practicing according to the City Ordinance, the Plan, and the NC's own bylaws. For example, DONE staff does not currently have the authority to prevent a NC from taking action on an agenda item without a quorum of board members. It is even unclear whether it is the responsibility of DONE staff to report such infractions when they occur or whether DONE staff need to wait for a complaint to be filed by a stakeholder. Moreover, DONE staff cannot make a NC change its outreach program approach to ensure that all stakeholders, as defined by the NC's own bylaws, are adequately targeted through one means or another.

### **Recommendation**

- 1. DONE management should work with the appropriate parties to amend Ordinance No. 176704 to provide DONE with the explicit authority to monitor, regulate or provide oversight to NCs as directed by the Mayor, City Council and/or BONC.**

**Finding #2:** The widely divergent bylaws adopted by NCs have reduced DONE's overall effectiveness in supporting, facilitating and monitoring NCs.

Bylaws adopted by each NC provide the basis for governance for the operations of each NC. We found that NCs have adopted widely divergent bylaws for provisions common to all NCs. This has made DONE's job of supporting, facilitating, and monitoring NCs very difficult and time-consuming. DONE should develop standard templates for language on common operating processes and procedures to be included in the bylaws of each NC.

The Plan and City Ordinance listed a series of provisions that NCs are required to address in their bylaws. These requirements include: i) a listing of the offices of the Governing Body and a method for regularly electing or selecting officers who shall serve as the Governing Body, ii) meeting procedures which must comply with the Brown Act and ensure even and timely dissemination of information to the community stakeholders, iii) a process for running meetings which includes the number of Governing Body members that constitute a majority and a quorum and the number of votes by the Governing Body required to take official action, and iv) a grievance procedure that ensures the ability for community stakeholders to express concerns to their Governing Body about NC decisions and actions.



Based on our review of NC bylaws, we found that NCs have drafted their own language for these mandatory provisions, as well as NC operating procedures. This has, in effect, resulted in 86 different sets of bylaws among NCs, some of which were later determined by the City Attorney's Office to not be legally adequate. DONE recently was successful in developing policies, timelines and standard templates for NC election procedures. DONE should develop similar standard templates in other areas, such as:

- *Conflict of Interest.* As required by AB 1234, mandatory training for all NC board members in ethics and conflict of interest laws is currently being provided by the City Attorney's Office. However, City Ordinance 176477 exempted NCs from the requirement to adopt and promulgate a conflict of interest code. The Ordinance does suggest that the board of each NC could amend the bylaws to require any level of disclosure the board deems appropriate, and that the NCs are still bound by the provisions of the Political Reform Act requiring disclosure and recusal in certain situations involving conflict of interest. Our review of a sample of ten bylaws showed that only two of the ten NCs directly addressed conflict of interest in their bylaws. DONE should develop standard templates for conflict of interest language for adoption into NC bylaws.
- *Code of Civility.* DONE has provided two sample versions of a Code of Civility (or Code of Conduct) for NC board members on their website, and suggested that NCs amend their bylaws to include such a code to provide a basis for removing any member from the NC board who regularly violated the code. Our review of a sample of ten bylaws indicated that only one of the ten NCs specifically addressed code of conduct in their bylaws, and none provided for the removal of a board member for violations of the adopted code of conduct.
- *Outreach Efforts.* The need and desire for improvement in NC outreach efforts was a significant issue raised in interviews with members of the BONC, our survey of NCs, and feedback received from NC attendees at a City Controller's NC Liaison meeting. There are no guidelines to require NCs to have a means to outreach to all their stakeholders (as per their own definition of stakeholders), nor are there any templates or standard processes to assist NCs in conducting such outreach.
- *Further Standardization of the Election Process.* While DONE has made progress in standardizing election procedures, there is still room for further improvement. Currently, there are 86 election cycles with 86 different dates for conducting elections. In order to maximize staff efforts in assisting with elections, DONE should seek to establish a single, or perhaps a set of regional date(s) for NC board elections. Moving all NC board elections to the same cycle and same date would also facilitate Citywide outreach activities on the part of DONE to encourage greater participation of stakeholders in NC elections.

## **Recommendation**

- 2. To the degree feasible, DONE management should develop standardized bylaws for common operating processes and procedures for NCs, such as those governing Conflict of Interest, Code of Civility and outreach efforts to incorporate into the bylaws of each NC.**

**Finding #3:** DONE's efforts in supporting the NCs' progress in increasing civic participation, diversity, and community representation are not adequate.

A primary goal of the NC system is to increase civic participation within their community. DONE needs to improve its efforts to ensure that NCs achieve their goal of increasing civic participation within their community.

The major impetus behind the creation of NCs was to promote more community participation in government and to help the City be more responsive to local needs. Increasing civic participation can be measured in many ways, including:

- The number of votes cast in the elections for NC board members
- The number of NCs submitting Community Impact Statements; and,
- The extent to which the NC board reflects the ethnicity of the stakeholders.

*Votes cast in NC Elections.* According to data provided by DONE, there were 26,362 votes cast in the most recent elections held by the 86 certified NCs. The average of 307 votes per election does not reflect the wide differences among NCs in election participation. For example, there were four NCs with over 1,000 votes cast in its most recent election, and 26 NCs with less than 100 votes cast. The smallest number of votes cast was 17 for a NC that held an election in June 2006. This election was particularly interesting since there are exactly 17 board seats from which one could reasonably conclude that the only community members voting were the board members.

*Submission of Community Impact Statements.* One of the unique tools provided by the City to NCs for providing input on City issues is the Community Impact Statement. A Community Impact Statement is a summary of a NC's official position regarding a specific City issue. NCs may adopt an official position on a City issue, and submit a 100-word statement of that position to the City Clerk for inclusion in the agendas of the City Council, its committees and City commissions. Community Impact Statements represent an unprecedented method for each NC's voice to be known to the City Hall decision-makers.

Our review of the City Clerk's Council File Index system yielded 68 files that had at least one Community Impact Statement filed. An in-depth review of the 31 files that had activity in 2006 indicated that 30 NCs had filed a total of 67 Community Impact Statements with the City Council. One NC had filed 13 (or 19%) of the 67 Community Impact Statements reviewed.

While these figures indicate that there are many NCs involved with City issues, it also indicates that the majority of NCs (56 of the 86) have not filed a Community Impact Statement with the City Council to date this calendar year. DONE staff acknowledged that they have not made training available on how to develop and file a Community Impact Statement.

Diversity Within NCs. In the survey of NC board members, a majority of the respondents indicated that they believe that increasing the diversity of those participating in the NC, either as involved members or as board members, was essential. Data provided by DONE indicates that the membership of NC boards in early 2006 was predominately white (see Table 1). This agrees with the findings in a report prepared by the University of Southern California (USC) in 2004, in which the authors conclude that the NC boards "...display disproportionate representation of whites relative to other groups in the city." The USC data appears to indicate that white representation on NC boards was more than 50 percent in 2004, although there were fewer certified NCs at that time. DONE stated that it has done very little to diversify the membership of NC boards.

Table 2. Ethnic Composition of Neighborhood Council Boards,

Ethnicity	2000 Census	USC Report <sup>1</sup> (June, 2004)	DONE Data (as of February, 2006)	
	Percent	Percent	Number	Percent
White	31	Between 50 and 60	876	58
Hispanic/Latino	45	Approx. 20	295	20
African-American	9	Approx. 20	195	13
Asian/Pacific Islander	12	Less than 20	92	6
Other	3	Less than 20	48	3
Total	100		1506	100

Source: Representing Diversity in Community Governance: Neighborhood Councils in Los Angeles. USC, June 2004.

**Recommendation**

- DONE management should identify, prioritize and implement initiatives that will measurably increase civic participation and community representation. DONE should also provide NCs with training on how to develop and file Community Impact Statements.**

**Finding #4:** DONE has not developed performance measures to evaluate and measure progress towards achieving its mission.

DONE has not developed performance measures to evaluate and measure progress towards achieving its mission. The mission of DONE is to promote public participation

in government and make government more responsive to local needs by creating, nurturing, and supporting a Citywide system of grass-roots, independent, and participatory neighborhood councils.

To date, the most illustrative measure of the performance of DONE has been the creation of the 86 NCs. However, along with the development of NCs, the relevant measures of performance are evolving into the next stage of development. DONE's initial primary objective was the establishment of NCs. Now the primary focus of DONE is to support and facilitate the NCs in achieving public participation in government. New performance measures need to be established based on outcomes and alignment with the mission of DONE as outlined in the Plan. Once performance measures have been established, they will need to be monitored to determine whether progress has been made.

These performance measures may include the following and can ultimately increase the success and outcomes of the program:

- Number of votes cast in elections for NC board seats;
- Extent to which the composition of the board, in terms of ethnicity and other demographic criteria, reflect the diversity of the stakeholders, as defined by the NC bylaws;
- Number of Community Impact Statements or other communications to city departments regarding provision of services (such as City Planning, DWP, etc.);
- Number and type of outreach/communication activities undertaken by the NC;
- Attendance at NC board meetings.

#### **Recommendation**

- 4. DONE management should develop performance measures to evaluate and measure progress towards achieving its mission. Once performance measures have been established, DONE should monitor them on a regular basis to determine whether progress is being made in achieving its outcomes.**

**Finding #5:** DONE does not have a cohesive plan for the delivery of training to NCs.

Inadequate training of NC board members was cited in our surveys and interviews as one of the primary causes of NC ineffectiveness and lack of productivity. Project Coordinators, NCs and Commissioners informed us that many of the board members leading their NCs lack the proper training in parliamentary procedures, the Brown Act, conflict of interest issues and conflict resolution. DONE has worked to develop a curriculum for the NCs through its Empowerment Academy and has provided training via their website and through workshops. However, these efforts have lacked an overarching cohesive plan for the timely and equitable delivery of the necessary training throughout the NC system. As a result, important training such as ethics and conflict of

interest have not been effectively delivered to the NCs. Further, we also found that DONE does not possess the authority to enforce that such training be completed.

### **Recommendation**

- DONE management should develop a comprehensive plan for the delivery of essential training to NCs. NC board members should also be required to participate in certain mandatory training courses.**

**Finding #6:** Roles and responsibilities of NC Project Coordinators are not clearly defined, resulting in varying levels and types of services provided by DONE Project Coordinators to NCs.

The roles, responsibilities and expectations of NC Project Coordinators are not clearly defined, resulting in varying levels of services provided by the Project Coordinators to the NCs. This has created unclear expectations of Project Coordinator responsibilities among the NCs. Moreover, upon clarifying the roles and responsibilities of Project Coordinators, DONE management needs to evaluate Project Coordinator workload indicators to determine the optimum level of NCs to be assigned to a Project Coordinator.

DONE Project Coordinator responsibilities to NCs are outlined in the Plan and City Ordinance 176704. However, we found the description of these responsibilities are general in nature, and includes: 1) assistance to all groups and stakeholders seeking certification, 2) assistance to neighborhoods and NCs with public and civic education, outreach and training, 3) assistance to applicants and neighborhoods to prepare all petitions and forms referenced in the Plan, 4) assistance to NCs with the election or selection of their governing body, 5) assistance to NCs with coordinating meetings and facilitating communications among NCs, and 6) providing operational support and facilitating the sharing of resources among NCs.

During our audit, NCs cited a lack of consistency in services provided by DONE Project Coordinators. This was supported by our interviews with Project Coordinators, who informed us that their responsibilities were too broadly defined, and the level and types of service varied on a case-by-case basis according to the needs of an individual NC. Examples of services provided by some Project Coordinators that were not provided to all NCs included word processing, computer technical assistance, copying, and translation services.

In addition, some of the Project Coordinators interviewed indicated that assisting NCs with bylaws and elections took more than 50% of their work time and effort. NCs reported that the quality level of assistance with bylaws and elections would vary depending on the capability of the Project Coordinator assigned. Moreover, most Project Coordinators believed that it was important to attend all of the NC meetings, while some Project Coordinators believed that attending all NC meetings was not necessary or productive.

There are currently 86 certified NCs. The number of NCs is projected to grow to 100 by the end of 2007. The current number of NCs assigned to a Project Coordinator averages from six to eight. Based on our interviews with Project Coordinators, a majority indicated they had too high of a workload given their responsibilities to NCs. Moreover, based on our survey of NCs and interviews with the BONC, a majority indicated that NC needs were not sufficiently being met due to what was perceived as an understaffing issue at DONE.

DONE management needs to clearly define the roles, responsibilities, levels, and types of service that Project Coordinators are to provide to NCs. DONE management should also develop workload indicators to determine the optimum staffing requirements, taking into consideration the cost of adding any additional staffing. As previously indicated, DONE provides approximately \$4.3 million in funding to the NCs, and expends about \$4.3 million on operating costs to support the NCs.

### **Recommendations**

**DONE management should:**

- 6. Clearly define the roles, responsibilities, levels and types of service that NC Project Coordinators are to provide to NCs.**
- 7. Develop workload indicators to determine optimum staffing requirements, taking into consideration the cost of adding any additional staff.**

**Finding #7:** Best practices from the most effective NCs are not documented and shared with other NCs.

As with the development of bylaws, each NC develops their own operating procedures and processes. Based on our surveys of the NCs, we found that many have struggled with the development of operating procedures and processes, which has resulted in operational inefficiencies and ineffectiveness. Some of the practices and processes that could be shared include parliamentary procedures, meeting procedures, conflict resolution, initiative strategies, and outreach procedures. The sharing of best practices from the more effective NCs would benefit other NCs that are struggling with its operations. Currently, the processes and procedures from the most effective NCs are not formally documented and shared with other NCs.

### **Recommendation**

- 8. DONE management should formally document and share best practices from the most effective NCs with other NCs in the system.**

**Finding #8:** Requests made of DONE via the Contact Management System (CMS) are not tracked, trended, and analyzed for reoccurring problems.

DONE support requests are initiated by NC Project Coordinators, DONE administrative staff and City Attorneys. Although these requests are logged on the CMS, they are not tracked, trended, and analyzed for reoccurring problems to facilitate systemically identifying the root causes of problems.

We documented and evaluated how CMS is utilized to record support requests. We noted that these requests are not trended for reoccurring problems that include non-compliance with the Brown Act and other issues that impact operational efficiency and effectiveness. Trending of support requests could help DONE target reoccurring problems that could be resolved in a more systemic manner. Also, trending of support requests could assist DONE with budget forecasting, financial projections, support for requesting funding increases, staffing needs, training needs, etc.

We ascertained through interviews with DONE personnel that users of CMS have not been trained to fully use the system's analytical and reporting functionality. For example, NC Project Coordinators have not been trained to generate reports of outstanding requests that pertain to their assigned NCs. Also, some NC Project Coordinators have not been trained to generate reports that enable them to effectively balance their workloads or create an aging of outstanding (i.e., unresolved) support requests.

### **Recommendations**

**DONE management should:**

- 9. Implement trending functionality for the CMS. Requests initiated by Project Coordinators, administrative staff and City Attorneys should be tracked, trended and analyzed for reoccurring problems and used for management analysis and planning.**
- 10. Increase its efforts to train personnel in the use of the CMS through implementing a user training program. Training should include the system's analytical and reporting functionality.**

**Finding #9:** A central database does not exist to house a master copy of NC bylaws.

During the course of our audit, we noted that a central or common database has not been created to house a master copy of NC bylaws. As previously discussed, each of the 86 NCs has developed its own set of widely divergent bylaws. We noted that version control procedures have not been developed to ensure that the most current version of the bylaws is always accessed and used by NC members. As these bylaws govern NC operations, it is essential that only the most current and accurate version of the bylaws are consulted or used by NC members.

### **Recommendation**

- 11. DONE management should develop a central database to house the most current master copies of NC bylaws. The database should ensure proper version control and maintenance of current bylaw information. This information should be accessible to NCs.**

**Finding #10:** There is limited training designed to instruct NC members on how to use information systems designed for NCs (e.g., the NC database that contains board member names, contact information, etc.).

Our review of DONE's system user training practices revealed that there is limited training for NC members on how to use information systems designed for NCs to use. For example, currently NC members are not trained to effectively use the NC database for accessing election procedures and updating bylaw information, board member names, contact information, etc. Lack of such training could adversely impact NC operations and their effectiveness in serving their respective communities.

### **Recommendation**

- 12. DONE management should increase its efforts to train NC members in the use of information systems designed for NCs. NC members should, at a minimum, be trained in the use of the NC database for accessing election procedures and other important information. Where practical, the training should be computer based.**

**Finding #11:** DONE has never conducted a User Satisfaction Survey for its Information Technology (IT) services.

An IT User Satisfaction Survey should be conducted by DONE's Systems Section to gauge and monitor user satisfaction of IT services. User satisfaction surveys are a best practice that provides IT management with a key indicator as to its effectiveness and ability to support the organization in meeting its goals. However, a formal survey designed to gauge and monitor user (i.e., NC Project Coordinators, City Attorneys, DONE administrative personnel, etc.) satisfaction has yet to be conducted by DONE.

### **Recommendation**

- 13. DONE management should administer a periodic IT User Satisfaction Survey to gauge and monitor user satisfaction with IT services.**



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## Section II. FINANCIAL CONTROL ISSUES

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**Finding #12:** The budgets submitted by NCs are not performance based and serve little purpose.

DONE requires each NC to submit a yearly budget showing how they propose spending their available funds. Based on our review of a sample of budgets and interviews with DONE staff, these budgets serve little purpose to DONE. Generally, DONE accepts any budget submitted by an NC. For example, each NC can establish their own budget categories and can budget any dollar amount for these categories.

Once an NC submits a budget, DONE does not evaluate the reasonableness of the budget. We noted one NC has budgeted 72% of its funds for the last two years on accounting and office support services. This NC actually spent over \$80,000 over the last three years on these types of services. This represented 68% of the NC's expenditures over this period. We noted two other NCs that spent over \$40,000 on accounting and support services during the same three year period. DONE did not contact these NCs to inquire why they are budgeting/spending high dollar amounts on accounting/support services, especially considering that 74 of the 86 NCs spent less than \$5,000 on these services during the same period.

Also, DONE generally does not monitor to determine if NCs are spending their funds in accordance with the budget, nor does the Department require the NCs to submit periodic budget versus actual reports.

DONE staff indicated that the Department's philosophy has been to give NCs wide latitude on how they spend their funds. The Department's main concern is whether the budget has been approved by the NC's board. However, our review of DONE's files disclosed that one NC did not submit a budget for fiscal year 2005-06. Two additional NCs submitted budgets for fiscal year 2005-06, but there is no indication that the budgets were approved by the NC's board. Each of these three NCs was provided with their \$50,000 in funding for fiscal year 2005-06.

One major issue with respect to the NCs' budgets is that the City does not have clear program goals and associated priorities for the NC system. For example, there are no guidelines on the approximate percentage of funds that should be spent on various activities, such as community outreach or community improvement projects. If it had clear goals and associated priorities, DONE could attempt to link them to the NC's budgets. This could be accomplished by requiring NCs to submit a performance based budget that clearly ties the budget to the goals.

## **Recommendation**

### **14. DONE management should improve the budget process by:**

- a) Working with the Mayor and the Board of Commissioners to establish a budgetary framework that clearly identifies goals and associated priorities for the Neighborhood Council System.**
- b) Requiring NCs to submit a budget that links the goals and priorities to the budget. This could include placing restrictions on the percentage of funds that can be used for certain categories.**
- c) Monitor NCs to ensure they spend their funds in accordance with their budget.**

**Finding #13:** Through the end of fiscal year 2005-06, the City had appropriated \$10.9 million for the NCs. However, as of June 30, 2006, over 50% was unspent.

As previously indicated, each NC receives an appropriation of \$50,000 each year. Unspent appropriations can be carried forward for up to three years. Through the end of fiscal year 2005-06, the City had appropriated a total of \$10.9 million for the NCs. However, as of June 30, 2006, \$5.6 million (51%) was unspent. These monies were carried forward as “roll-over” appropriations into fiscal year 2006-07.

Attachment I provides a breakdown, by NC, of the total amount appropriated, monies spent, and unspent appropriations as of June 30, 2006. The data shows that 47 NCs had spent less than 50% of their available funds. This included 23 NCs that had spent less than 30% of their funds.

We noted that although DONE generates periodic reports showing the amount of each NC’s unspent appropriations, it generally does not attempt to determine why certain NCs have spent such a small percentage of their available appropriations. DONE’s Project Coordinators interact with the NCs on a regular basis, yet they are not provided with any reports showing the unspent appropriations for their responsible NCs. If the Project Coordinators were provided with such reports, they could attempt to determine why available funds have not been spent and try to work with the NCs to resolve any problems they may be having. Based on discussions with DONE, the NCs may have difficulty identifying projects or there may be conflicts within the NCs where members may have difficulties in deciding the best use of the funds. This issue coupled with the lack of performance based budgeting contributed to funds being unspent and not being used to improve and further the NCs’ goals of increasing citizen participation in local government.

Unspent appropriations tie up funds that could potentially be used for other City purposes. Therefore, DONE should attempt to determine why certain NCs have such large unspent appropriations. In addition, DONE should explore the pros and cons of prohibiting NCs from carrying forward large appropriations without a detailed plan of how the funds will be spent.

### **Recommendations**

**DONE management should:**

- 15. Provide its Project Coordinators with periodic reports showing the amount of unspent funds for their responsible NCs.**
- 16. Require Project Coordinators to attempt to determine the reason why certain NCs have a large amount of unspent funds and to assist the NCs with any difficulties they may have in identifying uses for the funds. DONE should also consider providing assistance to NCs in identifying projects that are in line with the goals of the program.**
- 17. Work with the Mayor and the Board of Commissioners to determine the pros and cons of prohibiting NCs from carrying forward large appropriations without a detailed plan for how the funds will be spent.**

**Finding #14:** DONE does not reconcile its bank account. As a result, it was unaware that the account was overdrawn.

Section 1.7.5 of the Controller's User Department Manual requires departments to reconcile their bank accounts on a monthly basis. Departments should also reconcile their records to information recorded on the Financial Management Information System (FMIS). The purpose of these reconciliations is to identify any posting errors by the bank, on FMIS, or in the Department's records. We noted that DONE does not reconcile its records to either the bank's records or to FMIS.

In August 2005, the bank notified DONE that it had overdrawn the bank account by approximately \$5,000. Since the Department did not maintain a log of all transactions (i.e., a running bank balance), it was unable to contest the bank's assertion, even though the Department believed that the account contained a sufficient amount.<sup>1</sup>

The Department began receiving bank statements in September 2005. We reviewed the statements for the period January 1, 2006 through July 31, 2006 and noted that the Department again was overdrawn. The bank account first became overdrawn on June 15<sup>th</sup>. This situation was not corrected until July 27<sup>th</sup>, over one month later. During this period, the balance was overdrawn by as much as \$52,229. We found no evidence of DONE reconciling the bank account.

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<sup>1</sup> The bank was providing DONE with access to a web site so that DONE could download account activity.

According to the Office of the Treasurer, the bank did not assess any fees as a result of the account being overdrawn.<sup>2</sup> Despite this, the Department needs to keep a running bank balance so that it knows how much is in the account at all times so it can reconcile its records with the bank's records and with FMIS.

### **Recommendation**

- 18. DONE should maintain a log showing a running bank balance and reconcile the log to bank statements and to the Financial Management Information System.**

**Finding #15:** DONE does not enforce its policies and procedures related to expenditures made by NCs.

DONE developed a List of Unacceptable Purchase Categories and Items and a List of Acceptable Purchase Categories to provide guidance to the NCs on allowable purchases. As a general rule, almost any type of expense, other than alcohol, tobacco, firearms, adult entertainment products, and gift cards and flowers to an individual or group, is allowable. However, certain types of expenses, such as leases, travel, professional services, and temporary staffing, require prior approval from DONE.

DONE's policies and procedures require that each purchase be authorized by the NC's governing body and be identified by category in the approved budget. Documentation requirements include the following:

- Community Improvement Project expenses must be supported by an original invoice or a fax of the original invoice, a copy of the board minutes or affidavit, an official NC statement explaining how the expenditure will benefit the community, a letter of acknowledgement from the receiving agency that shows acknowledgement and approval of the desired project, and proof that required licenses and permits are in place, if needed.
- Outreach event expenses should be supported by an original invoice or a fax of the original invoice, copy of board minutes or affidavit, a copy of the sign-in sheet for the event, and/or a flyer for the event.
- Food and refreshment expenses must be supported by an original invoice or fax of the original invoice, a copy of the sign-in sheet, and an agenda of the event or meeting.

We sampled 260 expenditures, totaling \$380,000, made by 16 NCs to determine whether the expenditures complied with DONE's policies and procedures. We noted numerous exceptions. Following are examples:

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<sup>2</sup> According to the Treasurer's Office, an individual account with this particular bank can be overdrawn, as long as all accounts with the bank, in total, maintain a positive balance.

### Expenditures Paid With City Checks

- Of the 23 (\$99,345) expenditures for community improvement, 11 (\$56,019) did not show they were approved by the NC's board. Most of the expenditures were supported only with invoices.
- Of the 12 (\$39,637) outreach expenditures, none was supported by board minutes or an affidavit. In addition, there were no sign-in sheets for these events. Only seven of the 12 tested events were supported by a flyer for the event.
- Of the three (\$2,684) food and refreshment expenditures tested, only one (\$134) was supported by a copy of the sign-in sheet and an agenda of the event or meeting.
- Generally, DONE does not require the NC to certify that the goods/services were received. The Controller's Office requires departments to certify that the goods/services have been received. DONE staff make the certification without verifying with the NC that the goods/services have been received.

### Expenditures Paid With Commercial Prepaid Cards

- On several occasions, two NCs purchased money orders from the Post Office to pay vendors. One NC split payments, apparently to circumvent the \$1,000 maximum limit per transaction. Specifically, the NC purchased four money orders totaling \$3,423. The NC did not submit a receipt or invoice to support the expenditure. The only documentation on file was a quotation from the vendor. On another occasion, an NC split the payment of \$1,785 by paying the Vendor \$1,000 by CARD and the rest by petty cash.
- As with expenditures made with City checks, the required supporting documentation was often lacking for food and refreshment, outreach, and community improvement expenses.
- On several occasions, NCs did not submit receipts and/or invoices to support expenses. In accordance with its procedures, DONE staff prepared a "Missing Receipt Affidavit for Audit (Affidavit)" listing the expenses that did not have the required documentation. The affidavits are sent to the NCs to obtain the appropriate signatures from the NC. We noted widespread use of affidavits. For example,
  - One NC submitted affidavits for 40 expenditures totaling \$8,474 for 2004. This represented over 50% of the NCs expenses during this year. This means that over 50% of the expenses were not supported by receipts and/or invoices.
  - For one quarter, an NC submitted affidavits for all but \$23 (out of \$2,410) in expenses.

- For one quarter, another NC submitted affidavits for \$4,681 of the \$5,040 expenses incurred.

According to Administrative Services staff, some NCs have complained about the documentation requirements and have commented that it is not DONE's role to "audit" the NCs' expenses. However, the City appropriates over \$4 million in public funds each year for expenses made by NCs. As such, we believe that NCs should be responsible for demonstrating that the funds were spent appropriately.

It should be noted that two instances of suspected fraud have been referred to the Los Angeles Police Department. For example, in one instance, a NC board member was suspected of utilizing a CARD to make over \$700 in unauthorized expenses.

### **Recommendation**

- 19. DONE management should remind NCs of the documentation requirements for expenses and notify the NCs that failure to comply will result in DONE withholding funds from the NC.**

**Finding #16:** DONE is substantially behind in reviewing CARD and petty cash purchases made by NCs.

Each quarter, NCs are required to submit documentation to support any CARD and petty cash expenses. The documentation is due 90 days after the end of the quarter. This requirement does not apply to expenses made via checks, since the documentation is supposed to be submitted prior to issuance of the check by the Controller's office.

We noted that DONE is substantially behind in reviewing CARD and petty cash purchases made by the NCs. For example:

- For 14 NCs, DONE has not reviewed any expenses since the NCs' enrollment in the neighborhood council program. Seven of these NCs have been in existence for over one year. Nine of the 14 NCs have not submitted documentation for any of its expenses since their inception in the program.

DONE's policies state that NCs should not receive new uploads unless they are current in submitting their documentation. We noted several instances where NCs received new uploads, even though they had not submitted the required documentation for previous expenses.

- Five NCs have had their expenses reviewed only through the end of 2003.
- Seven NCs have had their expenses reviewed only through the end of 2004.

DONE's approach is to review 100% of expenses and to review the oldest expenses first. Since DONE is substantially behind in its reviews, it is often reviewing expenses that are several years old and for which documentation may be difficult for the NC to locate due to turnover in staff.

DONE attributes the delays in reviewing the expenses to a shortage of staff. There is only one employee assigned to conduct the reviews. We agree that under the current environment (discussed in Finding #15) where NCs either are reluctant to submit documentation for its expenses or they submit poor documentation (which may require follow-up calls to the NC), keeping current on the reviews is a formidable task. In fact, under this environment, DONE is likely to fall further behind in its reviews. However, once NCs begin submitting quality documentation, one employee may be sufficient to complete the reviews. In the meantime, DONE needs to develop a plan to keep the reviews up-to-date so that it is not always reviewing old documentation. This should include reviewing expenses on a sample basis. The sample items could be selected based on factors such as the dollar amount of the expenditure and the NC's history in submitting quality documentation.

### **Recommendation**

- 20. DONE management should develop a plan for keeping its reviews of NC expenses up-to-date. This should include reviewing expenses on a sample basis, at least until DONE is able to keep the reviews current.**

**Finding #17:** DONE does not have adequate controls over the issuance and cancellation of CARDS.

In a well-controlled environment, the functions of authorizing CARD issuances/uploads, initiating the issuances/uploads on the System, and reconciling the bank account to the authorizations should be separated. Separating the functions helps prevent or detect improprieties or errors.

In reviewing DONE's process for issuing and canceling cards, we noted that there is a lack of oversight over the Funding Program Administrator's activities. This individual authorizes new CARDS to be issued and any uploads to cards. He also accesses the CARD Whiz System to initiate issuances/uploads. This separation of duties weakness is compounded by the fact that no one reviews the bank account activity to verify that all issuances and uploads to cards have been properly authorized.

We also noted the following:

- On March 2, 2006, the Funding Program Administrator cancelled an NC's CARD because of a change in the Treasurer. He then inadvertently issued two new CARDS to the NC. One Card was issued with the correct name of the NC and the other one was issued with an erroneous NC name. This resulted in the NC having \$6,200 more in available funds than they should have. The NC used both

Cards and it was not until July 13, 2006, or four months later, that the Funding Program Administrator cancelled the CARD issued with the erroneous name.

- In one instance, the CARD request was not on file. There was a note on file indicating that the request was made via phone. In another instance, the CARD request was not signed by the NC's Treasurer.
- In one instance, one employee used another employee's password to issue a CARD.

### **Recommendations**

**DONE management should:**

- 21. Separate the duties of authorizing issuances/uploads of CARDS and accessing the System to initiate issuances/uploads.**
- 22. Require someone independent of the authorizing and initiating functions to review the bank statements to verify that each issuance and upload has been properly authorized and supported by proper documentation.**
- 23. Prohibit the sharing of passwords for the CARD Whiz System.**

**Finding #18:** There are lax controls in the Department's other financial areas.

In a well-controlled financial environment, management should assess its operations to identify weaknesses in controls. To assist making this assessment, the Office of the Controller developed the Internal Control Certification Program (ICCP). The ICCP requires each department to self-assess its operations every three years by completing questionnaires for various financial areas such as cash, revenue, expenditures, payroll, and inventories. If performed diligently, completing the questionnaires should help the department identify control weaknesses.

DONE completed its most recent certification in September 2004. Although, the Department identified problems with NCs not complying with established procedures, it did not identify any problems related to its own financial operations. Based on the number of problems we identified in DONE's financial operations, it appears that the Department's ICCP process was not effective in identifying control weaknesses. Therefore, DONE should evaluate its process for completing the ICCP to determine how it can be improved.

The following problems illustrate how lax and ineffective DONE's internal controls were over its financial activities and operations.



## A. Payroll and Mileage

- We reviewed 40 timesheets to determine whether they were approved by appropriate supervisors and accurately entered into PAYSr. Although all timesheet data agreed with information recorded in PAYSr, four of the 40 (10%) timesheets were not approved by a supervisor.
- There is a lack of separation of duties over the warrant distribution process. A Personnel Analyst initiates hiring and terminations. This individual also distributes warrants and direct deposit notices. To reduce the potential for payroll improprieties, these duties should be separated.
- Overtime hours worked are not pre-approved. The Controller's User Department Manual Section 4.8.1 requires that all overtime requests be pre-authorized, in writing, by an appropriate level supervisor and management. DONE employees request overtime on a Form 68 (Blue Slip). We sampled 42 timesheets that included overtime hours and determined if the hours were supported by a properly approved Blue Slip and if the hours were recorded accurately into PAYSr. All overtime hours reflected on the timesheets were recorded accurately into PAYSr. However, although a Blue Slip existed for all the overtime hours, 36 (86%) of the 42 were not approved prior to the overtime being worked.
- Management does not conduct a periodic review of employees receiving bonuses (primarily bi-lingual bonuses) to ensure that employees are still eligible for the bonus. Such a review would allow management to verify that employees are still eligible to receive the bonus.
- Employees should submit mileage claims as soon as possible after the end of the month, and the employees' supervisor should approve the claim as soon as practical. Mileage claims submitted several months after the miles were driven could raise questions about the accuracy of the claims. This is because it may be difficult for the employee or the supervisor to remember where the employee drove several months ago.

We sampled 20 mileage payments and noted that in eight (40%) instances, the employee's claim covered four months or more. In one instance, an employee's claim covered six months. Specifically, the employee's mileage payment for July 2005 covered miles driven between January 2005 and June 2005.

## B. Cash

- DONE maintains a \$1,000 petty cash fund to make small emergency purchases. We conducted a surprise cash count and found that the fund was short \$600. Management spoke with the fund custodian who admitted taking the \$600. Based on this admission, DONE management terminated the employee.

We were unable to determine how long the monies had been missing. The fund custodian's supervisor indicated that he conducts periodic surprise cash counts of the fund and that one had been conducted approximately two months prior to our cash count. However, the supervisor does not document the cash counts.

- The Department does not maintain a statement of responsibility on file for the petty cash fund. The statement of responsibility helps to assign responsibility for the fund.

### C. Department Expenditures

- The Department does not have its employees review cellular phone bills and reimburse the City for any personal calls made. The Department pays approximately \$2,700 per month for cell phone service for 29 phones. We were informed that former Department management instructed the phone company not to provide detailed cell phone bills that show telephone numbers called. The rationale was that any calls made would be covered by the monthly charge and that any personal calls made would not add to the bill. Our review of 12 months of phone bills disclosed that DONE incurred \$1,300 in additional charges for exceeding the number of minutes covered by the plan. Since DONE does not receive the call detail, it is unable to determine if the charges resulted from employees making personal calls.
- The Department continues to pay charges related to a cellular phone assigned to an employee no longer with the Department. The employee transferred to the City Clerk's office in December 2005. Since the employee left, DONE has paid approximately \$700 in charges related to the phone. DONE indicate that it had requested that the City Clerk reimburse the Department for the charges. However, the City Clerk has not reimbursed the amount owed.
- DONE did not pay its monthly cellular phone bills for approximately three months. It is the City's policy to pay vendors within 30 days of receipt of an invoice. In reviewing the Department's cellular telephone bills, we noted that the bill dated May 16, 2005 showed a "previous charges" balance of \$8,561. Upon further investigation, we found that DONE failed to pay the prior two bills (which were due on March 14, 2005 and April 11, 2005) until May 19, 2005. This resulted in the bills being paid 66 and 38 days late, respectively. The Department stated that the bills were not paid timely due to an oversight.
- DONE did not competitively bid for its material distribution service contract. DONE has a \$100,000 contract with The Walking Man Company to distribute flyers and other informational materials for the Neighborhood Councils. The contract has been in effect since fiscal year 2001-02. Since the contract amount exceeds \$25,000, the Department should have sent out a Request For Proposal

or Request For Quotation to help ensure that the City paid a competitive price for the services.

D. Inventories

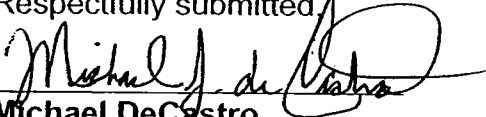
- Since the inception of the NC program, DONE has not performed an actual physical inventory of equipment purchased by the NCs. The Controller's User Department Manual, Section 1.3.4, states that an actual physical inventory is required to be performed by City departments every two years. According to DONE's records, NCs have purchased 66 items totaling \$221,000 during the last three years, but DONE has never performed a physical inventory of equipment.
- DONE's inventory listing contains four items totaling \$30,000 which were purchased with DONE funds, but were donated to another City department. Since these items no longer belong to DONE, the items should not be included on the inventory listing.

**Recommendations**

**DONE management should:**

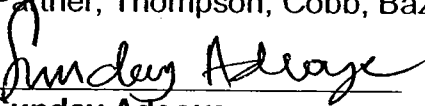
- 24. Evaluate its process for completing the Internal Control Certification Program to determine how it can better identify internal control weaknesses in the Department's financial operations.**
- 25. Correct the weaknesses identified in this finding.**

Respectfully submitted,



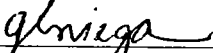
**Michael DeCastro**

Partner, Thompson, Cobb, Bazilio & Associates, PC



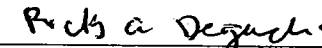
**Sunday Adeoye**

Internal Auditor III




**Gloria Nwaga**

Internal Auditor III



**Ricky Deguchi, CPA, CIA, CISA**

Chief Internal Auditor



**Farid Saffar, CPA**

Director of Auditing

September 22, 2006

**OFFICE OF THE CONTROLLER**

**PERFORMANCE AND FINANCIAL AUDIT OF THE  
DEPARTMENT OF NEIGHBORHOOD EMPOWERMENT (DONE)**

**Ranking of Recommendations**

<b>Finding Number</b>	<b>Description of Finding</b>	<b>Ranking Code</b>	<b>Recommendations</b>
	<b>Section I.</b>		
1.	There is a lack of a formal document that defines and assigns the Department of Neighborhood Empowerment (DONE) the authority to directly monitor, regulate or provide oversight to Neighborhood Councils (NC).	<b>U</b>	1. DONE management should work with the appropriate parties to amend Ordinance No. 176704 to provide DONE with the explicit authority to monitor, regulate or provide oversight to NCs as directed by the Mayor, City Council and/or BONC.
2.	The widely divergent bylaws adopted by NCs have reduced DONE's overall effectiveness in supporting, facilitating and monitoring NCs.	<b>U</b>	2. To the degree feasible, DONE management should develop standardized bylaws for common operating processes and procedures for NCs, such as those governing Conflict of Interest, Code of Civility and outreach efforts to incorporate into the bylaws of each NC.
3.	DONE's efforts in supporting the NCs' progress in increasing civic participation, diversity, and community representation are not adequate.	<b>U</b>	3. DONE management should identify, prioritize and implement initiatives that will measurably increase civic participation and community representation. DONE should also provide NCs with training on how to develop and file Community Impact Statements.
4.	DONE has not developed performance measures to evaluate and measure progress towards achieving its mission.	<b>U</b>	4. DONE management should develop performance measures to evaluate and measure progress towards achieving its mission. Once performance measures have been established, DONE should monitor them on a regular basis to determine whether progress is being made in achieving its outcomes.
5.	DONE does not have a cohesive plan for the delivery of training to NCs.	<b>N</b>	5. DONE management should develop a comprehensive plan for the delivery of essential training to NCs. NC board

6.	Roles and responsibilities of NC Project Coordinators are not clearly defined, resulting in varying levels and types of services provided by DONE Project Coordinators to NCs.	<b>U</b>	members should also be required to participate in certain mandatory training courses.
7.	Best practices from the most effective NCs are not documented and shared with other NCs.	<b>U</b>	6. DONE management should clearly define the roles, responsibilities, levels and types of service that NC Project Coordinators are to provide to NCs.
8.	Requests made of DONE via the Contact Management System (CMS) are not tracked, trended, and analyzed for reoccurring problems.	<b>N</b>	7. DONE management should develop workload indicators to determine optimum staffing requirements, taking into consideration the cost of adding any additional staff.
9.	A central database does not exist to house a master copy of NC bylaws.	<b>N</b>	8. DONE management should formally document and share best practices from the most effective NCs with other NCs in the system.
10.	There is limited training designed to instruct NC members on how to use information systems designed for NCs (e.g., the NC database that contains board member names, contact information, etc.).	<b>N</b>	9. DONE management should implement trending functionality for the CMS. Requests initiated by Project Coordinators, administrative staff and City Attorneys should be tracked, trended and analyzed for reoccurring problems and used for management analysis and planning.
11.	DONE has never conducted a User Satisfaction Survey for its Information Technology (IT) services.	<b>N</b>	10. DONE management should increase its efforts to train personnel in the use of the CMS through implementing a user training program. Training should include the system's analytical and reporting functionality.
		<b>N</b>	11. DONE management should develop a central database to house the most current master copies of NC bylaws. The database should ensure proper version control and maintenance of current bylaw information. This information should be accessible to NCs.
		<b>N</b>	12. DONE management should increase its efforts to train NC members in the use of information systems designed for NCs. NC members should, at a minimum, be trained in the use of the NC database for accessing election procedures and other important information. Where practical, the training should be computer based.
		<b>N</b>	13. DONE management should administer a periodic IT User Satisfaction Survey to gauge and monitor user satisfaction with IT services.

	<b>Section II.</b>		
12.	The budgets submitted by NCs are not performance based and serve little purpose.	<b>U</b>	14. DONE management should improve the budget process by: <ul style="list-style-type: none"> <li>a) Working with the Mayor and the Board of Commissioners to establish a budgetary framework that clearly identifies goals and associated priorities for the Neighborhood Council System.</li> <li>b) Requiring NCs to submit a budget that links the goals and priorities to the budget. This could include placing restrictions on the percentage of funds that can be used for certain categories.</li> <li>c) Monitor NCs to ensure they spend their funds in accordance with their budget.</li> </ul>
13.	Through the end of fiscal year 2005-06, the City had appropriated \$10.9 million for the NCs. However, as of June 30, 2006, over 50% was unspent.	<b>U</b>  <b>U</b>  <b>U</b>	15. DONE management should provide its Project Coordinators with periodic reports showing the amount of unspent funds for their responsible NCs.  16. DONE management should require Project Coordinators to attempt to determine the reason why certain NCs have a large amount of unspent funds and to assist the NCs with any difficulties they may have in identifying uses for the funds. DONE should also consider providing assistance to NCs in identifying projects that are in line with the goals of the program.  17. DONE management should work with the Mayor and the Board of Commissioners to determine the pros and cons of prohibiting NCs from carrying forward large appropriations without a detailed plan for how the funds will be spent.
14.	DONE does not reconcile its bank account. As a result, it was unaware that the account was overdrawn.	<b>U</b>	18. DONE should maintain a log showing a running bank balance and reconcile the log to bank statements and to the Financial Management Information System.
15.	DONE does not enforce its policies and procedures related	<b>U</b>	19. DONE management should remind NCs of the documentation requirements for

16.	<p>to expenditures made by NCs.</p> <p>DONE is substantially behind in reviewing CARD and petty cash purchases made by NCs.</p>	U	<p>expenses and notify the NCs that failure to comply will result in DONE withholding funds from the NC.</p> <p>20. DONE management should develop a plan for keeping its reviews of NC expenses up-to-date. This should include reviewing expenses on a sample basis, at least until DONE is able to keep the reviews current.</p>
17.	<p>DONE does not have adequate controls over the issuance and cancellation of CARDS.</p>	U	<p>21. DONE management should Separate the duties of authorizing issuances/uploads of CARDS and accessing the System to initiate issuances/uploads.</p>
		U	<p>22. DONE management should require someone independent of the authorizing and initiating functions to review the bank statements to verify that each issuance and upload has been properly authorized and supported by proper documentation.</p>
		U	<p>23. DONE management should prohibit the sharing of passwords for the CARD Whiz System.</p>
18.	<p>There are lax controls in the Department's other financial areas.</p>	N	<p>24. DONE management should evaluate its process for completing the Internal Control Certification Program to determine how it can better identify internal control weaknesses in the Department's financial operations.</p>
		U	<p>25. DONE management should correct the weaknesses identified in this finding.</p>



### **Description of Recommendation Ranking Codes**

**U-** Urgent-The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

**N-** Necessary- The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. The recommendation should be implemented within six months.

**D-** Desirable- The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

**N/A-** Not Applicable

NEIGHBORHOOD COUNCIL FUNDING PROGRAM APPROPRIATIONS AND EXPENDITURES AS OF JUNE 30, 2006					
Neighborhood Council	Date Enrolled in Funding Program	Total Appropriation to 2005-06	Total Expended, all years	Rollover for 2006-2007	% Unspent
Hollywood Studio District	06/29/06	\$12,500		12,500	100.0%
Elysian Valley Riverside	01/30/04	\$125,000	11,975	113,025	90.4%
Lake Balboa	06/02/05	\$62,500	6,250	56,250	90.0%
Palms	09/29/05	\$50,000	6,280	43,720	87.4%
Southeast-Central	06/14/04	\$112,500	14,980	97,520	86.7%
Sun Valley	09/01/04	\$100,000	15,515	84,485	84.5%
Empowerment Congress WEST	06/16/04	\$112,500	17,956	94,544	84.0%
North Hollywood Northeast	01/30/04	\$125,000	19,970	105,030	84.0%
Arleta	01/27/04	\$125,000	\$20,541	\$104,459	83.6%
Lincoln Heights	07/15/03	\$150,000	25,116	124,884	83.3%
Foothill Trails District	04/27/05	\$62,500	11,951	50,549	80.9%
Del Rey	11/13/05	\$37,500	7,440	30,060	80.2%
West Los Angeles	02/25/05	\$75,000	15,043	59,957	79.9%
Historic Cultural	07/18/03	\$150,000	34,200	115,800	77.2%
West Adams	11/19/03	\$137,500	31,391	106,109	77.2%
Pico Union	07/12/04	\$100,000	23,491	76,509	76.5%
Park Mesa Heights	07/18/03	\$150,000	35,404	114,596	76.4%
Greater Wilshire	11/13/05	\$37,500	8,910	28,590	76.2%
Northridge East	08/19/05	\$50,000	12,607	37,393	74.8%
Westside	06/16/03	\$162,500	43,424	119,076	73.3%
Northridge West	09/27/05	\$50,000	13,931	36,069	72.1%
Vernon/Main	12/17/03	\$137,500	40,660	96,840	70.4%
Empowerment Congress SOUTHEAST	09/03/03	\$137,500	40,947	96,553	70.2%
Olympic Park	06/14/05	\$62,500	18,715	43,785	70.1%
Valley Village	04/09/04	\$112,500	34,306	78,194	69.5%
Empowerment Congress CENTRAL	09/05/03	\$150,000	45,818	104,182	69.5%
Grass Roots Venice	01/22/04	\$125,000	40,469	84,531	67.6%
Atwater Village	11/19/03	\$137,500	46,223	91,277	66.4%
Greater Cypress Park	09/29/05	\$50,000	16,818	33,182	66.4%
Mid City	04/10/03	\$162,500	57,013	105,487	64.9%
Empowerment Congress NORTH	07/31/03	\$150,000	53,200	96,800	64.5%
Winnelka	07/12/04	\$100,000	35,606	64,394	64.4%
Greater Griffith Park	03/07/03	\$175,000	64,813	110,187	63.0%
Woodland Hills - Warner Center	03/25/03	\$175,000	69,544	105,456	60.3%
CANNDU	12/17/03	\$137,500	56,161	81,339	59.2%
North Hills West	12/17/03	\$137,500	60,407	77,093	56.1%
Hollywood United	03/19/03	\$175,000	77,471	97,529	55.7%
Empowerment Congress SOUTHWEST	09/18/03	\$150,000	66,907	83,093	55.4%
Sherman Oaks	07/31/03	\$150,000	67,477	82,523	55.0%
Van Nuys	07/27/05	\$50,000	22,597	27,403	54.8%
Downtown Los Angeles	09/05/03	\$137,500	64,733	72,767	52.9%
Greater Echo Park Elysian	06/18/03	\$162,500	76,610	85,890	52.9%
MacArthur	03/10/04	\$125,000	59,577	65,423	52.3%
Pacoima	07/15/03	\$150,000	72,714	77,286	51.5%

Neighborhood Council	Date Enrolled in Funding Program	Total Appropriation to 2005-06	Total Expended, all years	Rollover for 2006-2007	% Unspent
Hollywood Hills West	04/09/03	\$162,500	79,149	83,351	51.3%
Mar Vista Community	07/15/03	\$150,000	74,058	75,942	50.6%
Boyle Heights	07/31/03	\$150,000	74,502	75,498	50.3%
United Neighborhoods	04/16/03	\$162,500	82,097	80,403	49.5%
Reseda	03/06/03	\$175,000	89,251	85,749	49.0%
Wilshire Center/Koreatown	03/24/05	\$75,000	38,690	36,310	48.4%
Central Alameda	05/06/05	\$62,500	32,492	30,008	48.0%
Tarzana	09/15/03	\$150,000	79,270	70,730	47.2%
Glassell Park	03/06/03	\$175,000	92,503	82,497	47.1%
Eagle Rock	05/29/03	\$162,500	86,131	76,369	47.0%
Greater Valley Glen	06/16/04	\$112,500	61,465	51,035	45.4%
Arroyo Seco	04/09/04	\$112,500	61,570	50,930	45.3%
Harbor Gateway North	03/10/04	\$125,000	68,931	56,069	44.9%
LA-32	09/05/03	\$150,000	84,782	65,218	43.5%
Chatsworth	11/19/03	\$137,500	78,637	58,863	42.8%
Central San Pedro	03/24/03	\$175,000	103,688	71,312	40.7%
South Robertson	01/19/05	\$75,000	45,085	29,915	39.9%
P.I.C.O.	03/07/03	\$175,000	105,575	69,425	39.7%
Central Hollywood	04/09/03	\$162,500	98,369	64,131	39.5%
Porter Ranch	01/27/04	\$125,000	75,894	49,106	39.3%
Studio City	09/18/03	\$150,000	91,304	58,696	39.1%
Granada Hills North	07/31/03	\$150,000	92,330	57,670	38.4%
Bel Air-Beverly Crest	06/18/03	\$162,500	101,490	61,010	37.5%
Wilmington	03/25/03	\$175,000	113,584	61,416	35.1%
Harbor Gateway South	10/15/03	\$137,500	89,621	47,879	34.8%
Westchester/Playa Del Rey	02/10/03	\$175,000	115,659	59,341	33.9%
Northwest San Pedro	04/02/03	\$162,500	107,913	54,587	33.6%
Historic Highland Park	06/03/03	\$162,500	109,103	53,397	32.9%
Greater Toluca Lake	03/27/03	\$175,000	117,963	57,037	32.6%
Harbor City	07/03/03	\$150,000	102,861	47,139	31.4%
West Hills	03/19/03	\$175,000	122,792	52,208	29.8%
Mid-Town North Hollywood	07/31/03	\$150,000	106,078	43,922	29.3%
Silver Lake	12/05/03	\$137,500	98,474	39,026	28.4%
Mission Hills	02/28/06	\$25,000	18,287	6,713	26.9%
Encino	01/16/04	\$125,000	91,469	33,531	26.8%
Canoga Park	04/09/03	\$162,500	122,339	40,161	24.7%
Mid City West	05/08/03	\$162,500	127,969	34,531	21.2%
Watts	12/17/03	\$137,500	109,096	28,404	20.7%
Sunland-Tujunga	03/11/04	\$125,000	101,692	23,308	18.6%
Coastal San Pedro	01/30/03	\$175,000	154,303	20,697	11.8%
Sylmar	09/29/04	\$100,000	89,114	10,886	10.9%
Vermont Harbor - Decertified	07/19/04	\$15,555	15,555	-	0.0%
<b>Total</b>		<b>\$10,903,055</b>	<b>\$5,276,299</b>	<b>5,626,756</b>	
NOTES:					
All data in this table is based on information maintained by the Department of Neighborhood Empowerment.					