

OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

200 N. MAIN STREET  
ROOM 300  
LOS ANGELES 90012  
(213) 978-7200

March 19, 2007

The Honorable Antonio Villaraigosa  
The Honorable Rockard J. Delgadillo  
The Honorable Members of the Los Angeles City Council

Today's Los Angeles Police Department (LAPD) is viewed around the world as a model law enforcement agency. The LAPD is dedicated to making Los Angeles a safer city, reducing the fear of crime and working in partnership with the community.

With an operating budget of over \$1 billion it is essential that the LAPD, historically understaffed, maximize those precious dollars in order to deploy more officers on our streets. My audit of the LAPD's Fiscal Operations Division reveals an LAPD whose business functions are stuck in the 1950's. These operations must be completely overhauled in organizational structure, technology, internal controls and accountability.

In reorganizing the fiscal operations, the LAPD should create the Office of the Chief Financial Officer which would consolidate all financial functions in the department under one management entity. This would allow the LAPD to prioritize effective fiscal management and free up field personnel to prevent and fight crime in our community.

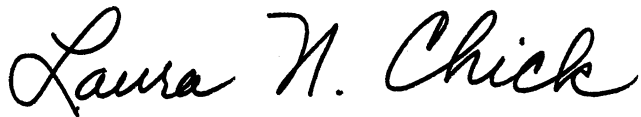
To ensure fiscal integrity and transparency, the audit division should be realigned, independent of the Fiscal Operations Division. Periodic audits must be conducted of a variety of fiscal activities throughout the Department such as supply procurement, false alarm billings and collections, as well as timekeeping.



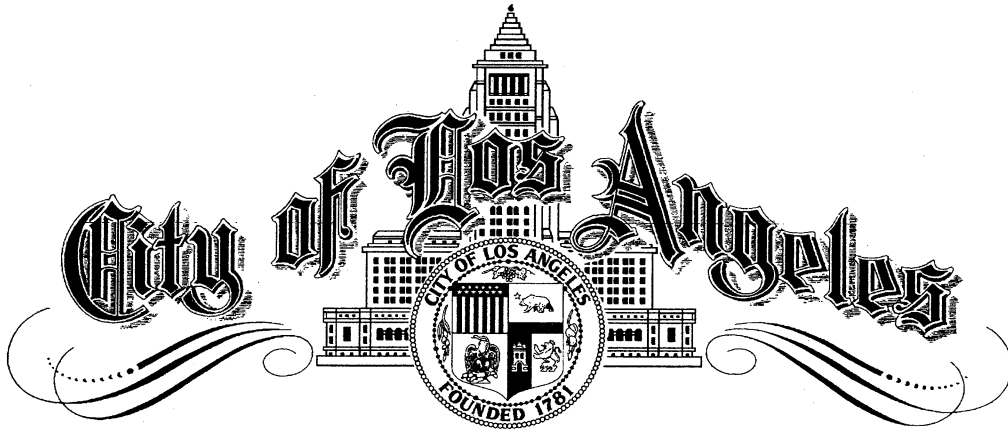
The LAPD has made significant strides in using modern day technology to effectively reduce crime. In order to run a 21<sup>st</sup> Century police department it must have 21<sup>st</sup> Century core business operations. Fiscal Operations needs to create a strategy to upgrade not only their technology systems, but also the skills of their staff.

The 12,000 members of the Los Angeles Police Department comprise one of the world's foremost policing organizations. It is time to deliver to those dedicated men and women, and to the people of Los Angeles, the kind of sound fiscal management that ensures each dollar is wisely spent.

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



OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

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

March 19, 2007

Mr. William J. Bratton, Chief of Police  
150 N. Los Angeles St., Rm. 619  
Los Angeles, CA 90012

Dear Chief Bratton:

Enclosed is the final report of the Audit of Fiscal Operations of the Los Angeles Police Department. A draft of this report was provided on March 12, 2007. 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 April 19, 2007 on the actions to be taken by your Department to implement the recommendations, along with estimated timeframes. 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  
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor  
Marcus Allen, Deputy Chief of Staff, Office of the Mayor  
John Mack, President, Board of Police  
Karen L. Sisson, Interim City Administrative Officer  
Frank T. Martinez, City Clerk  
Gerry F. Miller, Chief Legislative Analyst  
Independent City Auditors



3452 East Foothill Boulevard, Suite 810  
Pasadena, CA 91107  
Phone: (626) 564-8700  
Facsimile: (626) 564-1116  
E-mail: arroyo@arroyoassociates.com

March 19, 2007

The Honorable Laura N. Chick, Controller  
Office of the Controller, City of Los Angeles  
200 N. Main Street, Room 300  
Los Angeles, CA 90012

Dear Ms. Chick:

Arroyo Associates, Inc. ("AAI") is pleased to present the attached report on our audit of the fiscal operations of the Los Angeles Police Department ("LAPD"). The primary objective of this audit was to assess the efficiency and effectiveness of the LAPD's current fiscal operations.

Our report addresses the LAPD's core fiscal functions, internal control system, fiscal organizational structure, and financial information systems. We found that the Department can improve its operations and management activities in these areas and, thereby, ensure the organization's fiscal soundness and integrity.

AAI would like to extend our gratitude to the both LAPD staff for their cooperation and to your staff for their assistance and support throughout this audit.

Sincerely,

A handwritten signature in black ink that reads "Nicholas T. Conway". The signature is written in a cursive, flowing style.

Nicholas T. Conway  
President



# City of Los Angeles Office of the City Controller

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## Audit of Fiscal Operations of the Los Angeles Police Department

March 19, 2007

*Submitted by*



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**ARROYO ASSOCIATES, INC.**

3452 E. Foothill Boulevard, Suite 810, Pasadena, CA 91107  
(626) 564-8700 ♦ (626) 564-1116 fax ♦ [arroyo@arroyoassociates.com](mailto:arroyo@arroyoassociates.com)

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# AUDIT OF FISCAL OPERATIONS OF THE LOS ANGELES POLICE DEPARTMENT

## EXECUTIVE SUMMARY

### INTRODUCTION

The primary objective of this audit was to assess the effectiveness and efficiency of the Los Angeles Police Department's ("LAPD" or "Department") current fiscal operations, and identify opportunities for improvement. The specific audit objectives included: 1) identifying and evaluating the core fiscal activities of the Department; 2) assessing whether the Department's fiscal organizational structure is adequately designed to provide effective and efficient delivery of its financial activities; 3) determining which financial functions should be centralized and which should be decentralized; 4) determining whether the Department's personnel possess the necessary skills to perform the Department's core activities; 5) determining whether the Department has financial information systems that are accurate, reliable and timely; 6) determining whether the Department has adequate processes to meet LAPD's fiscal needs and goals and objectives; 7) determining if performance measures are in place to measure the efficiency and effectiveness of the fiscal functions; and 8) determining whether the Department's system of internal control is adequate.

The audit was commenced in October 2006, and the fieldwork was completed in February 2007. The audit covered the period from July 2004 to February 2007 and was conducted in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). This project was conducted as a co-sourcing arrangement between the consulting firm of Arroyo Associates, Inc. and the City Controller staff. The audit began with several group meetings with the Assistant Chief of Support Services, field division chiefs and commanders, and Administrative and Technical Services Bureau ("ATSB") and Fiscal Operations Division ("FOD") management and supervisors. These meetings were meant to introduce the scope of the study to key LAPD personnel, and to obtain a basic understanding of certain fiscally-related issues identified by LAPD management and supervisors.

Thereafter, to gain an understanding of the key fiscal activities, we conducted interviews with personnel in each FOD unit as well other entities outside of FOD (including the Alarm Section, Emergency Operations Division/Traffic Safety grants, and the Mayor's Office/grant management staff), and gathered and analyzed background operations data. Upon completing the analysis of FOD, we

conducted site visits and interviews of LAPD units outside of FOD, including a number of field divisions. In addition to interviews and data analysis, the study also included an online FOD staff questionnaire that gathered staff input on operations and management issues, such as performance and quality management/standards, internal communications, planning and scheduling, leadership, and rewards and recognition. A summary of the FOD staff questionnaire results starts on page 53.

## **BACKGROUND**

The Los Angeles Police Department was established in 1869 and has the duty and power to enforce the penal division of the City Charter, the ordinances of the City, and State and Federal laws for the purpose of protecting persons and property and for the preservation of the peace of the community. The Department engages in patrol, prevention of crime, investigation of reported crime, apprehension of suspects, the gathering and presentation of evidence, detention of unarraigned persons, enforcement of traffic laws, investigations of traffic accidents, custody of property, and such staff services as necessary to engage in these activities. The LAPD is by far the largest department within the City of Los Angeles. The LAPD was appropriated an adopted Fiscal Year 2005-06 budget of over \$1.11 billion, comprising 18.6% of the entire City's total budget. With a workforce of 13,832 employees, the LAPD's budget is approximately 95% comprised of salaries.

The LAPD's Fiscal Operations Division ("FOD") has primary responsibility for the Department's fiscal management and financial integrity. FOD's staff consists of approximately 90 employees. The Division's responsibilities are: preparation and distribution of the Department's payroll, annual budget, organizational charts, and financial statements; financial auditing; appropriation accounting; funding of interim needs; cost recovery; tracking activities; and the establishment of travel and per diem guidelines. FOD is also responsible for the procurement and acquisition of LAPD expense items, administration of the Secret Service Fund and other Special Funds, administration of contracts and grants, and compliance with Fair Labor Standards Act ("FLSA"). FOD is an operating unit within the Administrative and Technical Services Bureau ("ATSB"), which also coordinates and manages fleet facilities, crime lab, and custody and control of evidence. While FOD has primary responsibility, many of the Department's fiscal activities are handled by other entities. Furthermore, the LAPD's financial integrity relies on cooperative interaction and communication between various entities, particularly in the flow of data and information from the field divisions to the FOD, and vice versa.

The Los Angeles Police Department is by far the largest department within the City of Los Angeles. The LAPD'S budget is nearly one-fifth of the City's entire budget. Salaries comprise approximately 95% of the LAPD's budget. Not only is there a public expectation that the LAPD operate efficiently and cost-effectively, but there is also a growing public desire to increase the financial resources for



law enforcement. Within this context, the LAPD has a fiduciary responsibility to ensure that the value of public safety funds is maximized. The fiscal control policies, procedures and systems are inextricably linked to the LAPD's ability to meet this responsibility. However, the fiscal control structure in place is based on historical practices of the Department, and has not been effectively updated to address the changing needs of the LAPD's core operations. While acknowledging the LAPD's commitment to its core competency of public safety and law enforcement, the audit advises the LAPD to place greater emphasis on ensuring the organization's fiscal soundness and integrity. The LAPD must recognize the strategic role of fiscal operations in the Department, and acknowledge that effective financial management is a critical success factor in the LAPD's effort to provide law enforcement and ensure the public's safety.

The following is a summary of the audit findings, identified as opportunities where improvements can and should be made.

## **SUMMARY OF AUDIT RESULTS**

In conclusion, the LAPD should place greater emphasis and resources on developing the Department's fiscal management capability and infrastructure and, thereby, ensuring the organization's fiscal soundness and integrity. The LAPD must better recognize the intrinsic link between strong fiscal operations and management with the Department's ability to execute its core competency of law enforcement and to achieve its core mission of ensuring the public safety. Detailed audit findings and recommendations related to these and other issues are more fully discussed in the remainder of this report. A summary table of the recommendations begins on page 10 of this report.

### **Organizational Structure**

*While the LAPD has evolved into a highly diverse and decentralized organization, the Department's Fiscal Operations Division, the primary fiscal management entity, remains centralized. Yet, many of the Department fiscal functions are not all concentrated in FOD, but are actually fractionalized and confuse lines of authority and responsibility.*

- **Lack of Decentralized Fiscal Support:** There is not a standardized job classification responsible for fiscal matters at the division level. As a result, the fiscal procedures employed vary widely from division to division. The LAPD should consider the "centralization" of the divisional fiscal functions, such as timekeeping, where divisional fiscal staff would be overseen and evaluated by FOD, rather than by division command staff. By doing so, there would be dedicated onsite staff – that is uniformly trained – to assume responsibility for all fiscal matters at each of the divisions. This could allow field personnel to remain focused on law enforcement duties, and FOD to concentrate on fiscal management and analysis. Enhancements in fiscal operations and management should minimize the sworn personnel's

responsibility for fiscal and administrative tasks that could be better and more efficiently performed by civilian employees. Otherwise, having sworn officers taking on these fiscal and administrative tasks comes with significant inherent costs (considering an estimated fully-burdened hourly rate of \$50 per officer) and potential programmatic impacts (removing an officer from active law enforcement field duties).

- **Misplaced Audit Unit:** The current placement of the Audit Unit is not appropriate and effective. Currently, the Audit Unit is auditing primarily FOD's functions, while reporting to the head of FOD. An internal audit unit should be auditing activities outside of FOD and reporting directly to the head or deputy head of the organization and should be located organizationally outside the staff or line management functions that it is expected to audit.
- **Misplaced False Alarm-Related Functions:** The current placement of the alarm billing and collection administration functions in the Police Commission is not functionally appropriate and fiscally effective. In this present configuration, there is clearly a disconnect between the Police Commission's functions of investigation, arbitration and policy formulation and review with the billing administration function of its Alarm Section. As a result, there is a lower prioritization of cost recovery in this Section, which is not characteristic of sound fiscal management, especially given the fact that the Section handles the largest amount of accounts receivable in the LAPD (\$15.5 million in false alarm billings in 2006).
- **Complicated Grants Management Function:** The processes and organizational structure involved in grants approval and oversight are time consuming and multilayered, involving multiple parties and a cumbersome grants ordinance. The lag time between certain stages within the grants approval process can be significant; for example, it takes on average two months from the time of the grant award until final Mayor and Council approval is obtained, and likewise with modifications to the grant during implementation. Furthermore, the divided grants management responsibilities of the Mayor's Office and FOD on major homeland security grants add to the complication.

All these factors cut into the grant period in which funds can be expended, increasing the possibility of lost revenues (in the form of unspent grant dollars). Acting as the intermediary between LAPD end-users and multiple parties (including the funders, Mayor, and CAO), the new Grants and Contract Section is developing better controls and accountability in the oversight of these grants. Better defined, internal policies and procedures would serve both Section staff and end-users well. Lastly, while not within the purview of the LAPD, a more concerted effort should be made to streamline the citywide grants approval and modification processes that often result in costly delays in grant implementation.

## Accountability

*Fiscal-related procedures and the lines of responsibility are unclear and inadequate, and vary from division to division. There is a greater need for better defined policies and procedures, as well as adhered-to performance measures that can instill an effective level of individual accountability and commitment to day-to-day fiscal operations.*

- **Lack of Divisional Policies and Procedures:** Policies and procedures vary from division to division, contributing greatly to the frequent need to correct, revise and complete the data received from the divisions, including data related to hours worked, time off taken, travel expenses, and division purchases. Policies and procedures, together with uniformly trained and dedicated staff, will bring about needed standardization across the divisions.
- **Lack of Fiscal Operations Policies and Procedures:** Greater accountability is also needed on the part of those directly responsible for the LAPD's main fiscal activities. In reviewing these primary fiscal functions, a recurring theme found was that multiple parties are involved, and seldom is any party or anyone assigned (or takes the initiative to take on) responsibility for control or improvements. As a result, since accountability is unclear, important fiscal matters can "slip between the cracks." It is imperative that the LAPD develop and update written policies and procedures, with identification of who is responsible, for all key fiscal functions; and clear consequences for failure to perform.
- **Lack of Performance Measures and Evaluations:** There is an extensive lack of adequately documented performance measures in place to gauge the efficiency and effectiveness of fiscal operations. Each employee should have clear expectations, with as specific and detailed assigned responsibility as possible. In relation, performance evaluations for fiscal staff members have not been regularly conducted, with many employees having been last formally evaluated several years ago. Performance evaluations and measures go hand-in-hand, as the lack of performance measures makes an evaluation less than fully objective.
- **User Fees and Charges are Slow to Change:** The process, in which fees and charges are reviewed and approved to be increased, is cumbersome and often delayed. The last review was conducted 1.5 years ago, but its approval has been stalled in the bureaucratic channels and no one in the LAPD is assigned to follow-up. Instead, the audit recommends the LAPD make interim annual increases to these fees and charges by a CPI factor, until a detailed "time and motion" study can be conducted every 3 to 5 years. Estimated to generate additional revenue of at least \$500,000 annually (based on current collections), this routine annual adjustment is a low-cost, low-risk approach to help balance the budget with the ever growing demands for public safety service.

## Internal Controls

*There are certain areas where fiscal controls are simply lacking, due to a variety of reasons, including the lack of effective policies and procedures, limited information system capabilities, and general lack of follow-up work despite the existence of established procedures. Without the proper fiscal control mechanisms in place, the LAPD is exposed to significant financial risk.*

- **Ineffective Level of Audit Work:** The Audit Unit's mission, functions and responsibilities are not characteristic of an effective auditing organization. The Audit Unit has been conducting activities that are administrative in nature (i.e., updating FOD employees' home addresses) and limited primarily to the FOD (i.e., auditing of timekeeping in FOD). The current work audit schedule is not sufficiently rigorous. The realignment of the Audit Unit to a higher organizational level should help it redefine its goals and objectives, provide it with the resources to complete rigorous and meaningful audit work and maintain greater independence. The Audit Unit should be conducting audits to investigate and identify risks, problems and inefficiencies in the Department's fiscal processes, policies and procedures, and making recommendations to address these issues.
- **Limited Oversight of Station Funds:** The LAPD is not conducting sufficient oversight of non-budgetary station funds, leading to noncompliance with IRS regulations and to the FOD's inability to generate an updated inventory of all existing station funds. Reporting to FOD is found to be sporadic and enforcement is non-existent. FOD has not performed an annual review of all non-budgetary accounts in the LAPD since March 2001. In addition, FOD lacks uniform procedures on accounting for station funds, particularly guidelines on filing for tax-exempt status and handling annual gross receipts exceeding \$25,000. Written, uniform procedures on accounting for station funds, obtainment of IRS group tax exemption status, and regular, more thorough reviews of stations funds are recommended.
- **Limited Accounting Follow-Up and Collection:** There is lack of effort in closing out older outstanding travel authorizations and accounts receivable for services, with some old billings dating back several years. As of October 2006, 320 delinquent post-travel reports (Personal Expense Statements or PES) had been received by the FOD Accounting staff, but had not been "post audited," in part or in whole. About 180 travel advance accounts remain outstanding; in other words, no PES reports had been received. Follow-up to enforce submittal of PES reports was observed to be lacking.

A total of over \$1.3 million in unpaid invoices (for services rendered under Memorandums of Agreement) is outstanding as of December 2006. In addition, there is a significant amount of false alarm fees that remain outstanding (approximately \$7.7 million from billings in 2004, 2005 and 2006), while collection efforts are minimal at best and a miniscule amount has been

determined to be uncollectible. Existing policies and procedures must be followed; otherwise, the costs of services will not be recovered. The audit has set FOD into motion to make some corrections.

- **Restrictive Budgeting Process:** The constraints placed on the LAPD budget process provide little room for budgetary movement in establishing the adopted budget, and allow limited year-to-year comparison of the current budget to prior years' actual spending. The Department's overtime budget is consistently under-budgeted initially, not only relative to departmental requests, but also to actual historical usage. In addition, there is generally no provision built in to the non-personnel costs of the budget for any cost increase, even for inflationary impacts. The amount provided for non-personnel costs, such as supplies, is essentially held flat from year-to-year. In sum, the restrictive budgeting process results in unrealistic budget projections and a frequent need for budgetary transfers and supplemental appropriations. Essentially, the real cost of department operations are not factored into the budgeting process. For these reasons, the budget cannot be effectively used as an internal control document. The fact that funds are moved around so extensively implies a general lack of accountability. Greater accountability cannot be expected from managers to operate within a budget plan if the Department is required to frequently shift funds.
- **Limited Control Over Purchasing:** There is not an effective central control point for "managing" any purchase transaction. The actual purchasing process cannot be followed precisely because of the difficulty in obtaining most factors – such as actual invoice, payment and item receipt dates – related to the transactions in the existing database systems. In addition, there is no one within (or outside of) FOD assigned responsibility who is held accountable, for assuring that purchase transactions are properly handled. Without management control of purchases, it is difficult to gauge the effectiveness of the procurement process, including an understanding of the level of lost discounts.

## **Technological Capacity**

*The LAPD's low prioritization of fiscal management is no more evident than in the technological capabilities involved in fiscal operations. Fiscal operations rely heavily on gathering and analyzing a variety of data and information. The lack of updated fiscal systems and technological capability makes it difficult for effective financial management.*

- **Reliance on Obsolete and Non-Integrated Systems:** There is a tremendous reliance on maintaining multiple information management systems and ad-hoc databases, requiring the need for redundant data inputting and frequent data reconciliation and correction. The limitations of existing systems require fiscal staff to develop and maintain in-house databases for overtime data, supply requisitions, and grant expenditures.

The payroll process involves a frequent and inefficient reconciliation of multiple time management systems. Hence, the exposure to error is high.

- **Limited Capability to Effectively Use Management Systems:** Staff responsible for fiscal management was often found to have limited knowledge and training on how to utilize and generate the necessary information from existing information management systems. For example, additional items of information could be generated from the Supply Management System that could track purchase transactions and help ensure (by timely warning of potential loss) that the Department takes all available discounts. There needs to be a higher prioritization of investment in equipment and technology enhancements, and a stronger recognition of the link between such investments and the LAPD's ability to meet its core mission of law enforcement. In addition, implicit in this investment in new and enhanced technology resources is the provision of adequate and ongoing staff training to effectively use the technology.

## Significant Observations

While the above summary discussed areas where opportunities for improvement exist, we observed a number of fiscally-related areas that were considered to be positive, effective and promising. These areas are summarized below:

- **Helpful & Receptive Staff:** Staff at all levels was open to inquiry, helpful with requests for new reports and data, and receptive to new ideas and opportunities for improvement. A number of employees were eager to share their ideas on enhancing fiscal-related policies, procedures and overall operations.
- **Improvements Occurring:** There are indications that efforts have begun or have been completed to enact changes and improvements, including those that address suggestions highlighted in a previous study. For example, the FLSA Compliance and Payroll units have instituted new procedures to track and follow-up on unaccounted Compensatory Time Off. Following through with particular improvements – such as “finalizing” the payroll and deployment system upgrades – would likely increase the effectiveness and efficiency of such key fiscal functions.
- **Resourceful Staff:** In connection with the above, staff has made improvements despite extended limitations caused by civilian hiring freezes and staff turnover, as well as limitations posed by their physical environment, which include not only limited working spaces and a overall lack of group meeting space, but also the relative inadequacy of electrical, telephone, computer/bandwidth, software and other such “infrastructure.” As a result of the limitations of existing systems, fiscal staff has been required to “make due” and become much more resourceful; i.e., developing and maintaining

multiple in-house information management databases for overtime data, supply requisitions, and grant expenditures.

- **Eagerness for New Tools & Training:** Staff is eager for new tools and/or training to allow them to do their jobs more effectively and make life easier for their “customers” outside FOD. Examples include: desire for expanded on-line resources for employees and more effective workplace tools.
- **Good Cooperation & Communication:** There is, generally, good relationships and communication amongst FOD staff. Almost nine of ten (86%) FOD employees indicated in the staff survey that there is good cooperation among the divisional units, and that the units work together to get the job done. Internal communication within the FOD is also considered by staff to be generally effective.
- **Attention to Customer Service:** People within FOD appear to have strong empathy for the people they support out in the field. External communication outside of the FOD was found to be effective; for example, the communication and working relationship between the Mayor’s Office and the Contracts and Grants Section were reported by both parties as effective and improving. The communication between FOD and the divisions was generally described as effective; and FOD staff was considered to be helpful and responsive. A large majority (85%) of staff indicated in the survey that the FOD strives continuously to improve customer satisfaction.
- **Job & Workplace Satisfaction:** Based on staff interviews as well as the staff questionnaire, FOD employee morale and satisfaction with their jobs and workplace is high. Approximately seventy-two percent of FOD staff feels that they are respected and appreciated within this Division, versus only 64% with the same feelings as employees of the LAPD. Also, 72% of employees view their individual work as interesting and challenging.

## TABLE OF RECOMMENDATIONS

Recommendations	Page Reference
<b>Section I: Organizational Structure</b>	
The LAPD should:	
1.1 Consider the creation of the Office of the Chief Financial Officer, which would consolidate all fiscal/financial functions in the Department under one management entity and allow the LAPD to prioritize effective fiscal management.	16
1.2 Use the divisional fiscal staff's (timekeepers and others) input to standardize timekeeping and other fiscal procedures, and cross train timekeepers with other administrative personnel.	18
1.3 Standardize purchasing and receiving procedures across divisions and ensure staff have access to appropriate management systems.	19
1.4 On a regular basis, generate and deliver to the divisions a report that identifies the divisions that have poor performances in the timely reporting of received procurement items.	19
1.5 Conduct periodic audits to ensure fiscal policies and procedures are followed at the divisions.	19
1.6 Identify and develop the appropriate job classification for the divisional fiscal-related functions, and designate the classification as civilian only, except in emergencies.	19
1.7 Consider as a component of labor negotiations the offering of retirement incentives to officers with permanent injuries, rather than carry them in "light duty" assignments (in roles more properly assigned to non-sworn personnel) for extended periods.	19
1.8 Consider developing and implementing administrative performance standards – particularly those regarding payroll errors and lack of appropriate payroll-related documentation – for Division commanders.	19
1.9 Once fiscal procedures are standardized, consider the "centralization" of the divisional fiscal functions, such as timekeeping, where divisional fiscal staff would be overseen and evaluated by FOD, rather than by division command staff.	19



<p><b>1.10</b> Develop and implement performance measures for collection and cost recovery; and generate regular reports on collection and cost recovery based on these performance measures for the Police Commission to review.</p>	<p>21</p>
<p><b>1.11</b> Consider transferring the false alarm billing and collection enforcement functions from the Alarm Section to the FOD, or another entity (such as the proposed CFO), which can give these fiscal functions the attention and resources they require to be effective.</p>	<p>21</p>
<p><b>1.12</b> Alternatively, consider outsourcing the entire false alarm billing and collection enforcement processes to private service providers.</p>	<p>21</p>
<p><b>1.13</b> Realign the Audit Unit to report to another division outside of FOD and one that is significantly higher within the LAPD organizational structure, such as the Chief of Police or Assistant Chief of Support Services.</p>	<p>22</p>
<p><b>1.14</b> FOD should reassign all administrative functions of the Audit Unit to existing FOD support staff.</p>	<p>22</p>
<p><b>1.15</b> LAPD should conduct a thorough risk assessment of each key financial management area within the Department to redefine and update the mission, functions and audit program of the Audit Unit.</p>	<p>22</p>
<p><b>1.16</b> The Audit Unit should be led by an experienced manager and auditor with the appropriate qualifications and experience to lead and manage an effective auditing function.</p>	<p>23</p>
<p><b>1.17</b> The LAPD should engage other City leaders to consider a more thorough analysis into streamlining the City’s grant approval and oversight process to prevent costly delays.</p>	<p>25</p>
<p><b>Section II: Accountability</b></p>	
<p>LAPD should:</p>	
<p><b>2.1</b> Create detailed procedures manuals, with identification of who is responsible, for all key fiscal functions. These manuals should include work procedures in emergency or disaster situations.</p>	<p>26</p>

<b>2.2</b>	Create clear expectations, with as specific and detailed assigned responsibility as possible, for each employee; and provide written “contracts” to employees to assure that the standards are assigned high priorities.	27
<b>2.3</b>	Implement succession planning and cross training of key functions to minimize the effects of personnel change or loss.	27
<b>2.4</b>	FOD should bring performance evaluations of fiscal staff up to date as quickly as possible.	27
<b>2.5</b>	LAPD should incorporate accountability for meeting fiscal-related performance standards into future performance evaluations, as well as sanctions or penalties for failure to meet these standards.	27
LAPD should:		
<b>2.6</b>	Develop uniform procedures on accounting for station funds, including guidelines on how to meet IRS reporting requirements if gross receipts for a station fund exceed \$25,000.	29
<b>2.7</b>	Revise the monthly Receipts and Disbursements Report to include a column to track the station fund’s year-to-date gross receipts, defined as receipts from commercial activities, donations/contribution and investment income.	30
<b>2.8</b>	Apply for and obtain IRS group nonprofit exemption status for all station funds for either the 501(c)(4) or 501(c)(7) designation.	30
<b>2.9</b>	Conduct a review of station funds to determine whether written policies and procedures are adhered to by the division staff, and to resume the annual inventory review of all non-budgetary funds.	30
<b>2.10</b>	LAPD should implement and make more available requirements for public disclosure of potential conflicts of interest.	31
<b>2.11</b>	The Administrative Technical Services Bureau should conduct a periodic review of conflict of interest disclosures (if implemented) and of donation acceptance and reporting requirements.	31
<b>2.12</b>	The Contracts/Grants Section should develop a procedures manual to outline the Section’s internal policies, procedures, and requirements for each grant to be used by staff and end-users.	32
<b>2.13</b>	The LAPD should revise the LAPD Manual to provide the guidelines, process and authority of the Contracts/Grants Section.	32

FOD Management should:	
<b>2.14</b> Assign responsibility to one or more FOD employees, who are then held accountable, for assuring that transactions are properly handled.	34
<b>2.15</b> Develop the ability within FOD to generate one or more reports (or queries) that allow easier access to all data relevant to each transaction, which should allow the LAPD to better evaluate the potential for losing discounts before it is too late.	34
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## AUDIT FINDINGS

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### Section I: Organizational Structure

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#### *Prioritizing Fiscal Management*

**Finding No. 1.1: The Department's current fiscal control structure and operations in place do not allow for effective financial management.**

The Los Angeles Police Department is by far the largest department within the City of Los Angeles government. The LAPD'S budget is nearly one-fifth of the City's entire budget. Salaries comprise approximately 95% of the Department's budget. The public expects the LAPD to operate efficiently and cost-effectively, while there is also often a public desire to increase the financial resources for law enforcement. Within this context, the LAPD has a fiduciary responsibility to ensure that the value of public safety funds is maximized. For the Department to achieve this goal requires effective financial management, since the Department's fiscal control policies, procedures and systems are inextricably linked to the LAPD's ability to meet this responsibility.

The fiscal control structure and operations in place do not allow for effective fiscal management, as they are based on historical practices of the Department, and have not been effectively updated and elevated to address the changing needs of the LAPD's core operations. Many standard fiscal practices continue to involve manual and redundant processes. Certain information management systems are obsolete and not integrated, and the technological infrastructure has not been updated. Some key fiscal policies and procedures are lacking, not standardized, and/or not appropriately followed. While the LAPD has evolved into a highly diverse and decentralized organization, the Department's Fiscal Operations Division, the primary financial management entity, remains centralized at headquarters. Yet, at the same time, many of the Department fiscal functions are not all concentrated in FOD, but are actually fractionalized and often confuse lines of authority and responsibility.

Furthermore, while the FOD has primary responsibility for the Department's fiscal management, the FOD's placement within the organizational structure limits its capacity and authority to enforce the LAPD's fiscal policies and procedures. In essence, the Department lacks a "Chief Financial Officer" entity who would report directly to the Chief of Police. The CFO and its office would consolidate and oversee all LAPD fiscal functions, such as accounting and financial reporting, internal auditing, revenue collections, risk management, and payroll. The CFO

would have the authority to develop standards of financial performance and enforce fiscal policies and procedures.

The audit acknowledges management's need to prioritize scarce and finite resources for LAPD's core competency of public safety and law enforcement. Nevertheless, the audit recommends the Department to place greater emphasis on developing its capacity to ensure the organization's fiscal soundness and integrity.

**Recommendation:**

- 1.1 LAPD should consider the creation of the Office of the Chief Financial Officer, which would consolidate all fiscal/financial functions in the Department under one management entity and allow the LAPD to prioritize effective fiscal management.

***Decentralizing Fiscal Support***

**Finding No. 1.2: Fiscal-related job classifications and policies and procedures – particularly with timekeeping and supply requisition – employed at field divisions are not uniform.**

As mentioned earlier, the LAPD has evolved into a highly diverse and decentralized organization serving an extensive and differentiated geographic area. However, the primary fiscal management structure remains centralized at headquarters. At the divisional level, the fiscal related responsibilities – such as timekeeping and purchasing – are often assigned to whomever is available, both civilian and sworn employees, who report to the station command staff. Some of these employees dedicate their entire work hours to fiscal functions, while others juggle these activities with other administrative responsibilities assigned to them.

While FOD establishes fiscal policies and procedures for the divisions to follow, enforcement of these policies is lax, and management oversight to ensure procedures are followed is lacking. For example, the written procedures manuals for regular and overtime timekeeping obtained from FOD staff were written several years ago, and have not been adequately updated to reflect new systems and requirements. With the focus on core operations, station commanders do not have the time and capacity to ensure the effectiveness and efficiency of divisional fiscal/administrative staff. Training of divisional staff on fiscal and other administrative policies and procedures is limited. At the same time, many of these established fiscal policies and procedures have not been updated, others are constantly in flux, and most are not readily accessible to staff. Over the years, operational procedures employed can become unique to each division, resulting in a lack of standardization of fiscal-related procedures and functions among the divisions.

In essence, the Department lacks a standardized job classification responsible for fiscal matters at the division level. This is most evident in the employee positions assigned to the timekeeping functions, both for regular and overtime hours. There is not an official and appropriate classification for the timekeeper position, which is currently held by both civilian and sworn employees. These sworn officers, some of whom fill these timekeeper positions on “light duty” for years while waiting out retirement, are not available for active law enforcement field duties. These positions and their responsibilities are highly specialized and, in many cases, unique to that particular division, making it difficult to replace or back-up/fill-in for injured or sick employees.

Timekeeping procedures employed at field divisions are not uniform. The daily worksheets in which the watch commander records time for a particular watch varies among the field divisions, either using worksheets generated from DPS, or the older, Excel-based worksheet. How each timekeeper records data in the time-books also varies. For example, some use an exact accounting of all hours. Others use their own personal codes to highlight exceptions to “regular” hours. The Department has a payroll system that is a highly complex and labor-intensive process, involving flexible work schedules, FLSA compliance, and negative timekeeping with extensive backend correction activities. With close to 14,000 employees and over \$1 billion in annual personnel costs, it is prudent for the LAPD to standardize timekeeping procedures at the divisional level. By doing so, the Department can help reduce the payroll correction work required at the backend.

Supply requisition procedures at the division level are uniform across the divisions for the most part, particularly with the designation of one staff member who generates supply order requests and receives the items when delivered. One step in the supply requisition process that is of particular concern is during the receipt of the requested item. Once an item is delivered and received, the end-user must enter the receipt date within the Supply Management System (SMS), in order to acknowledge the receipt of the item and to trigger the payment of the purchase transaction by the City’s General Services Department. However, this does not occur across the divisions.

In one division, the civilian employee responsible for supply requisition did not have access to SMS and, therefore, did not acknowledge the receipt of supplies in the SMS system. Other staff members in this division who were assigned with administrative functions were also interviewed; none of them indicated that entering such information into the SMS was a function that they performed. After further inquiry, it was determined that entering data into the SMS was not a part of this division’s understanding of appropriate supply requisition procedures. How purchase transactions originating in this division get updated and paid is unknown, since acknowledging the receipt of an item in SMS triggers payment processing. As a result, it is recommended that LAPD standardize purchasing

and receiving procedures across divisions and ensure staff have access to appropriate management systems. In addition, to improve divisional accountability, FOD should generate and deliver, on a regular basis, to the divisions a report that identifies the divisions that have poor performances in the timely reporting of received items. Such a report was generated in 2002, but it appears to be provided inconsistently.

The LAPD should be reorganized to provide dedicated onsite staff – that is uniformly trained – to assume responsibility for all fiscal matters at each of the divisions. The Department should develop or identify the appropriate job classification(s) for all fiscal functions at the divisional level, and designate the classification(s) as civilian only, except in emergencies. In light of this, the LAPD should consider offering injured officers retirement incentives rather than carry them for extended periods in “light duty” administrative assignments that are more appropriately assigned to non-sworn personnel. There should also be a concerted effort to streamline and standardize fiscal procedures at the divisional level. The LAPD should use the timekeepers’ input to standardize timekeeping procedures, and cross train timekeepers with other administrative personnel, so that the ability to perform the important timekeeping function is not dedicated to one employee. The FOD should play a crucial role in developing the job classification(s), standardizing fiscal procedures, and developing and conducting fiscal policy and procedure training.

Furthermore, there should be greater accountability for following established fiscal policies and procedures. The FOD’s Audit Unit should conduct periodic audits to ensure fiscal policies and procedures are followed at the divisions. The Department can also develop and implement administrative performance standards – particularly those regarding payroll errors and lack of appropriate payroll-related documentation – for Division commanders. This may prove difficult to implement, given the needed focus on law enforcement operations. Instead, once fiscal procedures are standardized, the LAPD may consider the “centralization” of the divisional fiscal functions, such as timekeeping, where divisional fiscal staff would be overseen and evaluated by FOD, rather than by division command staff. This could allow field personnel to remain focused on law enforcement duties, and FOD to concentrate on fiscal management and analysis. Centralization could also allow for further standardization of job duties, procedures, and oversight and management.

**Recommendations:**

The LAPD should:

- 1.2** Use the divisional fiscal staff’s (timekeepers and others) input to standardize timekeeping and other fiscal procedures, and cross train timekeepers with other administrative personnel.



- 1.3 Standardize purchasing and receiving procedures across divisions and ensure staff have access to appropriate management systems.
- 1.4 On a regular basis, generate and deliver to the divisions a report that identifies the divisions that have poor performances in the timely reporting of received procurement items.
- 1.5 Conduct periodic audits to ensure fiscal policies and procedures are followed at the divisions.
- 1.6 Identify and develop the appropriate job classification for the divisional fiscal-related functions, and designate the classification as civilian only, except in emergencies.
- 1.7 Consider as a component of labor negotiations the offering of retirement incentives to officers with permanent injuries, rather than carry them in “light duty” assignments (in roles more properly assigned to non-sworn personnel) for extended periods.
- 1.8 Consider developing and implementing administrative performance standards – particularly those regarding payroll errors and lack of appropriate payroll-related documentation – for Division commanders.
- 1.9 Once fiscal procedures are standardized, consider the “centralization” of the divisional fiscal functions, such as timekeeping, where divisional fiscal staff would be overseen and evaluated by FOD, rather than by division command staff.

### ***Placement of False Alarm-Related Functions***

The Alarm Section, housed in the Commission Investigation Division of the Police Commission, is responsible for administering the billing of the false alarm fees and compliance efforts, and providing technical assistance, customer service and false alarm prevention education. The Alarm Section has been successful in reducing false alarms in part, as the total number of alarm calls dispatched has dropped substantially, from 109,295 in 2003 to 58,546 in 2006, representing a decrease of 46%. However, those alarm calls are still overwhelmingly determined to be false alarms. In fact, a reported 54,577 of 58,546, or 93%, in 2006 were false alarms. Nevertheless, the latest false alarm rate of 93% appears to have declined slightly, from the 97% rate in 2003.

**Finding No. 1.3: The current placement of the alarm billing and collection administration functions in the Police Commission is not functionally appropriate and fiscally effective.**

The current placement of the alarm billing and collection administration functions in the Police Commission is not appropriate and effective, because there is clearly a disconnect between the Police Commission's functions of investigation, arbitration and policy formulation and review with the billing and collection administration function of its Alarm Section. According to the LAPD Manual, the Police Commission is charged with the following functions, among others: 1) granting, denying, suspending, or revoking various permits; 2) reviewing grievances in emergency situations and exercising appellate jurisdiction of employee grievances; 3) maintaining employee financial disclosure statements and employee statements of disqualification from a decision making process because of a conflict of interest; 4) conducting discrimination complaint investigations and presenting findings to the Department for appropriate adjudication; 5) investigating complaints against the Chief of Police; and 6) acting as the final level of review for all use of force incidents and responsible for overall policy formulation and review.

**Finding No. 1.4: There is insufficient emphasis in the LAPD placed on overall cost recovery, resulting in potential lost revenue opportunities.**

As a result of this current configuration, the Alarm Section has stated that its overall mission relates to false alarm reduction through alarm ordinance enforcement and public education (such as conducting false alarm reduction classes and answering citizen phone inquiries), and that cost recovery of false alarm violations is somewhere in the middle of the Section's list of priorities. The audit found a general lack of goals or performance measures pertaining to cost recovery and collection in the Alarm Section. Hence, collection and cost recovery data is not consistently reported by staff and reviewed by the Police Commission. More informative records, such as summary spreadsheets and/or a database, can be utilized to allow a better understanding of the numbers and dollars at stake and to serve as a precursor to taking more decisive enforcement action.

There is a significant financial implication for the Department resulting from this limited effort in false alarm fee collection and enforcement. The lower prioritization of cost recovery in this Section is not characteristic of sound fiscal management, especially given the fact that the Section handles the largest amount of accounts receivable in the LAPD (\$15.5 million in false alarm billings in 2006). This lower emphasis on cost recovery has clearly had an impact on the Section's actual efforts in meeting the alarm ordinance's provisions of enforcement and collection efforts (as described later in this report). Such lack of collection enforcement leads to lower public compliance, which is precisely what the Alarm Section seeks to change.

The billing and collection enforcement duties of the Alarm Section are more fiscal-related functions and should be more appropriately placed within the FOD, or another entity (such as the proposed CFO), which can give these fiscal functions the attention and resources they require to be effective. The Department should also consider outsourcing the entire false alarm billing and collection processes to private service providers. The accountability for the overall management of these billing and collection processes in their entirety is difficult to pinpoint, since the tasks involved in these processes are fragmented between the Alarm Section and the Office of Finance. Outsourcing the false alarm billing and collection functions can provide the much needed effort and emphasis on cost recovery and, thereby, help to increase revenue for the City, improve staff productivity by allowing them to focus on other enforcement and education efforts, and eventually improve overall public compliance.

### **Recommendations:**

The LAPD should:

- 1.10** Develop and implement performance measures for collection and cost recovery; and generate regular reports on collection and cost recovery based on these performance measures for the Police Commission to review.
- 1.11** Consider transferring the false alarm billing and collection enforcement functions from the Alarm Section to the FOD, or another entity (such as the proposed CFO), which can give these fiscal functions the attention and resources they require to be effective.
- 1.12** Alternatively, consider outsourcing the entire false alarm billing and collection enforcement processes to private service providers.

### ***Placement of the Audit Function***

#### **Finding No. 1.5: The current placement of the Audit Unit within FOD is not appropriate and effective.**

At the present time, the FOD's Audit Unit is auditing primarily the Division's functions, while reporting to the head of FOD. According to industry best practices, an internal audit unit should report directly to the head or deputy head of the organization and should be located organizationally outside the staff or line management functions that it is expected to audit. The current placement makes the Audit Unit less independent. Moreover, it is not at a high enough level within the LAPD organizational structure to be effective in review of FOD and other LAPD divisions. The Audit Unit should be organizationally realigned to report to another division outside of FOD and one that is significantly higher within the

LAPD organizational structure. The auditing function could report directly to the Chief of Police or to the Assistant Chief of Support Services.

**Recommendation:**

- 1.13 LAPD should realign the Audit Unit to report to another division outside of FOD and one that is significantly higher within the LAPD organizational structure, such as the Chief of Police or Assistant Chief of Support Services.

**Finding No. 1.6: The Audit Unit's mission, functions and responsibilities are not characteristic of an effective auditing organization.**

Many activities currently being conducted by the Audit Unit are administrative in nature (i.e., updating FOD employees' home addresses) and are limited only to the FOD (i.e., auditing of timekeeping in FOD). Hence, the current work schedule is not sufficiently rigorous, exposing the Department to risk. The Audit Unit should be conducting audits to investigate and identify risks, problems and inefficiencies in the Department's fiscal processes, policies and procedures, and making recommendations to address these issues. Note that if the Audit Unit were to follow a more rigorous audit schedule, the Section would be understaffed, as it currently consists of one staff member. Vacant audit positions are rumored to be filled, if not already, but are assigned to other non-auditing functions in FOD. All non-auditing administrative duties currently assigned to the Audit Unit should be reassigned to existing FOD support staff.

**Recommendations:**

- 1.14 FOD should reassign all administrative functions of the Audit Unit to existing FOD support staff.
- 1.15 LAPD should conduct a thorough risk assessment of each key financial management area within the Department to redefine and update the mission, functions and audit program of the Audit Unit.

**Finding No. 1.7: The Auditing function within FOD is not properly planned and not adequately supervised.**

Industry best practice requires that an auditor should report to a superior who is knowledgeable of the standards of auditing. This individual must have a strong understanding of the auditing standards of independence, planning and supervision, as well as strong communication skills. Presently, though audit reports are analyzed for completeness and appropriate use of language, there is no one within FOD who can effectively judge and manage the underlying work and its relevance. The supervision and direction provided by FOD management

to the Audit Unit is lacking, and the communication between the two is poor and, at times, volatile.

For these many reasons, current FOD management is not equipped with the appropriate personnel to effectively lead and manage a strong audit function. As a result, an effective level of audit work is currently not being conducted by the Audit Unit, exposing the Department to risk. Once organizationally realigned within the LAPD, the Audit Unit should be led by an experienced manager and auditor with the appropriate qualifications and experience to lead and manage an effective auditing function.

**Recommendation:**

- 1.16** The Audit Unit should be led by an experienced manager and auditor with the appropriate qualifications and experience to lead and manage an effective auditing function.

***Grants Management Process***

The Contracts/Grants Section is a relatively new unit within the Fiscal Operations Division. In October 2005, the current Contracts/Grants Section was created through the combining of the established Grants Unit (Planning and Research Division) and the Contracts Unit (Administration and Technical Services Bureau). The function and the residual staffing were combined under the Fiscal Operations Division. As a new entity, the Section appears to still be in the process of developing its mission, objectives and primary responsibilities.

The Contracts/Grants Section is responsible for several key functions: 1) identifying grant opportunities; 2) working with end-users to develop grant proposals and initiatives; 3) compliance monitoring of existing grants by preparing progress reports; and 4) fiscal management of existing grants through processing of purchases and reimbursements, development and management of RFPs and contracts, and maintaining the accounting of grant dollars. The Contracts/Grants Section faces several key challenges that impact its ability to spend the available grant funds within the grant period and to process eligible grant expenditures in time for reimbursement by the funding organization.

**Finding No. 1.8: The City's grant approval and oversight process delineated by the grant ordinance is cumbersome and time consuming and involves multiple organizational layers within the City, often delaying the implementation of the grant program.**

The City's existing grant approval and oversight process – as dictated by the City's grant ordinance – severely limits the useful life of the grants that are

received. When a funding opportunity arises, the Contracts/Grants staff analyzes the opportunity and discusses it with field personnel (often the lieutenant or captain) to determine whether to apply. If they decide to respond to the funding opportunity, Section staff would prepare the grant proposal, with consultation from field personnel. Prior to submitting the application, the approval signatures of the Police Commission, Chief of Police, and, dependent on certain factors, Mayor and City Council are required. Under the ordinance, grant applications may be submitted without Mayor and City Council approval, if no General Funds, matching or other commitment of City resources are required; or if the Notice of Funding Availability was published less than 61 days from the application deadline date.

Once grant award notification is received, Contracts/Grants Section staff must notify FOD Budget/Revenue Section staff to setup appropriate accounts. According to the ordinance, no City department or office has authority to commit the City/Department to a grants program unless the provisions of the grant have been approved by a majority vote of the City Council, subject to the approval of the Mayor, or approval of the Council over the Mayor's disapproval by a two-thirds vote. Such an approval process involves the LAPD submitting appropriate grant documents to the City Clerk and City Administrative Officer, which then submits a summary report of the grant to appropriate City Council committee(s) for review (for LAPD grants, most likely Public Safety and Budget Committees). Once approved by committee, the grant is then headed to the full City Council for approval and then to the Mayor.

The lag time between certain stages within the grant approval process can be significant, taking an average of two months from the time of the grant award to the obtainment of final Mayor and Council approval. For example, in the State Office of Traffic Safety (OTS) Three-Plus-One Program grant, it took one month for the CAO to generate the grant summary report for the council committees to review. In many cases, the language in these reports is copied verbatim from documents provided by the grants coordinator. The action and approval of the Council and Mayor did not occur for another month, since it is often difficult to fit the review and approval of the grant into the Council's schedule. In total, more than two months transpired from the receipt of the grant award to the date in which the LAPD could begin spending the grant funds.

This cuts into the grant period in which funds can be expended. This same delay occurs when there are modifications to the grant contract once the grant is approved. Many grant amendments and revisions also require Mayor and City Council approvals, which delay program implementation and, therefore, reduces the amount of time the end-user can spend the allocated funds. End-users can tend to develop "concepts," rather than realistic, implementation-ready proposals. Program/grant modifications can be minimized if the initial grant proposal is better flushed out, with clear scope of work, goals, and timelines/milestones for each project or initiative within the grant. This issue underscores the importance

of the Grants/Contracts Section staff in working closely with end-users during the project proposal stage to develop more flushed out proposals and timelines. In addition, it would be prudent for the LAPD to further analyze the grant approval and oversight process and to identify opportunities for improved efficiencies not only in cases requiring grant modifications/amendments, but also in the grant approval process, as described earlier. The processes delineated by the grant ordinance involve various tiers, and are cumbersome and time-consuming. One possible change could be the establishment of an ad-hoc City Council grants committee that meets more regularly to oversee and approve grant modifications.

Any reduction in the grant period has a significant fiscal impact on the LAPD, as it decreases the amount of time the LAPD can spend the grant funds and increases the possibility of lost revenues (in the form of unspent grant dollars). For example, in the FY 2003-2004 Urban Area Security Initiative grant of \$4.5 million, approximately \$200,000 was left unspent after the grant period. Another example is the OTS Three-Plus-One Program grant of \$2.4 million, of which \$144,000 was left unspent. This issue is becoming more relevant as grantors are getting stricter about requiring the completion of the grant contract within the specified time period, and less willing to allow time extensions.

**Recommendation:**

- 1.17 The LAPD should engage other City leaders to consider a more thorough analysis into streamlining the City's grant approval and oversight process to prevent costly delays.

## **Section II: Accountability**

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### ***Fiscal Policies and Procedures***

**Finding No. 2.1: Overall fiscal-related policies and procedures employed by divisions and fiscal support units are unclear, inadequate and/or not uniform, leading to lower levels of accountability.**

A recurring theme found in several key fiscally-related functions in the LAPD is the lack of accountability. In these primary fiscal functions, multiple parties are involved and rarely is anyone given (or takes the initiative to take on) responsibility for control or improvements. Since no one is assigned responsibility, and no one is held accountable, fiscal matters can “slip between the cracks” and place the Department at risk. Fiscal duties were found to be divided between individuals and operational units, often appropriately for internal control purposes. However, the downside of this division of the fiscal work is often reflected in the staff members’ lack of awareness of the broader fiscal control and management goals of the Department and City, and of their role and responsibility in meeting these goals. This lack of accountability and clear work assignments may be due in part to promotional opportunities that have resulted in high staff turnover. In addition, it can be attributed to the inability of management to understand that such fiscal control issues should be addressed and/or to hold the staff accountable.

For these reasons, it is imperative that the LAPD create detailed procedures manuals, with identification of who is responsible, for all key functions. These manuals should include work procedures in emergency or disaster situations to ensure that fiscal operations continue effectively. Each employee should have clear expectations, with as specific and detailed assigned responsibility as possible. Employees should be provided written “contracts” to assure that the standards are assigned high priority. If there is disagreement – for example, if an employee points out areas that are not actually under his/her control, such as when responsibility is split between sections or departments – management must evaluate how to bring those functions under more effective control. Lastly, to ensure that institutional fiscal-related knowledge and know-how are passed along, management has to implement succession planning and cross training of key functions to minimize the effects of personnel change or loss.

### **Recommendations:**

LAPD should:

- 2.1** Create detailed procedures manuals, with identification of who is responsible, for all key fiscal functions. These manuals should include work procedures in emergency or disaster situations.



- 2.2 Create clear expectations, with as specific and detailed assigned responsibility as possible, for each employee; and provide written “contracts” to employees to assure that the standards are assigned high priorities.
- 2.3 Implement succession planning and cross training of key functions to minimize the effects of personnel change or loss.

**Finding No. 2.2: There is a lack of performance measures in place to gauge the efficiency and effectiveness of the fiscal functions.**

**Finding No. 2.3: Individual performance evaluations are not conducted on a regular basis in the FOD.**

Without these standardized procedures, it was not surprising to observe the lack of adequately documented performance measures in place to assess the efficiency and effectiveness of the fiscal functions. For the civilian workforce involved in fiscal operations, each employee should have clear expectations, with as specific and detailed assigned responsibility as possible. In relation, performance evaluations for individual fiscal staff members have not been regularly conducted, with many employees having been last evaluated several years ago. Performance evaluations and measures go hand-in-hand, as the lack of performance measures makes an evaluation less than fully objective.

In the FOD staff questionnaire, 59% of respondents disagreed with the statement that they receive regularly-scheduled performance evaluations, 31% were neutral, and only 9% indicated agreement. According to the survey, while management emphasizes high performance and employees are held accountable for performance, a significant proportion of respondents stated that performance standards are not clearly defined (23%) and performance measures are not documented (38%).

FOD should bring performance evaluations up to date, as quickly as possible, by completing forms for all employees. Furthermore, in these future performance evaluations, management should incorporate accountability for meeting performance standards. At the same time, management should consider utilizing sanctions or consequences for failure to meet stated performance standards.

**Recommendations:**

- 2.4 FOD should bring performance evaluations of fiscal staff up to date as quickly as possible.
- 2.5 LAPD should incorporate accountability for meeting fiscal-related performance standards into future performance evaluations, as well as sanctions or penalties for failure to meet these standards.

## ***Oversight of Station Funds and Booster Organizations***

Each LAPD division has a “station fund,” which is a non-budgetary checking account held by an independent employee organization. The contributions to these station funds are from internal fundraisers conducted by employees (bake sales, social events, BBQ parties, etc.), vending machine revenues, employee dues and contributions, sales of snacks, refreshments, merchandise, and outside donations. The station funds’ major expenses were related to office parties and other social events (food, decorations, holiday celebrations, etc), coffee, Baker to Vegas run expenses, “get-well” and funeral/condolences flowers and cards, and other internal uses.

FOD had developed policies and procedures for establishing and managing a station fund/checking account. Each station fund must have bylaws and be managed by a minimum 5-member Fund Committee. Certain station funds receive near or in excess of \$25,000 annually in reported gross receipts. Some station funds file annual income tax reports. They are likely to file as either 501(c)(4) or 501(c)(7) non-profit entities. Other station funds were found to have not filed tax reports at all, and some do not have any tax exemption status. There is existing written policy that monthly and annual audits/reconciliations – called monthly Receipts and Disbursements Report – are to be conducted by alternating Fund members who are not on the Fund Committee and be submitted to the Audit Unit. These reports track the beginning balance, receipts and disbursements, and the ending balance, but they do not show cumulative gross receipts during the year.

**Finding No. 2.4: The Department is not conducting sufficient oversight of non-budgetary station funds, leading to significant noncompliance with IRS regulations and to the LAPD’s inability to generate an updated inventory of all existing station funds.**

Divisional monthly receipts and disbursement reports are not submitted consistently. Enforcement to submit audit reports is non-existent. FOD has not performed an annual review of all non-budgetary accounts in the LAPD since March 2001. Hence, FOD has no updated inventory of all existing station funds, in terms of the number of accounts open at any point in time and total bank balances and revenues per year. The magnitude of these non-budgetary checking accounts is not insignificant. The March 2001 inventory listed a total of 78 station funds. Average annual receipts were about \$8,425 per account and the average account balance was \$2,752 per fund. “Average annual receipts” are estimates given to FOD by the fund managers. Based on these numbers, these station/employee funds brought in \$513,901 in average annual receipts, and had a total balance in March 2001 of about \$176,146.

In addition, FOD lacks uniform procedures on accounting for station funds, particularly guidelines on filing for tax-exempt status and handling annual gross receipts exceeding \$25,000. Certain station funds receive in excess of \$25,000 annually in reported gross receipts. In such case, a station fund is required to file an annual income tax report (Form 990), as either a 501(c)(4) or 501(c)(7) non-profit entity. However, several such station funds are not complying, while some funds have not filed for tax exemption status. In one division where gross receipts often exceeded \$25,000 annually, the division did not file tax returns for several years and recently received a letter from the IRS threatening to revoke the station fund's tax exemption status. Division staff was assisted by the Audit Unit and is now corresponding with the IRS to address this matter.

Based on the 2001 review, only 5 station funds reported having average receipts of over \$25,000 annually, and 7 station funds reported average receipts between \$18,000 and \$24,999. The audit analyzed financial information obtained from [www.guidestar.org](http://www.guidestar.org), which contains information from the IRS Business Master File of all tax-exempt organizations. Only 10 LAPD station funds were listed on the Guidestar website as having tax-exempt status. We can, therefore, assume that many of the LAPD station funds do not have tax exempt status. They may be in violation of IRS rules, given that they engage in commercial activities. According to Section 350.17 of the LAPD Manual, "The chairperson of each non-budgetary fund shall be responsible for ensuring the fund's compliance with Federal and State tax laws." Based on our review, we believe that there is high potential for non-compliance in this area.

In order to comply with IRS rules, FOD should develop uniform procedures on accounting for station funds, including guidelines on IRS reporting requirements if gross receipts exceed \$25,000. The monthly Receipts and Disbursements Report should be revised to include a column to better document and track the station fund's year-to-date gross receipts. Gross receipts should be defined as those from commercial activities, contributions/donations, and investment income. Furthermore, it is recommended that the LAPD apply for and obtain group nonprofit tax exemption status from the IRS, under either the 501(c)(4) or 501(c)(7) designation. With the group exemption status, all station fund receipts would be exempt from federal income taxes, and any station fund with less than \$25,000 in annual gross receipts would not be required to file a tax return. Otherwise, commercial-type receipts – such as those from vending machines and t-shirt sales – could be subject to both state and federal income taxes. Controlling at a centralized level within FOD would ease administration and provide greater assurance of legal compliance.

### **Recommendations:**

LAPD should:

- 2.6** Develop uniform procedures on accounting for station funds, including guidelines on how to meet IRS reporting requirements if gross receipts for a station fund exceed \$25,000.

- 2.7 Revise the monthly Receipts and Disbursements Report to include a column to track the station fund's year-to-date gross receipts, defined as receipts from commercial activities, donations/contribution and investment income.
- 2.8 Apply for and obtain IRS group nonprofit exemption status for all station funds for either the 501(c)(4) or 501(c)(7) designation.
- 2.9 Conduct an audit of station funds to determine whether written policies and procedures are adhered to by the division staff, and to resume the annual inventory review of all non-budgetary funds.

**Finding No. 2.5: There is currently a lack of clear control policies and procedures to guide LAPD employees' conduct and interaction with outside divisional booster organizations.**

Many LAPD divisions are supported by funds from local booster organizations, which are led by private citizens and businesses that seek to support the operations of the local LAPD division. The booster organization provides funding for supplies and equipment that cannot be provided through the LAPD budget. Funding from these boosters can be significant. According to available IRS Form 990s, in 2005, West Los Angeles Police & Community Together donated \$19,287 for equipment, services and supplies, and the Chinatown Public Safety Association donated \$122,997 for bilingual staff and office support to augment services at the Chinatown police station. There are also occasional and minimal donations by boosters to the station funds that directly benefit the station employees, such as underwriting an employee event participation (Baker to Vegas Challenge Cup Relay Race) or a holiday party. According to the 2001 non-budgetary fund inventory, there were five non-budgetary accounts with sources of funds contributed from booster organizations. They had balances totaling \$53,600.

Even though the boosters are outside of the police structure, there is a need for transparency and controls in regard to potential conflicts of interest. There are periodic contacts between the boosters and LAPD employees to identify needs ("wish lists"), often through an LAPD liaison, who may attend booster meetings. Although there is no evidence found during the audit, there is always the potential for conflict of interest involving the booster organization and LAPD personnel, as well as potential for improper uses or sources of funds. Such incidents can expose the Department to risk. Requirements for public disclosure of potential conflicts of interest should be implemented by the Department in regards to the booster organizations. Although policy and procedures exist that govern the acceptance and accounting of donations, a regular review should be implemented to track and determine whether booster donations are properly reported by the receiving division and approved according to LAPD policy.

## **Recommendations:**

- 2.10** LAPD should implement and make more available requirements for public disclosure of potential conflicts of interest.
- 2.11** The Administrative Technical Services Bureau should conduct a periodic review of conflict of interest disclosures (if implemented) and of donation acceptance and reporting requirements.

## ***Contracts and Grants Policies and Procedures***

**Finding No. 2.6: The Contracts/Grants Section does not have consolidated and written policies and procedures that can assist grant end users with the appropriate information and resources to better manage their grants and to provide Section staff with needed grant data and documents in a timely manner and format.**

Most of LAPD's grants require reserve fund advances from the City, since the funding agencies reimburse eligible grant expenditures. Only upon the physical acquisition of the desired item(s) and the filing of the reimbursement claims within the required time limits will the grant funds be released by the funding agency to offset the LAPD's purchases. Grant funds, if they are not closely monitored for timely submission, can be lost. Grant extensions have been given repeatedly to the LAPD. Without such extensions, it is believed that reimbursement of LAPD program expenditure claims would be reduced by 75%.

Reimbursements not processed in time means the City's reserve funds have been utilized but will not be replenished. End-users are required to submit order/purchase requests through the Contracts/Grants Section. A significant amount of Contracts/Grants staff time is spent on obtaining appropriate documents, such as purchase invoices, from end users and processing these expenditures with the funding entity for reimbursement. Furthermore, certain expenditures may require the development of extensive technical specifications, in which the Contracts/Grants Section may assist in developing. Certain expenditures may also require a bidding process, for which the Contracts/Grants Section staff is also responsible. Such factors will certainly delay the actual spending of grant funds.

For the most part, if the grant is near its end date and available funds remain, staff would more likely decide to forfeit these funds, simply because it would not be able to process the eligible expenditure(s) on time. Hence, the crucial goals of the Contracts/Grants Section is to ensure the timely reimbursement of grant expenditures to replenish the City's reserve funds, and to minimize the amount of unspent funds at the end of the grant period. Since the grant process is a long and complicated process involving multiple layers and entities, the audit recommends the LAPD develop an internal Contract/Grants Section procedures manual to outline the internal policies, procedures, and requirements for each

grant to be used by staff and end-users. In particular, the manual should provide guidelines to ensure timely submission, processing and tracking of all grant documents.

Currently, as also observed in other FOD functions, the Contracts/Grants Section lacks written policies and procedures, and/or possesses disparate pieces of written procedures that need to be consolidated. The lack of clear policies and procedures negatively impact communication between the various parties involved in grants management: LAPD field end users, Contracts/Grants Section staff and, in homeland security grants, Mayor’s Office staff. Inefficient work processes and communication reduces the grant spending period and delays the timely processing of eligible grant expenditures in time for reimbursement by the funding organization.

**Recommendations:**

- 2.12** The Contracts/Grants Section should develop a procedures manual to outline the Section’s internal policies, procedures, and requirements for each grant to be used by staff and end-users.
- 2.13** The LAPD should revise the LAPD Manual to provide the guidelines, process and authority of the Contracts/Grants Section.

***Managing the Supply Procurement Process***

The FOD’s Supply Section is responsible for procuring or aiding in the procurement of most goods and materials for the Department under \$1,000, with the exception of computer hardware and software, and the vehicle fleet. The procurement of goods and materials is governed by the City Charter, Administrative Code, and General Services Department Supply Management System procurement guidelines. With the exception of the police uniform shop (an inventory value of \$278,639 as of October 2006), the Supply Section no longer carries a large inventory of equipment or supplies since 2000.

However, the Supply Section does keep some often-needed supplies and equipment, such as paper, toner, drum kits, fax machines, shredders, file cabinets, and chairs. The Section also warehouses some LAPD-issued training materials, code books, and mandatory posters. With the exception of a large supply of digital recordable supplies, the Supply Section’s supplies and equipment inventory is indeed small in volume and variety.

<u>Item Description</u>	<u>Quantity</u>
Digital Wall Display	1
Wireless PA System	3
Fax Drums	5
File Cabinets	14
Fax Machines	19
Fax Toner	21
Shredders	22
Chairs	58
Printer Toner	79
Paper (Letter Size, Cases)	124
Trifold Manila Folders (Packs)	162
Books, Penal and Vehicle Code	338
2005 LAPD Manual CDs	3,120
CDR, CDR-Mini, DVD-R	33,650
<b>Total</b>	<b>37,616</b>

More specifically, as of October 2006, the supplies and equipment inventory included the items in the table above.

The Supply Section also includes a Wood Shop with two cabinetmakers responsible for custom order cabinetry, shelving, and other pieces requested by specialized divisions, such as training scenario setups, custom cabinetry for command post vehicles, frames for large scale maps, custom shelving for surveillance and audiovisual needs, and medal of valor shadow boxes. Other ancillary duties include picking up “burn boxes” from geographic areas; copying keys; picking up and delivering furniture, equipment and other office items; and repairing broken locks and office furniture.

**Finding No. 2.7: The Department lacks effective resources, policies and procedures to manage the purchasing function.**

There is not an effective central control point for “managing” any purchase transaction. Without management control of the LAPD purchases, it is difficult to gauge the effectiveness of the procurement process, including an understanding of the level of lost discounts.

The actual purchasing process cannot be followed precisely because of the difficulty in obtaining most factors – such as actual invoice, payment and item receipt dates – related to the transactions in the existing database systems. Even when someone is attempting to evaluate transactions, it is difficult and time consuming, involving several City entities and requiring complicated queries of the SMS system. During the audit, actual invoices and other documents were hard to obtain, making it impossible to determine if there were discrepancies between the actual date of an invoice and the time it was entered into the SMS system. The audit was initially interested in examining the timeline or time sequence involved in each stage of the different types of purchase transactions (authorized for expenditures, blanket purchase orders, and requisitions). Our initial intent was to have reports pulled that outlined the processing date, when the purchase request was initiated, when it was entered into the system and received a purchase order number, when a purchase voucher was created, when the goods/services were received, the invoice date, when it was sent out for payment, and the date payment was actually made. However, the audit found that it was extremely difficult to generate the information needed from the SMS, even with a small sample size of ten transactions.

Based on anecdotal evidence found during the audit, it is not unheard of for the invoice date of a purchase transaction entered into SMS to vary significantly from the actual invoice date. This at least opens the potential for dates to be selected to cover up for slow staff performance (or attempt to qualify for a discount not otherwise earned), although it is also possible that invoices may be legitimately lost or misrouted. Staff from the Controller’s Office familiar with the SMS indicated that there are additional items within the SMS system that could be made the subject of a new “query” to, for example, track transactions and assure (by timely warning) of potential loss of discounts. However, for such a report to

work, there needs to be a clear assignment of responsibility and, hopefully, holding that person or persons accountable. At present, transactions are handed off such that multiple people and entities are involved but no one is held accountable for management control. Hence, it would also be prudent for FOD to assign responsibility to one or more FOD employees, who are then held accountable, for assuring that transactions are properly handled. FOD also needs to develop the internal capability to generate one or more reports (or queries) that allow easier access to all data relevant to each transaction. This capability should allow the LAPD to better evaluate the potential for losing discounts before it is too late. Relying on others for such information complicates the responsibility for managing these purchasing transactions.

**Recommendations:**

FOD management should:

- 2.14** Assign responsibility to one or more FOD employees, who are then held accountable, for assuring that transactions are properly handled.
- 2.15** Develop the ability within FOD to generate one or more reports (or queries) that allow easier access to all data relevant to each transaction, which should allow the LAPD to better evaluate the potential for losing discounts before it is too late.



## **Section III: Internal Controls**

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### ***Timekeeping and Time Reporting***

As described in Section I, the Department's payroll system is a highly complex and labor-intensive process, involving flexible work schedules, FLSA compliance, and negative timekeeping with extensive backend correction activities. The citywide payroll system, "PaySR," and the LAPD's time control system, Deployment Planning System ("DPS"), have not provided the efficiencies they were meant to achieve.

#### **Finding No. 3.1: Timekeeping in the LAPD continues to involve redundant manual processes and extensive data entry and error processing, despite improvement efforts.**

Timekeeping in the Department continues to involve redundant manual processes and extensive data entry and error processing in timekeeping units. At the field operations level, data on time worked and not worked is hand copied multiple times onto two paper ledgers, from the "Brown Book" (watch command level) to the "Blue Book" (division-wide), which is considered the "official" time record. Information from the Brown Book comes from the daily roll call and the activity worksheet, and is recopied into the Blue Book in ink.

Time data is then entered into the DPS by inputting exceptions or variances to established work schedules/deployment plans. The data in DPS gets uploaded into the PaySR for each payroll period and is eventually cleared for the next period. Overtime is recorded by overtime timekeepers on a separate system, the Online Overtime System ("OLOTS"). For each pay period, FOD staff uploads OLOTS onto PaySR. The DPS was meant to eliminate the use of these time-books and minimize the manual redundancy of the timekeeping process. However, deep-seated timekeeping practices – such as the use of time-books – are difficult to purge.

The lack of effective and standardized timekeeping policies and procedures adds to the difficulty of changing traditional practices. Timekeeping procedures employed at field divisions are not uniform. The daily worksheets in which the watch commander records time for a particular watch varies among the field divisions, either using worksheets generated from DPS, or the older, Excel-based worksheet. How each timekeeper records data in the time-books also varies. For example, some use an exact accounting of all hours. Others use their own personal codes to highlight exceptions to "regular" hours.

#### **Finding No. 3.2: The current information systems and payroll procedures in place work to assure the integrity of the payroll process, but they are non-integrated and time-consuming.**

**Finding No. 3.3: Written documentation substantiating Compensatory Time-Off (“CTO”) taken by employees is insufficient, resulting in extensive corrective action.**

Although non-integrated and time-consuming, the current information systems and payroll procedures in place work to assure the integrity of the payroll process, particularly regarding compliance with FLSA. However, timekeeping errors are often caught after entry of work time into the management systems; in other words, at the tail-end of the payroll period. The reports and audits generated within FOD detect errors such as missing (unreported) hours, and a reconciliation of employees in an inactive and/or non-pay status.

One control process managed by FOD is to verify whether overtime data in OLOTS can be substantiated by written documentation (Overtime Report, which is known internally as “green slips” or “greenies”). For each pay period, a Summary of Overtime Transactions (“SOTR”) is generated from OLOTS by the Controller’s Office. The FLSA Compliance staff divides this summary by division, and delivers these summaries to each division for verification. Each division is responsible for comparing the Overtime Reports (greenies) to the data in the SOTR. If errors in the SOTR data are found, they must be corrected prior to Certification by the Commanding Officer.

Only data entry errors (incorrect number of hours, incorrect date, duplicate entries, etc.) can be corrected on the SOTR. Additional entries (late overtime information from prior pay periods) must be entered into the OLOTS using the screen available for the current pay period to maintain the integrity of the overtime limit. Correction of errors in overtime data entry on the SOTR will not be corrected prior to the issuance of the next paycheck, but on the subsequent paycheck. Once corrections are made to the SOTR and OLOTS, and certified by the Commanding Officer, a copy of the signed SOTR Certification with corrections on the SOTR is submitted to FOD. Each division is allowed 1.5 weeks to complete this certification. On the back of the certification coversheet, detailed instructions are provided for proper audit, review and correction of SOTR report. Staff indicated an average of approximately 250 corrections is made on the SOTR each pay period. As an example, in the Central Bureau, there were 206 SOTR corrections made during 6 continuous pay periods, for average of about 34 corrections per pay period.

The DPS captures attendance and tracks work schedules of both civilian and sworn personnel. Such changes often trigger FLSA compliance issues, and any resulting unpaid overtime or hours owed must be accounted for. Any scheduling changes in the DPS would trigger an electronic file to be generated by the Systems Support Section, allowing the FLSA Compliance Section to make overtime accounting corrections. All schedule changes are expected to occur at the beginning of a deployment period. Based on the scheduling information submitted by the DPS, FLSA change forms are normally generated the first week of that deployment period. In 2006, an average of approximately 300 FLSA-related scheduling changes occurs each deployment period for the entire

Department. The total number of scheduling changes did not fluctuate substantially from one deployment period to the next; 12 of the 13 deployment periods had scheduling changes ranging from 220 to 326.

Another regular audit recently implemented by FOD provides reports to divisions regarding CTO hours, listing employees who were reported to have used CTO hours in the DPS system, but the corresponding transaction was not recorded in the OLOTS. Input errors and missing documentation are corrected. However, written documentation substantiating overtime/time-off is insufficient. In fact, the CTO audit report tabulated that, in Deployment Period 10 of 2006, there were 9,000 work hours department-wide that were initially unaccounted for (discrepancy between CTOs in DPS and that recorded in OLOTS). As of February 12, 2007, 1,654 hours were still outstanding in DP 10-2006 (81% of the original unaccounted CTO hours have been accounted for and reconciled). In the subsequent deployment periods in 2006, 2,542, 1,839 and 1,783 hours were outstanding in DP 11-2006, DP 12-2006 and DP 13-2006, respectively, as of February 2007.

Staff has indicated that summary reports have been generated and forwarded to all commanding officers to encourage the reconciliation of the discrepancies. This issue is also being addressed at the all commanding officer meetings. If the Division does not complete the necessary steps to clear out the unaccounted CTO hours, FOD will use the report to generate overpayment letters to be sent to employees with such discrepancies. The FOD should continue to encourage commanding officers to address this issue of unaccounted CTO hours within their operating units. FOD must also enforce stated penalties – such as the issuance of overpayment letters to employees – for excessively delinquent cases, in order to require payment and to push for greater compliance in the future.

Although this new report/audit will provide better control over such errors, as most unaccounted hours have been eventually corrected, the financial implications are significant. The cumulative amount of unaccounted CTO hours in the last four deployment periods of 2006 represents an estimated \$390,900 in salaries (assuming a fully-burdened rate of \$50 per hour). Although this amount is small (over \$1.1 million if annualized) relative to the Department's total personnel budget, if unaccounted CTO hours are shown to be a recurring problem, this issue can potentially bring into question the integrity of each employee's CTO balance.

**Recommendation:**

- 3.1** LAPD should continue to encourage commanding officers to reconcile unaccounted CTO hours, and ensure that stated penalties are enforced in excessively delinquent cases.

### ***Travel Fund Accounting***

**Finding No. 3.4: FOD has not followed established policies and procedures in a timely manner to follow-up on outstanding travel advance accounts in which post-travel reports (“Personal Expense Statements” or “PES”) have not been submitted; to conduct post audits of received PES reports; to evaluate open checks left in the safe to be cancelled and properly reconciled; and to penalize non-compliance by enforcing stated penalties.**

The bulk of attention in the accounting and internal control of travel expenditures has been on approving employees for travel and issuing advance checks for expenses. However, there has been limited attention to “post audits” to evaluate the adequacy of cost accounting, compliance with policy, correction where necessary, and resolution in the form of collecting any unpaid balance that may remain. There are policies in place that should provide adequate controls, but regular assignments to certain staff members to assure compliance with regulations are lacking. These policies include pre-approval, established limits on spending, separate approval of exceptions if, for example, a higher-than-normal expenditure was required, a deadline for submittal of post-travel reports, review by the FOD Accounting staff and follow-up relative errors or improper charges. Follow-up policies include phone and/or written requests.

Failure to comply, after three requests, by policy, is to result in a prohibition against getting future travel advances. Continued failure is to result in the amount advanced being converted to taxable income of the employee and reported to the I.R.S. in their annual tax statement (Form W-4). Once reports are submitted and approved by the Accounting staff in satisfactory form, they are sent to the City Controller’s Office which maintains a status report. These procedures are determined to be adequate to control these expenditures.

The audit reviewed outstanding travel advances as of October 31, 2006, finding nearly 500 outstanding travel advances that remained unresolved by the required due date. These advances were delinquent by a period of 2 to 778 days. Of this total, 320 delinquent post-travel reports had been received by the FOD Accounting staff, but had not been “post audited,” in part or in whole. About 180 travel advance accounts remain outstanding; in other words, no PES reports had been received. Follow-up to enforce submittal of PES reports was observed to be lacking.

There were also between 12 and 20 travel authorizations, in which advance checks were prepared but never picked up by the employees. The checks were stored and remained in the FOD safe, and had not been reconciled at the time, as checks as old as April 2006 were observed. Penalty for delinquency – prohibition against receiving future travel advances – was not effectively and consistently enforced. Multiple outstanding travel advance accounts were observed to have recurring employee names. In some outstanding cases, there

were as many as 5 or 6 separate travel events for a single employee, suggesting that the employee was not blocked from receiving subsequent travel advances. In one delinquent case, the Accounting staff had prepared a written notice to the employee asking for additional information regarding the travel expense and a return of at least the amount of apparent overpayment (approximately \$97). Although sent out in May 2006, there had been no response at the time of the audit from the employee, no follow-up reminders, and the item remained open. FOD staff attributes the lack of follow-through to a hiring freeze and inadequate resulting staffing.

Travel was appropriately approved in the cases sampled. Furthermore, it was determined that virtually all of the employees listed as delinquent were still on the payroll; none were terminated employees. In sum, this audit concludes that policies are in place that should provide adequate controls but, in practice, the required procedures are not being completed. Although many of the outstanding travel accounts are for very minimal amounts, some advances are for more than \$1,000 and most of the employees remain on the payroll. Failure to close transactions in a timely fashion, and in some cases not at all, makes employees less inclined to comply with submitting post-travel reports and opens the possibility for certain employees to spend less than intended or, at least theoretically, to not complete the approved travel activity and pocket the cash. The FOD should complete a reconciliation of all old delinquent accounts. This audit also recommends FOD to evaluate current work assignments within the Division and designate certain employees with the tasks to ensure travel expense reporting compliance, including the enforcement of non-compliance penalties (such as restricting future travel advances and converting delinquent balances as employee taxable income). Either or both penalties should have a positive impact upon compliance if they can be implemented. This should be done consistently and routinely within FOD.

### **Recommendations:**

FOD management should:

- 3.2** Evaluate current assignments and designate specific job requirements to select employees and create accountability in ensuring compliance with travel expense requirements.
- 3.3** Complete a reconciliation of all old delinquent accounts.
- 3.4** Consistently enforce the non-compliance penalty of freezing the employee's ability to draw future checks for travel.

## ***User Fees, Charges and Cost Recovery***

**Finding No. 3.5: The process, in which fees and charges are reviewed by the FOD Budget and Revenue Section, to determine the percentage of costs to be recovered through these fees and charges is cumbersome and often delayed.**

Although reviews to assess and update LAPD “user” fees and charges are anticipated annually, the follow-through is slow. Such reviews are not prioritized and completed on a time-available basis. The last FOD review was conducted 1.5 years ago, but its approval has been stalled in the bureaucratic channels and no one in the LAPD has been assigned to follow-up. These cost reviews can be time-consuming and the actual application of findings to increasing fees may be delayed. There are other approaches that are less time consuming and more effective in recovering the costs of services rendered. The current budget projects nearly \$16 million from fees and charges. These charges include alarm permits and related false alarm charges, multiple responses to loud parties, assessments against drivers arrested on DUI charges and the like. These charges are billed by the Police Commission and collected by the Office of Finance.

Instead of relying on a cumbersome annual process, it would be more efficient if the FOD increases fees by a CPI factor annually to minimize the lag in revenue growth, while conducting a detailed “time and motion” study every 3 to 5 years with outside assistance to determine the actual costs of services. Costs are driven largely by personnel costs (which tend to exceed the actual CPI in a public safety setting). Assuming a base of about \$16 million in revenue projected each year from such fees and charges, an automatic and incremental CPI adjustment, if it averaged 3% a year, could raise an amount approaching \$500,000 per year.

### **Recommendation:**

- 3.5** The LAPD should conduct a detailed “time and motion” study of costs every 3-5 years, but increase fees by a CPI factor annually.

## ***Managing Accounts Receivable***

**Finding No. 3.6: FOD has not followed established policies and procedures in a timely manner to enforce collection of accounts receivable, and to close out extensively delinquent and uncollectible billings.**

FOD handles billings for amounts due from other agencies under formal agreements (the LAPD held Memorandums of Agreement totaling \$9.7 million in FY 2005-06) as well as for extradition billing, such as for extraditions performed by LAPD officers. As of December 1, 2006, a total of \$1,360,067 of these billings remained outstanding. Many of these are recent billings, such as the 40

extradition billings invoiced between July 18, 2006 and November 17, 2006. These amounts range between \$600 and \$5,000, but are typically around \$2,000 per billing.

However, there are many items that are relatively old. For example, the MOA between the LAPD and Los Angeles County Sheriff's Department had total billings of \$2,073,264 during FY 2005-06. As of December 1, 2006, a total of \$377,306 was listed as unpaid. Those amounts were invoiced on August 17, 2006, covering the months of May and June of 2006. In another example, one agency owed over \$13,000 from early in 2005 (two fiscal years ago). Other examples included: the Department of Justice owed roughly \$683,000 dating as far back as 2003-04; the State of California owed roughly \$130,000 dating as far back as May 2004 (including the aforementioned extraditions); and "miscellaneous private organizations" owed more than \$62,000 dating back to February 2004.

Although billings are issued relatively soon after the billing period, there is no systematic follow-up conducted to collect on these accounts receivable. Follow-up has been historically weak and efforts are usually on a "time available basis." Routine and subsequent reminder notices or billings were not sent to the other agencies under the MOAs. Delinquent accounts have not been turned over to the Office of Finance for collection. The lack of stronger collection efforts could result in lost revenues.

There is also the possibility that these older billings, many dating back more than one prior fiscal year, have since "lapsed spending authority" in the other agencies, making it impossible to collect. Staff should determine whether any portion of the old billings are actually uncollectible and make stronger efforts to enforce collection on a timely basis. Recognizing this issue, FOD management has recently assigned to staff members the responsibility to contact and follow-up with these agencies.

### **Recommendations:**

FOD management should:

- 3.6** Make a stronger effort to enforce collection on a timely basis if an account is considered collectible.
- 3.7** Determine the level of old billings that is uncollectible and, if so, process these accounts for write-off.

### ***Processing False Alarm Fees***

**Finding No. 3.7: The Alarm Section is not referring delinquent false alarm accounts in a timely fashion, resulting in a relatively low amount of delinquent accounts referred for collection.**

Based on available information, an overview of the fiscal exposure to the City for the three-year period covering calendar 2004, 2005 and 2006 is provided below:

**False Alarm Summary Report (As of Feb. 2007)**

		2006	2005	2004	Total
Total Amount Billed*	Permitted	\$6,537,521	\$4,964,065	\$1,867,904	\$13,369,490
	Non-Permitted	\$9,007,327	\$2,322,948	\$2,149,430	\$13,479,705
		<b>\$15,544,848</b>	<b>\$7,287,013</b>	<b>\$4,017,334</b>	<b>\$26,849,195</b>
Total Amount Paid	Permitted	\$5,069,025	\$4,412,226	\$1,707,260	\$11,188,511
	Non-Permitted	\$3,051,931	\$1,099,303	\$1,213,403	\$5,364,637
		<b>\$8,120,956</b>	<b>\$5,511,529</b>	<b>\$2,920,663</b>	<b>\$16,553,148</b>
Total Amount Waived	Permitted	\$230,860	\$194,735	\$81,557	\$507,152
	Non-Permitted	\$1,037,675	\$515,271	\$454,706	\$2,007,652
		<b>\$1,268,535</b>	<b>\$710,006</b>	<b>\$536,263</b>	<b>\$2,514,804</b>
Total Amount Outstanding	Permitted	\$1,237,636	\$357,104	\$79,087	\$1,673,827
	Non-Permitted	\$4,917,721	\$708,374	\$481,321	\$6,107,416
		<b>\$6,155,357</b>	<b>\$1,065,478</b>	<b>\$560,408</b>	<b>\$7,781,243</b>
Total Amount to Citywide Collection & OSI	Permitted	\$4,265	\$59,776	\$20,145	\$84,186
	Non-Permitted	\$28,185	\$269,947	\$208,314	\$506,446
		<b>\$32,450</b>	<b>\$329,723</b>	<b>\$228,459</b>	<b>\$590,632</b>

During this three-year period, total billings were over \$26.8 million. The total increased dramatically in 2005, then again in 2006, reflecting the changes in the ordinance that created both higher charges for false alarms and tighter standards for billing when they occur. The 2006 billings include 20,114 bills (starting from Jan. 2005) held in suspense and billed in June 2006. As of February 2007, over \$16.5 million had been collected in the three-year period.

As of February 2007, a total of \$590,632 in delinquent permitted and non-permitted accounts – billed in calendar years 2004, 2005 and 2006 – were referred to the Office of Finance, Citywide Collections Unit and to OSI, a contracted outside collection agency. This amount represents only 7.6% of the cumulated amount outstanding (\$7.78 million) during the three-year period.

Section 5.181, Chapter 11, of the Administrative Code requires that all City departments and offices, except proprietary departments, shall refer all delinquent accounts in the amount exceeding \$1,000 to the Office of Finance within 45 days of delinquency, and all delinquent accounts in the amount of \$1,000 or less to either the Office of Finance or to a collection agency within 45 days of delinquency. Based on this Administrative Code, most of the \$7.78 million in outstanding accounts should be eligible for outside collection. If all of



the outstanding accounts in 2004 and 2005, and half of the outstanding accounts in 2006, were reasonably assumed to be eligible for collection, over \$4.70 million could be referred to the Office of Finance and OSI.

Significant potential revenue could be lost. Even a low rate of return would be preferable to nothing. For example, if as much as \$4.70 million of the outstanding balances is appropriate for outside collection, even the low rate of collection results reported (about 11% for OSI collection) could generate more than \$517,000. Also, the lack of collection and consequences provides no incentive to comply. Failure to enforce collection – for example by not following up on the threatening City Attorney Final Notification Letter notices – may lead recipients to conclude collection efforts are a bluff. In turn, this may lead to the loss of potential revenues but, more importantly, may also undermine the desired deterrent effect. Accordingly, the LAPD should consider authorization of additional staff support, either in the form of overtime or the hiring of part-timers (which may be more cost-effective) to complete the manual work involved in processing the delinquent accounts to the appropriate collection entities.

**Recommendation:**

- 3.8** LAPD should authorize additional work, either in the form of overtime or part-time staffing to complete the manual administrative work involved in transferring delinquent accounts to collection agencies.

**Finding No. 3.8: The LAPD lacks clear and consistent procedures and criteria to determine the level of false alarm accounts receivable to accrue and the amount of allowance provided for uncollectible false alarm accounts.**

For FY 2004-05, the LAPD reported approximately \$1.52 million in false alarm accounts receivable, which included only accounts that were less than 180 days (or 6 months) from the date of billing. For FY 2005-06, the Department reported accounts receivable of \$12.36 million, an eightfold increase over the prior fiscal year. In reporting this amount, LAPD included all accounts still on its books, which contained numerous accounts that were billed three or more years ago.

In providing for an allowance for uncollectible false alarm accounts, the LAPD did not report an allowance for FY 2004-05, but reported an allowance of over \$3.65 million in FY 2005-06. This allowance amount constituted all outstanding accounts that were initially billed over 3 years ago and, thus, is based on the assumption that all accounts under 3 years old will be collected. However, there is a significant amount of delinquent accounts under 3 years old that can be reasonably assumed to be uncollectible. The Department's lack of a consistent mechanism to systematically report its accounts receivable and related allowance for uncollectible accounts calls into question the accuracy of these figures. Uncollectible accounts should be written-off and cleared from the alarm management system in order to maintain accurate data records and improve oversight and collection efficiency.

## **Recommendation:**

- 3.9** LAPD should develop clear and consistent procedures and criteria to determine the level of false alarm accounts receivable to accrue and the amount of allowance provided for uncollectible false alarm accounts.

### ***Managing the Budgeting Process***

There are extensive and detailed procedures in place for budget preparation in the Department, which is overseen by the FOD's Budget and Revenue Section. The process starts early, with budget requests due as early as the beginning of August, and processed for delivery to the City Administrative Officer, Mayor and Chief Legislative Analyst by November for the following fiscal year (beginning July 1). The budget is largely completed before receipt of the general City budget guidelines from top management. Despite the existence of extensive and detailed procedures for budget preparation, the adopted budget is a stripped down budget that requires more budgetary changes and transfers during the course of the year.

#### **Finding No. 3.9: Limited budgetary movement allowed in adopting the Department budget results in more budget changes and transfers after the initial budget has been approved.**

The constraints placed on the LAPD budget process provide little room for budgetary movement in establishing the adopted budget, and allow limited year-to-year comparison of the current budget to prior years' actual spending. The Department's overtime budget is consistently under-budgeted initially, not only relative to departmental requests, but also to actual historical usage. In addition, there is generally no provision built in to the non-personnel costs of the budget for any cost increase, even for inflationary impacts. The amount provided for non-personnel costs, such as supplies, is essentially held flat from year-to-year. An increase in non-personnel costs occurs only with specific justification for a "new" or "expanded program." LAPD management indicated that the Department's budget development process is constrained by the dictates of the Office of the City Administrative Officer, resulting in a budget that often does not support actual operations and frequently requires mid-year supplemental appropriations that reflect the original departmental budget requests.

Although the budget process is detailed and restrictive in terms of its preparation, there exists a high level of flexibility (moving funds around to where it is actually needed) after the budget is adopted. In response to these restrictions, the usual practice is to focus on getting a budget approved and then later addressing needed budgetary changes. One of the more apparent results of this practice is the numerous fund transfers within the budget. The Department is allowed to

make transfers within the budget up to (approximately) \$43,000, a figure adjusted annually by a CPI factor. Larger amounts require City Council approval.

In the most recent fiscal year, a total of 53 budget transfers went to the City Council for approval, although many of these transfers were for less than the \$43,000 limitation but required Council approval because of policy-level implications. In other cases, such as for “mid-year budget reviews,” large amounts are appropriated to accounts where the funds are needed. The more apparent outcome of this budget flexibility is the subsequent request for additional overtime funding that occurs every year. Given that budget resources are largely focused on personnel costs, there is limited ability to reduce overall Departmental spending in a relatively large degree, absent a concerted effort to reduce staffing or to significantly change the scope of services.

In sum, the restrictive budgeting process results in unrealistic budget projections and a frequent need for budgetary transfers and supplemental appropriations. For these reasons, the budget cannot be effectively used as an internal control document. The fact that funds are moved around so extensively implies a general lack of accountability. A major responsibility of the Budget Section is to accommodate the actual spending, by identifying other sources of funding within the budget to cover accounts with initial balances that were under-budgeted and are now totally exhausted. This often occurs at the expense of holding managers accountable for either spending decisions or the adequacy of original budget requests.

The audit recommends the use of projections based on actual staffing data and trends for establishing a budget for both regular staffing and overtime budgets. To avoid budgetary changes, the LAPD should be allowed to build budgets based upon an analysis of multiple prior year results (comparing original budgets against actual spending). It would likely be more prudent if the budget is based on a more achievable police force size that results in fewer dollars in “normal” salaries (budgeting on the basis of net employees and not the authorized number of officers), and based on a more realistic provision for overtime spending and non-personnel costs. The Department should also consider including provisions for the impact of inflation upon Departmental operations. Essentially, the real cost of department operations are not factored into the budgeting process. Subsequent budgetary modifications require significant staff resources. Greater accountability cannot be expected from managers to operate within a budget plan if the Department is required to frequently shift funds.

**Recommendations:**

LAPD should:

- 3.10** Use projections based on actual staffing data and trends for establishing a budget for both regular staffing and overtime budgets.

- 3.11** Build budgets based upon an analysis of multiple prior year results (comparing original budgets against actual spending).
- 3.12** Consider the inclusion of provisions in the budgeting process for the impact of inflation upon Departmental operations.

## Section IV: Technology & Resources

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### *Systems Obsolescence and Upgrading Needs*

**Finding No. 4.1: LAPD fiscal activities rely extensively on maintaining multiple information management systems, requiring the need for redundant data inputting and frequent and manual data reconciliation and correction.**

DPS does not have a user-friendly interface with a built-in mechanism to correct certain (obvious) entry errors. For example, for each watch, DPS would provide a preset watch schedule with officers on duty and their preset sign-in times. If a scheduling change is required where an officer is added to a watch for which he/she is not typically scheduled, the watch commander must manually add the officer into the watch schedule in DPS. If the watch commander did not enter a sign-in time for the officer but only a sign-out time, DPS would not record that the officer worked during that particular shift. DPS does not automatically notify the user that a sign-in must be entered or that another input error has occurred, leading to potential payroll issues. This, in turn, appears to lead to the majority of the large volume of errors needing corrective action after the pay period. Hence, prone to entry errors, DPS is not considered a reliable time record. According to staff, when internal audits are conducted of timekeeping, the official time-book (Blue Book) is often used to reconcile data reported in DPS. For these stated reasons, divisional timekeepers and management continue to use the paper ledgers or time-books to record work time.

In regards to the overtime records, the OLOTS system is a temporary place for entering and gathering overtime data that gets uploaded into the PaySR system and is eventually cleared for each new payroll. Accordingly, it does not retain a database that would make it suitable, as it stands, for ongoing management and oversight of overtime hours. As a result, division OT timekeepers keep and maintain their own ad-hoc Excel databases to record and manage overtime hours. Hence, not only is overtime entered into OLOTS, but it is also entered into the division OT databases. Since they were developed independently, none of the databases held by the divisions examined in this study were designed the same. Currently, the payroll process relies on two management systems – the DPS and OLOTS. The LAPD has yet to migrate from the “legacy” OLOTS. As mentioned previously, for each pay period, PaySR pulls data automatically from the DPS and FOD staff uploads OLOTS onto PaySR. As a result, there is currently a need to consolidate data and, in frequent occasions, research and manually correct the payroll.

According to FOD staff, there is ongoing cost negotiation with the systems contractor in completing upgrade work on DPS, which would allow overtime to be recorded onto DPS directly. With payroll as a very time consuming and recurring process, staff could be used to greater advantage if the necessity of maintaining two separate systems could be eliminated. Accordingly, even if the cost is high,

this must be weighed against the benefits that would be provided. This report recommends the LAPD to determine a concrete timeline to phase-out the use of OLOTS and to develop DPS capability to record overtime. The Department should also gather the input of key timekeepers on how to improve the DPS, particularly the ability to identify errors upon data entry, which should include software revisions to flag obvious input errors. This should help significantly reduce backend corrective action with payroll.

### **Recommendations:**

LAPD should:

- 4.1 Determine a concrete timeline to phase-out the use of OLOTS and to develop DPS capability to record overtime.
- 4.2 Gather the input of key timekeepers on how to improve the DPS, particularly the ability to identify errors upon data entry.

### **Finding No. 4.2: Information management systems utilized for the management of false alarm fees are inadequate to provide effective management oversight.**

The Alarm Section indicated that a major reason why it has not referred a significant volume of delinquent accounts to outside collection agencies is because the process of transferring such accounts requires significant staff resources and relatively limited monetary return. In a prior memorandum responding to an outside audit, the Alarm Section staff indicated that 200 overtime staff hours were required to prepare and process a batch of delinquent referrals (\$866,000 total amount) for outside collection, although only \$69,000 were realized. However, the audit found that the information management system utilized by the City to manage false alarm fees is inadequate to provide effective oversight and processing. With the current management system employed, processing false alarm accounts for any type of enforcement, or even generating reports, require significant staff resources.

One limitation inherent in the false alarm management system is that it does not allow the status of transactions to be verified easily. For example, an account may not be turned over to collection if it is in dispute or an appeal on an account is pending. Each open account requires manual verification of status, including whether the account is in dispute. Since this process requires significant manual work, large groups of transactions are, effectively, not addressed and referred to collection by staff. For these reasons, the LAPD should place more effort and resources on improving the existing management system, which would allow staff to more easily manage and process false alarm accounts.

To the credit of the City and staff, these system inadequacies have been noted and the City's Information Communications Service Bureau recently prepared a draft RFP for a new "Alarm Management System." The audit was provided the

opportunity to review the RFP in its current draft form and to offer suggestions for elements to be incorporated to aid in developing a greater degree of fiscal control. It is our understanding that the referenced improvement, in the form of a new system, will allow for “automation” of such account status determinations. When such a system is in place, it should be uncomplicated – almost automatic – to refer open accounts and begin collection enforcement in a timely fashion. Unfortunately, our understanding is that such a system is unlikely to be implemented until 2008, at the earliest. As shown above, stronger and more effective collection efforts would likely allow the City to quickly recoup the costs of a new false alarm management system.

**Recommendations:**

- 4.3 LAPD should ensure resources are available to improve existing information management systems involved in managing false alarm billings and collections.

**Finding No. 4.3: Existing in-house databases used to manage departmental grants are limited.**

The Contracts/Grants Section staff has created their own applications to maintain data, where existing information systems cannot provide. For example, the Contracts/Grants Section staff members have been utilizing self-generated Excel-based spreadsheets that record beginning allocations and current residual balances of grants, expenditures and purchase orders, start/ending/renewal dates, and miscellaneous notes and dates of various monitoring activities.

Although these databases appear to be fulfilling their purpose, the in-house databases are more open to input errors, less efficient to pinpoint data once the database expands, and susceptible to having multiple copies. This audit recommends the purchase and implementation of grants management system software to better manage the full life cycle of grants, including research administration, proposal generation, transitioning awards to approval and administrative control, budget management, expenditures and reimbursement processing, and grant accounting and reporting.

**Recommendation:**

- 4.4 LAPD should consider the purchase and implementation of grants management software to consolidate existing databases and to better track the entire life cycles of all grants.

**Finding No. 4.4: Budgetary and staffing limitations delays critical technological upgrades and developments.**

The FOD’s Systems Support Section is responsible for key fiscal-related functions, particularly involving the generation of both recurring and special reports relating to appropriations and payroll. In addition to generating the

recurring reports, the Section spends 20-30% of its time on providing help desk support and generating special reports requested from the various divisions.

The major goal of the Systems Support Section is developing a larger database that can combine all the existing divided Access databases. The plan will likely involve the implementation of Microsoft SQL Server, a relational database management system, in which data can be created, modified, retrieved and manipulated. By doing so, key functions of the Section – report generation and data analysis – are expected to improve greatly. Extensive training of Section staff is required, and implementation is expected to occur by next year.

Another major, but secondary, goal is to provide more online resources for employees, including an intranet site that would, for example, facilitate the maintenance and availability of current fiscal policies and procedures and other documents. Another online resource is to allow employees access to check and verify vacation and time-off balances, etc. Although reports are submitted to timekeepers regarding employee benefit balances, and balances are provided on employee pay stubs, having online access is considered to be a great benefit to employees. Note that the time required for completion of these goals may be longer than would normally be expected due to an extended family leave absence of the head of this section.

**Recommendation:**

- 4.5** LAPD should fill the vacant Sr. Systems Analyst position in the Systems Support Section, which should allow existing resources to be channeled into completing the Section's planned technology development projects.

***Equipment and Technological Resources***

**Finding No. 4.5: Equipment and technological capacity, as well as overall working conditions in many of FOD's sections are poor.**

Despite its historical significance, Parker Center is an aging building with a host of deferred maintenance issues. Overall working conditions in many of FOD's sections leave much to be desired. Cramped facilities and technological capacity hamper an effective workplace, and reduce staff productivity. According to the staff survey, although most respondents (72%) indicated they had the resources needed to do their jobs, about one of five (22%) employees stated that resources are lacking, particularly workspace (desk space and meeting room) and basic office equipment. The staff has been required to stretch resources

In addition, office tools are outdated, for example, many FOD sections lack voicemail, which results in lost messages, poor customer service and/or work disruptions. The electrical system in FOD is also weak, which restricts ability to plug in appliances and fixtures, lest the power go out, thereby shutting off



computers, printers, etc. There is also limited capacity in the computer systems. As an example, the Accounting/Budget staff members have difficulty running reports on the SMS system during peak periods as the (apparent) lack of bandwidth restricts their access. This may result in having to wait until late in the afternoon (or early the next morning) to be able to access reports. Lack of bandwidth also presents operational inefficiency in the Supply Section, which is located in Piper Center. Not all shopkeepers in the Supply Section have Internet access. Many FOD and other employees utilize Windows operating systems and Office software that are of much older versions (Office 97 and Windows 97).

**Finding No. 4.6: Fiscal staffs have limited skills and capability to effectively use existing management systems.**

Staff responsible for fiscal management was often found to have limited knowledge and training on how to utilize and generate the necessary information from existing information management systems. For example, additional items of information could be generated from the Supply Management System that could track purchase transactions and assure (by timely warning) of potential loss of discounts.

However, staff is not trained to do so, as training opportunities are sporadic and funding for training is highly constrained. Staff often relies mostly on technological knowledge passed down from previous practice. The benefits of updating outdated management systems and personnel training are likely to outweigh their costs. The audit noted that fiscal staff is eager for new tools and/or training to allow them to do their jobs more effectively and make life easier for their “customers.”

The planned new 500,000 sq. ft. LAPD headquarters is expected to cost \$397 million and to be completed in May 2009. Dubbed to become the most technologically advanced police headquarters in the country, the new LAPD headquarters is expected to provide for needed additional workspace and technological improvements. For this reason, there are high hopes that the new building recognizes that the key to successfully operating an organization, especially one that is as labor-intensive as the LAPD, is the full use of state-of-the-art equipment and technology.

However, technology investments alone without adequate technology training will not make the Department’s fiscal operations more effective. The appropriate use of equipment and technology can improve staff productivity, improve overall cost-effectiveness of the service delivery system, and ultimately lead to improved customer service.

Therefore, the audit recommends a higher prioritization of investment in equipment and technology enhancements, and a stronger recognition of the link between such investments and the LAPD’s ability to meet its core mission of law enforcement. In addition, implicit in this investment in new and enhanced

technology resources is the provision of adequate and ongoing staff training to effectively use the technology.

**Recommendation:**

LAPD should:

- 4.6** Recognize that investment in enhancing overall work conditions and equipment and technology resources for its support functions is a critical success factor in LAPD's mission to ensuring the public safety.
- 4.7** Upgrade the technological skills of fiscal staff to more effectively utilize existing systems, and ensure new technology initiatives include provisions for ongoing staff training.

# LAPD Fiscal Operations Division 2006 Confidential Staff Questionnaire SUMMARY REPORT



Completed Between  
November 20, 2006 to December 7, 2006



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**ARROYO ASSOCIATES, INC.**

3452 E. Foothill Boulevard, Suite 810, Pasadena, CA 91107  
(626) 564-8700 ♦ (626) 564-1116 fax ♦ [arroyo@arroyoassociates.com](mailto:arroyo@arroyoassociates.com)

LAPD Fiscal Operations Division  
2006 Staff Questionnaire  
SUMMARY PAGE

Survey Item	Totally Disagree	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree	Totally Agree	Disagree	Neutral	Agree	Average Score
<b>Vision Mission &amp; Goals</b>											
1. The Fiscal Operations Division's (FOD) mission and vision for the future are clearly defined.	11%	6%	8%	25%	20%	28%	3%	25%	25%	51%	4.32
2. The Division has a clear sense of what its services are trying to accomplish.	5%	3%	6%	14%	17%	39%	17%	14%	14%	73%	5.20
3. My Section has a clear sense of what its services are trying to accomplish.	3%	3%	6%	7%	16%	39%	25%	12%	7%	81%	5.49
4. Goals and objectives are realistic and achievable.	3%	5%	6%	11%	27%	42%	6%	14%	11%	76%	5.06
5. I understand my goals and objectives.	2%	3%	5%	6%	8%	44%	33%	9%	6%	85%	5.80
6. We review and evaluate our progress toward our goals regularly in this Section.	12%	4%	12%	15%	30%	19%	7%	28%	15%	57%	4.34
<b>Leadership</b>											
7. Management communicates the Division's vision for the future.	8%	6%	12%	28%	28%	17%	2%	26%	28%	46%	4.18
8. This Division is moving in the right direction as an organization.	2%	6%	8%	23%	29%	26%	8%	15%	23%	62%	4.79
9. I have confidence in this Division's leadership.	3%	3%	8%	15%	21%	32%	18%	14%	15%	71%	5.17
10. Management charts a clear direction for my Section.	6%	5%	9%	18%	27%	20%	15%	20%	18%	62%	4.76
11. Management communicates their expectations of me.	3%	3%	12%	15%	21%	33%	13%	18%	15%	67%	5.00
12. Management is addressing the right issues and opportunities.	11%	3%	8%	22%	26%	26%	5%	22%	22%	57%	4.46
<b>Management Support</b>											
13. I have the resources I need to do my job.	6%	7%	9%	6%	31%	28%	12%	22%	6%	72%	4.82
14. Management is available when I need help.	1%	0%	3%	9%	19%	40%	27%	4%	9%	87%	5.73
15. Management has my best interests at heart.	5%	5%	9%	24%	14%	33%	11%	18%	24%	58%	4.80
16. Management values my ideas and suggestions.	6%	1%	6%	19%	19%	31%	16%	13%	19%	67%	5.04
17. Management encourages me to do high quality work.	4%	3%	1%	12%	15%	31%	33%	9%	12%	79%	5.55
18. Management follows through on its commitments.	1%	4%	4%	30%	21%	28%	10%	10%	30%	60%	4.91
<b>Planning and Scheduling</b>											
19. Management provides clear plans to get work done.	5%	3%	11%	18%	24%	30%	9%	18%	18%	64%	4.82
20. My work priorities are clearly defined.	4%	1%	6%	9%	28%	31%	19%	12%	9%	79%	5.27
21. Work plans and schedules are achievable.	3%	1%	9%	7%	25%	36%	18%	13%	7%	79%	5.30
22. Work priorities are changed only when necessary.	1%	1%	6%	10%	30%	39%	12%	9%	10%	81%	5.30
23. This Division is not over-extended in terms of the workload for which it is responsible.	5%	10%	11%	27%	21%	22%	5%	25%	27%	48%	4.35
24. This Section is not over-extended in terms of the workload for which it is responsible.	9%	10%	12%	16%	18%	27%	7%	31%	16%	52%	4.34
<b>Customer Focus and Commitment</b>											
25. The Division is customer-focused.	0%	3%	3%	12%	25%	32%	25%	6%	12%	82%	5.54
26. My Section is customer-focused.	0%	5%	2%	8%	17%	33%	36%	6%	8%	86%	5.82
27. When customer complaints arise, the Division resolves them quickly.	0%	2%	2%	10%	19%	50%	18%	3%	10%	87%	5.68
28. The Division strives to continuously improve customer satisfaction.	2%	2%	2%	19%	22%	30%	24%	5%	19%	76%	5.44
29. My Section strives to continuously improve customer satisfaction.	0%	0%	3%	12%	21%	38%	26%	3%	12%	85%	5.71
30. The Division makes it easy for field personnel when they have to deal with us.	2%	2%	2%	14%	25%	46%	10%	5%	14%	81%	5.37
<b>Performance Management</b>											
31. Performance standards are clearly defined.	6%	6%	11%	18%	29%	23%	6%	23%	18%	58%	4.52
32. Performance measures are documented.	14%	6%	17%	21%	30%	10%	2%	38%	21%	41%	3.81
33. Management emphasizes high performance.	3%	2%	8%	14%	20%	38%	17%	12%	14%	74%	5.26
34. I am held accountable for meeting performance standards.	5%	2%	5%	14%	20%	38%	17%	11%	14%	75%	5.25
35. I get regular feedback on my performance.	12%	8%	9%	23%	20%	22%	6%	29%	23%	48%	4.20
36. I receive regularly-scheduled performance evaluations.	36%	9%	14%	31%	8%	2%	0%	59%	31%	9%	2.70
<b>Work Processes and Procedures</b>											
37. Operating processes, policies and procedures are well-defined.	6%	5%	9%	17%	31%	28%	5%	20%	17%	63%	4.63
38. Operating policies and procedures are understood.	5%	5%	8%	14%	38%	29%	2%	17%	14%	69%	4.71
39. Operating policies and procedures are kept up-to-date.	3%	2%	9%	22%	39%	23%	2%	14%	22%	64%	4.69
40. Changes in operating procedures are explained.	5%	3%	2%	17%	42%	26%	6%	9%	17%	74%	4.91
41. I follow the work procedures established for my job.	0%	2%	3%	5%	22%	45%	23%	5%	5%	91%	5.77
42. Work processes and procedures are continuously improved.	5%	5%	6%	22%	31%	26%	6%	15%	22%	63%	4.72

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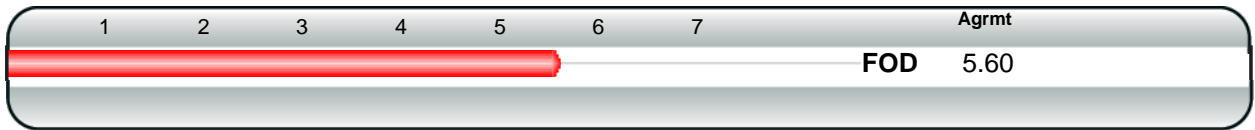
Survey Item	Totally Disagree	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree	Totally Agree	Disagree	Neutral	Agree	Average Score
<b>Quality Systems</b>											
43. The quality standards for my work are clearly defined.	5%	2%	9%	19%	30%	27%	9%	16%	19%	66%	4.84
44. Division management emphasizes high quality standards.	5%	2%	8%	12%	26%	34%	14%	14%	12%	74%	5.11
45. I have the time I need to do high quality work.	5%	6%	15%	8%	35%	26%	5%	26%	8%	66%	4.60
46. I have the resources I need to do high quality work.	5%	8%	12%	6%	35%	31%	3%	25%	6%	69%	4.65
47. Problems with quality are investigated and resolved in my Section.	6%	2%	5%	22%	31%	23%	12%	12%	22%	66%	4.88
48. The things we do in this Division, we do very well.	0%	0%	6%	17%	24%	41%	11%	6%	17%	76%	5.33
<b>Rewards and Recognition</b>											
49. I am recognized when I do good work.	13%	6%	8%	11%	25%	30%	8%	27%	11%	63%	4.50
50. Rewards are based on performance and results.	20%	4%	4%	35%	9%	24%	4%	28%	35%	37%	3.96
51. The most qualified and competent people are promoted.	8%	7%	8%	34%	24%	17%	2%	24%	34%	42%	4.15
52. People are recognized for finding better ways to do their job.	8%	3%	16%	23%	25%	19%	6%	27%	23%	50%	4.36
53. I have opportunities to advance in the Los Angeles Police Department (Department).	10%	6%	3%	15%	29%	27%	10%	19%	15%	66%	4.68
54. I am rewarded for performing beyond my job requirements.	16%	9%	5%	34%	17%	12%	7%	29%	34%	36%	3.93
<b>Training and Development</b>											
55. I have the skills I need to do my job.	2%	0%	2%	2%	20%	44%	31%	3%	2%	95%	5.95
56. Employees in this Division are encouraged to learn new skills.	6%	2%	6%	14%	30%	27%	16%	14%	14%	72%	5.02
57. The Department provides adequate training opportunities.	11%	3%	13%	11%	30%	23%	9%	27%	11%	63%	4.53
58. Job assignments help people grow and develop.	0%	5%	9%	11%	28%	31%	16%	14%	11%	75%	5.19
59. Management encourages me to attend education and training programs.	10%	3%	10%	13%	27%	27%	11%	22%	13%	65%	4.70
<b>Internal Relations</b>											
60. There is good cooperation between this Division and other entities in the Department.	2%	2%	2%	16%	40%	29%	10%	5%	16%	79%	5.18
61. There is good cooperation among the Sections in this Division.	5%	2%	2%	6%	22%	45%	19%	8%	6%	86%	5.50
62. All Sections within this Division work together to get the job done.	3%	3%	2%	6%	34%	33%	19%	8%	6%	86%	5.39
63. Management encourages all Sections to coordinate their efforts.	3%	0%	6%	13%	31%	29%	18%	10%	13%	77%	5.26
<b>Communications</b>											
64. Communication is open in this Division.	6%	5%	6%	11%	30%	25%	17%	17%	11%	72%	4.97
65. Communication is open in this Section.	8%	6%	2%	3%	25%	31%	25%	16%	3%	81%	5.02
66. There is good communication between the Division and other Department entities (field)	3%	3%	5%	12%	38%	30%	8%	12%	12%	77%	5.02
67. I receive news and information regarding the Division in a timely fashion.	3%	2%	12%	6%	40%	29%	8%	17%	6%	77%	4.97
68. There is good top-down communication in this Division.	5%	2%	10%	10%	42%	27%	5%	16%	10%	74%	4.84
69. There is good bottom-up communication in this Division.	5%	3%	10%	16%	34%	25%	7%	18%	16%	66%	4.72
70. I am encouraged to speak up and communicate freely.	5%	3%	11%	13%	30%	27%	13%	19%	13%	69%	4.89
<b>General Issues</b>											
71. I am optimistic about my future with this Department.	6%	6%	5%	18%	26%	20%	18%	17%	18%	65%	4.86
72. Employees are respected and appreciated here in this Department.	3%	6%	11%	16%	25%	27%	13%	20%	16%	64%	4.83
73. Employees are respected and appreciated in this Division.	5%	5%	8%	11%	22%	34%	16%	17%	11%	72%	5.06
74. This Division is a good place to work.	3%	3%	8%	11%	15%	40%	20%	14%	11%	75%	5.32
75. I am generally satisfied with my job.	5%	2%	8%	11%	22%	35%	18%	14%	11%	75%	5.23
76. My work is interesting and challenging.	2%	3%	6%	17%	31%	17%	25%	11%	17%	72%	5.22

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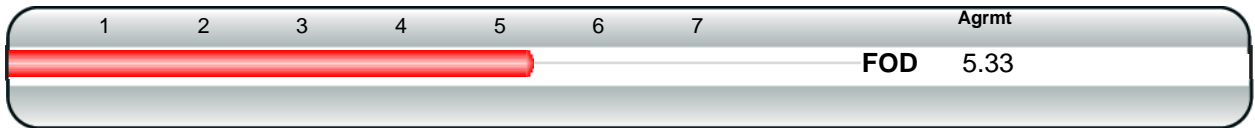
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Category Summary

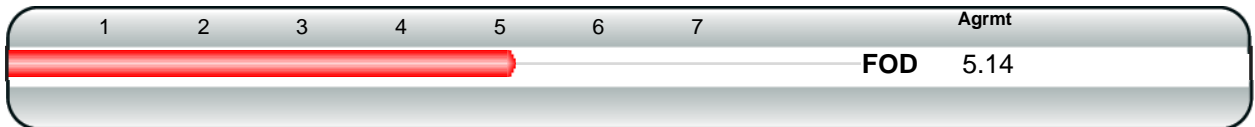
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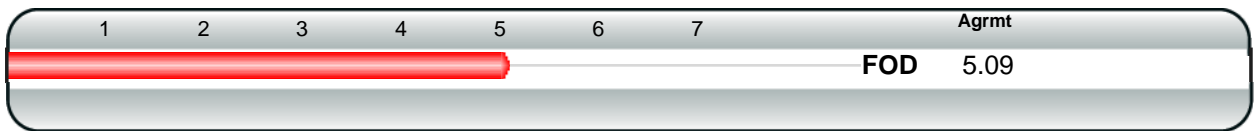
Internal Relations



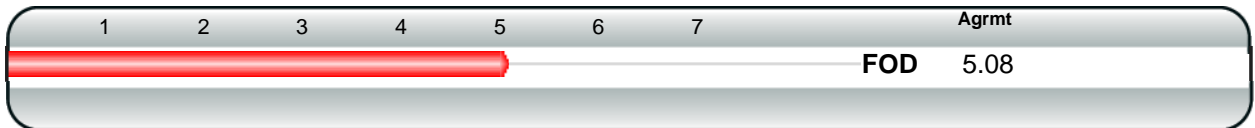
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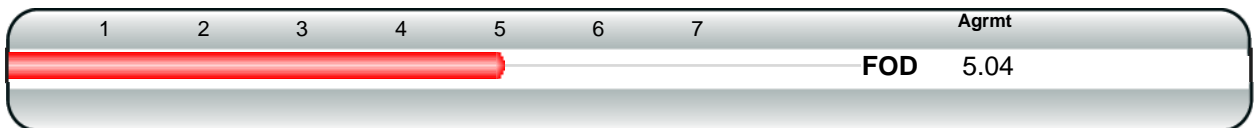
General Issues



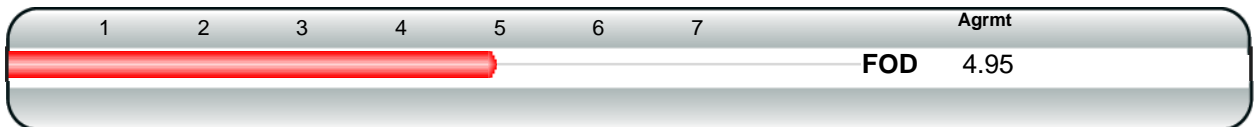
Training and Development



Vision, Mission and Goals

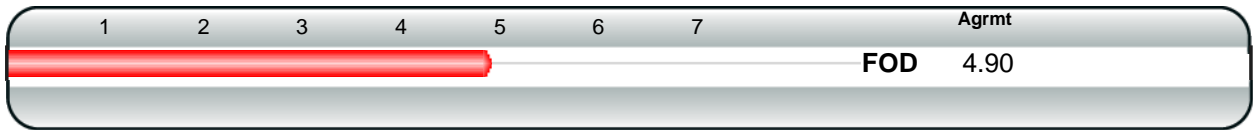


Communication

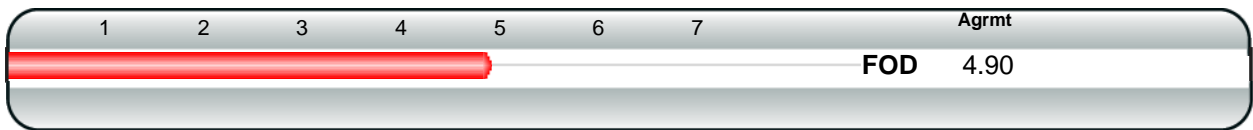


Category Summary

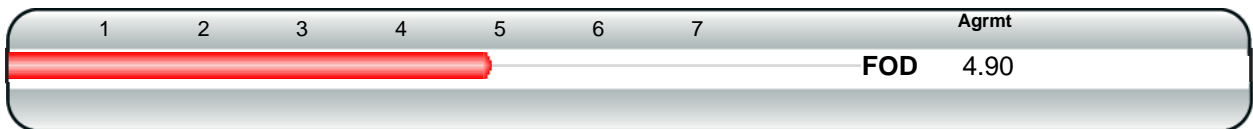
Work Processes and Procedures



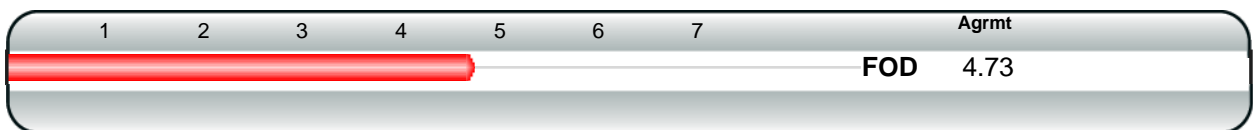
Planning and Scheduling



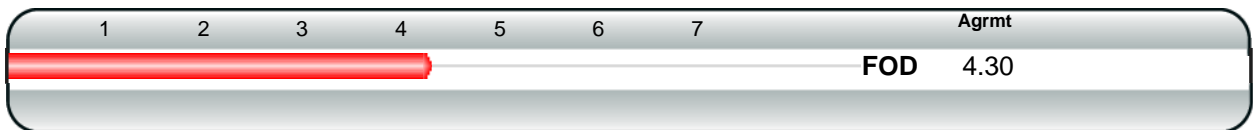
Quality Systems



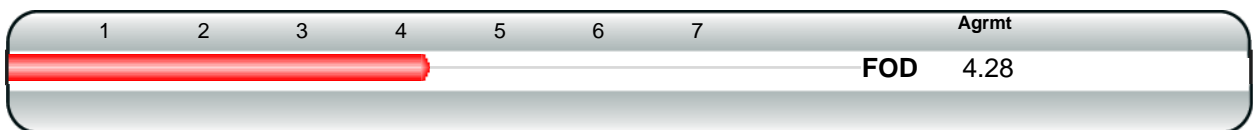
Leadership



Performance Management



Rewards and Recognition

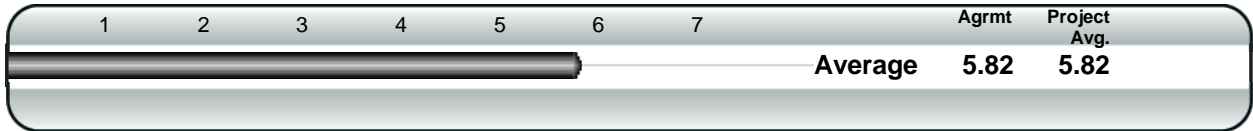




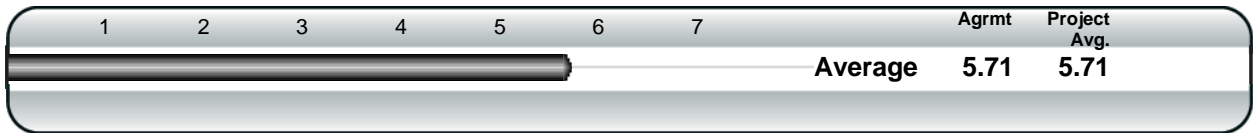
Item Ratings - by Category

**Customer Focus and Commitment**

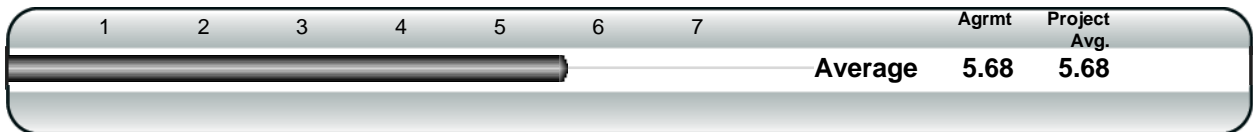
26. My Section is customer-focused.



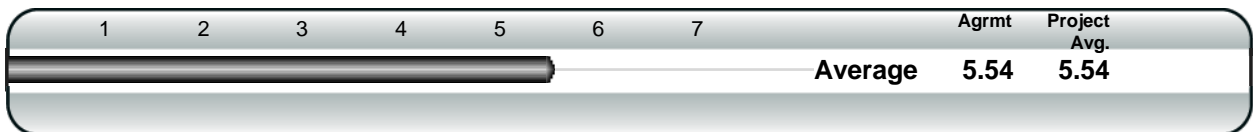
29. My Section strives to continuously improve customer satisfaction.



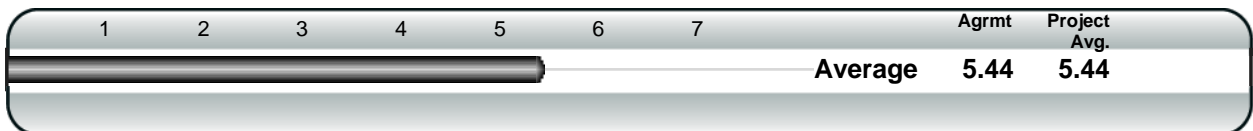
27. When customer complaints arise, the Division resolves them quickly.



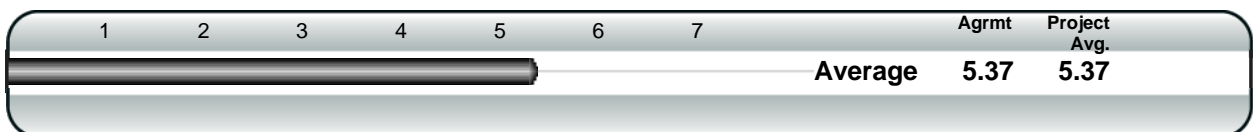
25. The Division is customer-focused.



28. The Division strives to continuously improve customer satisfaction.



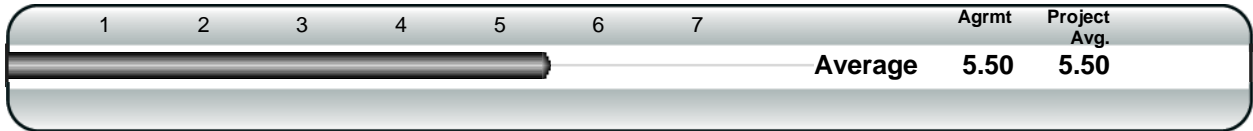
30. The Division makes it easy for field personnel when they have to deal with us.



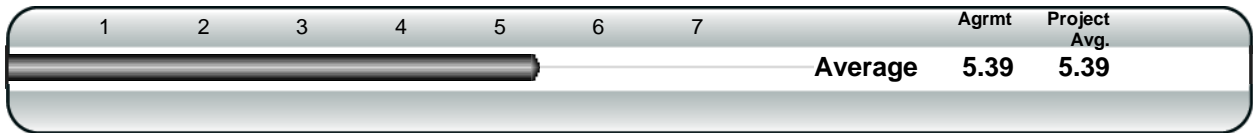
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Internal Relations

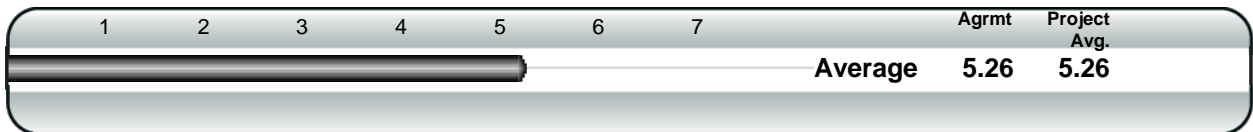
61. There is good cooperation among the Sections in this Division.



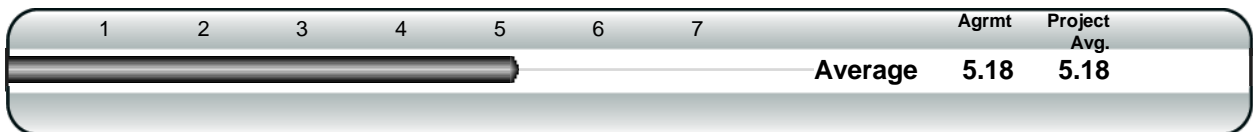
62. All Sections within this Division work together to get the job done.



63. Management encourages all Sections to coordinate their efforts.



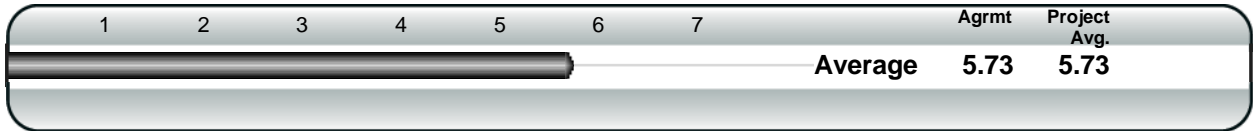
60. There is good cooperation between this Division and other entities in the Department.



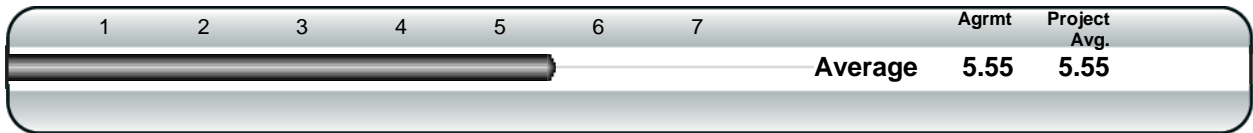
Item Ratings - by Category

**Management Support**

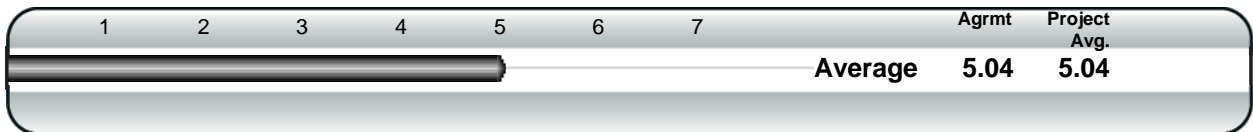
14. Management is available when I need help.



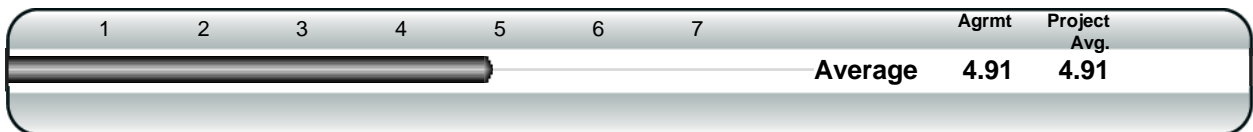
17. Management encourages me to do high quality work.



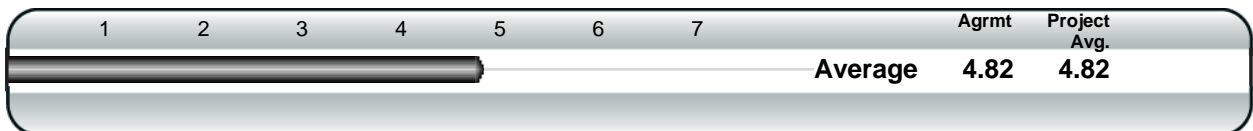
16. Management values my ideas and suggestions.



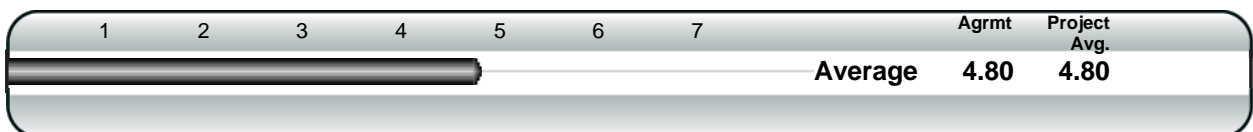
18. Management follows through on its commitments.



13. I have the resources I need to do my job.



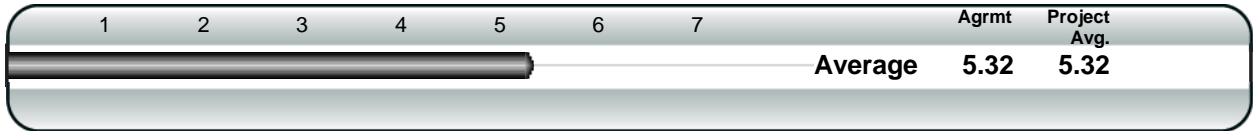
15. Management has my best interests at heart.



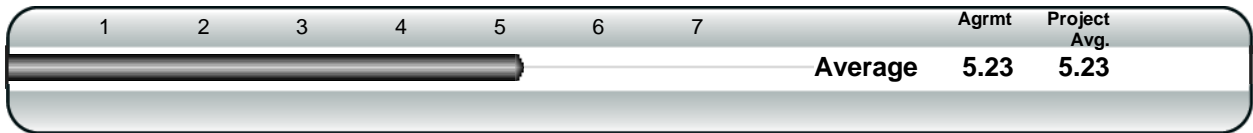
Item Ratings - by Category

**General Issues**

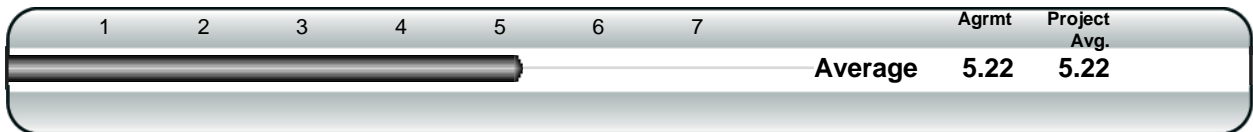
74. This Division is a good place to work.



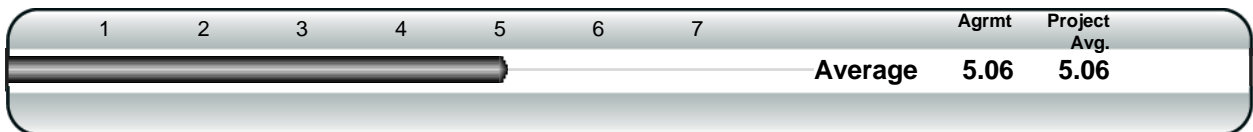
75. I am generally satisfied with my job.



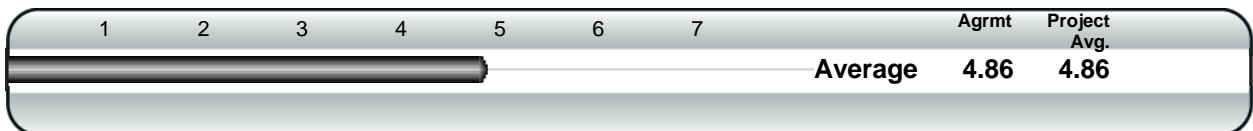
76. My work is interesting and challenging.



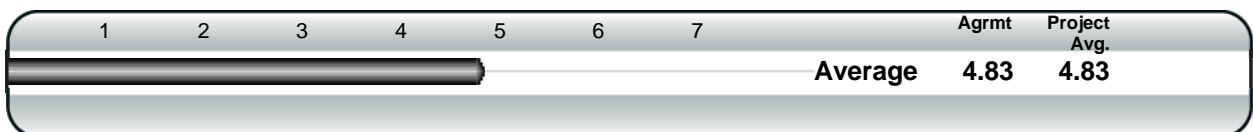
73. Employees are respected and appreciated in this Division.



71. I am optimistic about my future with this Department.



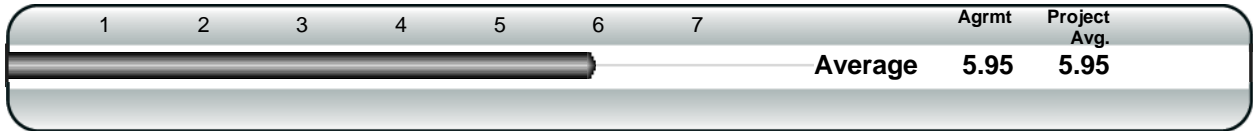
72. Employees are respected and appreciated here in this Department.



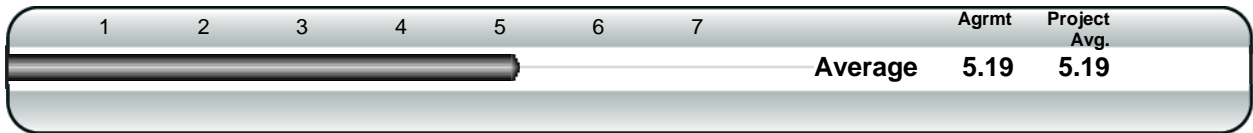
Item Ratings - by Category

**Training and Development**

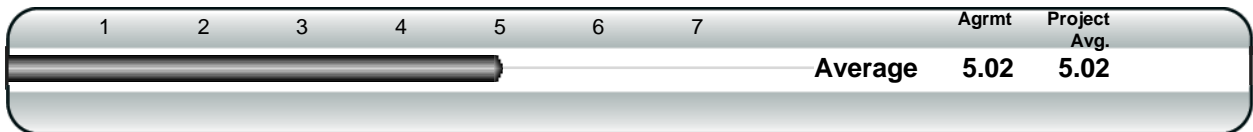
55. I have the skills I need to do my job.



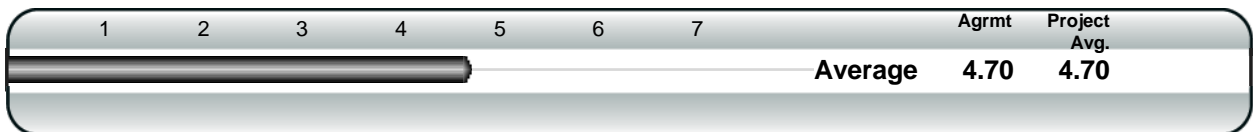
58. Job assignments help people grow and develop.



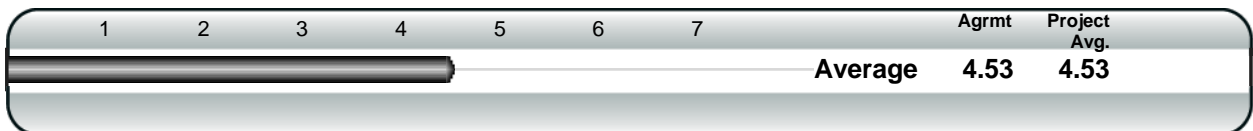
56. Employees in this Division are encouraged to learn new skills.



59. Management encourages me to attend education and training programs.



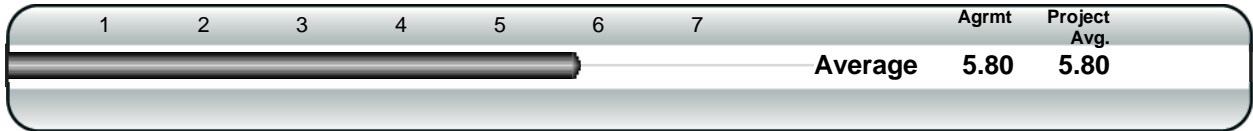
57. The Department provides adequate training opportunities.



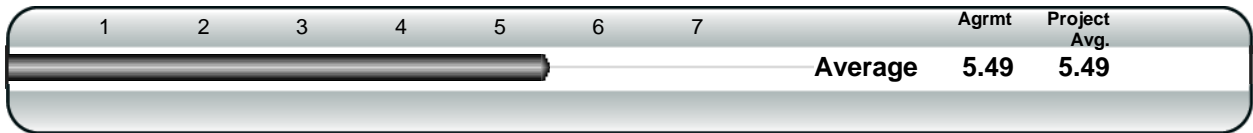
Item Ratings - by Category

**Vision, Mission and Goals**

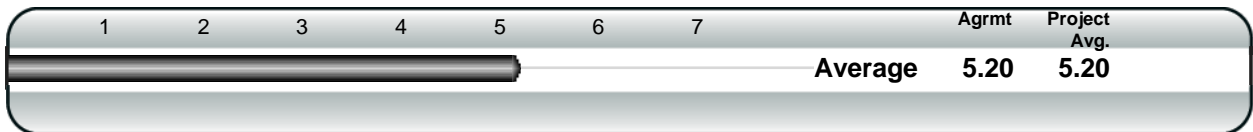
5. I understand my goals and objectives.



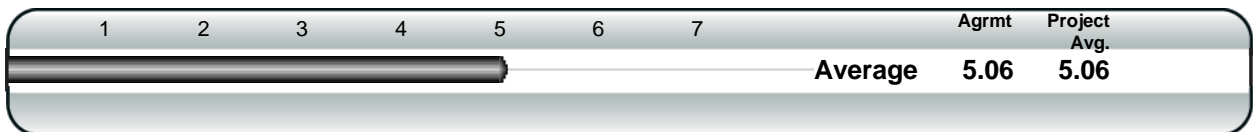
3. My Section has a clear sense of what its services are trying to accomplish.



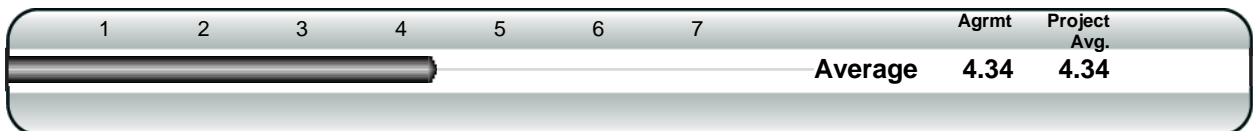
2. The Division has a clear sense of what its services are trying to accomplish.



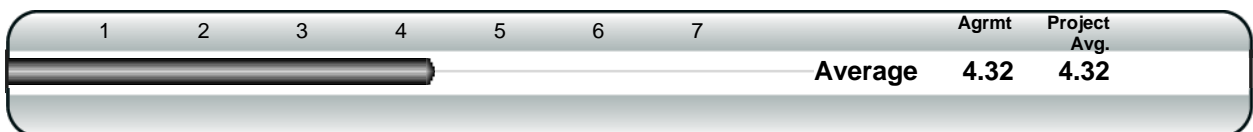
4. Goals and objectives are realistic and achievable.



6. We review and evaluate our progress toward our goals regularly in this Section.



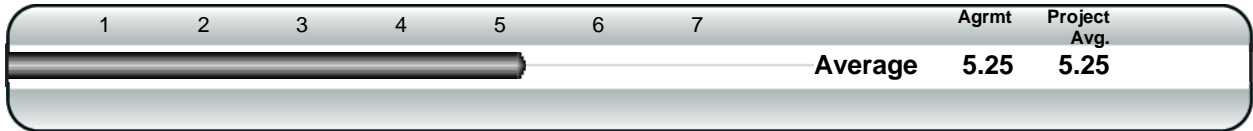
1. The Fiscal Operations Division's (FOD) mission and vision for the future are clearly defined.



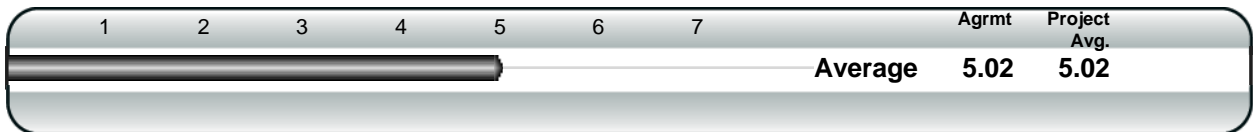
Item Ratings - by Category

**Communication**

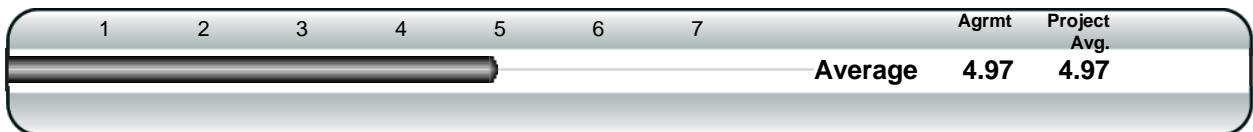
65. Communication is open in this Section.



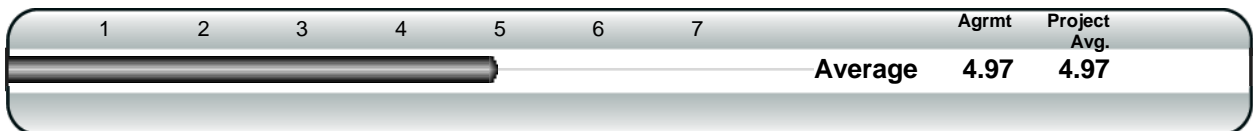
66. There is good communication between the Division and other Department entities (field operations).



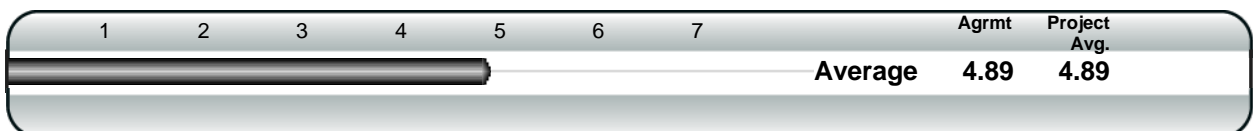
67. I receive news and information regarding the Division in a timely fashion.



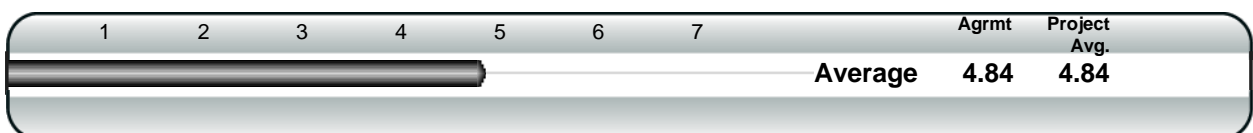
64. Communication is open in this Division.



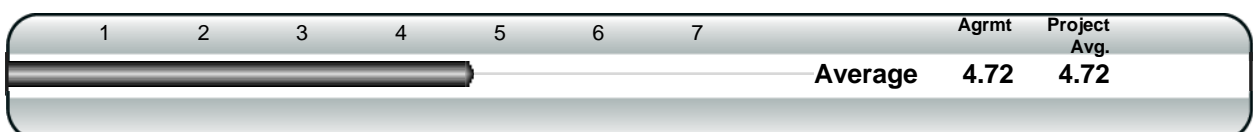
70. I am encouraged to speak up and communicate freely.



68. There is good top-down communication in this Division.



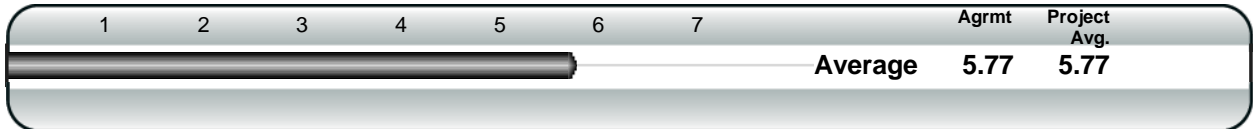
69. There is good bottom-up communication in this Division.



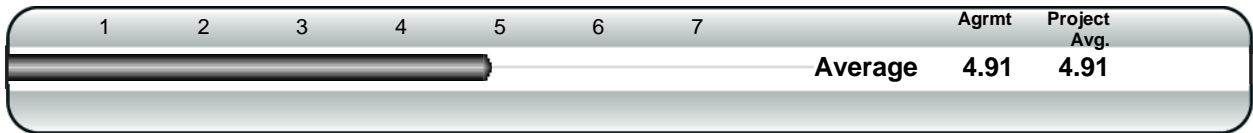
Item Ratings - by Category

**Work Processes and Procedures**

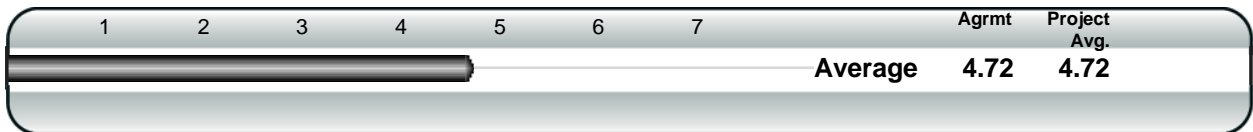
41. I follow the work procedures established for my job.



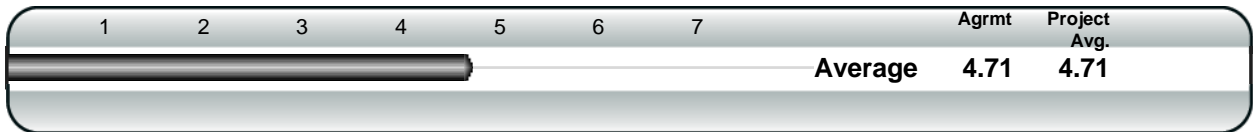
40. Changes in operating procedures are explained.



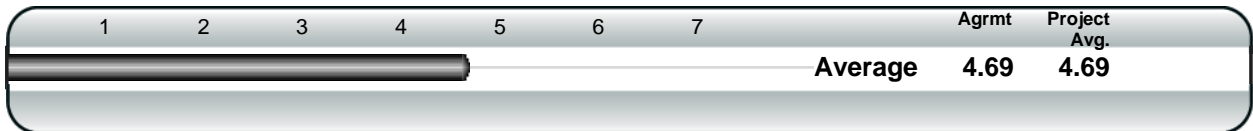
42. Work processes and procedures are continuously improved.



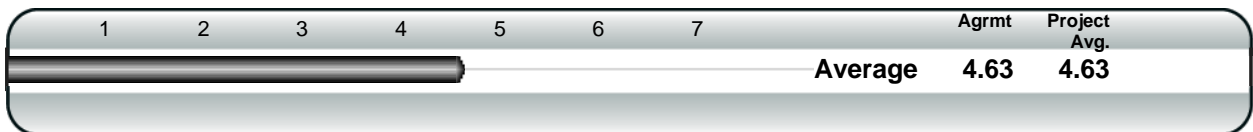
38. Operating policies and procedures are understood.



39. Operating policies and procedures are kept up-to-date.



37. Operating processes, policies and procedures are well-defined.

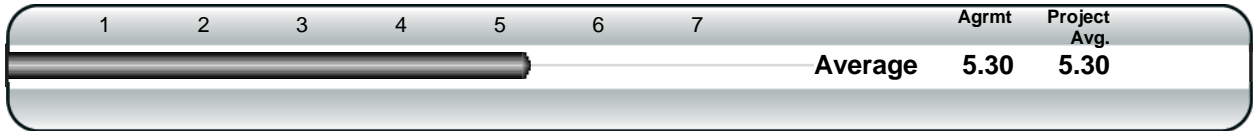




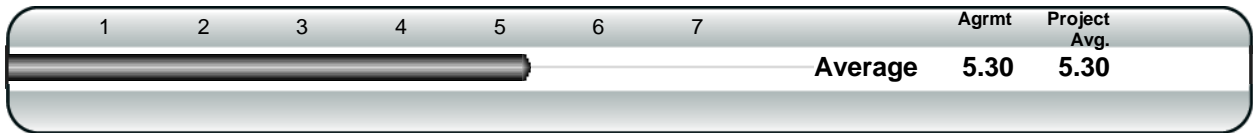
Item Ratings - by Category

**Planning and Scheduling**

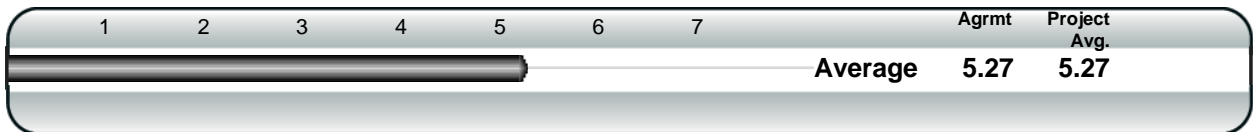
21. Work plans and schedules are achievable.



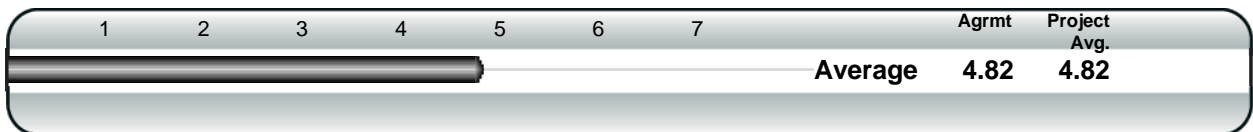
22. Work priorities are changed only when necessary.



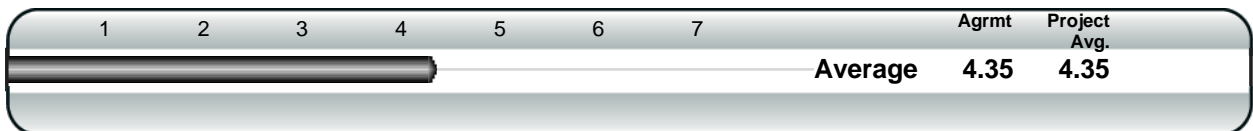
20. My work priorities are clearly defined.



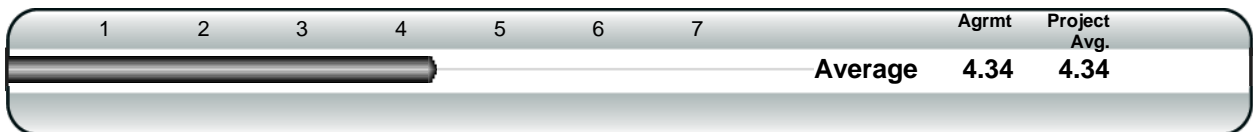
19. Management provides clear plans to get work done.



23. This Division is not over-extended in terms of the workload for which it is responsible.



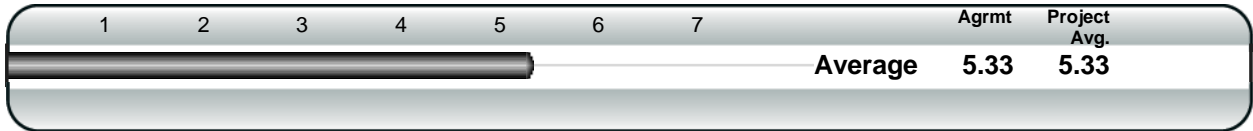
24. This Section is not over-extended in terms of the workload for which it is responsible.



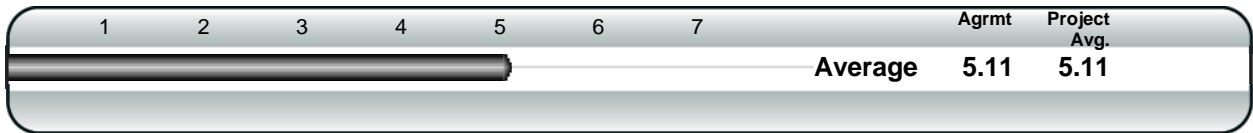
Item Ratings - by Category

Quality Systems

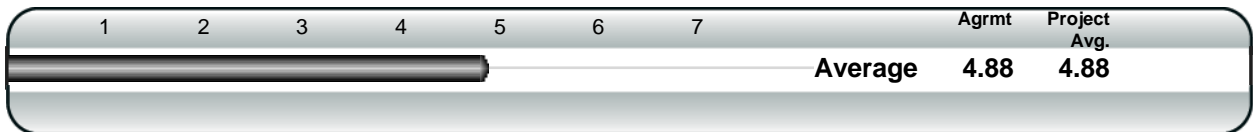
48. The things we do in this Division, we do very well.



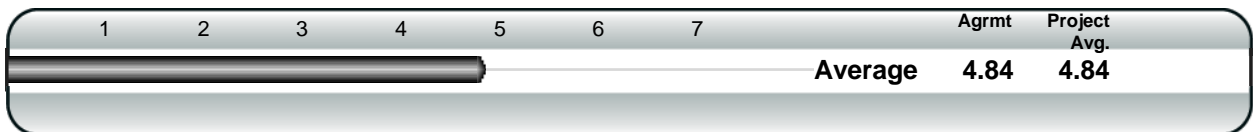
44. Division management emphasizes high quality standards.



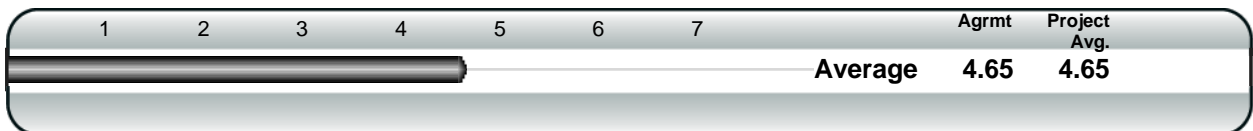
47. Problems with quality are investigated and resolved in my Section.



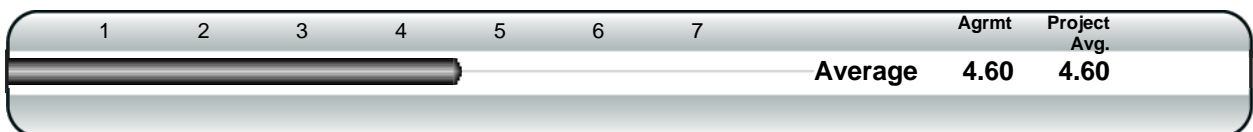
43. The quality standards for my work are clearly defined.



46. I have the resources I need to do high quality work.



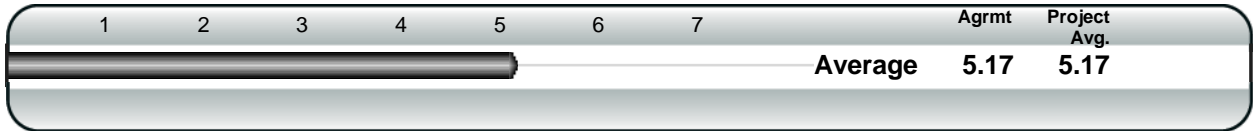
45. I have the time I need to do high quality work.



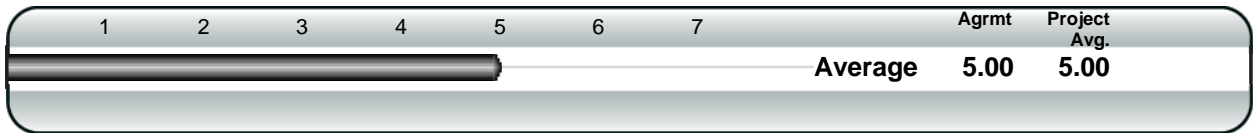
Item Ratings - by Category

**Leadership**

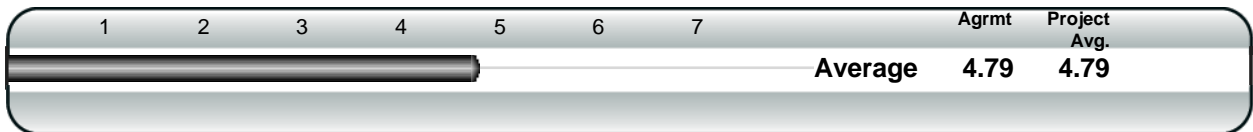
9. I have confidence in this Division's leadership.



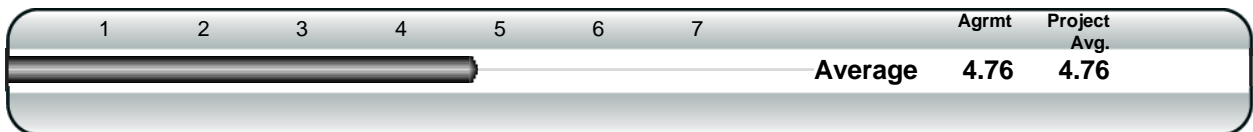
11. Management communicates their expectations of me.



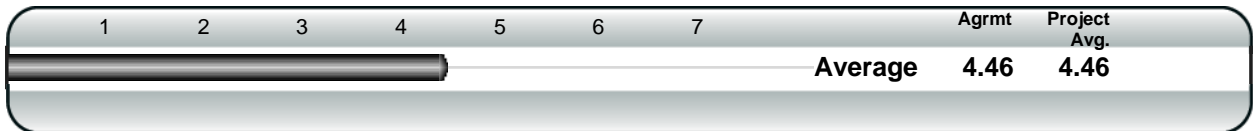
8. This Division is moving in the right direction as an organization.



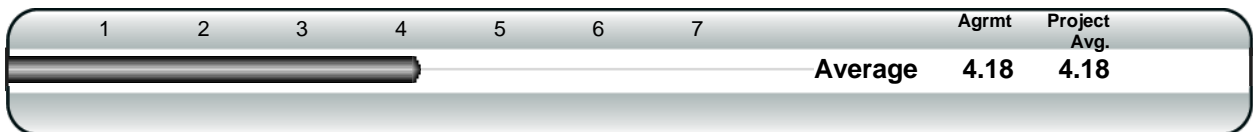
10. Management charts a clear direction for my Section.



12. Management is addressing the right issues and opportunities.



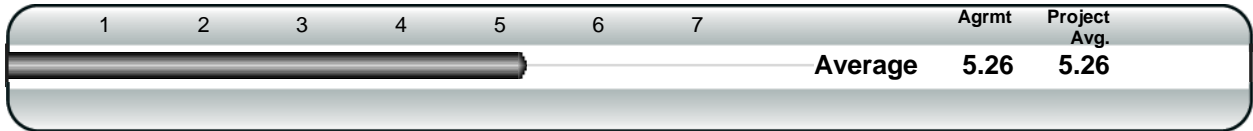
7. Management communicates the Division's vision for the future.



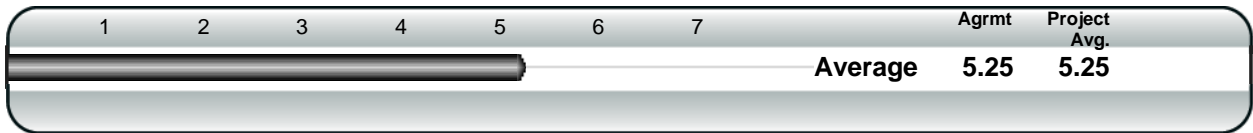
Item Ratings - by Category

**Performance Management**

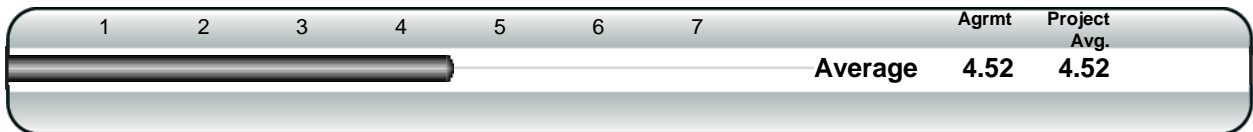
**33. Management emphasizes high performance.**



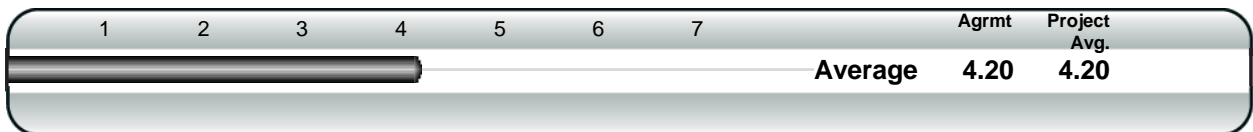
**34. I am held accountable for meeting performance standards.**



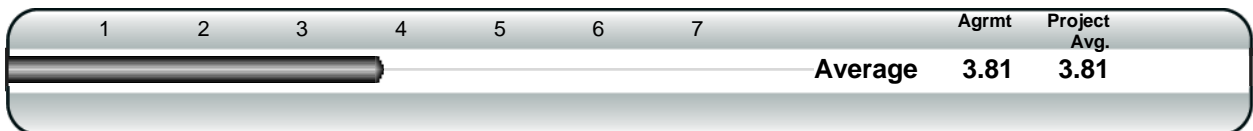
**31. Performance standards are clearly defined.**



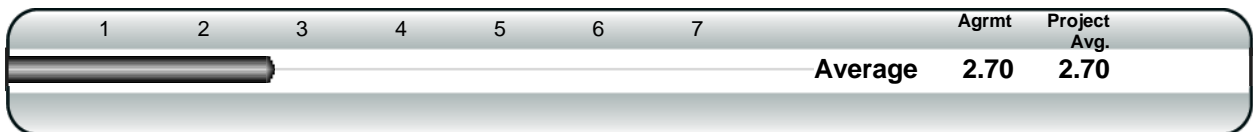
**35. I get regular feedback on my performance.**



**32. Performance measures are documented.**



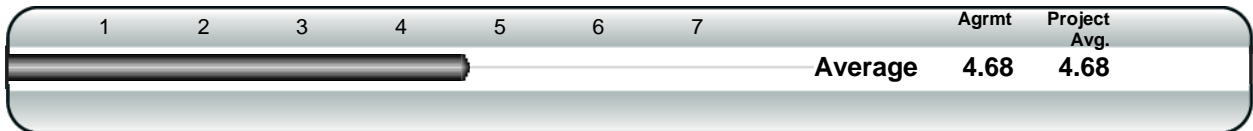
**36. I receive regularly-scheduled performance evaluations.**



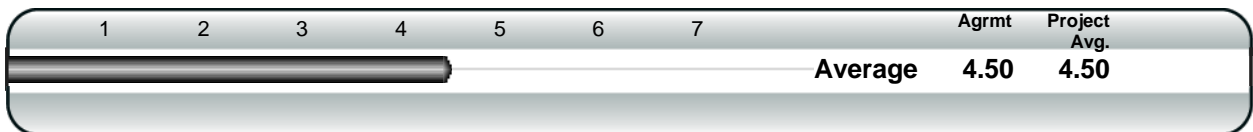
Item Ratings - by Category

Rewards and Recognition

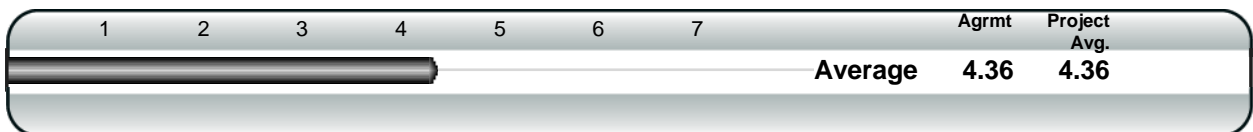
53. I have opportunities to advance in the Los Angeles Police Department (Department).



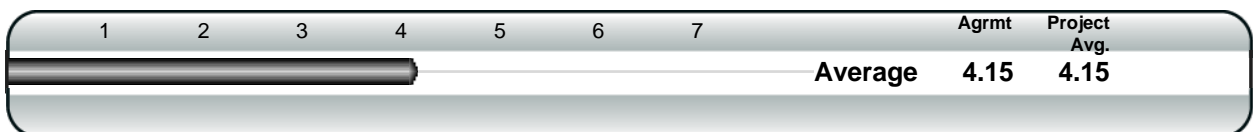
49. I am recognized when I do good work.



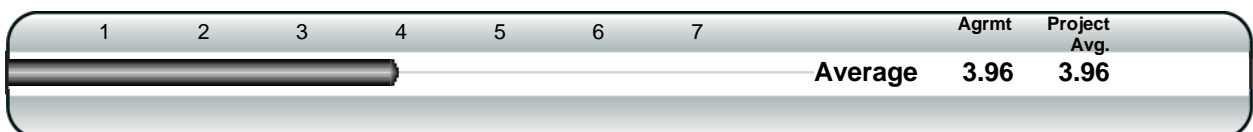
52. People are recognized for finding better ways to do their job.



51. The most qualified and competent people are promoted.



50. Rewards are based on performance and results.



54. I am rewarded for performing beyond my job requirements.

