

CITY OF LOS ANGELES

CALIFORNIA



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ANTONIO R. VILLARAIGOSA
MAYOR

Date: December 29, 2006

To: Controller Laura Chick
200 N. Main Street, RM 300
Los Angeles, CA 90012

From: Lisa W. Sarno, Interim General Manager *LWS*
Department of Neighborhood Empowerment

Dear Controller Chick:

We have reviewed the recently released Performance and Financial Audit of the Department of Neighborhood Empowerment (DONE). We concur with the audit findings and have an action plan incorporating the recommendations listed in the November 28, 2006 report. We are pleased to report that implementation of several of the report recommendations were in process prior to the release of the audit.

Each recommendation is outlined below with our Department's response and action:

RECOMMENDATION #1

DONE management should work with the appropriate parties to amend Ordinance 176704 to provide DONE with the explicit authority to monitor, regulate and provide oversight to Neighborhood Councils as directed by the Mayor, City Council and/or BONC.

DEPARTMENT ACTION:

Clear guidelines need to be established and placed in the Ordinance in the form of an amendment. The amendment will thoroughly articulate how the Department provides oversight and authority to regulate any violations of the Plan for a Citywide System of Neighborhood Councils (Plan). Specific exhaustive measures should be listed as part of the amendment.

A section should also be added that ensures recognition for Neighborhood Councils (NC) that continue to do great work and abide by the Plan.

In order for an amendment to the Plan to occur, several steps need to be taken. Those steps will require a collaborative approach with our City partners/departments, NC's, the Board of Neighborhood Commissioners (BONC), and the City Council.

To accomplish this, DONE will:

- A. Identify section in Ordinance 176704 and the Plan for the System of Neighborhood Councils where this authority would be placed with our partners in the City Attorneys Neighborhood Council Advice Division. It would be determined whether a new section needs to be created or if an existing section could simply be enhanced.
- B. Work with our City Attorney Neighborhood Council Advice Division to draft the language that would clearly identify how DONE is given oversight authority for our Neighborhood Councils.
- C. Clearly define monitoring, implementation and enforcement elements of the Plan. From addressing non-compliance, to failure to adhere to all funding requirements, the Department would also provide clearly laid out corrective measures. DONE will research and investigate to provide conclusive findings, along with recommendations by Department staff. Stipulation for not implementing recommendations will also be incorporated.
- D. Clearly identify consequences for non-compliance. This portion of the outline will include a focus group that would consist of Neighborhood Council Board Members, Stakeholders, and/or all interested parties. A list/group of identifiable violations will be created, each with its own set of corrective measures.
- E. Submit a draft amendment to our Board of Neighborhood Commissioners (BONC) as an agenda/line item for the purposes of discussion and public comment.
- F. Return recommended additions/deletions to the focus group for revisions. Once revisions are complete, a subsequent draft will be sent to BONC.
- G. Once the above process is complete, the amendment will be sent to the Education & Neighborhoods Committee for review via the Office of the City Clerk to receive and file.
- H. After completion of the review by Education & Neighborhoods, the report is then submitted to the full City Council for their review and approval.

We have started the process and are currently having dialogue with our City Attorney Advice unit on the above section A.

RECOMMENDATION #2

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

DEPARTMENT ACTION:

Bylaws provide a framework for Neighborhood Councils to follow. This framework is essential for boards to use when determining guidelines for items such as yearly work plan developments, elections timeframes, legal requirements, appropriate conduct, training mandates, outreach efforts, issues in which to provide community impact statements, and establishing diversity.

To better assess any limitations that NC bylaws might have currently, the Department of Neighborhood Empowerment's Field Operations Division recently reviewed, in October and November 2006, all bylaws in preparation for their inclusion on the Department's website scheduled for late January, 2007. Once visible, there will be an increase in transparent operations of all NC's missions and goals, thus providing an increased level of awareness and interest in the NC system. This increased interest and awareness would produce measures of accountability, increased interaction of board members and community stakeholders.

In coordination with the Office of the City Attorney, DONE revised its standard operating procedures for the review of NC bylaws in July 2006 to provide the Department with a clearer understanding of all items that should be contained in each NC's bylaws.

A review, including a more thorough analysis and comprehensive evaluation of each set of bylaws will be made and followed up with correspondence to NC's requesting any additional changes that may be needed. Correspondence will include a resource document that will have language which will enhance or replace existing summary headings or vague bylaw items. For example, NC's have mentioned they will communicate with all stakeholders but may not have a written method of outreach.

The Field Operations Division will use the first quarter of 2007 to work with the Office of the City Attorney to create the NC bylaws standardized language resource document. Once a clear set of additional requirements has been established beyond what currently exists in the Plan, the Department will be able to include additional required bylaw changes such as Codes of Civility and training mandates.

Also, as part of our Empowerment Academy, our City Attorney Advice Unit recently completed regional round tables addressing Bylaws for designated legal liaisons on each NC board.

RECOMMENDATION #3

Identify, prioritize and implement initiatives that will measurably increase civic participation and community representation. DONE should also provide NC's with training on how to develop and file Community Impact Statements.

DEPARTMENT ACTION:

During the past several months, DONE returned to organizing basics. In May of this year, we secured information on the various community based organizations (CBO) throughout the City of Los Angeles and subsequently, the various international consulates. We have reached out to these entities to educate and inform them of the work our NC's are doing on behalf of stakeholders. This provides us with the opportunity to engage and encourage them to become active with their local NC.

As a result of the above, we have seen an increase in participation specifically during the recent Congress of Neighborhoods held on June 17th and Mayor Villaraigosa's Budget Day on September 9th.

This is also the first year we made available online the Mayor's budget survey to both NC members and community stakeholders. We were successful in quadrupling the response rate from last year utilizing this online method.

On October 28th, through our Empowerment Academy (EA), the Department organized our first City-wide newly elected NC board member orientation. The Department included a demonstration/training on Community Impact Statements. The presentation was made by a representative of the City Clerks office and an NC board member experienced in filing and explaining the process.

We will have ongoing new NC board member orientations which will provide information on how to access specific City services. This provides a venue for new NC board members to network and learn more about what is expected of a board member and what they can expect from the Department.

The City-wide orientation is in addition to the on-going NC board orientations our Advocates/Project Coordinators provide to their assigned NC's.

In the first quarter of 2007, we will hold several training workshops, presented by our EA, on community engagement (i.e. how to build consensus to promote collective interests, communication/outreach and marketing your NC to engage stakeholders).

DONE will continue to explore and identify additional methods in order to increase civic participation in the NC system.

RECOMMENDATION 4

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

DEPARTMENT ACTION:

Initially the Department's role was for the establishment and certification of NC's, the next phase was never clarified.

The Department, in May of this year, imported from the City's Information Technology Agency (ITA) the Contact Management System (CMS), and staff has made it a part of their weekly duties to input information. The Systems Unit and Management Team are currently enhancing CMS to create a tracking system which moves us in the direction of creating evaluative measures to share with our NC's, Mayor, City Council and BONC.

Examples of the performance measures, but not limited too, will be:

- Number of meetings staff attend.
- Number of conflict resolutions facilitated by the Department
- Quality and NC board member attendance of EA training
- Track, trend and analyze service to NC's to reduce number of reoccurring problems
- Review and monitor NC funding to ensure budgets are performance based
- Expedite payment of NC funding requests
- Response time to overall NC requests (i.e. by-law amendment, election procedures, etc)
- Increase in participation (i.e. votes cast and new board leadership)
- Number of Community Impact Statements submitted by NC's
- Number of City Departments DONE engages to service NC's

Performance data will be compiled and distributed in a Department Annual Report.

RECOMMENDATION #5

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

DEPARTMENT ACTION:

In 2005, as a result of cancellation of workshops/classes due to lack of enrollment, Empowerment Academy classes were available by on-line request only.

In June of this year, a survey was distributed to our NC board members securing feedback on the types of training they would like to see the EA deliver. The Department has revised the training curriculum for the EA to meet the technical, substantive knowledge, and procedural needs of neighborhood councils. The revised curriculum is organized into four overarching themes. Each theme will include specific topics to be covered in several training courses:

- 1) Roles and responsibilities of stakeholders - Covers issues such as board and committee membership, conflict of interest, Brown Act, and parliamentary procedures.
- 2) Capacity-building in neighborhoods and communities - Includes topics such as strategic planning, identifying community needs and assets, and event planning.
- 3) Leadership and advocacy – Incorporates grassroots mobilization, community outreach, campaigns and elections, building coalitions, and norms of reciprocity and trust.
- 4) Policy areas and issues - Includes emergency planning and response, planning and land use, economic development, transportation, housing, public safety and public works.

Taking the experience we now have, the Department has returned to organizing basics to increase enrollment and participation in EA classes. In addition to the flyers, email blasts announcing the class/workshop, our staff makes direct and multiple contacts with each of their assigned NC's to promote and encourage attendance. Coordinated phone banks are staffed by our Project Coordinators prior to EA courses. As a result of these efforts, we have increased participation by 100% as noted during several of our recent workshops (i.e. election chair training, new NC board member orientation, in-person City Attorney AB 1234 Conflict of Interest training, etc).

On December 21st, we released information to our NC's and stakeholders on the EA classes that will be available for the 1st quarter of 2007. We will continue the above method of direct contact to increase enrollment.

The Department supports the Controller's recommendation that board members attend certain mandatory training sessions beyond the training required by AB 1234 and the Funding Program Orientation for NC treasurers. DONE staff plans to identify a list of required courses for board members, and a list of highly recommended courses for all stakeholders. However, the additional resources and staff requested in the 2007-08 City budget are essential for the EA to offer a regular and consistent rotation of comprehensive training modules for neighborhood councils.

EA training workshops not only benefit current board members of NC's, but will provide technical preparation for all stakeholders and future board members who may be interested in participating in their local NC but are reluctant to do so based on their perceived sense of inadequacy or lack of knowledge. In addition to the training workshops for NC's, the EA also provides professional development training for DONE staff and is currently working with LAUSD to foster youth civic engagement in neighborhood councils. Therefore, the trainings that the EA provides will promote increased NC participation and capacity, especially among groups that are currently under-represented in NC's, including youth, renters, non-native English speakers, and ethnic minority populations.

RECOMMENDATION #6:

Clearly define the roles, responsibilities, levels and types of service that NC Project Coordinators are to provide to NCs

DEPARTMENT ACTION:

The Department developed an Advocates Handbook listing the duties of the NC Project Coordinators and guidelines for fulfilling those duties. All new NC Project Coordinators receive a handbook prior to training. As of May 2006, weekly staff meetings are held that provide resources for NC Project Coordinators to assist their NC's. The Field Staff regularly provides training throughout the year and most recently held a retreat where roles and responsibilities were defined.

As our NC's evolve, the expertise of our staff must also evolve. Where applicable, DONE staff will receive enhanced training to provide them with additional specific skill sets to assist Neighborhood Councils.

RECOMMENDATION #7

DONE management should develop workload indicators to determine optimum staffing requirements, taking into consideration the cost of adding additional staff.

DEPARTMENT ACTION:

With the installation of CMS, management now has an effective tool to track, trend and analyze delivery of service.

Each division within the Department currently has, and will further develop, workload indicators and performance measures for the purpose of evaluating the best practices and methods for providing optimum service to our Neighborhood Councils. Each division within the Department is structured as follows:

- Administrative Services – Responsible for all direct (Department) and indirect (Neighborhood Council) operating support functions, excluding field work.
- Funding – Responsible for all procedures related to administration of the Neighborhood Council Funding Program (CF 02-0699), including compliance with City fiscal policies and procedures.
- Field Operations – Responsible for all direct contact, communication, and liaison functions with all Neighborhood Councils, including assistance with issue or problem resolution and technical guidance related to Neighborhood Council formation, ongoing operations, and continual development.
- Training & Education – Responsible for all components of the Neighborhood Council Empowerment Academy including curriculum development, implementation and review, securing the professional services of subject matter experts, and the continuous offering of professional development products to all Neighborhood Councils.
- Systems - Responsible for all information technology services, both to the Department, Neighborhood Councils and stakeholders.

Management will generate CMS monthly reports to both quantitatively and qualitatively measure the effectiveness of the Department's services. The data collection and subsequent analysis will be the responsibility of the respective section or division head, and will be reviewed by the General Manager and the Assistant General Manager. Reports will be used as analytical tools to assist the Department in achieving its objectives and meeting its commitment to assist Neighborhood Councils.

RECOMMENDATION #8

Formally document and share best practices from the most effective NCs with other NCs in the system.

DEPARTMENT ACTION:

The Department website lists Neighborhood Council accomplishments. The Department utilized a student intern to document best practices and guidelines for replication. These best practices have been placed in the Reference Library, listed as Best Practices, on the DONE website.

The Department is culling best practices from the list of accomplishments located on the DONE website and creating guidelines for replication. The Department is initiating a program requesting Neighborhood Councils to submit additional best practices to the DONE via their NC Advocate to compile, review and post on the DONE website. In addition, the Department will disseminate examples of best practices at the Congress of Neighborhoods. This will give Neighborhood Councils an opportunity to share the great things they are doing and present templates for replication.

RECOMMENDATION #9:

Implement trending functionality for the CMS. Request initiated by Project Coordinators, administrative staff and City Attorneys should be tracked, trended and analyzed for reoccurring problems and used for management analysis and planning.

DEPARTMENT ACTION:

The Department along with ITA will design, develop and implement additional modules to the CMS to allow users to enhance trend reports to better analyze the staff workload indicators, reoccurring problems and assist management in analysis and planning.

The Department will meet with ITA in early 2007 to start the systems analysis process. The Department has been taking requests from staff in regards to additional options in the existing modules to further expand the data ranges within CMS.

RECOMMENDATION #10:

Increase its efforts to train personnel in the use of the CMS through implementing a user training program. Training should include the system's analytical and reporting functionality.

DEPARTMENT ACTION:

The Department created and implemented an internal training module to assist staff in understanding the capability of CMS. The training provided essential information on how staff and management can program and build reports to monitor and track individual work loads. Ongoing assistance is also available to staff on our internal DONE IT help line and on our internal Department's Intranet homepage, where a link is provided to a training manual created specifically for our DONE staff.

Several trainings took place on December 21, 2006 and December 27, 2006, and several more are schedule in January 2007.

RECOMMENDATION #11:

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

DEPARTMENT ACTION:

The Department of Neighborhood Empowerment website will be used as the central database for the storage and viewing of NC bylaws for both internal and external purposes. The Department of Neighborhood Empowerment's Field Operations Division has recently reviewed all bylaws in October and November 2006 in preparation for their inclusion on the Department's website by January 2007.

In July 2006 the Field Division, in coordination with the Office of the City Attorney, revised its standard operating procedures for the review of NC bylaws.

The procedures further outline the enhanced process for acceptance and tracking of bylaws revisions. Once revised, the NC is notified and copies of the bylaws are placed in a Department internal electronic filing system. The internal file also contains a tracking sheet which is updated manually.

Recent improvements to the system include the preparation of NC bylaws to be placed on the Department's website. A further revision to the process will provide for a copy of each NC bylaws history in a single source location, including all sets of certified and amended versions of NC bylaws.

The Department's Systems Division is working on further improvements to a database system including the use of an automated tracking mechanism and web-based interactive bylaws revision, submission and tracking process.

RECOMMENDATION #12

Increase its efforts to train NC members in the use of information systems designed for NC's. NC members should, at a minimum, be trained in the use of the NC database for accessing election procedures and other important information. Where practical, the training should be computer based.

DEPARTMENT ACTION:

The Department is currently re-designing the Neighborhood Council database to include real time updates, election tracking, election procedures, election history and bylaws document management.

Estimated completion date is January 30, 2007. The Department will conduct several regional trainings for both Neighborhood Council leaders and department staff during the months of March and April 2007.

RECOMMENDATION #13:

Administer a periodic IT User Satisfaction Survey to gauge and monitor user satisfaction with IT services.

DEPARTMENT ACTION:

The Departments senior staff management will develop, and design the survey questionnaire to gauge the effectiveness of the Department's IT services. It will also be used as a strategic planning tool to help IT services with prioritizing projects, and effective service delivery.

IT User Satisfaction Survey will be release for senior staff members in early January 2007, and an end-user version will be release to all staff in March 2007.

RECOMMENDATION #14a

DONE management should improve the budget process by working with the Mayor and the Board of Commissioners to establish a budgetary framework that clearly identifies goals and associated priorities for the Neighborhood Council System.

DEPARTMENT ACTION:

City Departments are mandated to provide monthly reports to the Office of the Mayor. Due to the fact that this department was established in 1999, DONE was given the opportunity to create its own foundation for how its goals are accomplished. Now with five (5) years of Certified Neighborhood Councils experience, the Department can begin to create reporting mechanisms that can be shared with the Mayor, BONC, the City Council and our NC's.

The reports will highlight the progress our NC's continue to make and provide the justification for each budget proposal that is framed yearly. The framework established as a result of this reporting mechanism allows for consistent dialogue on the over all status and health of our Department and NC System. These reports could be shared on a monthly, quarterly, biannual, or yearly basis. With that, budget planning and each budget proposal submitted on a yearly basis never comes as a surprise. The department can now supply our decision makers with the templates for how and why we submit the budget proposals that we do.

RECOMMENDATION #14B

Requiring NC's to submit a budget that links the goals and priorities to the budget. This could include placing restrictions on the percentage of funds that can be used for certain categories.

DEPARTMENT ACTION:

For fiscal year 07-08, DONE will require all NC's to divide their funds into three (3) categories: outreach, operations, and community improvement projects. DONE will work with treasurers of NC's to track the expenses in each of these categories to ensure that NC's do not overspend in each of these budget groups. Of the total budgeted amount, NC's must spend a minimum of 25% in the category of outreach and 25% in the category of community improvement projects. NC's will be provided with a standardized budget template. In addition to submitting a budget, NC's will also be required to provide a budget narrative that outlines the goals, objectives, and projects of the NC for the upcoming fiscal year relative to the budget.

RECOMMENDATION #14C

Monitor NC's to ensure they spend their funds in accordance with their budget.

DEPARTMENT ACTION:

DONE will monitor NC funding in each of the three major budget categories: outreach, operations, and community improvement projects. The majority of the tracking will occur through the demand warrant process whereby the NC's will be responsible for checking the appropriate category on the demand warrant form. The Department will log and track these categories to ensure that NC's do not overspend in one or more areas. In addition, the Department will also track the categories on the purchasing card side by requesting that NC's list the budget categories on their reconciliation form which they are required to submit to the Department at the end of each quarter.

RECOMMENDATION #15

DONE management should provide its Project Coordinators with periodic reports showing the amount of unspent funds for their responsible NC's.

DEPARTMENT ACTION:

Monthly reports will now be distributed to all Project Coordinators outlining NC's spending. As of June of this year, Funding staff has been attending Project Coordinator meetings to jointly address funding related issues and concerns.

Along with these efforts, Neighborhood Council spending continues to increase. In FY 05/06 NC spending to December 1, 2006 was a total of \$974,337. For FY 06/07, cumulative spending to December 1, 2006 has increased 39% to \$1,356,239. NC spending is expected to continue to increase with a total expended for all years of \$8.5 million from the total appropriated amount of \$15.2 million (56% expended).

RECOMMENDATION 16:

Require Project Coordinators to attempt to determine the reason why certain NC's have a large amount of unspent funds and to assist the NC's with any difficulties they may have in identifying uses for the funds. DONE should also consider providing assistance to NC's in identifying projects that are in line with the goals of the program.

DEPARTMENT ACTION:

DONE Funding staff implemented in-house training for our Project Coordinators this year. The training provided assists Project Coordinators in understanding the funding process to better assist Neighborhood Councils with their funding requests.

Project Coordinators will use the online budgets of the Neighborhood Council to create a funding analysis of the Neighborhood Council and create an assessment of need based on a combination of the NC Budget and their stated goals. In addition, the Project Coordinators, working with the

Funding staff, will perform an NC Analysis with budgetary recommendations for operations and outreach using the following:

- Keep resource list of previous purchases as an example of funding best practices
- Keep NC Budgets in their Project Coordinator binders
- Closely monitor agenda items for budget expenses and then assist the NC in identifying purchases that best meet their stated goals.

RECOMMENDATION #17

DONE management should work with the Mayor and the Board of Commissioners to determine the pros and cons of prohibiting NC's from carrying forward large appropriations without a detailed plan for how the funds will be spent.

DEPARTMENT ACTION:

The Department will start the process of analyzing the benefits versus cost to overall stakeholders by allowing NC's to carry forward large balances during the allowed three year rollover period.

A report will be prepared for initial review by the Board of Neighborhood Commissioners, and then for referral to the Mayor and the City Council, addressing NC projects of between 12 and 36 months in duration and with a project cost in excess of \$20,000. The report will recommend that when NC's propose such projects, the supporting documentation must contain an identified public benefit, milestones, and deliverables.

RECOMMENDATION #18

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

DEPARTMENT ACTION:

DONE will maintain a running balance for the bank account (currently Bank of America). The balance will be maintained in the Financial Analysis System for Neighborhood Councils (FASNC) and will track each withdrawal requested by the NC's and deposits made into the main bank account through the Office of the Treasurer. In addition, DONE will ensure that records in the City's FMIS system are consistent and reconciled with records from the bank and DONE.

RECOMMENDATION #19

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

DEPARTMENT ACTION:

DONE does currently provide two separate forms of response to NC's when documents are incomplete. A notification is emailed to NC Treasurers when the Department receives a demand warrant containing insufficient information. The notification informs NC's that check requests will not be further processed until required information is provided. The second notification occurs after an audit is completed of the NC's card and petty cash purchases. The Department

lists any missing documents and includes recommendations for the treasurer to remedy the situation. NC's are notified formally that failure to comply may result in the Department withholding future funding.

RECOMMENDATION #20

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

DEPARTMENT RESPONSE:

In January 2006, approximately 100 NC audits were overdue and an estimated 400 quarterly reconciliations had not yet been reviewed by the Department. However, the Department has aggressively but diplomatically and consistently reminded affected Neighborhood Councils to submit missing receipts and missing reconciliations. As of December 2006, the Department has reduced outstanding (not received) quarterly reconciliations from 100 to 41, and quarterly reconciliations pending review from 400 to 78, a very significant improvement. In 2006, the Department has audited a total of 571 quarterly Neighborhood Council submissions, for a total of 746 audits completed.

To ensure more up-to-date reviews, the Department will conduct periodic spot audits of current reconciliations received. This is in line with the existing City practice of conducting spot petty cash audits. NC reconciliations prepared by new treasurers will be specifically examined in detail, to make certain that newly elected Neighborhood Council board members follow and understand all City and Department requirements. In addition, spot audits will be conducted regarding data reported on the bank's online system to ensure that City guidelines are being met with NC card purchases.

RECOMMENDATION #21

DONE management should separate the duties of authorizing issuances/uploads of CARDS and accessing the System to initiate issuances/uploads.

DEPARTMENT ACTION:

An internal policy memorandum was issued creating a two-tier authorization process for card issuance and the uploading of funds. The Management Analyst II now conducts a final review of NC financial status and then signs the funding card request documentation. The Senior Management Analyst I then reviews the documentation, approves and signs the documentation as appropriate, and then completes the online transaction.

RECOMMENDATION #22

DONE management should require someone independent of the authorizing and initiating functions to review the bank statements to verify that each issuance and upload has been properly authorized and supported by proper documentation.

DEPARTMENT ACTION:

The duties of reconciling bank statements have now been separated. Authorization and tracking of NC funding card uploads is now reviewed by the Department's Accountant II. The Accountant II, and this function, is separated from the authorization process involving the Management Analyst II and the Senior Management Analyst I. In addition, the Accountant II has now been assigned the responsibility of conducting monthly reconciliations of all bank statements.

RECOMMENDATION #23

DONE management should prohibit the sharing of passwords for the CARD Whiz System.

DEPARTMENT ACTION:

A Department internal policy memorandum dated October 18, 2006, was issued prohibiting the sharing of Card Whiz passwords.

RECOMMENDATION #24

DONE management should evaluate its process for completing the Internal Control Certification Program to determine how it can better identify internal control weaknesses in the Department's financial operations.

DEPARTMENT ACTION:

DONE management directed an immediate review of all financial control policies and has approved the policy revisions explained below (recommendation #25).

RECOMMENDATION #25

DONE management should correct the weaknesses identified in this finding (1 through 8).

1. *A revised mileage reimbursement procedure has been implemented.*

DEPARTMENT ACTION:

Employees are required to submit their request for mileage reimbursement with their supervisor approval at the end of the month or as soon as practicable. In addition, employees receiving mileage reimbursement are required to maintain a satisfactory auto insurance policy of public liability insurance covering the full use and operation of the vehicle. Notification of pending insurance expiration is sent to all affected employees at least 60 days prior to said expiration.

2. *A revised overtime procedure has been implemented and its importance stressed to all supervisors.*

DEPARTMENT ACTION:

Request for overtime must be approved in advance by the employee's supervisor. Employees are required to complete Form General 68 ("Blue Slip") indicating the anticipated overtime date and hours, and submit the form to the immediate supervisor for approval. Periodic email reminders have now been implemented to staff to ensure compliance.

3. *Revised petty cash fund procedures have been implemented:*

DEPARTMENT ACTION:

a) A Statement of Responsibility has been signed by the Petty Cash Custodian, acknowledging receipt of \$1,000.00 of petty cash funds, and is on file with the Administrative Services Division.

b) The Petty Cash Custodian is required to complete monthly petty cash reconciliation.

c) A surprise cash count will be conducted by the Accountant II at least once every three months, and occasionally more frequently, with the original documents retained in the petty cash box and an additional copy maintained and secured on file.

4. *A revised policy has been implemented for payroll functions.*

DEPARTMENT ACTION:

Payroll warrant and direct deposit notices are now distributed by persons other than those responsible for initiating the hiring and termination of department employees and apart from the person responsible for recording employee attendance.

5. *DONE did not competitively bid for its material distribution service contract with vendor The Walking Man.*

DEPARTMENT ACTION:

DONE hired several vendors in addition to Walking Man in the past, however, The Walking Man has been the generally preferred choice of the Neighborhood Councils and Department field staff because of the vendor's ability to respond on short notice. However, following consultation with the staff of CAO, DONE will engage in a new request for proposals (RFP) process when the current contract with The Walking Man expires on April 20, 2007.

6. *DONE continues to pay charges for a cellular phone assigned to an employee no longer with the department. Approximately \$700 in phone charges has not been reimbursed by the employee's new department.*

DEPARTMENT ACTION:

A reimbursement in the amount of \$ 707.00 was received in September 2006 from the department currently employing the former DONE employee.

7. *DONE has not separated inventory items purchased by DONE (through the Neighborhood Council Funding Program) from items transferred to other departments.*

DEPARTMENT ACTION:

On July 27, 2006 DONE submitted to the Controller a Reconciliation and Certification of CAMS Inventory, Fiscal Year 05-06, that deleted items transferred to other departments.

8. *DONE has never completed a physical inventory of department's own equipment.*

DEPARTMENT ACTION:

DONE completed physical inventories, in June 2001, July 2003 and July 2005. We will conduct another physical inventory for the fiscal year ending June 30, 2007.

We believe that the above Department actions will help to improve the service we provide to both the NC System and the stakeholders of the City of Los Angeles. DONE is committed to workforce development, organizational effectiveness and service excellence.

Controller Chick, the staff of DONE would like to thank you and your financial and performance auditors for their assistance. The above recommendations have helped us to clearly map mechanisms and processes for the next phase of the Department and our NC System.

Please don't hesitate to contact me if you have any questions or if I can provide you with additional information.

cc: Robin Kramer, Chief of Staff, Office of the Mayor
 Marcus Allen, Deputy Chief of Staff, Office of the Mayor
 Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
 Larry Frank, Deputy Mayor, Office of the Mayor
 Los Angeles City Councilmembers
 Karen Sisson, Acting Chief Administrative Office, Office of the CAO
 Frank Martinez, City Clerk, Office of the City Clerk
 Gerry Miller, Chief Legislative Analyst
 Board of Neighborhood Commissioners
 Farid Saffar, Office of the Controller
 Rick Deguchi, Office of the Controller