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2007-2008 CIVIL GRAND JURY ROSTER

NAME

RESIDENCE

Marcia L. Goodman	Foreperson
Dorothy M. Schneider	Foreperson Pro Tem
Rhodora U. Delacruz	Secretary
Lucy Hernandez	Sergeant-at-Arms

Long Beach
Pasadena
Los Angeles
City Terrace

Ethell Anderson
Octavio "Toby" Chavez
Arnold A. Colman
Nicolina Friedman
John Gleiter
Franki Horne
Judy Hsu
James Kaiser
Fred Linderman
Brandon Makoroff
Lionel S. Martinez
Richard Niederberg
Ernest Oestreich
Elaine Poydras
Dolores Rillos
Lloyd R. Smith
John E. Smythe
Arnie L. Spears
Claire Stone

Lakewood
South Whittier
Tarzana
Glendale
Valley Village
Inglewood
Diamond Bar
Sherman Oaks
Sherman Oaks
North Hollywood
Montebello
Studio City
Hollywood Hills
Altadena
Monterey Park
Los Angeles
Bunker Hill
Leimert Park
Santa Monica



Back Row: Octavio “Toby” Chavez, Richard Niederberg, Lionel Martinez, John Gleiter, Arnie Spears
Second Row: Franki Horne, Lloyd Smith, Marcia Goodman, Dolores Rillos, Nicolina Friedman, Claire Stone, Ernest Oestreich
Front Row: Ethell Anderson, Elaine Poydras, Arnold Colman, Dorothy Schneider, Judy Hsu, Rhodora Delacruz, John Smythe, Fred Linderman
Not pictured: Lucy Hernandez, James Kaiser, Brandon Makoroff

OVERVIEW OF THE LOS ANGELES COUNTY CIVIL GRAND JURY

The 2007-2008 Los Angeles County Civil Grand Jury served from July 1, 2007 to June 30, 2008. The following provides a broad overview of the Civil Grand Jury, what it is, and how it functions.

GRAND JURY DEFINED

California Penal code Section 888 (as applicable to Civil Grand Juries) provides that a Grand Jury is a body of the required number of persons returned from the citizens of the county before a court of competent jurisdiction, and sworn to investigate or inquire into county matters of civil concern such as the needs of county officers, including the abolition or creation of offices for the purchase, lease or sale of equipment for, or changes in the method or system of, performing the duties of the agencies subject to investigation pursuant to Section 914.1.

For Los Angeles County, based on its population, the required number of Civil Grand Jurors is 23.

HISTORY

The California grand jury system has its historical roots in the Old English grand jury system, the purpose of which was to protect citizens from the arbitrary power of the Crown. The California system continues to retain the goal of protecting residents from abuse by local government. In civil matters, the jury performs oversight functions of Los Angeles County, 88 cities, all school districts and other local government agencies.

FUNCTIONS

The Civil Grand Jury is an independent and confidential body and may not, except for legal cause, be prevented from acting within its jurisdiction. The Civil Grand jury functions as one body, with all its matters discussed and votes taken are private

and confidential. It is a misdemeanor to violate the secrecy of the Civil Grand Jury proceedings.

REQUIREMENTS TO BECOME A CIVIL GRAND JUROR

In order to be selected as a grand juror, an individual:

- Must be a United States citizen 18 years of age or older and a resident of Los Angeles County for at least one year immediately prior to selection
- Must not be serving as a trial juror in any California court
- Must not have been discharged as a grand juror in any California court within one year of the beginning date of service
- Must not have been convicted of malfeasance in office or any felony or other high crime
- Must not be serving as an elected public official.

Service as a Civil Grand Juror is for an entire year (July 1 to June 30) and is basically a full-time job Monday through Friday with each jury determining its work schedule. Each grand juror is required to complete a financial disclosure form in compliance with the California Government Code. Further information is available on the Grand Jury Website – <http://grandjury.co.la.ca.us>.

ORGANIZATION AND OPERATION

The Presiding Judge of the Los Angeles Superior Court designates the foreperson over all proceedings of the Civil Grand Jury. The Supervising Judge of the Criminal Division of the Los Angeles Superior Court oversees the activities of the Civil Grand Jury and must approve the jury's Final Report before its issuance. A Deputy County Counsel is assigned as the legal advisor to assist the Civil Grand Jury concerning legal questions and issues.

The Civil Grand Jury is divided into committees which investigate certain departments of the cities or county government or special districts. Independent auditors may be employed to examine financial records and operations of government agencies. Members of the jury may visit various government facilities, meet with government officials and develop findings and recommendations for improvement.

At the end of the Civil Grand Jury's term, a Final Report is prepared and sent to the affected government agencies, the Presiding Judge of the Superior Court and the County Board of Supervisors. Written copies of the Final Report are distributed to other public agencies and the news media. Responses to recommendations are required within ninety days.

APPOINTMENT TO THE CIVIL GRAND JURY

Any interested citizen who wishes to be considered for nomination to the Civil Grand Jury for the following fiscal year (July 1 to June 30) may obtain an application form and submit it before the deadline in November to:

Los Angeles County Civil Grand Jury
Clara Shortridge Foltz Criminal Justice Center
211 West Temple St., 11th Floor, Rm. 11-506
Los Angeles CA 900012
Telephone: (213) 893-1047

Each year beginning on November 1st each Superior Court Judge may nominate two persons deemed qualified to serve as Civil Grand Jurors. Following the nominations, the selection process for grand jurors involves a random selection of prospective jury members and alternates. The Sheriff's Department performs a background check on these individuals. In a second final random selection, the twenty-three members of the jury are selected. Seventeen alternates are also selected to serve as jurors should any of those originally chosen are unable to continue to serve.



**JAIL INMATE PERSONAL ACCOUNTS:
THE POTENTIAL FOR ABUSE**

**2007-2008 Los Angeles County Civil Grand Jury
Investigative Committee**

Richard Niederberg, Chair

**Arnold A. Colman
Rhodora U. Delacruz
Dolores Rillos
Claire Stone**

JAIL INMATE PERSONAL ACCOUNTS: THE POTENTIAL FOR ABUSE

INTRODUCTION

During a visit to the Twin Towers Correctional Facility, Sheriff's Department personnel advised members of the Civil Grand Jury that county jail inmates are able to receive from and release to outside third parties unlimited amounts of money. The concerns raised by this apparent lack of oversight and the potential for abuse provided the impetus for this investigation and report. Pursuant to the Grand Jury's discussions and meetings with senior management in the Sheriff's Department, a written policy was recently implemented which places a cap of \$900 on the amount an inmate may maintain in his or her account , and sets a limit of \$300 on the amount the inmate may release to an outside third party per calendar week.

SUMMARY

The Sheriff of Los Angeles County is responsible for the operations of all county jail facilities. When an individual under arrest is booked into county jail, any cash in his or her possession at the time is processed and posted as an initial deposit with the cashier's office of the Inmate Reception Center (IRC). Once such an account is established, there is now (recently implemented) a policy that limits the cumulative amount of money that may be deposited into an inmate's account by outside third party to a maximum of \$900. Current policy does not require an individual who appears at the cashier's office to deposit money to an inmate's account to provide any identification. According to the Sheriff's Department records, 75% of cash for inmates is *received over the counter* (i.e., from outside third parties), while only 25% is in the possession of inmates at the time they are booked.

There is now (recently implemented) a policy that limits the amount of money an inmate may release from his or her account funds to an outside third party to \$300 per calendar week. Account fund releases are accomplished by means of an authorization form submitted by the inmate to the cashier's office. When releasing inmate funds to a third party, Sheriff's Department policy requires at least one and preferably two forms of identification from the recipient of the funds, and a disbursement greater than \$200 requires a second verification before funds may be released. There is also a section on the "Release Withdrawal Form" which the person receiving the funds must complete. The reason for this protocol is explicit in the language of the Sheriff's cashier procedures manual, to wit: "This transaction type is potentially very dangerous because of the fraudulent use of the forms by inmates." (Manual section 6-06/005.202)

According to information contained in interoffice correspondence between senior Sheriff's Department managers, there are more than 19,000 inmates currently in the county jail system, 90% of whom are not serving sentences, but are instead awaiting

trial or in custody for other reasons. As of February 2008, the total combined dollar amount in the inmate trust accounts was \$1,151,379. These funds accrue interest in the County General Fund; none of the interest is earmarked for return to the Sheriff's Department. In February 2008, there were six inmates who had a balance of more than \$5,000 in their accounts. Although none had any known gang affiliations, one was a "confirmed hit man for the ...mafia," and two other inmates were arrested for separate robberies (one in December 2003, with \$7,212 in his possession, and the other in March 2007, with \$6,623 in his state prison account that was transferred to IRC at the county jail). Apparently, although these arrestees were booked for robbery, no one questioned the legitimacy of these funds, which were credited to each inmate's account. This is perhaps a fitting subject for some future investigation, but we will not deal with it in this report.

Inmate accounts are set up by the Sheriff's Department to enable county jail inmates to purchase items from the jail store (e.g., chips, candy bars, sodas, stamps), and to purchase phone cards. Penal Code § 4025 allows the Sheriff to operate a jail store from which inmates may make purchases of personal comfort and care items, although any of these necessities are provided to those inmates who are indigent, along with food, clothing, and medical care. For obvious reasons, (extortion, theft, fighting, gambling, etc.), inmates are not permitted to carry cash in the jails. When they make a purchase, their accounts are debited for the appropriate amount. The accounts therefore provide a practical solution to the inmates' desire to purchase items from the jail store, and such accounts are a common practice in penal institutions throughout California and the United States. The Sheriff's current policy allows inmates to spend a maximum of \$135 per week for jail store items. The Civil Grand Jury finds this to be a reasonable amount, considering the cost of many of the items and the expense of phone cards.

The Civil Grand Jury does not have an issue with the propriety of inmate accounts, however, we strongly believe that a lower cap on the amounts deposited in such accounts is necessary, and lower limits are in place in other county jail systems. Although we appreciate that those inmates who have large quantities of money in their accounts, in some cases hundreds or thousands of dollars, represent a very small percentage of the jail population, we also recognize that those at the top of the inmate pecking order, the most powerful and dangerously well-connected, are likewise a very small percentage of the jail population. The thought of these "shot-callers" having large sums of money at their disposal is disturbing. Certain possibilities come to mind, including bribery, money-laundering, and violence for hire. The recently implemented cap of \$900 is excessive. We recommend a \$500 limit on inmate accounts at any given time. However, we understand that an inmate may be booked into custody in legal possession of cash in excess of that amount. On those rare occasions, the inmate should be required to draw down on the amount until it falls below \$500 before any deposits from outside third parties are accepted.

The Civil Grand Jury believes that the practice of allowing inmates to receive funds deposited by outside third parties, and then release funds back to outside third parties is indefensible. There appears to be no legitimate reason for any jail inmate to serve as a cash conduit for monies coming into and going out of the county jails. The Sheriff has relied on the provisions of Government Code § 26640 as a legal authority for paying out funds at the direction of the inmates, but the code has very specific provisions in its language; it states as follows:

“The sheriff shall take charge of, safely keep, and keep a correct account of, *all money and valuables found on each prisoner when delivered at the county jail*. Except when otherwise ordered by a court of competent jurisdiction, the sheriff shall pay such money or sums *therefrom* and deliver such valuables or portions thereof as the prisoner directs and shall pay and deliver all the remainder of his money and valuables to the prisoner or to his order upon his release from the jail or to his legal representative in case of his death or insanity.” (*Italics added*)

The Civil Grand Jury reads this code section to mean that the Sheriff may release any or all of an inmate's money to a third party, as directed by the inmate, but only those funds which the inmate has in his or her possession *at the time of the inmate's booking*. The code, as we read it, does not speak to whether the Sheriff may release inmate funds to outside third parties that were accrued by means of deposits made by outside third parties *after the inmate's booking*. If an inmate's family is in need of money for its support, it is not reasonable that such money should first be deposited to the inmate's account by an outside third party, then released by authorization of the inmate to another outside third party. The Sheriff should not be an intermediary in this unnecessary and suspect transfer of cash.

METHOD

In completing our investigation, the Civil Grand Jury performed the following:

- Reviewed government codes and Sheriff's Cashier Policy and Procedure manuals
- Reviewed websites of other counties in the state, to determine whether these counties had a limit in place as to the maximum amount of money that can be deposited to, or held in, an inmate's account and released to third parties outside the jail system
- Met with the Correctional Services Chief, the civilian administrator of the cashier's office, and five deputy sheriffs of various ranks, including a lieutenant

- and three sergeants, regarding our concerns about inmate accounts and methods of transferring money to and from these accounts
- Visited the cashier's office at the Twin Towers Correctional Facility
- Observed an inmate complete and sign a draft payable to a third party in the amount of \$100
- Met with the Los Angeles County Assistant Auditor-Controller
- Requested further clarifications from the Sheriff as to promised changes of policy regarding limits on inmate funds
- Consulted with the Los Angeles County Ombudsman, an independent law enforcement expert, regarding the need for a cap on inmate funds
- Met with the appropriate Sheriff's division chief for an update as to the status of the department's proposed policy changes, none of which has been implemented as of the date of this writing.

FINDINGS AND RECOMMENDATIONS

FINDING 1

There is now a recently implemented cap of \$900 on the amount an inmate may have in his or her account, whether deposited by outside third parties, or in the inmate's possession at the time of booking. The \$900 maximum on inmate accounts is excessive, and it creates an opportunity for disparity in the jail setting, where there are many rules and regulations in place for the express purpose of maintaining a level playing field among inmates. Inmates who are able to amass such a substantial sum of money, and the amenities that money can buy, have an opportunity to use such money or amenities to barter for extraordinary privileges.

RECOMMENDATION 1

The Sheriff should impose a limit of \$500 on the total amount of money an inmate has in his or her account *at any given time*. If the inmate is booked into custody with a sum greater than \$500 in his or her possession, the inmate should be required to draw down on the amount until it falls below \$500 before any deposits from outside third parties are accepted.

FINDING 2

Government Code § 26640 does not speak to whether the Sheriff may release money in an inmate's account to outside third parties at the direction of the inmate, *except for that money in the inmate's possession at the time he or she is booked into custody*. There is no legitimate purpose in permitting a jail inmate to function as a cash conduit by directing the release of funds to outside third parties that were initially deposited by persons outside the jail system.

RECOMMENDATION 2

The Sheriff should discontinue and prohibit the practice of allowing an inmate to authorize the release of funds to outside third parties, *except for money that was in the inmate's possession at the time of booking*. All money deposited by outside third parties to inmate accounts should only be for use by inmates in purchasing phone cards and items from the jail store.

FINDING 3

The Sheriff does not require identification from outside third parties who make cash deposits to an inmate's account through the cashier's office.

RECOMMENDATION 3

The Sheriff should implement procedures requiring cashier staff to request valid identification from outside third parties making deposits to an inmate's account, unless the amount is less than a pre-determined nominal sum, such as \$100.



**HELPING PROBATION AND FOSTER CARE YOUTH PREPARE FOR
ADULTHOOD AND INDEPENDENCE**

**2007-2008 Los Angeles County Civil Grand Jury
Investigative Committee**

Nicolina Friedman, Chair

**Ethell Anderson
Lucy Hernandez
Fred Linderman
Dorothy M. Schneider**

INTRODUCTION

Each month approximately **3,000** children enter the Los Angeles County social services and probation systems. This statistic, along with findings by a Select Committee of the California State Legislature that 70% of all state prison inmates were formerly part of the foster care system, a homeless rate within 18 months and an unemployment rate of 51% within two to four years after emancipation, led the Civil Grand Jury (CGJ) to investigate why these correlations existed. With each interview, site visit, and inquiry to county agencies including the Department of Children and Family Services (DCFS), the Probation Department (Probation), the Department of Mental Health (DMH), the Los Angeles County Office of Education (LACOE), and Juvenile Court personnel, more questions than answers surfaced.

Clearly there is a failure in the County to adequately address the needs and issues of young people involved in one or more agencies designed specifically to help them. Well-intentioned people are working diligently to improve the lot of their charges. Yet the system is failing. Lack of adequate funds and personnel are often cited as reasons. Currently there are numerous programs funded through federal, state, and local governments for the benefit of children who are wards of the County. DCFS, DMH, and Probation administer more than 20 programs for Transition Age Youth (TAY) alone. The annual budgets total \$95,686,359. With diminishing governmental funding it is likely that less money will be available to social service agencies. Streamlining existing programs and generating innovative ideas that replace traditional thinking and the limitations imposed by bureaucracies are needed.

Prevention is the first aspect of three separate yet inter-related steps that should be followed to ensure a higher rate of success. Long-standing research and common sense indicate that the genesis of school and social problems which bring children into the social service/probation systems is in the families. High teen pregnancy rates certainly contribute to the problem. According to reports almost 37% of births in Los Angeles County are to unwed mothers. Of course there are many instances where single family members raise successful and law abiding children. However, there is a high incidence of single parents having issues of their own that prevent them from being effective parents. Often it falls on relatives, friends or other care givers to intercede when parents are incarcerated or incapacitated. When the family fails, the foster care system is the last and least ideal option. Currently, in excess of 8,600 children from ages 14 to 20 receive most of their education and preparation for adulthood and independence in the system. Therefore, prevention is essential if the numbers of young people in need of government intervention are to be reduced.

Education is the second step. An appalling number of youth in the system are not graduating from high school or graduating as functional illiterates. The result is a group of young people with little hope of earning a decent living and exceptionally low self esteem. Although many arrive in the foster care/probation system with a staggering array of emotional, physical and behavioral problems, owing in part to ineffective adult modeling, every child has gifts and talents that must be nurtured. Whether academic, athletic, artistic, culinary, or other gifts, they must be cultivated within the educational system itself. Vocational education opportunities are designed to encourage and hone innate skills. However, at the current time, many of the programs are not available in public school programs or in the Probation camps where the educational component is provided by LACOE.

Evaluation is the third step. While many programs are available to help students succeed, we found insufficient evaluation components that determine the efficacy of the programs. It is critical to know what works and what does not work in order to develop, improve, or eliminate them.

EXECUTIVE SUMMARY

The Grand Jury has made seven major recommendations that address organizational changes to reduce the number of youth entering the system, new and expanded programs to serve TAY, and improvements in the efficiency and effectiveness of the agencies responsible for their well-being. Some of our recommendations cover services currently being given to TAY. In those instances, our intent is to improve, enhance, evaluate for effectiveness and generally strengthen existing programs.

- 1) The first recommendation is the development of a new strategic plan by all the key stakeholders to focus the programs on integration, efficiency, and effectiveness. Special attention must be given to the incorporation of life skills into the educational component of their lives with an emphasis on parenting and vocational life skills.
- 2) The second recommendation is to implement regular and systematic reviews of all TAY programs. Monies and emphasis should be given to effective programs. Ineffective programs should be dropped or redesigned to increase their efficiency. We outline two financing recommendations including aggressive attempts to incorporate additional community partners, foundations, and other funding sources to expand and enrich that which is already in place.
- 3) The third recommendation addresses ways to reach high-risk families in order to keep children out of the system when at all possible. We outline four ideas for the development of new lines of communication between families, the community, and agency personnel.
- 4) The fourth recommendation involves organizational changes to improve trust by youth already in the system. Many young people mistrust adults even when they are motivated by the highest ideals. Mentoring has proven successful in many instances especially when the ratio of youth to mentor is low. Continuous training for caregivers and foster parents is imperative in order to provide the best possible role models. Communication skills, early interventions to offset problems, and decision-making skills are crucial if programs are to have the positive impact we strive to achieve. Better and more effective communication is needed between the Probation Officers and schools with students in the probation system.
- 5) The fifth recommendation involves enhanced educational improvements for TAY. Vocational training, life skills programs, enriched music and art programs, as well as apprenticeship and on-the- job training will do much to support the regular high school curriculum required by State law to ensure that students graduate from high school equipped with the tools needed for successful adulthood.
- 6) The sixth recommendation calls for improved programs for post-emancipation TAY.
- 7) The seventh recommendation calls for the development of a comprehensive information system that captures the records on all current wards and continues to collect information through surveys on successes and problems after emancipation. This information is vital as a planning, evaluation, and budgeting tool.

Our recommendations are deliberately directional. We hope we have provided enough specificity to make our intent clear while leaving room for creativity. We strongly encourage the many intelligent and dedicated people who are involved in the lives of TAY to set the bar even higher by focusing on the real life results achieved by all TAY.

APPROACH TO THE INVESTIGATION

During our review of DCFS and Probation's TAY programs, our data collection consisted of:

- Site visits to facilities and discussions with service providers including probation officers and social workers
- Interviews with key officials at DCFS, Probation, DMH, LACOE, and the presiding Judge of the Juvenile Court of the Los Angeles Superior Court
- An entrance conference with the Los Angeles County Deputy Chief Executive Officer (CEO) of Children & Families Well-Being and key officials from DCFS, Probation, DPSS, LACOE, and DMH to solicit their support of the investigation and their ideas for improvement of the TAY system
- Research of:
 - TAY best practices used in other jurisdictions
 - Analysis of data provided by DCFS, Probation, DMH, and other agencies
 - A survey of TAY currently in DCFS and Probation as well as those who have left the system
 - Discussion of data findings and conclusions with DCFS, Probation, and DMH officials

OVERVIEW OF THE CHILD WELFARE SYSTEM IN THE COUNTY OF LOS ANGELES

Currently over 3000 children enter DCFS and probation each month.

In 2007, 2,629 youth exited the system as follows:

AGE	17	18	19	20	21+	TOTAL
Probation	25	643	65	9	5	747
DCFS	9	1,160	476	175	62	1,882
TOTAL	34	1,803	541	184	67	2,629

These counts should decrease over time as DCFS's new initiatives to place their wards in permanent placement are successful.

As of March 2008 there were 8,676 youth who will likely transition from the system to independence versus returning home:

AGE	14	15	16	17	18	19	20 +	TOTAL
Probation	86	212	308	363	124	6	27	1,126
DCFS	1,337	1,493	1,586	1,572	1,023	378	121	7,550
TOTAL	1,423	1,705	1,894	1,935	1,147	384	147	8,626

These youth receive training and support both pre- and post-transition in the following areas:

- Living skills (including budgeting, banking, and grocery shopping)
- Housing assistance (including assistance in signing a lease, arranging utilities, and rental subsidies in some cases)
- Education Assistance (including assistance with applications, tuition assistance, and tutoring)
- Vocational Training/Employment Assistance (including job skills assessment, referrals to vocational programs, and employment agencies)
- Living support (including bus passes, clothing allowances, car insurance assistance, and legal referrals)

The basic goals of these programs are to help TAY to become self-sufficient adults.

The total funding of these programs has been estimated by DCFS/Probation and DMH at \$95,686,359.

Mental health care services are provided by DMH.

RESEARCH

1) BEST PRACTICES

Our research into best practices of other jurisdictions found many individual programs that have been cited as best practices throughout the nation. The best practices fell into the following six categories. In most cases the youth must be self-motivated to seek and **use** these services after the age of 18.

LIFE SKILLS TRAINING

Many programs incorporate education about daily living skills into their housing programs. In many cases, participation in these additional training programs is required in order to receive housing assistance.

- *Economic literacy training:* Youth are educated on how to budget their income, open and maintain a bank account, and make financial decisions about auto insurance and other expenditures.
- *Grocery shopping skills:* Youth learn how to create a meal plan and successfully shop for food keeping both financial and nutritional goals in mind.
- *In-home case management:* **Several** programs offer mentors who go to the youth's apartment and provide guidance on various daily living issues.

INDEPENDENT LIVING SUPPORTS

Many of the following services are incorporated into housing programs.

- *Health advocacy:* Youth receive assistance in attaining health care and mental health care, including information about whether they can continue receiving state health coverage after age 18.
- *Transportation assistance:* Youth are provided with bus and/or subway passes in order to get to school and work.
- *Food vouchers:* Typically, monthly allowances are provided in the form of grocery store gift cards (which cannot be used on liquor, cigarettes, etc.).
- *Auto insurance subsidies:* A few jurisdictions provide youth with money to pay their auto insurance if a car is necessary to get to school or work.
- *Clothing allowances:* Typically, funds are provided for clothing necessary for interviews and work, including uniforms.
- *Community resource centers:* Many jurisdictions operate local walk-in centers that provide access to various government and private services available to young adults.
- *Community-building peer groups:* Some private organizations have developed either online or in-person support groups designed to help youth build a social network.

HOUSING

Most jurisdictions offer some type of housing support, ranging from shelters to subsidies to more elaborate training programs. Many of these programs are run by community-based non-profit organizations.

- *Supervised transitional housing:* Youth live in an apartment-style setting for a set period of time to develop and practice life skills in order to achieve long-term self-sufficiency. These facilities have on-site supervision and mandatory life skills training. Some programs start as early as age 16.
- *Special needs housing:* Some jurisdictions offer housing geared towards youth with special needs such as HIV/AIDS, those pregnant or parenting, or those with mental disabilities.
- *Housing support:* Most programs require youth to either be enrolled in school, college, a technical training program, or gainfully employed. Many require participants to contribute a portion of their income towards expenses. Most programs are available to youth age 18-21, although some provide services up to age 25. Typical services and support include:
 - Assistance in finding housing, signing a lease, and setting up utilities
 - Financial assistance to pay housing start-up costs like first and last month's rent, and necessary appliances and furniture
 - Monthly rental subsidies
 - Utilities subsidies
- *Housing development:* Some states provide funds to municipalities, non-profits and for-profit developers to build or refurbish old buildings to be used as transitional or permanent rental units for persons with special needs.

JOB TRAINING AND EMPLOYMENT ASSISTANCE

- *Corporate-sponsored job training:* Job training programs sponsored by corporations or local businesses that train youth aging out of the child welfare system so that they can obtain a well-paying job with opportunity for advancement.
- *Work/school programs:* Some programs combine employment with tuition assistance for two or four year college programs. These programs are generally joint ventures between the college and private companies.
- *Mentoring programs:* These types of programs link businesses with students to create work-based learning experiences, including job fairs, internships, job shadowing, company tours, and mentoring.
- *Community-based training programs:* Businesses, colleges/trade schools, and nonprofit agencies collaborate to create programs tailored to the unique educational and employment needs of each community.

- *Los Angeles Infrastructure Academy*: This new DWP venture will provide extensive job training and career assistance to high school juniors and seniors through a comprehensive two-year program involving after-school and weekend vocational training as well as summer jobs and internships. Youth are prepared to start work in public utilities upon high school graduation and are assisted in applying for college if they choose.

EDUCATION (ACADEMIC AND VOCATIONAL)

- Educational expense subsidies:
 - The Federal Education and Training Vouchers Program (ETV) provides annual \$5000 vouchers for tuition, room, and board, and other costs related to college or vocational training.
 - Numerous other government and private educational assistance programs provide tuition grants and loans.
- *Cal State Fullerton*: This University provides five years full tuition, funding for textbooks and supplies, year-round on-campus housing, on-campus employment, one-on-one counseling, academic advising, peer and faculty mentoring, post-graduation career planning and other services to youth exiting foster care. The program enrolls ten youth per year for a total of 50 in the program.

PARENTING CONSTRUCTS

- *Life experience with a safety net*: These programs provide youth with a chance to live in their own place, but with supervision and financial supports.
- *Incentives for success*: These programs allow students to earn cash for good academic performance and school attendance.
- *Continuity of mentoring*: These programs provide youth with one adult to supervise them for years at a time.

The sources for this summary of best practices can be found in Appendix A.

2) THE EDUCATION COORDINATING COMMITTEE (ECC)

As part of our fact finding we became aware of the Los Angeles County Education Coordinating Council Blueprint. This report was prepared in 2005 in response to the poor educational outcomes of foster and probation youth. The report first describes the achievement gap between foster/probation youth and the population at large including the fact that “the average reading level of Los Angeles County probation youth in grades nine through twelve is below grade five.”¹ “Once they leave the dependency or delinquency systems at about age 18, studies have shown that half of these youth are unemployed, one-third are dependent on public assistance, a quarter are incarcerated, and over a fifth are homeless.”²

¹ Los Angeles County Office of Education (2002). Juvenile Court and Community Schools, School

Accountability Report Card, 2001-2002. Downey, CA: author.

² Courtney, M., Dworsky, A., Terao, S., Ruth, G., & Keller, T. (2005). Midwest Evaluation of the Adult Functioning of Former Foster Youth. Chicago, IL: Chapin Hall Center for Children, University of Chicago

The ECC intends to coordinate the efforts of various County departments, schools, and private and community-based organizations “to expand best practices and fill the gaps in communities where little help or support for families is available, so that none of our children are left behind.”³ Four priority areas are:

- Early childhood education
- Youth development
- Data and information-sharing
- School-based support

Short-term practical solutions include:

- Enrolling higher numbers of children in the care of DCFS, and the children of foster and probation youth, in high-quality early intervention, care, and education programs that are suited to their cultural and language needs
- Offering increased support and resources to parents/caregivers to help them be good nurturers and provide positive learning environments that will ensure that their children are ready for school
- Enrolling more DCFS/Probation youth in skill-building and enrichment programs that include non-system students and provide opportunities for positive and enduring connections to nurturing adults
- Involving youth in designing and implementing the educational and other programs in which they will participate
- Requiring departments and caregivers to pay greater attention to transitions for children (i.e.: pre-school to elementary, elementary to high school, and high school to college/employment)
- ECC working to promote safer schools
- Enhancing the sharing of information between school districts, county departments, and juvenile courts
- Developing an electronically-based information system that includes the records of all DCFS and Probation youth
- Providing school staff with information about who is responsible for the education of each DCFS/Probation youth
- Training school staff about the educational and emotional needs of foster and probation youth

This document outlines the roles and responsibilities of the youth, parents, caregivers, holders of the child’s education rights, CSWs, DPOs, school teachers/administrators, attorneys, county departments, school districts, and the judiciary in carrying out the above recommendations. The ECC also recommends that the above participants be cross-trained and held responsible for their respective parts in the system.

³ A Blueprint for Raising the Educational Achievement of Foster and Probation Youth; February 2006.

A progress report dated February 14, 2008 detailed implementation of the recommendations thus far. Progress is being made in most categories, but there is still a long way to go.

This CGJ strongly endorses this report. Many of the previous CGJ recommendations and our current recommendations echo and reinforce the recommendations of this blueprint. We encourage the Board of Supervisors to continue to support their implementation.

3) THE DEPUTY CEO'S VISION

The entrance conference for this investigation was attended by officials representing DCFS, Probation, DPSS, LACOE, DMH and the Los Angeles County Chief Executive office.

The Deputy CEO opened the Conference with a presentation of the County's roles and strategy for improving foster and probation services in the County of Los Angeles.

He stated that he is working towards a new structure emphasizing holistic care and integrated systems, rather than the current department centric approach. The Deputy CEO believes, and the CGJ concurs and supports that the areas of attention should include prevention, integration of services, case management, and being proactive rather than reactive. Specifically:

- Prevention programs are necessary to provide families with support so that children are able to remain in the home and thrive. Social supports organized through schools, churches, and other community organizations should be further developed.
- Services provided by various LA County departments like DPSS, DCFS, Probation, and DMH, etc., should be highly integrated. The child should be at the center of the system and services from various departments should be delivered out of the same facility.
- Departments should be proactive in getting services to children and families rather than coming in once a severe problem exists.
- Consistent case management is critical to providing continuity for the child. A single case manager should take on the role of a parent in regards to advocating for the child. This person would ensure that the various departments communicate and make sure the child gets everything he needs to succeed.
- Changes in internal processes and legal interpretation of State law will enable different departments to more readily share information and communicate about what is best for a given child.

The Deputy CEO's goal is to put this vision together by year end.

These themes stress prevention, integration of services, shared information systems and continuity for the children. These mirror our findings. We applaud his commitment to action and his year end timetable.

4) RESULTS OF OUR SURVEY OF TAY

TAY were surveyed and asked to rate their level of preparation to live independently in the following areas:

- Education
- Workforce Readiness
- Life Skills

- Housing
- Transportation
- Legal Assistance
- Physical Health
- Social and Emotional Wellbeing

The survey was distributed to a sample of TAY by Probation, DCFS, and Our Friend's Place (a drop-in center for homeless youth in Los Angeles). A total of 205 TAY participated in the survey. Nearly two-thirds of the survey participants are or were from DCFS and one-third from Probation. Their detailed responses, including the statements they were asked to rank, can be found in Appendix B.

Only 54% of the respondents indicated that they had completed a Transitional Independent Living Plan (TILP).

The survey participants, for the most part, agree that they have the knowledge and skills necessary to live independently. Three exceptions were: savings to live independently, housing costs, and access to legal advice.

Survey participants were asked to provide suggestions or comments concerning TAY services and programs. Forty-seven responses were received.

Approximately 20% of the respondents made positive comments about their experiences, many expressing their gratitude, with TAY services and programs. The rest of the respondents commented negatively or gave suggestions for improvements.

The respondents' negative comments or suggestions in order of frequency were about housing, the social worker or the system, jobs/income/budgeting, quality of instruction or support, educational support, and access to health care.

The unedited and verbatim comments are:

- I need to know how to budget myself.
- I wish my social worker was more involved with my needs and concerns and could answer more questions for me that I have asked for.
- Well, I know I would living independently or by myself, because it is not difficult. This System helped me a lot, because they give me a good service and I appreciate the services.
- You are asking the wrong questions if you are trying to improve the program. None of these things I've learned from placement. I was afraid to sleep at night, because my peers were getting reaped and no one believed us. I now never want to have kids, because I am in fear that they will be sent away. I never wanted to die more than I did when I was in placement. Be more careful who you hire. Every placement I've been to was supposed to be a great place and instead was unacceptable.
- How do I get money for rent?
- Have one-on-one instructors that can help the youth to prepare on how to live independently, education, job and career, parenthood, and housing
- More caseworkers and probation officers
- Housing Status: Street
- Need a 2 bedroom for under \$1400 for me and my kids
- Houseless.

- DCFS takes kids away from good families so they can make more money.
- Probation sucks.
- Homeless – live on Metro
- Housing: Transitional Living Program
- Court order home stay
- Living stable
- I'm deaf and help me
- Teach more about real life issues like ID Theft, Credit Counseling, How to Deal with Difficult People & Situations, Being a Parent, etc.
- Most ILP classes are the same as my High School Life Skills class
- Teach us especially how to manage our money.
- I think they should give us more time on ILP and transition housing so they know we can stand without falling. And transitional housing staff agree.
- Even though I have some motivational problems, I feel that if I hadn't at least got the good in my life I would be in worse shape and have less to work with, with myself. One thing being my high school diploma. Basically, thank you. My suggestion is to please keep programs like this for the people like me.
- Need a part-time job
- Access to community college/university
- The Independent Living Program was very helpful to me. I am sure the skills that I have learned in ILP will help me in life.
- We need more pay per hour, because we don't make enough money to save up enough to live independently
- Do my time and get out and go with my family
- My case manager, [name], has been a big help and great supporter during my stay in transitional housing. :)
- I would like to say that the only improvement I can see needed is a little more upkeep in the apartment
- More housing opportunities and educational programs geared towards long-term results
- Emancipation program and caseworker [Name] has helped me to be more knowledgeable of the resources and also helped and taught me how to budget funds
- I am not able to emancipate myself right now because of how expensive it is to live in California. But any where else emancipation would be easier for me.
- Don't give up on the kids.
- I feel that I am ready to live on my own & handle my business.
- More money for school
- With everything you people do in the System to make things better, I just would like to say thank you.
- Extend medical after the age of 21.
- Extend the THP program longer than 1.5 yrs. to those who follow rules & pay rent.

- Have a trust fund started/set-up before youth emancipate/ or when they enter the System.
- Please make sure that those who request to take ILP classes are entered in them.
- I think that the programs should last longer.
- I was in both foster and probation and there should be more available resources and it should be known about more publicly because how are youth going to know where to look the resources at
- Since legal guardianship was done a month prior to my 16th birthday, I was not eligible for many of these resources. DCSF should tell youth of the possibility of losing these resources if legal guardianship is done prior to their 16th birthday.
- Talk about it more. Let teens know what's out there and what to expect. Help us.
- I am in school [school and location]. I have a family that is not supportive at all. They plan on moving and kicking me out soon because there moving. I am in college and it's already hard for me but my family doesn't see it. I want a career in the future. My older brother is always telling me to do plumbing with him but I'm not interested. I want to be a cop. I have already taken the necessary steps to become a cop. I want to go to San Diego state in the near future. I'm looking into a 4 year. I want to be independent. I don't want to be like my 2nd older brother who is 20 and is still living with my older brother and is doing the same this as my older brother. I don't want to be that. I want to be able to support myself. I'm a currently looking for a job and it is really hard to because [location] not many people are hiring. I can't get a job to make money to maybe rent a room out here somewhere but I can't get a job. I have a girlfriend whose dad will allow me to stay there for a couple of weeks but not for long because his daughter is still in school and with me there she wouldn't be able to concentrate. It's really hard for me and I need help can you help me get transitional housing. My emancipation coach has already filed something for me to get transitional housing in [location] where I am going to school. My name is [name] and I really appreciate you taking the time to read this.
- I think that the information for college should come earlier than senior year. Kids should be made aware in the 10th grade so they can prepare better.
- I think you should pay people to do this survey, because it will help kids live independently.

5) THE DMH TAY PROGRAMS

DMH provides service to TAY including many who have not been part of the system. The Department outlined seven programs they are currently providing and/or funding. Many of these programs are very new. Some have been approved recently so the evaluation processes are either non-existent or just underway. A detailed description of each program can be found in Appendix C.

5.1 Transition Age Youth Full Service Partnerships

This program commenced in December 2006 to serve youth (age 16-25) diagnosed with serious emotional disturbance and severely and persistently mentally ill (SED and SPMI). A comprehensive services plan is developed for each youth and driven by a case manager who is available 24/7. The plan addresses any and all needs of the youth. The funding is from three sources: The Mental Health Services Act (MHSA), Early Periodic Screening Diagnosis and Treatment (EPSDT) and Medi-Cal. The department estimates \$7,900,000 is targeted for DCFS and Probation youth. The program is subject to State and County approved Outcome Measures Application evaluation.

5.2 TAY Drop-in Centers

Community operated centers provide temporary safety and basic support to youth living on the street or in unstable situations (no age criterion). Effective March 2008, DMH provided funding to allow two centers to extend their evening and weekend hours. The centers are entry points for TAY into the mental health system. The current funding is \$500,000 from MHSA. An evaluation process is under development.

5.3 TAY Housing Services

As of May 2008, this program began providing emergency shelter care for 300 TAY for 20 days per year, permanent housing through operating subsidies for 83 units (effective in 2009) and eight housing specialists (effective since October 2006) who can support 864 TAY (age 18-25) to obtain/retain housing. The program funding is \$1,575,000 from MHSA. Because these programs are just starting no evaluation is in place yet.

5.4 Probation Camp Services

This program was implemented in November 2007 to provide mental health services and medications required by all youth in probation camps requiring such services. The program funding is \$3,500,000 from MHSA. Because this and the next program are just starting no evaluation is in place yet.

5.5 Juvenile Halls and Community-Based Juvenile Justice Programs

This program was recently approved to provide assessment and a full range of mental health services to 100% of youth in Juvenile Halls. The funding is from seven sources: Juvenile Justice Crime Prevention Act (JJCPA) or Schiff-Cardenas \$5,032,000 and \$606,000 for Multi-systemic Family Therapy (a community-base program); The Supportive Therapeutic Options Program (STOP) \$2,100,000 plus a State required 30% County General Fund (CGF) (\$900,000) match for a total program of \$3,000,000; Department of Justice Settlement Agreement, CGF of \$2,201,000; Mentally Ill Crime Reduction Grant (MICOR) funding for Camp Assessment Unit and clinical staff at Camp Rockey of \$299,337; Substance Abuse and Mental Health Services Administration (SAMHSA) funding of \$956,673; CGF funding of \$816,802 for Dorothy Kirby Day Treatment Intensive Residential Placement for Probation Youth; CGF funding of \$300,000 for Functional Family Therapy (a community-based program); and CGF of \$349,583. The Rand Corporation is monitoring this program. No evaluation is available yet.

5.6 DMH TAY Navigators

Since September 2006, DMH has employed licensed clinical social workers to connect with TAY (age 16-25) to help link those requiring mental health services to the appropriate support. There are currently 20 Navigators for the entire County. The

program funding is \$2,000,000 from MHSA. There is data on the number of TAY served but the evaluation process is just underway.

5.7 General Out-Patient Services

This program provides assessments and mental health services to DCFS youth (age 16-20). The services are provided by DMH and contracted staff. In fiscal year 2006-07, 4,551 youth were served. The program funding is \$46,860,172 from EPSDT paid through Medi-Cal. No evaluation process is in place.

A summary of the funding by source is:

Source	Pre-emancipation	Post Emancipation	TOTAL
DOJ	\$2,201,000		\$2,201,000
MHSA	\$3,500,000 (1)	\$7,900,000 (2) \$500,000 (3) \$1,575,000 (4) \$2,000,000 (5)	\$15,475,000
Schiff-Cardenas/JJCPA	\$5,032,000	\$606,000 (6)	\$5,638,000
STOP	\$2,100,000		\$2,100,000
County	\$900,000 (7) \$349,583 (8) \$816,802 (9) \$300,000 (10)		\$2,366,385
EPSDT	\$46,860,172		\$46,860,172
MICOR	\$299,337		\$299,337
SAMHSA	\$956,673		\$956,673
TOTAL	\$63,315,567	\$12,581,000	\$75,896,567

- (1) Probation Camp Services
- (2) Full Service Partnerships
- (3) Drop-In Centers
- (4) Housing Services
- (5) System Navigators
- (6) Multi-systemic Family Therapy (Juvenile Justice Community-Based Program)
- (7) CGF Match for STOP
- (8) CGF for Juvenile Justice
- (9) CGF for Dorothy Kirby Center
- (10) Functional Family Therapy (Juvenile Justice Community-Based Program)

6) THE DCFS AND PROBATION TAY PROGRAMS

DCFS and Probation provide programs to youth aging out of both foster care and delinquency systems. The Department outlined 13 programs they are currently providing to help youth to live independently. A detailed description of each program can be found in Appendix D.

6.1 Chafee Foster Care Independence Program

Los Angeles County provides a broad array of activities to help youth age 18-20 prepare for and make the successful transition from adolescence to adulthood as they exit the child welfare system. Some typical services provided directly by DCFS/Probation are financial aid for

education, job search assistance, transportation costs, driving lessons, reimbursement for health care costs not funded by Medi-Cal, and youth events. This Federal flexible funding is channeled through the State and is currently \$1,354,280 annually. Current funding enables the departments to service only one-third of the youth in this category. The departments will implement required performance measures as new Federal regulations go into effect in April 2010.

6.2 Chafee Foster Care Independence Program – High School Graduation Expenses

This program is provided directly by DCFS/Probation. It covers some of the senior year high school year-end costs such as: high school yearbook, senior pictures, prom expenses, class ring, etc. Chafee/ILP provides \$320,000 for this program which serves approximately 640 youth per year. High school records and receipts are used to monitor expenses.

6.3 Special Tutoring for ILP Youth

This program provides assessments and tutoring to youth age 14-15 who have shown educational deficiencies in particular courses. The County provides \$1,415,635 for this program which currently provides assessments for 2,252 youth and tutoring for 452 youth. Contractors are required to provide pre- and post-testing of youth receiving services.

6.4 Youth Development Services

Life skills and employability classes are provided by contractors to DCFS/Probation youth age 16-20. They include a broad range of services and information in seven modules: Education, Employment, Daily Living Skills, Survival Skills, Choices & Consequences, Interpersonal Social Skills, and Computer and Internet Skills. Chafee/ILP provides \$2,360,877 for this program annually which serves 1489 youth. Current and former DCFS/Probation youth in this age range total 25,432. DCFS' Youth Development Services contractors began to collect Ansel Casey data in FY 2007-08. The evaluation is pending.

6.5 Foster Youth Demonstration Project

This program is designed to prepare youth for employment; it provides assessments, measures educational and occupational skills, and assists youth with employment and career goals. This program is currently limited to 100 youth age 17-21 residing in SPAs 3 and 6. Funding is provided by: Chafee/ILP \$200,000; Department of Labor \$400,000; and Peyser & Wagner \$200,000. Case Family Services is funding the program evaluation of this demonstration project.

6.6 Alternative Services for Youth Program

A contractor provides mentoring, life skills workshops, tutoring, GED prep, California high school exit exam prep, field services, and home visits to DCFS youth age 14-18 who are not eligible for comparable ILP services. Los Angeles County provides \$1,500,000 for this program which has a capacity of 640 youth. Currently 286 youth are being served in this start-up year. The program will be evaluated on performance-based criteria.

6.7 Runaway Outreach Unit (ROU)

This program is designed to locate and stabilize runaway DCFS youth. ROU assists primary Child Social Workers (CSW) in providing stabilization services to AWOL youth who are returned to DCSF care. Child Welfare Service (Case Management System) provides \$800,000 for this program. Last year 847 youth were AWOL. Four-hundred and fifty-five were found and returned to foster care. An evaluation in partnership with National Runaway Switchboard (Chicago) is pending.

6.8 ILP Rental Assistance/ILP Direct Services

This program is designed to provide former DCFS/Probation youth age 18-20 with the opportunity to obtain/maintain existing permanent housing, with the goal of preventing homelessness and stabilizing the youth's housing needs. Youth are encouraged to maintain employment, and/or attend school while participating in the program. Current Chafee/ILP funding of \$765,000 provides service to 485 youth. There is no evaluation process in place.

6.9 Transitional Housing Placement Program (THPP)

This placement alternative provides training, support, education, and basic life skills to successful youth age 16-18 currently in foster care. The program contractor provides furnished apartments and includes allowances for food, clothing, and personal expenses. The program also includes housing assistance for youth after exiting care. This is a Federal/State program serving 120 youth per year for \$2,108,000. THP is evaluated annually via Supportive Housing Program (SHP).

6.10 Transitional Housing Program (THP)

This program is designed to provide former DCFS/Probation youth aged 18-21 with the opportunity to live in supervised 'permanent' housing, with the goal of learning the skills to live independently upon completion of the program. Services provided by this program while youth are under the supervision of a social worker include: furnished apartment with paid utilities, food stipend, educational and career guidance, bus passes, life skills classes, and "forced savings". Funding is provided by ILP/Chafee \$3,700,000 and HUD \$2,300,000, for a program capacity of 244 youth. THP is evaluated annually via Supportive Housing Program (SHP).

6.11 Transitional Housing Program – Plus (THP+)

This program is designed to provide housing for former DCFS/Probation youth age 18-23 who are at risk for homelessness, who have had a history of multiple placements, substance abuse, no GED or diploma, are pregnant or parenting and/or have had engagement with the Juvenile Justice system. The contractor provides services including: furnished housing, food stipends, bus passes, and educational and employment assistance. A maximum of 24 cumulative months can be spent in the program. Current State funding of \$1,200,000 provides 48 beds for this program. An estimated 800 beds are needed. Evaluation of this new program is pending.

6.12 Homeless Prevention Initiative – DCFS

This program provides rental subsidies, utility connection fees, and furniture for former foster youth ages 21-25. The County provides \$1,750,000 over three years for this program with an annual capacity of 100. The evaluation is a youth survey to determine if they have stable housing.

6.13 Homeless Prevention Initiative – Probation

This program provides rental subsidies, utility connection fees, and furniture for former Probation youth ages 21-25. Rental subsidies are limited to ILP youth age 18-21. The County provides \$1,750,000 over three years for this program with an annual capacity of 100. Evaluation consists of a youth survey to determine if they have stable housing.

Additional services are provided to TAY by the City of Los Angeles, Employment Development Department, Los Angeles County Office of Education (LACOE), DPSS and other government and private organizations.

Based on the numbers of TAY in and out of the system there is limited capacity to address their needs. In addition, while much discussion is taking place there is very limited integration of these services and programs among the providers.

Program	Federal	State	County	Private	Total
Chafee	\$5,000,157				\$5,000,157
Dept of Labor Foster Youth Grant	\$400,000			\$200,000	\$600,000
Alternative Services for Youth Contract			\$1,500,000		\$1,500,000
Transitional Housing Program	\$2,300,000 (HUD) \$3,700,000				\$6,000,000
Homeless Prevention Initiative (DCFS & Probation)			\$3,500,000 Over 3 years Or \$1,166,000/yr		\$1,166,000
Transitional Housing Plus		\$1,200,000			\$1,200,000
Transitional Housing Placement Program	\$1,054,000	\$1,054,000			\$2,108,000
Youth Development Services			\$1,415,635		\$1,415,635
Runaway Outreach Unit	672,000	\$128,000			\$800,000
Total	\$13,126,157	\$2,382,000	\$4,081,635	\$200,000	\$19,789,792

7) DCFS AND PROBATION'S ASSESSMENT OF PROGRESS SINCE 2003

In July 2001 the Los Angeles County Board of Supervisors instructed the Chief Administrative Office to oversee the improvement of the Emancipation Services/Independent Living Program (ES/ILP). "Dozens of policy and program changes" were made to develop more comprehensive

program to prepare youth age 14 to 21 to transition successfully into adulthood. A substantial portion of the report concerns improving housing options for newly emancipated youth and providing emancipation services to a larger portion of the population.

Recommendations included, but were not limited to:

- Developing a coordinated plan across all departments
- Eliminating the referral process to ILP Coordinators and give the responsibility to line workers (ILP Coordinators should just be used as a resource for CSWs and DPOs)
- Training CSWs and DPOs to become case managers for ILP program
- Targeting all eligible youth for ILP services instead of “cherry picking” those most likely to be successful
- Decentralizing ILP service delivery
- Creating a youth-oriented emancipation program website with information for youth
- Designing an Internet-based tracking system to track ILP services a youth receives and outcomes achieved
- Encouraging longitudinal program evaluation
- Producing quarterly reports to Board of Supervisors on “total eligible” versus “total served” in regard to ES/ILP services
- Doubling the number of transitional and permanent housing to at least 1,100 beds (Approximately 50% of anticipated need)
- Placing emphasis on housing for newly emancipated youth – a wide variety of programs being developed
- Developing and enhancing the job assistance programs
- Resurrecting “Bridges to the Future” mentorship program
- Creating a new Transition Resource Centers
- Creating a full-time Emancipation Ombudsman
- Budget: prioritizing housing, employment, education, and life skills

It has been seven years since this major review was undertaken. It is normal to update and/or undertake a new strategic planning effort every 3 to 5 years.

8) DCFS YOUTH OMBUDSMAN OFFICE ANNUAL REPORT 2007

In 2007 the Ombudsman received 236 complaints from TAY as follows:

	DCFS	Probation	Total
Pre-emancipated youth	53	16	69
Emancipated youth	156	11	167
Total	209	27	236

Their top 5 concerns were: Housing (103), ILP issues including Life Skills Classes (45), School Assistance (38), Transportation (13), and Documentation (13).

A summary of the report is available in Appendix E.

**CONCLUSIONS AND RECOMMENDATIONS
FOLLOW IN THE NEXT SECTION**

CONCLUSIONS AND RECOMMENDATIONS

A NEW VISION

Much has been done to shift the focus of the system from safety and security in the case of DCFS and detention in the case of Probation, to creating a positive impact on each child's life during their stay in the system.

There is a strong leadership team in place who are committed to implementing evidence-based best practices.

The new organizational structure and the leadership of the Deputy CEO are focused on integrated service and prevention.

Despite these positives we have concluded from our investigation that there is much more to do. Some of the areas we feel need to be addressed include:

- Reaching more high risk families as a prevention measure
- The lack of continuity of a significant adult in each child's life
- The general low level of trust the children have of the system
- Enhanced educational coordination, support and enrichment
- More experiential opportunities in life skills particularly in job training
- More housing, job, life skills support post-emancipation
- Improved information systems including post-emancipation
- More systematic and evidence-based evaluations of programs

There is both an opportunity and a responsibility for Los Angeles County to become a national leader in helping our children in the system thrive.

It has been over five years since the last major plan was developed. It is time to refocus all the parties that are involved with TAY.

Recommendation 1: A county leadership team under the direction of the Deputy CEO and including DCFS, DPSS, Probation, DMH, and LACOE should develop a new strategic plan to refocus TAY programs on integration, efficiency, and effectiveness.

The team should address the following strategic issues:

- 1a) *Keeping kids from entering the system*
- 1b) *Providing a relevant and high quality education, addressing job and life skills*
- 1c) *Instituting stronger evidenced-based and comprehensive evaluations focused on real results achieved*
- 1d) *Developing a clear parenting model with specific values that are consistently reinforced*
- 1e) *Shifting more resources from post-emancipation to pre-emancipation to reach a wider audience*
- 1f) *Identifying potential TAY younger than 14 to intensify efforts earlier to improve their chances of success*
- 1g) *Identifying areas of duplicated services and funding*

FINANCING THE IMPROVEMENTS

There has been a significant drop in DCFS cases from 65,659 a decade ago to 23,268 today. Probation case load is down but not as significantly.

One result of the reduction in numbers has been a decrease in the average social worker case load from 55-70 to 20-40. In addition, several departmental initiatives designed to emphasize detention prevention, improved safety, and higher levels of permanent placements have been absorbed, according to departmental officials.

This investigation did not focus on the internal efficiencies of the departments. Nevertheless, based on best practices, our observations and current budget constraints:

Recommendation 2: The Deputy CEO should develop and implement a regular and systematic process of program review and evaluation for TAY programs which includes a goal of periodic streamlining of operations in DCFS, Probation, and DMH.

- 2a) The savings generated by successful streamlining should be maintained in the departments to help defray the funding of new programs.***
- 2b) Agencies should cultivate community resources and partnerships to seek new revenue sources, including grants from private and governmental agencies, to fund the new programs.***

PREVENTION

The departments have implemented wraparound services to support families at risk in order to maintain children with their families.

While many of our recommendations are oriented toward improving the results of children who enter the system, there is no illusion that the system will ever be transformed to an environment that can replace the love of a family or parents.

A focus on prevention will provide a positive return to the children, their families and the system in terms of cost avoidance. The conventional wisdom has always been that “an ounce of prevention is worth a pound of cure.”

The following list of recommendations is by no means complete. Departments are urged to initiate a creative brainstorming exercise with the key stakeholders and acknowledged experts in the field, to identify specific strategies:

Recommendation 3: DCFS, Probation, DMH, and DPSS should develop and implement innovative programs to target high risk families and high risk children for proactive early intervention.

Some specific ideas that should be considered are:

- 3a) High-risk neighborhoods should be identified and a proactive outreach program should be developed to connect with high risk families. The departments should use language appropriate to the families to facilitate understanding and their engagement in the program.***

- 3b) A line of communication for teachers, principals, school resource officers, police and the Sheriff departments, clergy and community/ recreation center staff, and others, that addresses confidentiality requirements, should be implemented to provide DCFS, DMH, and Probation with early intervention opportunities.**
- 3c) Probation should work proactively with schools that have students already in the criminal justice system to prevent additional delinquent behavior.**
- 3d) More intensive programs on drugs and access to drug rehabilitation programs should be provided to parents for themselves and their children.**
- 3e) Professional marketing firms and local universities should be approached to develop pro bono advertising strategies to more effectively reach families in need.**

BUILDING TRUST

We believe that a major short coming in the system is the lack of continuity of a significant adult in the life of the child – the analogue of a parent.

We recognize that the organizational problems of case load management and staff turnover exacerbates this problem.

Last year's CGJ recommended case managers and interagency teams which the departments support and are implementing.

Based on feedback from our survey of TAY and best practice research, we believe more must be done to create a sense of continuity and trust for each child.

Recommendation 4: DCFS, Probation, and DMH should develop a multi-faceted organizational plan including a comprehensive mentoring program that increases each child's level of trust of the system.

At a minimum, we believe the following changes should be considered:

- 4a) A suitable overlap of mentors should be built into the program to ease a child's transition to the new mentor.**
- 4b) The training provided to foster families and group home staff should be increased and should include ongoing evaluation, continuous training, and recertification.**
- 4c) The interagency teams should be trained in team building skills to ensure they can make effective group decisions and are able to connect effectively with each child.**
- 4d) Two-way communication with the children should be the norm and to the extent possible the children should be involved in key decisions affecting them.**

EDUCATIONAL IMPROVEMENTS FOR TAY

Youth entering the Probation and Juvenile Hall schools administered by LACOE are given a test to determine their academic level of functioning. During visits to these schools, the CGJ learned from teachers, administrators and observation that students are, on average, one to three years below grade level.

In spite of numerous requests, the CGJ could not get data from LACOE substantiating the reported one to three year grade level lag of the students entering their camp and hall classrooms. The State of California requires a core of 140 units for high school graduation leaving the additional coursework to be determined by school districts. Los Angeles Unified School District requires the completion of 230 units for graduation. Their program calls for 150 core units leaving 80 units for supplementing core units and electives. Students may request their own transcripts from their schools before scheduling their classes.

DCFS, DMH, and Probation acting *in loco parentis* when parents relinquish or abdicate educational rights, are responsible for guiding the educational choices of their charges. There is latitude within the system to customize high school programs to meet the individual needs of students.

We have identified the following specific improvements based on our research, discussion with officials, and feedback from TAY.

Recommendation 5: The directors of DCFS, Probation, DMH, and LACOE should design and implement jointly a curriculum that addresses practical educational skills for all children to better prepare them for independence.

- 5a) All programs should contain an identified minimum level of understanding on the part of the recipients before the program is considered delivered.***
- 5b) Enhanced study skills and courses on practical living skills should be part of the curriculum of juvenile halls and camps. DCFS should include such courses in the schedules of students attending public schools whenever possible.***
- 5c) Foster children should be encouraged to participate in music, art, and other nonacademic programs. Probation should seek volunteers to provide these services in juvenile halls and camps.***
- 5d) Probation camps and halls should provide vocational training for all detainees utilizing ROP services when possible. DCFS should encourage TAY to enroll in experiential, vocational, and ROP courses.***
- 5e) Probation and DCFS should develop additional apprentice, job training and part-time job programs with all levels of government and business to provide more practical work experience for TAY.***
- 5f) Probation and DCFS should invite representatives from organizations such as the Forestry Service and various branches of the U.S. military to***

make presentations to youth that fully describe their educational opportunities and obligations.

- 5i) DCFS and Probation should develop significant incentives and rewards to encourage their wards to obtain high school graduation, or a GED, and high scholastic achievement.***

POST-EMANCIPATION TAY

While 18 may be the age of majority, in our view a large percentage of 18 to 25 year olds currently leaving the system do not have the experience, education, maturity or means to thrive without the emotional and financial support of a family.

The financial dimension is particularly difficult in Los Angeles where the cost of living is high and accommodation costs are typically double the national average.

The following recommendations will help to mitigate the lack of “a safety net” that most families provide to their 18 to 25 year olds:

Recommendation 6: Under the leadership of the Deputy CEO, DCFS, Probation, DPSS, and DMH, improved programs should be provided to youth 18 – 25 who have left the system.

- 6a) Either through the development of affordable housing supply and/or direct subsidy, all post transition youth should have access to good quality housing at a reasonable rate.***
- 6b) A wider range of educational supports should be made available to post transition youth including tuition, room & board, books, and other expenses required when they attend school.***
- 6c) Independent living supports should be provided such as health care insurance, transportation assistance, food vouchers, auto insurance subsidies, clothing allowances, and access to community-based support groups. The cost of these services should be partially borne by the post-transition youth based on an income means criterion to be developed by the departments.***

SYSTEM IMPROVEMENTS

The development of a comprehensive and integrated information system was the most frequently mentioned requirement for improvement by County officials during the Entrance Conference. This requirement, and the need to deal with confidentiality rules to allow information sharing, was raised by last year’s CGJ and the ECC Blueprint. There is no doubt that this will be a costly exercise but the need is as obvious as the need for leadership to ensure the development of a comprehensive system.

Our concern is that without comprehensive and integrated information systems, optimal decisions in the best interest of the child are unlikely.

During this investigation it was clear that while evidence-based reviews are the mantra, in many programs there were not regular and systematic output-oriented evaluations.

According to DCFS and Probation officials, many youth chose not to engage in TAY programs. We understand that teenagers can be difficult but at a minimum the evaluations of each program should include input from all youth to understand why some are not participating.

There is evidence that the programs are not getting the results hoped for:

- there are high incarceration rates of former system children
- there is a high homeless rate
- there are high pregnancy rates

Conceptually, all of the programs and the resources expended on them are to have a positive impact on this population. Without follow-up data on the children, the evaluation of the real results of a program is not possible.

We recognize that once a child leaves the system they are under no legal or other obligation to stay in touch and provide information on how they are doing. The departments need to stop thinking of this as an impassable roadblock and explore ways to obtain high quality follow-up information on former TAY.

Recommendation 7: Under the leadership of the Deputy CEO, DCFS, Probation, and DMH, in consultation with LACOE and other school districts, should develop a plan and a timetable for a comprehensive information system to capture all records on all children in the system. The plan should include: cost estimates to develop and operate the system, a proposal for funding, and a timetable for implementation. Progress on development and implementation should be reported every four months to the Board of Supervisors.

In order to facilitate the evaluation of the effectiveness of programs and future programs and policy initiatives:

- 7a) The new information system should be designed to allow for the tracking of all children once they leave the system.***
- 7b) Appropriate incentives and commitments should be developed to encourage former TAY to remain in contact with the system to facilitate the gathering of information on them.***
- 7c) Until data on former TAY is available routinely, the departments should pursue sampling and other survey methods to gain an understanding of the real results of TAY programs.***
- 7d) Until the new information system is implemented, Probation should have access to all of DCFS's data systems to help their staff track their youth and improve their services.***

APPENDIX A: Best Practices

We undertook an Internet search to identify best practices and followed up with telephone calls for further information. The National Governor's Association Center for Best Practices was an important starting point for this research. The Chapin Hall Center for Children at the University of Chicago also provided best practices and helpful links to other sources. The following is a summary of our findings.

PROGRAMS THAT PROVIDE GENERAL SUPPORT

1) Jim Casey Youth Opportunities Initiative

Location: Atlanta, GA; Denver, CO; Des Moines, IA; Hartford/Bridgeport, CT; Maine; Michigan (Detroit and ten Northern Counties); Nashville, TN; Providence, RI; San Diego, CA; Tampa, FL

Contact: www.jimcaseyyouth.org/aboutus.htm; St. Louis, MO; 314-863-7000

Target Population: Foster youth and former foster youth age 14-23

Purpose: "The Jim Casey Youth Opportunities Initiative is a national foundation whose mission is to help youth in foster care make successful transitions to adulthood." Their philosophy is that, "in order to create better outcomes young people need to be engaged in planning for their futures after leaving foster care."

Features: This organization's Opportunity Passport works within each community to "organize resources to create financial, educational, vocational, health care, entrepreneurial, and recreational opportunities for youth who are leaving or have recently left foster care. The goal is to help young people leaving foster care become financially literate; gain experience with the banking system; amass assets for education, housing, health care, and a few other specified expenses; and gain streamlined entry to educational, training, and vocational opportunities." The initiative has also developed Youth Leadership Boards which are run by young adults, and voting membership is limited to young people ages 14 through 23 who are in foster care or who have recently transitioned from foster care. Members of youth leadership boards learn to become "effective leaders and advocates by collaborating with their communities, and by improving their skills and supports."

2) First Place for Youth

Location: East Bay area of San Francisco

Contact: Amy Lemley, Executive Director, First Place Fund for Youth, 510-272-0955; <http://www.fullcirclefund.org/fpsy.php>

Target Population: Youth aging out of foster care

Purpose: Provide emancipated foster youth with access to safe, affordable housing where they have the opportunity to develop and practice life skills to achieve long-term self-sufficiency. Prepare youth for emancipation and support them after discharge from foster care.

Features: "First Place has implemented two programs: the Supported Housing Program (SHP) and the Emancipation Training Center (ETC) to help youth who are transitioning out of foster care. SHP participants live in two-bedroom apartments in the East Bay area of San Francisco and receive a range of services and support, including financial assistance to pay housing start-up costs, monthly rental subsidies, weekly in-home case management, weekly life skills training,

economic literacy training, transportation assistance, monthly food vouchers, community-building peer events, and health advocacy. SHP provides safe, affordable housing to 60 youth and 15 children annually. Through the ETC, 500 youth access education, housing, and employment resources annually. Services include therapeutic case management, emancipation planning, housing search assistance, emergency food vouchers, emergency utility assistance, computers, recreational activities, and educational resources.”

3) North Carolina’s Division of Social Services’ LINKS Program (North Carolina Foster Care Independence Program)

Location: State of North Carolina

Contact: Joan McAllister, IL Coordinator, North Carolina Department of Health and Human Services, 919-733-2537, joan.mcallister@ncmail.net.

Target Population: Youth aging out of the child welfare system

Purpose: Provide support funding for youth aging out of the child welfare system, particularly those in remote locations where services would generally be limited.

Features: “North Carolina’s diverse counties, ranging from extremely rural and remote to highly urbanized, led to the creation of the LINKS program. LINKS accommodates the individual needs of young people aging out of the system, regardless of their geographic location. LINKS allows maximum flexibility in eligibility for services and access to additional funds to address youths’ individual needs. To serve youth most efficiently, North Carolina has set aside funding that can be accessed directly to benefit eligible youth to meet their individual needs.

Caseworkers evaluate youths’ strengths and resources, explore other resources, and to use these funds to supplement existing resources as needed. The LINKS Special Funds Program is a resource for youth who are willing to participate in planning and implementing solutions to problems. Youth may be eligible for four funds:

- The Trust Fund can be used for non-housing costs that might be barriers to a youth’s transition to adulthood. Examples include auto repair, insurance, computers, and furniture.
- Transitional Housing Funds. Up to \$1,500 per year is available to help with room and board expenses. These funds might also be used to repair homes owned or being purchased by youth. Youth who receive these funds must also retain Transitional Services to ensure all needs are addressed.
- Extremely High Risk Funds. Up to \$1,500 per year is available to any youth determined to be at high risk. These funds must be spent on services, activities, or purchases that can reduce defined risks. Each county determines risk.
- Scholarship/Conference Funds can be used toward conference attendance involving foster youth, or as educational incentives to encourage youth to remain in school or purchase school materials.”

4) Foster Club

Location: Online

Contact: Celeste Bodner, Executive Director, 503-717-1552, celeste@fosterclub.com, www.fosterclub.com.

Target Population: Older youth in foster care

Purpose: “Foster Club is an online community providing youth a safe place to obtain facts about foster care, read inspirational stories, and find support from their peers.”

Features: “Foster Club produces a website, www.FYI3.com, designed specifically for older youth in foster care, which inspires young people to become involved in their case plans, informs them about their rights in foster care, and prepares them for independence after they age out of the system. In addition to providing online communities, Foster Club coordinates conferences for teens in care, runs the Foster Club All Stars youth leadership program, develops youth-friendly publications, and infuses youth voices into the child welfare system.”

5) The Achieving Independence Center

Location: Philadelphia, Pennsylvania

Contact: Ron Spangler, Manager; 701 Market St., Suite C-18, Philadelphia, PA 19106

Target Population: Youth

Purpose: To provide a one-stop center where youth can get assistance with attaining their educational, job training, housing, and life skills goals.

Features: “The Achieving Independence (AI) Center is a one-stop self-sufficiency center that helps young people achieve their goals. With nontraditional hours, flexible scheduling, and in-house job training, the state-of-the-art AI Center provides support and real-life tools for youth who want to invest in their future. A project of the Philadelphia Department of Human Services and the Philadelphia Workforce Development Corporation, the AI Center uses the programs and services of many Philadelphia-based groups dedicated to providing quality programs for youth in the city: education, hands-on job training, employment, technology, housing, and life skills. Each youth works with AI Center coaches to create a custom service plan that helps them achieve their goals.”

PROGRAMS THAT PROVIDE HOUSING SUPPORT

1) Orangewood Children’s Foundation, Rising Tide Communities

Location: Tustin and Garden Grove, California

Contact: Gene Howard, Executive Director, 714-619-0200, www.orangewoodfoundation.org.

Target Population: Emancipated foster youth age 18-21

Purpose: This transitional housing program “provides motivated young people with affordable apartment housing and support services to help them transition to independence successfully.”

Features: “In a unique effort proving to be a model for nationwide replication, Orangewood Children’s Foundation has partnered with concerned business leaders to implement the innovative Rising Tide Communities, a holistic program that provides a complete range of independent-living services. Motivated young adults can participate in an 18-24 month program that provides subsidized living accommodations, job placement, education opportunities, and a team of helpful volunteers and counselors to help them as they transition to life on their own. Orangewood Children’s Foundation uses two residential apartment complexes for this program, Flanders Pointe in the city of Tustin, and Orange Tree in Garden Grove, both in the Los Angeles area. A number of apartments are set aside from the general public units for use by the youth. An onsite residential counselor provides structured guidance, advice, and counseling sessions on a variety of topics and plays a critical role in crisis intervention. Youth pay rent on a sliding

scale, according to their financial ability. By the end of the program, the youth move forward to life on their own with confidence.”

2) Larkin Street Youth Services (LSYS)

Location: Eight locations in San Francisco

Contact: Sherilyn Adams, Chief of Programs, Larkin Street Youth Services, 415-673-0911, ext. 251, sherilynadams@larkinstreetyouth.org; www.larkinstreetyouth.org

Target Population: Youth 12-23

Purpose: Provide a full-range of housing, health, educational, and employment services to homeless youth.

Features: “LSYS responds to the unique needs of homeless and runaway youth by providing a comprehensive continuum of services to encourage permanent exodus from the streets. LSYS serves young people ages of 12-23 with 17 programs operating out of eight locations in San Francisco. The programs are designed to address immediate needs and create long term opportunities for stable housing. LSYS provides four distinct types of services to guide homeless and runaway youth to establishment, including point-of-entry, housing, HIV specialty, and educational and employment services. LSYS has an array of housing services to stabilize young people according to their various circumstances.

- The Diamond Youth Shelter provides emergency overnight shelter for young people ages 12-17.
- The LOFT (Larkin Opportunities for Transition) is a licensed transitional-living facility designed to meet the unique needs of underage homeless and runaway youth.
- The Ellis Street Apartments supply permanent housing, coupled with an array of support services, including six units specifically reserved for youth diagnosed with HIV/AIDS.
- LEASE is a supportive residential program for youth who have emancipated from San Francisco’s foster care system. The program uses scattered-site apartments, and participants are linked to a range of supportive services, including employment, education, and life skills training services.
- Larkin Street Youth Services serves more than 3,000 youth and young adults ages 12-23. Approximately 80% of the young people who have completed Larkin Street’s counseling programs have left street life permanently. More than 85% of graduates from Avenues to Independence, a unique transitional-living program for young adults ages 18-23, have secured and retained permanent housing and career-track employment. Of the 84 young people served by the Aftercare Program, which helps young adults ages 18-23 living with HIV/AIDS achieve self-sufficiency, 92% successfully stabilized their lives off the street.”

3) Colorado Department of Human Services, Family Unification Program (FUP)

Location: State of Colorado

Contact: Valerie Jenkins, Independent-Living Coordinator, Colorado Department of Human Services, 303-866-4539, valerie.jenkins@state.co.us.

Target Population: Youth ages 18-21 that left foster care at age 16 or older for housing support program; youth ages 16-21 for mentoring services

Purpose: Provide housing assistance and after-care services to former foster youth.

Features: Housing vouchers provided to youth through Colorado's Department of Human Services partnered with Supportive Housing and Homeless Programs. Chafee funding is used to provide aftercare services with Family Tree, Volunteers of America, and Urban Peak – non-profits that provide 18-month aftercare services to young people in this program. "Colorado has also developed a unique partnership with AmeriCorps for youth in transition. AmeriCorps members located at FUP agencies support the development of local partnerships to assist youth ages 16-21 in successfully transitioning to adulthood. Members provide comprehensive mentoring services and help youth obtain employment and educational opportunities."

4) Connecticut Department of Children and Families, Housing Continuum

Location: State of Connecticut

Contact: Bill Pinto, Independent-Living Coordinator, Connecticut Department of Children and Families, 860-550-6471, william.pinto@po.state.ct.us.

Target Population: Youth up to age 23

Purpose: To assist youth in transitioning to adulthood by providing support to foster youth up to age 23.

Features: "Connecticut's Department of Children and Families provides adolescents in foster care a broad continuum of housing options. Youth move from highly structured, supervised living arrangements to a transitional living program where support is provided while structure and restrictions are decreased. Part of the department's housing continuum includes a Community Housing Assistance Program, which provides youth with a subsidy to cover living expenses such as rent, food, utilities, telephone, transportation, and clothing. Youth are required to complete the department's life skills program, be employed and enrolled in an educational or vocational program, and contribute a portion of their income toward expenses and a savings account. The average length of stay in this program is two years. Connecticut allows youth to remain in foster care up to age 23 if enrolled in post-secondary education."

5) Illinois Dept. of Children and Families, Youth Housing Assistance Program

Location: State of Illinois

Contact: Ted Ernst, Youth Housing Assistance Coordinator, Illinois Department of Children and Family Services, 312-814-5571, Ternst@idcfs.state.il.us

Target Population: Youth who have aged out or are preparing to age out of the foster care system; youth age 17-20 are eligible for housing advocacy services and youth 18-21 for cash assistance services

Purpose: Provide housing assistance to youth at risk of becoming homeless who have aged out or are preparing to exit from the foster care system.

Features: "Housing advocacy services include assisting youth in obtaining and maintaining stable housing, providing consumer education and budget counseling, linking youth to community-based resources, and follow-up services for a minimum of three months after youth secure housing. Cash assistance services are available to help newly emancipated foster youth or former foster youth before their 21st birthdays when in crisis. Cash assistance may be used for housing and utility deposits, emergency rental assistance, temporary rental subsidies, and necessary furniture or appliances. Sixteen housing advocates throughout the state help youth locate, secure, and maintain affordable housing. Illinois uses 30% of its Chafee funding for room and board services for youth ages of 18-21."

6) Lighthouse Youth Services

Location: Cincinnati, Ohio

Contact: Mark Kroner, Director of Self Sufficiency Services, Lighthouse Youth Services, 513-487-7130, mkroner@lys.org.

Target Population: Independent Living Program targets foster youth and juvenile offenders ages 16-19. Transitional Living Program targets homeless youth ages 18-25.

Purpose: "Lighthouse is committed to continuously educating public systems about the importance of giving youth opportunities to live on their own and the need for affordable housing at discharge."

Features: "Lighthouse Youth Services prevents youth in child welfare from becoming homeless and prevents young adults in the adult shelter system from remaining homeless through Independent Living and Transitional Living Programs. In 1981, Lighthouse developed a semi-supervised scattered-site apartment model based on the philosophy that young people learn best by doing and that youth should have opportunities to live on their own and develop self-sufficiency skills before discharge from care. The agency has served more than 1,000 youth in its model and averages around 80 youth a day living in their own apartments."

7) New York City, Section 8 Priority Code

Location: New York City

Contact: Nancy Martinez, Independent Living Coordinator, New York State Office of Children and Family Services, 518-474-9586, nancy.martinez@dfa.state.ny.us

Target Population: Youth aging out of the foster care system

Purpose: Provide housing support for youth aging out of the foster care system, with some housing units set aside for those with mental health needs. The Administration for Children's Services (ACS) and the Office of Housing Policy and Development (HPAD), in cooperation with the New York City Housing Authority provide this program.

Features: "This program provides Section 8 vouchers or public housing units to qualified current and former ACS Independent Living clients. As of December 2002, more than 1,700 youth had utilized this program. ACS and HPAD, in conjunction with other private not-for-profit housing developers, continue to support the development of supportive housing for young people aging out of the system. Currently, at least 25 ACS Independent Living clients reside in a permanent supportive housing program by using their Section 8 vouchers, accessed through the Independent Living Priority Code Program. In February 2003, five units of permanent supportive housing were made available to former Independent Living clients with mental health needs."

8) New Jersey Community Housing Demonstration Program, Shared Living Residence Rental Housing Program

Location: State of New Jersey

Contact: Bruce Blumenthal, New Jersey Mortgage Finance Agency, 609-278-7449, Bblumenthal@njhmf.state.nj.us

Target Population: "Eligible clients include persons with special needs over age 18 and adolescents who are referred in writing by the New Jersey Department of Human Services or other DHS-approved sponsors."

Purpose: "The program assists persons with special needs to live independently within the communities of their choice by expanding the supply of affordable and quality housing."

Features: “The New Jersey Community Housing Demonstration Program (NJCHDP) is a partnership between the Department of Human Services and the New Jersey Mortgage Finance Agency (NJMFA). The NJCHDP Shared Living Residence Rental Housing Program provides financing to non-profits, for-profit developers, and municipalities for the acquisition of land and buildings, new construction, or the rehabilitation or conversion of buildings as transitional or permanent rental units for persons with special needs. The entire community residence or a portion of the units (as determined by the appropriate division of the New Jersey Department of Human Services) can be set aside for these individuals.”

PROGRAMS THAT PROVIDE EDUCATIONAL/JOB TRAINING/EMPLOYMENT SUPPORT

1) Education and Training Vouchers Program

Location: Federal nationwide program

Contact: Dottie Ansell, National Resource Center for Youth Development, University of Oklahoma, College of Continuing Education; 918-660-3700; dansell@ou.edu.

Target Population: Youth aging out of the child welfare system

Purpose: Provide educational assistance to former foster youth in need

Features: “Education and Training Voucher (ETV) funds pay for the cost of attending institutions of higher learning. The vouchers cannot exceed \$5,000 per year or the actual incurred cost of attendance at the institution. Cost of attendance includes tuition, room and board, and other costs associated with participating in the educational or vocational training program. The ETV Program is federally funded through the Promoting Safe and Stable Families Amendment of 2001, which expanded the John H. Chafee Independence Program to include these funds for educational/vocational assistance. Most vouchers are administered through the state’s Independent Living/Chafee program. Some states have contracted with the Orphan Foundation of America to administer their ETV programs.”

2) Los Angeles Infrastructure Academy

Location: Los Angeles, CA

Contact: <http://www.infrastructureacademy.org/index-1.html>

Target Population: High school juniors and seniors

Purpose: Their mission is “to build a pipeline of diverse, well-qualified, young people to enter the Civil Infrastructure field and place them into careers.” It also helps high school students prepare for a well-paying job that leads to a meaningful career with growth opportunities. In addition, the program should keep kids off the streets and out of gangs. It is scheduled to begin in May 2008. This program was developed by the Office of Los Angeles Mayor Antonio Villaraigosa and the LA Department of Water and Power.

Features: “The LA Infrastructure Academy program will consist of a selective, two-year program for young people interested in pursuing a career in civil infrastructure. Students will apply in the second half of their sophomore year of high school and will begin the program in the summer between their sophomore and junior years. The LA Infrastructure Academy will work with students through the employers’ application process and will support them on an ongoing basis during and after the program. Mentoring will be a critical component throughout the entire student-alumni life cycle.” Technical training, hands-on training, leadership training and

community services projects are all part of the junior and senior year program. Students participate at least two days per week after school and two Saturdays per month. In addition, paid summer internships, employment assistance, and even college application assistance are made available.

3) Guardian Scholars Program

Location: California State University, Fullerton

Contact: California State University, Fullerton, Guardian Scholars Program, PO Box 6828 C-120, Fullerton CA 92834-6828; 714-278-4900; www.fullerton.edu/guardianscholars

Target Population: Former foster youth aspiring to attend a 4-year university

Purpose: Provide former foster youth the opportunity to attend and graduate from Cal State Fullerton without the fear of running out of money or accumulating sizeable debt.

Features: “The innovative Guardian Scholars Program admits several students each semester to California State University. Each scholar receives full tuition and funding for textbooks, supplies, and annual fees. Additionally, the program offers assistance in completing college entrance and financial aid forms; an orientation to university life; year round, on-campus housing and on-campus student employment; one-on-one counseling, academic advising, peer mentoring, and faculty mentoring; a drop-in study center; assistance with off-campus employment in the young person’s career field; and post-graduation career planning.” The program supports 10 new students each year for five years each. Fifty students are in the program at any given time.

4) UPS School-to-Career Partnerships

Location: Maryland; Hartford, Connecticut; New York, New York; Oakland, California; Portland, Maine; Providence, Rhode Island; San Antonio, Texas; and San Diego, California.

Contact: Mark Giuffre; 502-329-3060; www.community.ups.com/education/school.html.

Target Population: Disadvantaged young adults, with recent emphasis on recruiting former foster youth

Purpose: To provide career opportunities to disadvantaged youth. “The long-term goal of the UPS Partnership is to establish a best-practices workforce development system that will be expanded in the current service area and replicated with committed employers in other communities nationwide.”

Features: “The United Parcel Service (UPS) School-to-Career Partnership for youth is a community-based initiative engaging disadvantaged young adults in a work and learning experience at UPS, Marriott, Bank of America, and other employers to expand their opportunities for career and academic success. The UPS Partnership is a collaborative effort involving the facilitator and funders, employers, referral agencies, and transportation providers. Through UPS, colleges and non-profit agencies collaborate to create programs tailored to the unique educational and employment needs of each community. Some programs work with four-year colleges, while others work with community colleges and technical assistance and trade schools.”

5) San Diego Workforce Partnership, School-To-Career Intermediary Team

Location: San Diego, California

Contact: School-to-Career Intermediary System, San Diego Workforce Partnership Inc., 3910 University Avenue, Ste. 400, San Diego CA 92105; 866-YCN-SDWP (926-7397), 619-744-0318; internship@workforce.org, <http://sdyouth.sandiegowork.com>

Target Population: Youth

Purpose: To provide career support for youth

Features: “The Youth Connect Network’s School-to-Career Intermediary System links businesses with students to create rich work-based learning experiences, including job fairs, internships, job shadowing, company tours, and mentoring. This collaboration between local schools and businesses helps create pathways to postsecondary education and career development. The intermediary system is a partnership among the San Diego Workforce Partnership, the San Diego County Office of Education, local school districts, regional community college districts, regional chambers of commerce, business leaders, and other community-based organizations.”

APPENDIX B: TAY Survey

A survey was developed and distributed to a sample of youth in DCFS and Probation, and My Friend’s Place (a drop-in center for homeless youth in Los Angeles) to get their perspective on the services and programs available to them. They were also encouraged to give comments and suggestions for new, needed programs.

A total of 205 TAY participated in the survey. Approximately two-thirds of the survey participants are or were from DCFS and one-third from Probation.

The survey participants were asked to rate TAY services and programs by indicating their degree of agreement with a series of statements concerning:

- Education
- Workforce Readiness
- Life Skills
- Housing
- Transportation
- Legal Assistance
- Physical Health
- Social and Emotional Wellbeing

Exhibit D displays the findings for all categories using a rating scale of 1-4 to measure response averages.

Exhibit D: TAY Service and Program Ratings

Survey Statement	Rating Average			
	16-17	18-19	20 or older	Overall
EDUCATION				
I am receiving the education I want.	3.3	3.6	3.3	3.4
I get the assistance I need to succeed in school.	3.2	3.6	3.3	3.4
I get both educational and vocational information and choices.	3.2	3.3	3.5	3.3
I have received good educational guidance.	3.5	3.5	3.4	3.5
I am receiving support and advice for educational options beyond high school.	3.5	3.5	3.5	3.5

Survey Statement	Rating Average			
	16-17	18-19	20 or older	Overall
WORKFORCE READINESS				
I have the job skills, knowledge and experience to get a good job.	3.1	3.4	3.5	3.3
I have a career/employment plan for the next 2 – 5 years.	2.7	3.2	3.2	3.0
I know what services are available to help me get a job.	3.2	3.5	3.6	3.4
LIFE SKILLS				
I have enough savings to live independently.	1.6	1.9	2.0	1.9
I feel I can manage my money.	3.2	3.2	3.3	3.2
I know how to budget my money for groceries, etc.	3.1	3.4	3.5	3.4
I know how to access public assistance programs if I need them.	2.9	3.5	3.6	3.3
I am aware of free public programs (library, recreational centers, etc).	3.4	3.7	3.8	3.6
I know how to register to vote.	2.5	1.9	3.6	3.2
HOUSING				
I am aware of rental costs.	2.9	3.6	3.7	3.4
I feel I can cover the housing costs (furniture, equipment, utilities, etc.) of living independently.	2.3	2.4	2.6	2.4
I know how to get rental assistance.	2.5	3.0	3.1	2.8
TRANSPORTATION				
I can get to work on time.	3.6	3.7	3.9	3.7
I know how to use public transportation.	3.7	3.8	4.0	3.8
LEGAL ASSISTANCE				
I know how to get legal help if I need it.	3.1	3.2	3.4	3.2
I have access to a lawyer.	2.7	2.6	2.7	2.6
I understand my rights if I have a problem with the law.	3.3	3.1	3.2	3.2
PHYSICAL HEALTH				
I am in good physical health (dental, vision, hearing etc.).	3.7	3.6	3.6	3.6
I am strong and in good shape.	3.5	3.5	3.6	3.5
I know how to access health care (insurance, free clinics, etc.).	3.0	3.5	3.6	3.4
I know how to prevent sexually transmitted diseases and pregnancy.	3.8	3.9	3.9	3.9
SOCIAL AND EMOTIONAL WELL-BEING				
I have friends and/or family members who are supportive.	3.7	3.6	3.5	3.6
I know how to access community based support groups (church, counselors, etc.).	3.5	3.6	3.7	3.6
I am able to live independently.	3.3	3.1	3.3	3.2
I know how/who to ask for help if I have trouble living independently.	3.5	3.5	3.5	3.5

Education

Survey participants agree to some degree that they are receiving the education that they want (3.4) and are getting the assistance (3.4), information and choices (3.3) guidance (3.5), and support and advice (3.5) necessary for educational success.

Workforce Readiness

Survey participants agree to some degree that they have the job skills, knowledge, and experience necessary to get a job (3.3), have a 2- to 5-year employment plan (3.0), and know what services are available to help them in their job search (3.4). Participants who identified themselves as 16- or 17-year-olds indicated ratings a lower than the older age groups. This difference might be related to the possibility that not as many 16- and 17-year-olds have jobs.

Life Skills

Survey participants agree to some degree that they are aware of free public programs (3.6), and know how to manage money (3.2), budget (3.4), access public assistance programs (3.3), and register to vote (3.2). Participants who identified themselves as 16- or 17-year-olds are somewhat less self-assure in their life skills. With the lowest rating on the survey, survey

participants somewhat disagree that they have enough savings to live independently, emphasizing a disconnect between knowledge of and success in applying life skills.

Housing

Survey participants agree to some degree that they are aware of rental costs and those participants who are 18 and older agree somewhat that they know how to get rental assistance. 16- and 17-year-olds are less aware and participants somewhat disagree that they feel they can afford housing costs, calling attention to the lack of affordable housing in the Los Angeles area and the need for more TAY assistance in this area.

Transportation

Survey participants agree that they can get to work on time (3.7) and know how to use public transportation (3.8).

Legal Assistance

Survey participants agree somewhat that they know how to get legal help (3.2) and understand their legal rights (3.2); they are less sure (2.6) that they can access a lawyer.

Physical Health

Survey participants agree to some degree that they are in good physical shape (3.6), strong (3.5), know how to access health care (3.4) and prevent sexually transmitted diseases and pregnancy (3.9).

Social and Emotional Well-being

Survey participants agree to some degree that they have family or friends that are supportive (3.6), know how to access community based groups (3.6), are able to live independently (3.2), and know how and who to ask for help if they are having trouble living independently (3.5).

Additional Comments

Forty seven additional comments or suggestions were received.

Approximately 20% of the respondents made positive comments about their experiences, many expressing their gratitude, with TAY services and programs. The rest of the respondents commented negatively or gave suggestions for improvements.

The respondents' negative comments or suggestions in order of frequency were concerns about housing, the social worker or system, jobs/income/budgeting, quality of instruction or support, educational support and access to health care.

APPENDIX C: DMH TAY Programs

5.1) *Transition Age Youth Full Service Partnerships (TAY FSP)*

Program Description: An intensive Mental Health Services and supports program for not served, underserved, and inappropriately served SED/SPMI (Serious Emotional Disturbance/Severely and Persistently Mentally Ill) TAY based on use of effective and innovative approaches focused on achieving recommended outcomes: a) Meaningful use of time and capabilities (employment, vocational, educational, social, and community activities; b) Safe and adequate housing and living environments and reduction in homelessness; c) A network of supportive relationships; d) Timely access to needed help, including in times of crisis;

d) Reduction in incarceration in jails and juvenile halls; e) Reduction in involuntary services, reduction in institutionalization, and reduction in out of home placements; f) Maintaining or improving physical health; g) Reduction in early pregnancy; and h) Completion of high school diploma or GED. An individualized comprehensive services and supports plan, in partnership with an FSP team, is developed for each youth focusing on recovery and resiliency/wellness. A case manager is available 24/7 to respond to clients needs (this is a critical service and support component). An array of services and supports are provided including clinical interventions, linkages and referrals, housing assistance (rental subsidies, eviction assistance), benefits establishment, money management, leisure activities and planning, vocational training, job assistance, or anything else the youth or family needs to better function.

Misc. Information: This program enrolled the first client in December 2006. DMH states that available MHSA funding is currently not sufficient to provide FSP services to all SED/SPMI TAY who otherwise qualify and might benefit from them.

Funding: This program is funded by the Mental Health Services Act (MHSA). Total funding is \$19,668,660 annually and includes EPSDT (Early Periodic Screening Diagnosis and Treatment) funding and Medi-Cal. Of this, approximately 40% (\$7.9 million) is targeted towards youth aging out of DCFS and Probation.

Target Population/Potential clientele: This program serves 16-25 year olds in the child welfare and juvenile justice systems (system) as well as those outside the system. The \$7.9 million targets youth currently in DCFS/Probation, youth aging out of the system, and youth formerly in the system. The balance of funding is for youth who are homeless or currently at risk of homelessness, are aging out of the child mental health system, leaving long-term institutional care (e.g. an Institution of Mental Disease or State Hospitals), and youth experiencing their first psychotic break.

Program capacity: This program provides 1122 slots for 16-25 year olds for all of L.A. County (\$17,530 per slot). Due to natural “slot-turnover” during the fiscal year, one slot usually serves more than one person.

Clients served (since program inception): 1113 have been authorized (slot-turnover); 898 clients currently authorized to receive TAY FSP Services

Evaluation Process: Program success is measured through the State and County approved Outcome Measures Application (OMA). Upon enrollment in an FSP program, a baseline assessment is completed by the provider agency. Subsequent updates are completed quarterly (minimally), and when there is a change in a “key event.” The OMA is an electronic-based application.

5.2) TAY Drop-In Centers

Program Description: Drop-In Centers are intended as entry points into the mental health system for SED/SPMI TAY who are living on the street or in unstable living situations. Drop-In Centers provide “low-demand, high tolerance” environments in which youth can find temporary safety and basic supports (e.g. showers, meals, clothing, referrals, linkage to services, vouchers, counseling, etc.). TAY accessing Drop-In Centers have an opportunity to build trusting relationships with staff persons who can, as the youth is ready and willing, connect them to the services and supports they need in order to work toward stability and recovery. Existing Drop-In Centers operate during regular daytime hours. MHSA funding is made available to extend hours of operation to evenings and weekends for the primary purpose of ensuring access to these vital services and supports

Misc. Information: In March 2008 The Board of Supervisors approved funding for three Drop-In Centers in FY 2007-08, and two in FY 08-09.

Funding: Private funding is raised by the centers for the bulk of their operations. MHSA funds are used to extend the hours of operation to evenings and weekends: \$250,000 annually for each of two centers.

Target Population/Potential clientele: TAY who are diagnosed SED/SPMI and living on the streets or in otherwise unstable living environments. According to DMH many of the youth accessing Drop-In Centers are current or former foster or probation youth.

Program capacity: Currently two centers will be fully funded for extended hours of operation in the 2008-09 FY. If additional funding becomes available, DMH would be able to increase support of Drop-In Centers in other areas of the county. Their goal is to provide at least one center in each of the eight SPAs (Service Provider Areas).

Clients served: Not available. Note: Youth accessing Drop-In Centers are not required to disclose their legal status to access services. Once trust is established, the youth may decide to disclose that information. This is an example of “low-demand, high tolerance.”

Evaluation Process: Information available to DMH indicates that the Drop-In Center programs awarded MHSA funding have established records of providing effective services and successfully engaging, often difficult to reach youth in accessing their available services and supports. DMH TAY Division is developing a Drop-In Center evaluation tool to measure the success of the program in achieving the outcomes for TAY as identified in the CSS Plan. (See 5.1 above)

5.3) TAY Housing Services

Program Description: This program provides the following.

- Enhanced Emergency Shelter Program for TAY (EESP) \$605,000 per year. This program provides temporary shelter for SED/SPMI TAY ages 18-25 in a supportive housing environment for up to 29 nights while pursuing the long-term goal of secure and permanent housing. Program offers semi-private rooms, hygiene facilities, hot meals, case management, referrals and linkage services to SED/SPMI TAY who have no other resources to pay for shelter. There is one shelter that is licensed (6-beds) to serve 16-17 years old. DMH TAY Division is working with DCFS Command Post Unit to develop protocols for access for DCFS clients.
- Project-Based Operating Subsidies for Permanent Housing \$390,000 per year. This program provides a unit-based housing subsidy (not an individual rental subsidy). This program is currently under development. When implemented it is estimated that approximately 83 units of affordable housing will be available to SED/SPMI TAY who are capable of living independently in the community in their own apartment/unit.
- Housing Specialists, one per SPA, Total funding \$575,000 per year. Housing specialists assist youth with finding, securing and retaining housing by providing individualized services including accompanying youth on housing search, advocating with landlord, and assistance completing application forms.

Misc. Information: The EESP Program was approved by the Board of Supervisors on March 18, 2008. Services will be implemented beginning May 2008. The Project-Based Operating

Subsidy Program will be implemented in FY 2008-09. Housing Specialists have been serving TAY since October 2006.

Funding: Total MHSA funding (3 program total) \$1,575,000

Target Population/Potential clientele: Youth ages 18-25 who have been diagnosed SED/SPMI and are homeless, in need of housing assistance, and can otherwise living independently in the community with supports and need minimal supervision.

Program capacity: EESP Program can fund approximately 300 TAY for 20 days each per FY. Approximately 864 youth can be served by the 8 funded Housing Specialists. DMH's goal is to provide operating subsidies for at approximately 83 housing units.

Clients served: Not available.

Evaluation Process: It is too early to determine success of program.

5.4) Probation-Camp Services

Program Description: Multi-disciplinary staffs provide an array of services and medication.

Misc. Information: This program started in November 2007.

Funding: Note: these Navigators are funded under TAY navigators not camps. MHSA \$3,500,000

Target Population/Potential clientele: SED/SPMI TAY incarcerated in Probation camps.

Program capacity: 400+

Clients served: 100% (All that need to be served are being served.)

Evaluation Process: This program has not yet been evaluated.

5.5) Juvenile Halls and Community-Based Juvenile Justice Programs

Program Description: This program provides screening and assessment; consultation and education services; psychiatric evaluation and mental health treatment; crisis intervention; aftercare planning and linkage with community-based mental health providers. The Massachusetts Youth Screening Inventory (MAYSI-2) is used to screen all newly admitted youth. CARE and Enhanced Supervision Units provide enhanced services to multi-problem youth in the Juvenile Halls. Five TAY System Navigators work in the camps to provide transitional linkage to community mental health programs and supports in addition to FSP.

Funding: The funding is from seven sources: Juvenile Justice Crime Prevention Act (JJCPA) or Schiff-Cardenas \$5,032,000 and \$606,000 for Multi-systemic Family Therapy (a community-base program), The Supportive Therapeutic Options Program (STOP) \$2,100,000 plus a State required 30% County General Fund (CGF) (\$900,000) match for a total program of \$3,000,000, Department of Justice Settlement Agreement, CGF of \$2,201,000, Mentally Ill Crime Reduction Grant (MICOR) funding for Camp Assessment Unit and clinical staff at Camp Rockey of \$299,337, Substance Abuse and Mental Health Services Administration (SAMHSA) funding of \$956,673, CGF funding of \$816,802 for Dorothy Kirby Day Treatment Intensive Residential Placement for Probation Youth, CGF funding of \$300,000 for Functional Family Therapy (a community-based program) and CGF of \$349,583.

Target Population/Potential clientele: Children and youth residing in Juvenile Halls

Program capacity: 100% of need

Clients served: 100% screened and served as necessary

Evaluation Process: The RAND Corporation provides a monitoring service. No report is available.

5.6) **DMH TAY Navigators**

Program Description: Navigators are licensed/waiver clinical social workers who provide field-based outreach and engagement (O&E) services, linkage and referrals to not served, underserved SED/SPMI TAY. Navigators deliver O&E in the community to TAY through collaborations with an array of agencies and organizations including jails, probation camps, juvenile halls, Independent Living Programs, schools, health centers, faith-based organizations, ethnic communities, etc. Their primary function is to link TAY to mental health services and supports (including treatment, housing, benefits establishments, and other resources)

Misc. Information: TAY Navigators have been delivering services since September 2006

Funding: MHSA \$2,000,000 (pays for 20 staff)

Target Population/Potential clientele: TAY ages 16-25.

Program capacity: 1000+

Clients served: Not available.

Evaluation Process: Data collected to be compiled

5.7) **General Out-Patient Services**

Program Description: This program provides mental health screenings, assessments, and development of individualized and specialized mental health services tailored to each youth's needs. Co-located staffs provide crisis intervention and short-term treatment as needed. Both DMH and contracted staff provide services.

Funding: EPSDT (Early Periodic Screening Diagnosis and Treatment) funds are paid through Medi-Cal. \$46,860,172

Target Population/Potential clientele: DCFS youth age 16-20 (not all youth necessarily aging out)

Program capacity: All needing services are served

Clients served: 4,751 clients were served in the 2006-07 fiscal year

Evaluation Process: Not available

The table outlines funding for the seven programs above, currently or about to be provided by DMH to TAY. Many of these services are new and data on clientele served or evaluation processes are limited. Programs 1, 2, 3 and 7 are primarily focused on TAY who are not in the system. Programs 4, 5, and 6 are services to TAY in the system.

The overall funding for these programs is:

Source	Pre-emancipation	Post Emancipation	TOTAL
DOJ	\$2,201,000		\$2,201,000
MHSA	\$3,500,000 (1)	\$7,900,000 (2) \$500,000 (3) \$1,575,000 (4) \$2,000,000 (5)	\$15,475,000
Schiff-Cardenas/JJCPA	\$5,032,000	\$606,000 (6)	\$5,638,000
STOP	\$2,100,000		\$2,100,000
County	\$900,000 (7) \$349,583 (8) \$816,802 (9)		\$2,366,385

Source	Pre-emancipation	Post Emancipation	TOTAL
	\$300,000 (10)		
EPSDT	\$46,860,172		\$46,860,172
MICOR	\$299,337		\$299,337
SAMHSA	\$956,673		\$956,673
TOTAL	\$63,315,567	\$12,581,000	\$75,896,567

- (1) Probation Camp Services
- (2) Full Service Partnerships
- (3) Drop-In Centers
- (4) Housing Services
- (5) System Navigators
- (6) Multi-systemic Family Therapy (Juvenile Justice Community-Based Program)
- (7) CGF Match for STOP
- (8) CGF for Juvenile Justice
- (9) CGF for Dorothy Kirby Center
- (10) Functional Family Therapy (Juvenile Justice Community-Based Program)

APPENDIX D: DCFS/Probation TAY Programs

6.1) Chafee Foster Care Independence Program

Program description: Los Angeles County provides a broad array of activities to help youth prepare for and make the successful transition from adolescence to adulthood. The following are typical services provided directly by DCFS/Probation:

- Education-related costs, including: tuition, books, supplies, and clothing
- Work-related costs including: clothing, tools, professional/union dues, and costs incurred due to the job interview process
- Payment for transportation costs (including parking) related to job search, work or school (public or private)
- Computer classes, mentoring and youth conferences
- Driving lessons
- Reimbursement for health services costs (physical and/or mental) that are not funded by Medi-Cal and beyond the financial means of the youth. Included are costs for classes or services related to parenting skills, nutrition, drug/alcohol use, etc.
- Scholarships and participation in youth events (Celebration I, II and Success is Our Future)
- www.ilponline.org provides information on DCFS resources.

Funding: Chafee/ILP \$1,354,280

Target Population/Potential clientele: Youth ages 18-20 who have exited DCFS/Probation care estimated to be approximately 13,225 youth.

Program capacity: Current funding provides services to 4,886 youth.

Clients served: 1,330 are attending college. 1,339 are employed full/part-time.

Evaluation Process: Current funding limits provide service to about 1/3 of the estimated youth in this category. Federal regulations are scheduled to go into effect in April 2010. The departments will implement the program performance measures required.

6.2) Chafee Foster Care Independence Program – High School Graduation Expenses

Program Description: This program is provided directly by DCFS/Probation. It covers some of the senior year high school year-end costs such as: high school yearbook, senior pictures, prom expenses, class ring, etc. This service is provided to youth who request it or who are referred by the DCFS or Probation case workers.

Funding: Chafee/ILP \$320,000

Target Population/Potential clientele: There are approximately 3,698 potential graduates per year (Youth aged 17-19 in foster care).

Program capacity: 640 (\$320,000/\$500per youth)

Clients served: 908 received high school graduation expenses. DCFS/Probation meets all requests by reallocating funding from other line items.

Evaluation Process: Requests are confirmed with the high school records and the youth is required, as it is difficult to collect receipts after funds have been provided to supply receipts for all expenses.

6.3) Special Tutoring for ILP Youth (Age 14-15)

Program Description: This is a unique program to Los Angeles County to address educational deficiencies in particular courses for these youth. Contract staff provides educational assessments for 2,252 youth and refer those youth who meet specific criteria to tutoring services. The youth may receive the WRAT-R (Wide Range Achievement Test-Revised) or Houghton, Mifflin and Kaplan test.

Funding: The County provides \$1,415,635 for this program.

Target Population/Potential clientele: Youth aged 14-15 in DCFS foster care or Probation. There are 5,186 potential clientele age 14-15

Program capacity: Current funding provides for 2,252 assessments and tutoring for 452 youth.

Evaluation Process: The contract requires the contractor to a) undertake pre/post testing of the youth receiving this service and b) provide a list of all youth tested and receiving tutoring.

6.4) Youth Development Services (Age 16-20)

Program Description: Life Skills and Employability Classes are provided by contractors. They include a broad range of services and information in seven modules: Education, Employment, Daily Living Skills, Survival Skills, Choices & Consequences, Interpersonal Social Skills, and Computer and Internet Skills.

- Education, including, but not limited to: skill development, assistance and referrals to obtain literacy skills, high school diploma/GED, post-secondary education experiential learning and computer skills;
- Career development, including, but not limited to: assistance and referral to obtain career exploration, work readiness and responsibility skills, employment development, employment experience, vocational training, apprenticeship opportunities, job placement and retention;

- Assistance and referral to promote health (including mental health) and safety skills including, but not limited to: substance abuse prevention, smoking cessation, pregnancy prevention, parenting, and nutrition education;
- Referral to available mentors and/or mentoring programs;
- Daily living skills, including, but not limited to: information on and experiences and training in financial management and budgeting; credit and identity theft information; personal responsibility skills; self-advocacy; household management; consumer and resource use; survival skills; computer and internet skills; and obtaining vital records;
- Financial resources (Financial Aid Workshops), including, but not limited to: information and referrals regarding financial assistance if applicable, including, but not limited to, incentives, stipends, savings and trust fund accounts, educational/vocational grants, CAL-Grants, Employment Development Departments, registered in One-Stop Career Centers, Workforce Investment Act funding and programs, other employment programs and other forms of public assistance including, but not limited to, CalWORKs, Food Stamps, and Medi-Cal; and
- Housing information, including, but not limited to: training and referrals about transitional housing programs; federal, state and local housing programs; and landlord/tenant issues.

Funding: Chafee/ILP \$2,360,877

Target Population/Potential clientele: Program targets youth ages 16-20 in DCFS foster care or Probation. DCFS/Probation 25,432 youth age 16 – 20 both in and out of the system.

Program capacity: The current funding allows the contractor to serve 1489 youth.

Clients served: 1489 youth were served.

Evaluation Process: DCFS' Youth Development Services contractors began to collect Ansel Casey data in FY 2007-08. The evaluation is pending.

6.5) Foster Youth Demonstration Project

Program Description: This program is provided directly to DCFS and Probation youth. It is designed to prepare youth for employment and provides assessments, measuring educational and occupational skills as well as assisting the youth with employment and career goals.

Funding: Chafee/ILP \$200,000; Department of Labor \$400,000; Peyser & Wagner \$200,000

Target Population/Potential clientele: The program is targeted to youth aged 17-21 exiting care or have exited DCFS and Probation foster care. The program is currently limited to youth in SPA 3 (17%) and 6 (24%). SPAs 3 and 6 make-up 41% of ILP eligible youth, which is approximately 10,427 youth.

Program capacity: Current funding provides for 100 to receive this service.

Clients served: .9 % of the youth in these SPAs are being served by this program.

Evaluation Process: Casey Family Services is funding the program evaluation of this demonstration project. The evaluation is underway.

6.6) Alternative Services for Youth Program (Age 14 – 18)

Program Description: A contractor provides mentoring, life skills workshops, tutoring, GED prep, California high school exit exam prep, field services and home visits to DCFS youth who are not eligible for comparable ILP services.

Funding: Los Angeles County \$1,500,000

Target Population/Potential clientele: Estimated potential clientele is 7,748 youth

Program capacity: Current funding provides service to 640 youth

Clients served: 286 youth are currently being served

Evaluation Process: This is the start up year. The program is subject to performance based criteria. The evaluation is pending.

6.7) Runaway Outreach Unit (ROU) - DCFS

Program Description: This program is designed to locate and stabilize runaway DCFS youth. ROU assists CSWs in providing stabilization services to AWOL youth who are returned to DCSF care. The program is designed to assist all DCFS runaways in returning to, stabilizing in and lowering the recidivism rate of each runaway episode.

Funding: Child Welfare Service (Case Management System) \$800,000

Target Population/Potential clientele: Countywide protective services to youth ages 10–17 under Court Jurisdiction who AWOL from care and appear on the monthly Abducted Runaway Kids System.

Program capacity: 100% of AWOL youth

Clients served: Last year 847 youth were AWOL of which 455 were found and returned to foster care.

Evaluation Process: An evaluation in partnership with National Runaway Switchboard (Chicago) is pending.

6.8) ILP Rental Assistance/ILP Direct Services

Program Description: This program is designed to provide youth with the opportunity to obtain/maintain existing permanent housing, with the goal of preventing homelessness and stabilizing the youth's housing needs. Youth are encouraged to maintain employment, and/or attend school while participating in the program.

Funding: ILP/Chafee \$765,000

Target Population/Potential clientele: DCFS/Probation youth, aged 18-20 who have exited care. The potential clientele is estimated to be 13,225.

Program capacity: Last fiscal year's (2006-07) funding provided service to 485 youth.

Clients served: 485 are currently being served.

Evaluation Process: There is no evaluation process in place.

6.9) Transitional Housing Placement Program (THPP)

Program Description: This placement alternative provides training, support, education and basic life skills to youth in foster care. The program contractor provides paid, furnished apartments and includes allowances for food, clothing and personal expenses. It also includes housing assistance for youth after exiting care. The youth must be on target for high school graduation, doing well in school and current placement and responsible enough to share an apartment with a roommate.

Funding: This is a special Federal/State program of \$2,108,000

Target Population/Potential clientele: Program targets successful foster youth. Potential clientele includes all 11,727 foster youth ages 16-18.

Program capacity: Current funding provides services to 120 youth per year

Evaluation Process: THP is evaluated annually via Supportive Housing Program (SHP) grant renewals via HUD and Los Angeles Homeless Services Authority (LAHSA)

6.10) Transitional Housing Program (THP)

Program Description: This program is designed to provide youth with the opportunity to live in supervised 'permanent' housing, with the goal of learning the skills to live independently upon

completion of the program. The youth are encouraged to maintain employment, and/or attend school while participating in the program. The program also provides a "forced savings" whereby 50% of the youth's employment income is saved in an interest bearing account that is returned to the youth, in full, upon exiting the program. Youth can stay in the program for a maximum of 18 months. Services provided by this program while youth are under the supervision of a social worker include: furnished apartment with paid utilities, food stipend, educational and career guidance, bus passes, and life skills classes.

Funding: ILP/Chafee - \$3,700,000; HUD - \$2,300,000

Target Population/Potential clientele: DCFS/Probation youth, aged 18-21 who have exited care. The potential clientele is estimated to be 13,225

Program capacity: Current funding provides services for 244 youth.

Clients served: 298 youth were served and 85 youth who completed the program received permanent housing.

Evaluation Process: THP is evaluated annually via Supportive Housing Program (SHP) grant renewals via HUD and Los Angeles Homeless Services Authority (LAHSA)

6.11) Transitional Housing Program – Plus (THP+)

Program Description: This program is designed to provide housing for youth who are at risk for homelessness, who have had a history of multiple placements, substance abuse, no GED or diploma, are pregnant or parenting and/or have had engagement with the Juvenile Justice system. The contractor provided services include: furnished housing, food stipends, bus passes, and educational and employment assistance. A maximum of 24 cumulative months can be spent in the program.

Funding: Special State funding of \$1,200,000

Target Population/Potential clientele: DCFS/Probation youth, aged 18-23 who have exited care. The estimated requirement is for 800 beds.

Program capacity: Current funding provides 48 beds per fiscal year.

Clients served: The program is running at 100% of capacity.

Evaluation Process: This is the first year of this program. The evaluation is built into the contract and is pending.

6.12) Homeless Prevention Initiative - DCFS

Program Description: This program provides rental subsidies, utility connection fees and furniture for former foster youth age 18-25.

Funding: County \$1,750,000 for three years (\$583,333 per year)

Target Population/Potential clientele: 42,386 former foster youth ages 18-25; youth who left care.

Program capacity: 100 per year

Clients served: The program is operating at 100% capacity.

Evaluation Process: The youth are surveyed to determine if they have stable housing.

6.13) Homeless Prevention Initiative - Probation

Program Description: This program provides rental subsidies, utility connection fees and furniture for Probation youth age 21-25. Rental subsidies are limited to ILP youth age 18-21. Probation Direct Services

Funding: County \$1,750,000 for three years (\$583,333 per year)

Target Population/Potential clientele: 5000 former foster youth age 18-25.

Program capacity: 100 per year

Clients served: The program is operating at 100% capacity. From September to December 2007 108 youth participated

Evaluation Process: The youth are surveyed to determine if they have stable housing. Of the 108 youth surveyed only 7 stated they had challenges with housing stability.

Addition services are also provided to youth, including foster youth, by the City of Los Angeles Work Investment Agency (WIA) (educational and occupational skills assessment, training and career guidance - age limit is 14 to 21); LA County WIA (paid and unpaid work experience - age limit is 14 to 21); Employment Development Department (basic skills assessment, tutoring, mentoring, paid and unpaid work experience, and occupational skills training - age limit is 14 to 21); DPSS CAL-Learn (assessment of basic needs, vocational, and educational skills; educational/vocational preparation – age limit is 14-18 or 19 if in high school); GAIN (Greater Avenues for Independence) – CalWorks (assessment of basic needs, vocational, and educational skills; educational, vocational, and employment training leading to self-sufficiency – limited to emancipated parenting youth who have completed high school or GED program); ROP (Regional Occupational Program) Los Angeles County Office of Education (a combination of school and on-the-job training for both high school students and adults – must be 16 and a junior in high school).

These programs are not integrated with those provided to TAY by DCFS and Probation. The departments indicated that part of the problem of integration is the confidentiality criteria of each organizational entity. From a County perspective a far more detailed study is needed to understand the level of under (or perhaps even over) service to these various subpopulations of TAY.

Program	Federal	State	County	Private	Total
Chafee	\$5,000,157				\$5,000,157
Dept of Labor Foster Youth Grant	\$400,000			\$200,000	\$600,000
Alternative Services for Youth Contract			\$1,500,000		\$1,500,000
Transitional Housing Program	\$2,300,000 (HUD) \$3,700,000				\$6,000,000
Homeless Prevention Initiative (DCFS & Probation)			\$3,500,000 Over 3 years Or \$1,166,000/yr		\$1,166,000

Program	Federal	State	County	Private	Total
Transitional Housing Plus		\$1,200,000			\$1,200,000
Transitional Housing Placement Program	\$1,054,000	\$1,054,000			\$2,108,000
Youth Development Services			\$1,415,635		\$1,415,635
Runaway Outreach Unit	\$672,000	\$128,000			\$800,000
Total	\$13,126,157	\$2,382,000	\$4,081,635	\$200,000	\$19,789,792

APPENDIX E: DCFS Youth Ombudsman Office Annual Report 2007 Summary

Ombudsman Services include, but are not limited to:

- Listening to and investigating complaints from youth
- Assisting youth in understanding rights and responsibilities
- Tracking ILP service delivery
- Mediating through conflict resolution
- Facilitating focus groups of youth on how to improve system
- Organizing Celebration II and Annual Holiday Party

The following table shows the complaint volume from youth for 2007.

	DCFS	Probation	Total
Pre-emancipated youth	53	16	69
Emancipated youth	156	11	167
Total	209	27	236

The following table illustrates the types of complaints coming in from youth.

Type	Number of Complaints
Transportation	13
Transition worker	9
Counseling/Mental Health	2
Documentation	13
Medical	3

Type	Number of Complaints
ILP/Life Skills classes	10
Job Assistance	8
ILP Request for funds or update/ILP eligibility	35
Events	4
Housing concern	99
Housing Appeals	4
Graduation Expenses	6
School assistance	38



**IN-HOME SUPPORTIVE SERVICES FRAUD:
PROBLEMS AND OPPORTUNITIES**

**2007-2008 Los Angeles County Civil Grand Jury
Investigative Committee**

John Gleiter, Chair

**Nicolina Friedman
Lionel S. Martinez
Dorothy M. Schneider**

IN-HOME SUPPORTIVE SERVICES FRAUD: PROBLEMS AND OPPORTUNITIES

INTRODUCTION

In Home Supportive Services (IHSS) is a well-intentioned aid program for eligible aged, blind or otherwise disabled persons who are in need of personal care and domestic services in their homes, are unable to perform such services for themselves, and cannot safely remain in their homes if such services are not provided. A majority of IHSS referrals are currently received from doctors and hospitals.

The IHSS program in L.A. County, which has grown from approximately 83,000 recipients in 1997 to almost 160,000 in 2007, is administered by the Los Angeles County Department of Public Social Services (DPSS). The maximum allotted time for IHSS recipients is 283 hours per month, and caregivers are paid a flat rate of \$9 per hour.

The current state budget of \$1,600,000,000 is increasing at the rate of approximately 9 % per year. IHSS, as another entitlement program, has fallen victim to the usual abuses. It has grown rapidly, now expending approximately \$400 million per year (CY 2008) in Los Angeles County alone. IHSS is also complemented by the federal Medical, Supplemental Security Disability Insurance, Supplemental Security Income (SSI), and the In-Home Supportive Services programs under the Older Americans Act, as well as California's Department of Aging Community-Based Services programs.

In a review of written materials, and in interviews with county personnel, an undertone exists regarding state and federal monies; *to wit*, state and federal monies are considered "free goods," because they are not part of the county's budget. Although a desire to help may be admirable, the careless dispensing of such funds violates the legislated rules, administrative guidelines and the basic standards of professionalism. Also, there is an aversion to "complaints," be they from potential or actual recipients, professional welfare advocates and/or legislators.

The Los Angeles County District Attorney has identified recurring fraudulent schemes, which, if properly exposed and addressed by DPSS, could result in substantial savings of taxpayer dollars. The purpose of the Grand Jury's study is to highlight the most prevalent forms of fraud in the IHSS program, and recommend possible solutions.

SUMMARY

The In-Home Supportive Services (IHSS) program is based on trust; trust that the provider will provide some semblance of quality services to the recipient and that the recipient is truly in medical and financial need. The third party to this social contract is the "state," here referring to all levels of government. Whether supportive services are actually delivered to a person who is truly needy is difficult to assess after intake to the program, without frequent monitoring. This report has no recommendation in this area; the recipient and his or her social worker are the arbiters in this matter.

This report does, however, make recommendations which could lead to better management of the IHSS program, particularly geared to the reduction of fraud (intentional perversion of truth in order to induce another to part with something of value; the act of deceiving or deliberately misrepresenting). These recommendations deal with such topics as:

- communication with the Social Security Administration regarding SSI
- handling of timesheets or time cards
- realistic assessment of need and related medical evaluations
- unambiguous recipient and provider identification
- inter-communication ability of county, state and federal computer databases
- periodic reassessments of the recipient's actual needs
- alternatives to personalized, in-home care
- attitudes and morale of Department of Social Services personnel
- criminal background checks of recipients and providers
- providers not being paid by recipients
- lack of action or feedback on fraud referrals
- non-obvious financial resources of the recipient, such as Affidavits of Support and Earned Income Tax Credit
- termination of state payments upon non-receipt of valid timesheets.

These recommendations, if implemented by the Department of Social Services, will help to identify and eliminate abuses of the program. Truly needy recipients and competent providers will presumably welcome the recommendations, since none would add any new burdens (e.g., additional paperwork) to the process. A fingerprint on a timesheet or time card is as easy to accomplish as a signature, perhaps even easier for a handicapped person.

BACKGROUND

In-Home Supportive Services (IHSS) is a state- and federally-funded social welfare program, whose local administration is paid for and performed by the Los Angeles County Department of Public Services (DPSS). A program expenditure report is attached as Appendix I; a four-page summary of the IHSS program, as prepared by DPSS and dated January 2007, is attached as Appendix II.

IHSS, a well-intentioned social welfare program, has mixed effectiveness. It helps the truly needy, the thought-to-be needy, and in some cases inadvertently supports criminal behavior. Its broader social impacts are:

- It costs California taxpayers approximately \$ 1.6 billion per year, as of FY 2007-2008, with prospects for continued, open-ended growth.
- It may lessen the need for the exercise of personal responsibility in one's own lifestyle choices, particularly with regard to health and financial prudence.
- It has the potential of breaking the still-strong tradition of familial obligations.

The In-Home Supportive Services program is analogous to the California Work Opportunity and Responsibility to Kids (Cal WORKS) program reported on by the 2005-2006 Civil Grand Jury. That 05-06 report made recommendations to improve the Cal WORKS program, while stating that the program "...as currently administered...is equivalent to an ATM for thieves." The 2005-2006 Civil Grand Jury report, titled Millions of Tax Dollars Lost to Child Care Fraud should be reviewed again by DPSS.

Unfortunately, the findings and recommendations made by this current (2007-2008) Civil Grand Jury parallel those of the prior Civil Grand Jury and the Auditor-Controller's July 2003 study of Cal WORKS. What is especially disturbing is that child care providers can be recipients of In-Home Supportive Services and vice versa.

The 2007-2008 Civil Grand Jury is very concerned that the issue of welfare fraud recurs each and every year. The Grand Jury believes that the Los Angeles County Department of Public Services can reduce welfare fraud, across all the programs that it administers.

The mission of DPSS administered aid programs is to ameliorate the plight of the poor and otherwise needy, not to cultivate their situation. It is understandable that an increased "client" base enhances career opportunities and fosters bigger bureaucracy. Government agencies established to deal with social problems are prone to create or maintain those social problems.

By establishing goals, applying initiative, management skills and “compool” (common pool of) data processing, welfare fraud can be substantially reduced. The poor and the needy will always be with us, by definition and the skewed distribution curves of statistics, so the jobs and bureaucracy of DPSS will continue to exist.

In the instant case of IHSS, the logical extension of its implementation could find one-half of the United States taking care of the other half. Add a little fraud and other chicanery, where providers also become recipients, and recipients become providers, the welfare circle is closed in upon itself.

Prior to making the findings and recommendations which follow, a special ad hoc committee of the Grand Jury met with and interviewed IHSS caseworkers and executive managers of the Department of Public Social Services, along with executive management of the Office of the Los Angeles County District Attorney. The Director of DPSS advised the Grand Jury that the department is currently paying over \$10 million out of its budget to the D.A. to investigate and prosecute fraud, and that the D.A. will not do so without such payment from DPSS, although DPSS is not legally required to pay the D.A.’s Office from its budget for the D.A.’s efforts in investigating and prosecuting fraud.

FINDINGS AND RECOMMENDATIONS

FINDING 1

When a person obtains Supplemental Security Income (SSI) benefits, he or she is assumed *eligible* for IHSS assistance. The District Attorney contends that if the Department of Public Social Services determines that the person has assets which would make him/her *ineligible* for SSI, the DPSS caseworker does not notify the Social Security Administration of these findings. However, in the Grand Jury's discussions with executive management from DPSS, we were advised that all sixty existing field offices do in fact have a liaison person who contacts the Social Security Administration and advises it of a recipient's possible ineligibility for SSI and other issues of concern, to the extent allowed by current privacy laws.

It should also be noted that SSI recipients must report their annual income at telephone number 1-800-772-1213. Reference can be made to *Social Security Publication SSA-4926-SM* (January 2008).

Supplemental Security Income (SSI) is not the same as Social Security benefits paid to those age 62 and over.

RECOMMENDATION 1

The Department of Public Social Services should ensure that staff communicate with the Social Security Administration regarding any factors which may affect the SSI eligibility of IHSS or other aid recipients.

Similarly, DPSS must stay aware of any SSI reassessments of an applicant's / recipient's disability. In those cases where eligibility is mandated by law, DPSS should, at a minimum, require a statement of facts provided by the recipient under penalty of perjury as to the need for financial support and medical services.

FINDING 2

DPSS collects time sheets which are supposed to be signed by the IHSS aid recipient *and* the aid provider. Information from that time sheet is forwarded to the State of California, and a state warrant, made payable to the aid provider, is prepared. DPSS keeps the time sheets, but has no filing system for easy retrieval of these important records, which are often required by the district attorney in the prosecution of fraud cases. DPSS executive management concedes this is a problem, due to the enormous amount of paperwork received per month (over 300,000 time sheets) by the Central Time Sheet Processing Operation, and the current system of filing, which is by manual batching. DPSS is holding off on a more efficient, automated approach to this filing

system due to a pending upgrade to the state's computer system, which will hopefully address some of the inefficiencies of manual processing.

RECOMMENDATION 2

DPSS should develop a system of filing those records so they may be easily located when needed by the district attorney for court proceedings in IHSS fraud prosecutions. A possible approach would be to capture the recipient's Social Security number or fingerprint on the time sheet, digitize it into a local database and link it to the recipient and provider names, the time frame of the time sheet, plus any other information that might be of future interest. The time sheets themselves would be stored as images, in chronological order, for a limited time period, such as three to five years.

FINDING 3

When a person applies for IHSS assistance, a medical verification of the person's physical/mental/medical condition is required to be prepared and signed by a medical doctor. Without validation, the process as it currently exists is subject to fraudulent use and/or signature forgery.

RECOMMENDATION 3

These evaluation / rating forms should be checked by staff by verifying the validity of the doctor's medical license number (which is provided on the form) and/or calling the doctor's office. Speaking to the doctor will put him/her on notice that their name and license number are being used.

FINDING 4

Cases have been identified by the district attorney wherein care providers are allegedly providing aid under different names and fraudulently collecting benefits. Cases have also been identified wherein aid recipients are allegedly receiving aid under different identities.

RECOMMENDATION 4

Ideally, all recipients and care providers should be fingerprinted and photographed by DPSS during the In Home Supportive Services application / intake process. All medical and financial intake documents should be signed by the applicant under penalty of perjury.

FINDING 5

DPSS administers various federal and state-funded aid programs at the county level, including General Relief (welfare), CalWorks, Food Stamps, Medi-Cal, and IHSS. The district attorney has identified a number of cases where benefits from one program would reduce or eliminate eligibility for another program, and contends that DPSS computer databases do not "talk to" one another, so inter-program opportunities for fraud abound.

RECOMMENDATION 5

DPSS must develop an enhanced computer database which will allow for effective cross-referencing and interfacing of information on recipients of various aid programs administered by the department. In essence, this is a virtual database on all DPSS clients.

FINDING 6

Neither the State of California nor the County of Los Angeles conducts a criminal background investigation on the provider of IHSS services. Since the recipient has *carte blanche* to choose a provider, but cannot conduct a background investigation, the county is in a position to do so on behalf of the recipient.

RECOMMENDATION 6

Applicants to the County of Los Angeles IHSS program should be fingerprinted and photographed as part of the intake process. The provider, as selected by the applicant, should also be fingerprinted and photographed. The presentation of a driver's license or resident alien card, both easily purchased "on the street," should not suffice as adequate identification.

Fingerprints, once taken, should be processed through California's Department of Justice and onward to the FBI's National Crime Information Center (NCIC) and its integrated Automated Fingerprint Identification System (AFIS). The purpose of fingerprinting is to validate the recipient and provider identities and to discover any criminal background. The county should conduct a criminal background check on the chosen provider for the protection of the recipient. If a criminal background is discovered, the provider may be disqualified, against criteria yet to be established.

This background check, presumably carried out by the Los Angeles County Department of Social Services (DPSS), should include checks of the California Health and Human Services database, the California Criminal History System and the Child Abuse Central Index (CACI), to the extent allowed by law.

FINDING 7

Reassessments of the recipient's need for continuing IHSS care are not done in a timely and systematic manner.

RECOMMENDATION 7

At minimum, a face-to-face interview with *both* the recipient and the provider should be conducted every 12 months. This interview should be conducted in the recipient's home or place of abode, with the provider present.

FINDING 8

Personnel of the Los Angeles County Department of Public Social Services (DPSS) are not always qualified to assess the kind and intensity of the care required, which is roughly analogous to Medicare's definition of "custodial care." Among the chief determining criteria for receiving IHSS is the requirement that but for this program, the recipient would require out-of-home placement.

Quoting from the County Welfare Directors Association (CWDA) report entitled In-Home Supportive Services: Past, Present and Future, January 2003:

"The IHSS program is based on a social model – one that relies on a social worker assessment rather than assessment based on medical criteria. As such, caregivers are not medical personnel, nor are the social workers and, obviously, the consumer..."

"Quality of care is dependent on the caregivers qualifications and job satisfaction and how accurately the social worker's assessment of the consumer's need comports with the consumer's actual supportive service needs."

Recipient need assessments have a significant subjective component, influenced by the personal bias of the social worker, personality interactions, and the innate desire to be charitable.

DPSS also realizes that the initial assessment home visit, reassessment visits and scheduled visits are sometimes stage-managed in order to draw the maximum benefit of the program. The attempted reassessment via repeated random visits, to a supposedly housebound recipient who is never home, should be a cause for concern.

RECOMMENDATION 8

Continued training is necessary for DPSS employees dealing with IHSS eligibility and fraud detection, based on the best practices recommended by CWDA and the involved state and county agencies. Also, since the need for repeated in-home visits is demoralizing to the social worker, for which no amount of training will compensate, the social worker should be given the authority to "notice" a recipient to schedule an assessment visit on a certain date, under penalty of payment cutoff.

FINDING 9

As an alternative to personalized, in-home care, electronic home monitoring could be made available for those recipients who neither want nor require personal contact.

RECOMMENDATION 9

DPSS should consider electronic monitoring as an alternative to a human provider for in-home care. The electronic monitoring systems do not provide “care” as such, but do avoid the need of a little-known provider visiting the home or abode. A half dozen such systems are now on the market. In addition, the Center for Aging Services Technologies in Washington, D.C., as well as the Oregon Health and Science University in Portland are excellent sources of further information.

FINDING 10

Providers of in-home care complain that they are not getting paid by the recipients of in-home care. Conversely, recipients complain that the providers are not providing the level and/or quality of care for which they are being paid from IHSS funds. In some cases, time cards have been forged or altered.

RECOMMENDATION 10

Payment vouchers to IHSS service providers should be made payable to both the recipient of the care and the provider, thus requiring an endorsement from each before the check can be cashed. This safeguard would curtail some of the fraud that is occurring.

FINDING 11

Initial fraud referrals are supposed to be sent to DPSS headquarters. However, in some cases, DPSS employees attempting to report suspected IHSS fraud have been met with responses ranging from apathetic to hostile on the part of district office supervisors and managers. Reports of suspected fraud, forwarded to DPSS headquarters, are not followed up on with the employees who initiated the reports; in essence, a lack of feedback. Senate Bill (SB) 1104 grants jurisdiction for IHSS fraud investigations to the Department of Health Care Services (DHCS), formerly known as the Department of Health Services. Specific provisions contained in SB 1104 created fraud detection and quality assurance protocols, adherence to which is not optional.

RECOMMENDATION 11

DPSS must follow the fraud reporting protocols required by the language of SB 1104. Also, in the interests of good management and employee morale, DPSS must provide feedback on fraud investigations to the initiating employee. Claims and excuses that the Department of Health Care Services isn't providing feedback to DPSS are weak; DPSS senior management must *insist* on this information in a periodic and timely manner.

FINDING 12

An Affidavit of Support, U.S. Citizenship and Immigration Services Form I-864, must be submitted by those who are sponsoring foreign nationals under the family-

based immigration system. Furthermore, the Affidavit of Support is required in certain employment-based immigration situations. Section 213a of the Immigration and Nationality Act (Title 8 CFRs) creates a legally enforceable contract between the sponsor(s) and the foreign national. The Act also creates a legally enforceable contract between the sponsor(s) and the federal agency or any state agency which may provide means-tested public benefits to the sponsored immigrant.

Implemented in 1996 to ensure that foreigners do not become public charges after admittance to the U.S.A., the Affidavit of Support requirement must be satisfied in order for many foreigners to ultimately obtain legal permanent residence. The Affidavit of Support terminates once the sponsored immigrant “naturalizes” or when credited with 40 qualifying quarters of work as defined by the Social Security Act. Form I-864 and I-864A data may be disclosed to other federal, state and local agencies providing means-tested public benefits for use in any civil action against the sponsor(s) for breach of contract. Social Security numbers may be verified with the Social Security Administration. It may also be disclosed as a matter of routine use to other federal, state, local and foreign law enforcement agencies to enable these entities to carry out their law enforcement responsibilities.

RECOMMENDATION 12

DPSS should review applicants for IHSS as to whether they are a sponsored immigrant under Section 213a of the Act. If so, their sponsor(s) or co-sponsor(s) should be sought to provide the financial support for the applicant. This recommendation has nothing to do with illegal immigrants or illegal immigration.

FINDING 13

The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low- income working individuals and families. It is not a tax rebate, but rather a federal subsidy. In addition, the EITC has no effect on certain welfare benefits; the EITC will not be used to determine eligibility for Medicaid, SSI, Food Stamps, Section 8 housing or most payments of temporary assistance for needy families.

The EITC is based on a past and an anticipated calendar year of income. Applicants must file a federal tax return and have a valid Social Security number. Full details are contained in *IRS Notice 797 and Form W-5*.

RECOMMENDATION 13

Since the income cap for receiving EITC in CY 2008 approaches \$37,000, it is recommended that an applicant for In-Home Supportive Services (IHSS) be asked if he or she has received an EITC last calendar year and is receiving one in the immediate calendar year. If so, note should be made, in the application for IHSS, of the amounts received or to be received in each year. A person receiving the EITC should not be denied eligibility for IHSS, but the amounts received in that credit should be factored into the amount of IHSS services paid for by the recipient, by means of a formula which could be changed yearly.

FINDING 14

Although the Los Angeles County Civil Grand Jury cannot comment upon or review State of California operations, the successful and professional local administration of IHSS is dependent upon state databases. The state's and Los Angeles County's Department of Social Services computers and software must handshake and exchange data, primarily with the following:

- State Medi-Cal Eligibility Data System (MEDS)
- Income and Eligibility Verification System (IEVS)

There is no longer a demarcation between county and state functions; we live in a virtual world. Even checking a person's federal Supplemental Security Income (SSI) status requires DPSS to go through the state systems to obtain Social Security Administration data. Obviously, Los Angeles County DPSS is at the mercy, interest and competence of state agencies, particularly the California Department of Social Services (CDSS) and California Department of Health Care Services (DHCS).

Providers and recipients of IHSS services sign and submit a biweekly timesheet which is ultimately processed by the state, the payment warrant is issued by the state, and fraud investigation is within the purview of the state. The acceptance of scrawled or absent signatures on the timesheet does not constitute good management of a multi-billion dollar program such as IHSS. Dual endorsement of the payment warrant would definitely be a good business practice.

RECOMMENDATION 14

As well as capturing the fingerprints of both the recipient and provider during the intake / application process, as recommended elsewhere, DPSS should require a fingerprint of both the recipient and the provider on each time card, perhaps even in lieu of a signature.

FINDING 15

The Advance Pay feature of IHSS is reportedly abused, particularly by the recipient receiving "advance pay" for weeks and months without submitting a time card in support of that pay.

RECOMMENDATION 15

DPSS should enforce the requirement that bi-weekly/monthly time cards be submitted. If time cards are not received within ten (10) business days of when due, further payment warrants or direct deposits should be terminated. Direct deposit accounts should be checked quarterly to ascertain their balance. If the balance is substantial (>\$5,000), it may indicate the need for an eligibility review.

FINDING 16

A member of the 2007-2008 Civil Grand Jury, a past service provider in the IHSS program, was approached by an IHSS employee to sign up to take other recipients. All the member had to do was give the IHSS employee permission to re-use the member's provider information, which was already in DPSS files, and periodically sign papers. For this, the member would keep one-half of each check / warrant, and yield the other half to an associate of the DPSS employee.

The grand jury member was subsequently approached by someone who was not a county employee, but offering a similar scam. He told the member that "...lots of people are doing it." Needless to say, the current grand jury member emphatically refused both offers.

RECOMMENDATION 16

The Department of Social Services should implement the recommended security measures in this report. DPSS needs to validate program providers and recipients more aggressively, by knowing who they are to a certainty (photo and fingerprints), their actual and purported participation in the program, and the exposure of bogus providers and recipients. Reference is also made to the 1998-1999 Civil Grand Jury Final Report that recommended methods to detect and prevent attempted employee fraud, particularly the section on *Internal Affairs Investigations*, pages 141-152.

The IHSS program is not supposed to be a cottage industry for scam artists, especially those embedded within the ranks of DPSS itself.

**EXPENDITURES TO LOS ANGELES COUNTY RECIPIENTS OF IN-HOME SUPPORTIVE SERVICES (IHSS)
BY FEDERAL, STATE AND LOS ANGELES COUNTY GOVERNMENT**

Time Frame	No. of Recipients	Federal	State	L.A. County	TOTAL
2003-04 FY Actual	140,000	\$ 12,000,000	\$ 139,000,000	\$ 79,000,000	\$ 230,000,000
2004-05 FY Actual	145,000	\$ 21,000,000	\$ 181,000,000	\$ 58,000,000	\$ 260,000,000
2005-06 FY Actual	152,000	\$ 27,000,000	\$ 226,000,000	\$ 37,000,000	\$ 290,000,000
2006-07 FY Actual	160,000	\$ 42,000,000	\$ 229,000,000	\$ 76,000,000	\$ 347,000,000
2007-08 FY Budget	380,000*	\$ 46,000,000†	\$ 272,000,000†	\$ 65,000,000†	\$ 383,000,000†
	<i>*statewide</i>	<i>†budgeted</i>	<i>†budgeted</i>	<i>†budgeted</i>	<i>†budgeted</i>
2008-09 FY Projected	400,000*				
	<i>*statewide</i>				

Source: DPSS; Legislative Analyst; County Welfare Directors Association of California (CWDA)
See Notes which follow regarding this spreadsheet.

APPENDIX I

**EXPENDITURES TO LOS ANGELES COUNTY RECIPIENTS OF IN HOME
SUPPORTIVE SERVICES (IHSS)**

NOTES TO THE SPREADSHEET

Expenditures to Los Angeles County Recipients of In-Home Supportive Services (IHSS) by Federal, State and Los Angeles County Governments.

1. The expenditures listed include provider wages, payroll taxes, workers' compensation, CMIPS expenditures, provider health benefits, health benefits administration, and the cost of the Personal Assistance Services Council.
2. CMIPS = Case Management, Information and Payroll System.
3. The expenditures listed do not include the cost to the county of administering the IHSS program. This expense is shared with the state and federal governments.
4. The expenditures listed do not include Section 8 Housing, Food Stamps, Cal-Works, Access for Infants and Mothers Program (AIM), Healthy Families Program, or the Major Risk Medical Insurance Program (MRMIP).
5. IHSS is provided without cost to Supplemental Security Income (SSI) and/or State Supplemental Payment (SSP) consumers. The MediCal Program provides medical coverage for all IHSS consumers / recipients.
6. The number of recipients of IHSS in California numbers about 380,000 as of mid-2007, while the California General Fund allocation has grown from about \$1 billion in 2004-2005 to approximately \$1.6 billion in 2007-2008.

7. IHSS is supported through a complex array of federal, state and county funding sources. As might be expected, the Civil Grand Jury was unable to identify the total cost of the program.
8. The attached spreadsheet details expenditures for a portion of the IHSS program in L.A. County. These expenditures should not be thought of as the only related tax burden on L.A. County taxpayers, but rather a reflection of what “budget pot” supports the expenditures. Since Los Angeles is a fairly rich county, it is safe to say that the entire \$383,000,000 budgeted expenditure for FY 2007-2008 will ultimately be paid by L.A. County taxpayers, both private and corporate.
9. Total (spreadsheet) expenditures for all three levels of government have grown 53% in the last five fiscal years.

APPENDIX II

IN-HOME SUPPORTIVE SERVICES PROGRAM SUMMARY

JANUARY 2007



Department of Public
Social Services
Bryce Yokomizo, Director

January 2007



IN-HOME SUPPORTIVE SERVICES: PROGRAM SUMMARY

Overview of IHSS

Background and Scope of Report

The In-Home Supportive Services Program (IHSS) provides personal care and domestic services to eligible aged, blind or disabled persons (*consumers*) who are unable to perform those services themselves and who cannot safely remain in their homes if such services are not provided. The purpose of the program is to allow these individuals to live safely at home rather than in costly and less desirable out-of-home placement facilities.

IHSS Social Workers assess the service needs of applicants to the program and determine:

- **Assessed Hours** – The hours in the 25 service areas that would permit independent living.
- **Authorized Hours** – The hours that consumers are authorized to purchase service needs. These hours may be adjusted from assessed hours in order to account for service needs that are provided by alternate resources.

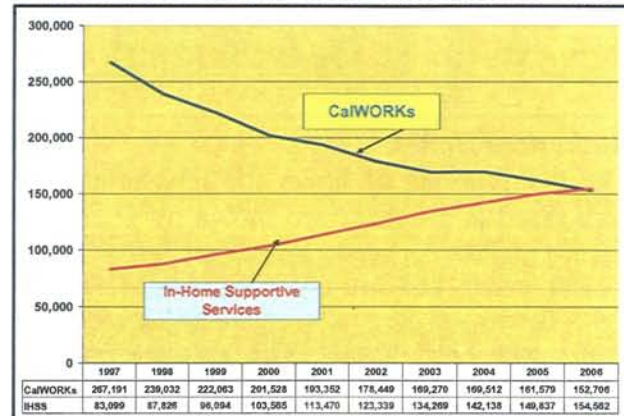
Consumers can be authorized to purchase as many as 283 hours of service needs per month. Consumers who are authorized to purchase 20 or more hours per week of Personal Care Services are considered **severely impaired**. Otherwise, they are considered **non-severely impaired**.

The California Department of Social Services and the Federal Centers for Medicare and Medicaid Services pays for 85% of the administrative costs of the program. Provider wages for the personal care services program are paid through Federal (49.4%), State (32.9%) and County (17.7%) shares.

The IHSS Population

The IHSS Program has grown from a caseload of 83,099 in 1997 to 154,562 in 2006 – a 6% annual rate of growth. The IHSS caseload now exceeds the CalWORKs caseload, although CalWORKs serves more individuals (Chart 1). The IHSS population is expected to reach 200,000 cases by the year 2010.

Chart 1. IHSS and CalWORKs Caseloads 1997-2006



Trend data come from October of each year, except 2006.

The 154,562 IHSS consumers (6,001 children) were qualified as aged, blind or disabled (Table 1).

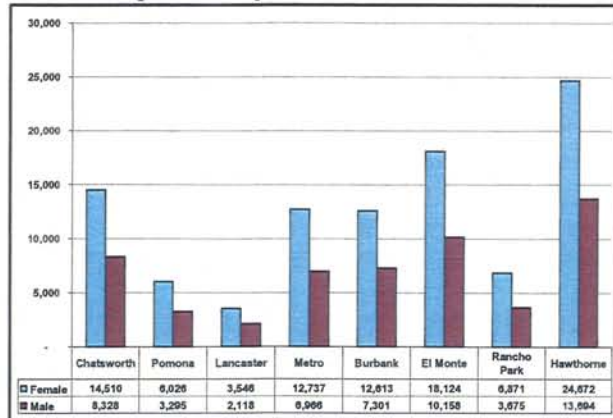
Table 1. Aged, Blind and Disabled Population

	Female	Male	Total
Aged	53,594	25,005	78,599
	54.1%	45.1%	50.9%
Blind	2,186	1,656	3,842
	2.2%	3.0%	2.5%
Disabled	43,293	28,828	72,121
	43.7%	52.0%	46.7%
Total Population	98,494	52,895	154,562

The IHSS population by Supervisorial District is:

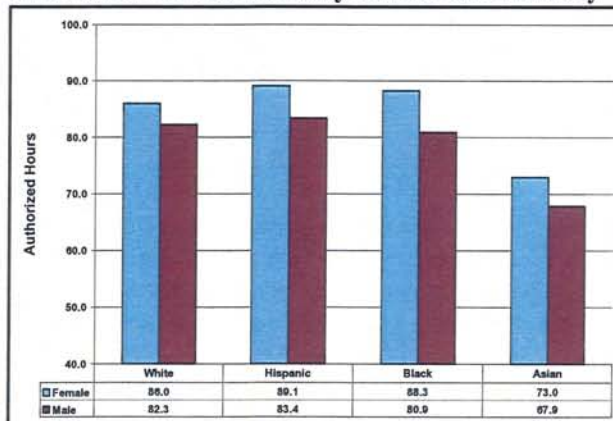
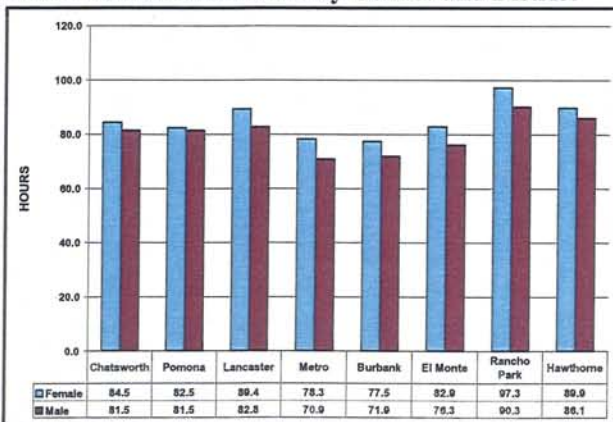
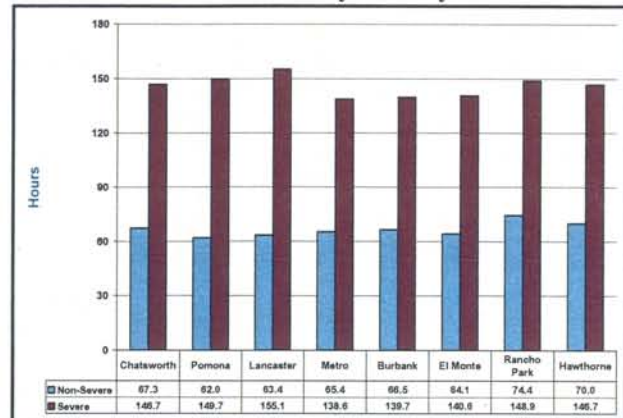
- **District 1** 31,313 (20%)
- **District 2** 36,521 (24%)
- **District 3** 33,367 (22%)
- **District 4** 18,838 (12%)
- **District 5** 34,523 (22%)

IHSS consumers are assisted through eight (8) district offices located throughout Los Angeles County and varying in the size of their consumer population (Chart 2).

Chart 2. Population by District Office and Gender


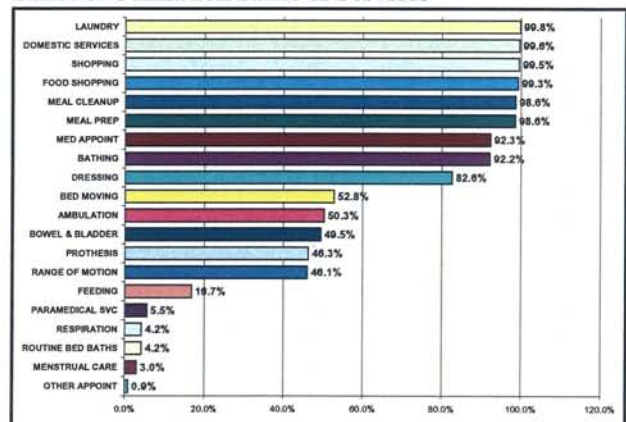
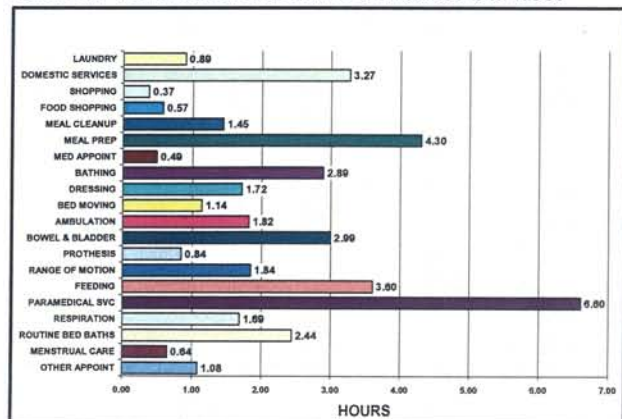
Authorized Hours

The distributions of hours that consumers are authorized to purchase are shown by gender and ethnicity (Chart 3), gender and district office (Chart 4), and severity and district office (Chart 5). Females (84.8 hours) are generally authorized more hours than males (79.7 hours). The severely impaired received more hours (125.4 hours) than those not severely impaired (66.6 hours). There are also variations across ethnic groups and district offices.

Chart 3. Authorized Hours by Gender and Ethnicity

Chart 4. Authorized Hours by Gender and District

Chart 5. Authorized Hours by Severity and District


Service Needs

IHSS provides services in 25 areas. Chart 6 shows the utilization rates for 20 of these services, while Chart 7 shows the average authorized hours for those who receive that service. Basic domestic needs (laundry, shopping, meals, etc.) are received by nearly all consumers, but tend to be authorized fewer hours. A smaller fraction receives personal care services, but on average, is authorized more hours.

Chart 6. Utilization Rates of Services

Chart 7. Authorized Hours to Purchase Services


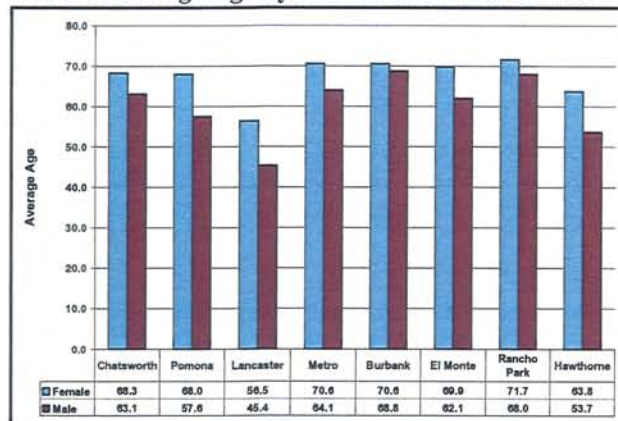
Demographic Characteristics of Consumers

Distributions in age, gender, ethnicity, language and living arrangements of the IHSS population provide a window into the population served.

Age and Gender

The average age of the IHSS consumer is 67.9 years for females and 60.8 years for males. These averages vary across district offices (Chart 8), with Lancaster having the youngest group and Rancho Park the oldest.

Chart 8. Average Age by District Office and Gender



Ethnicity

There are four major ethnic groupings receiving IHSS services (Chart 9). These reflect the diverse nature of the Los Angeles County population, and contain no single majority, although Whites (37%) are the largest group. Various district offices have widely varying ethnic distributions (Chart 10), with some group concentrations that vary from office to office.

Chart 9. Ethnic Distribution

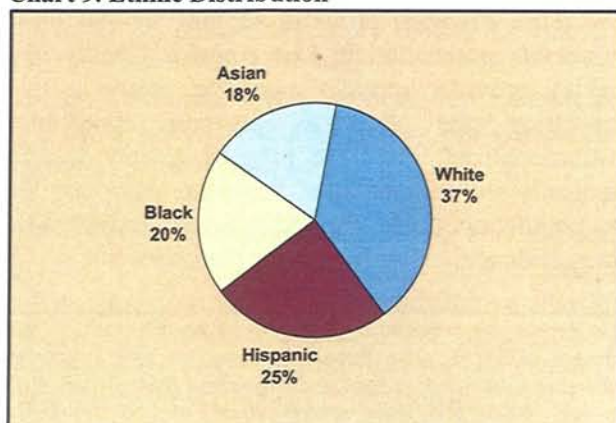
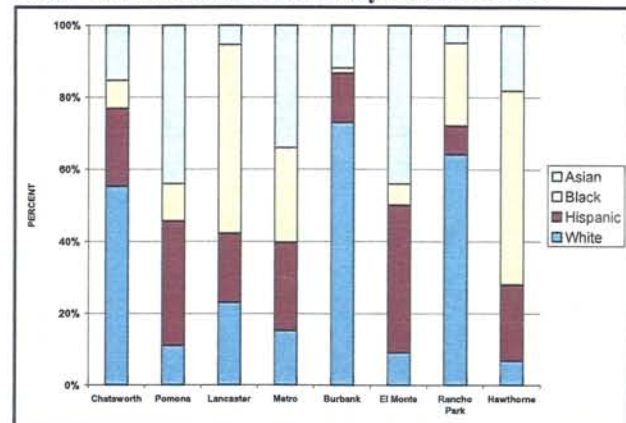


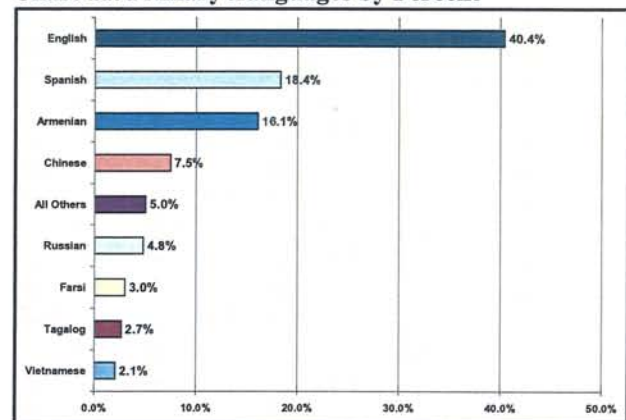
Chart 10. Ethnic Distribution by District Office



Languages

There were 29 primary languages spoken by IHSS consumers, and the top 8 are shown below (Chart 11). A majority (59.4%) are other than English.

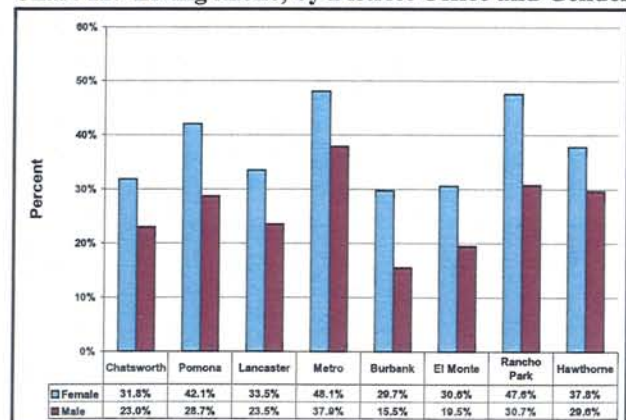
Chart 11. Primary Languages by Percent



Living Arrangements

Thirty-two percent of all IHSS consumers live alone, with females (36%) far more likely than males (24%) to do so (Chart 12).

Chart 12. Living Alone, by District Office and Gender



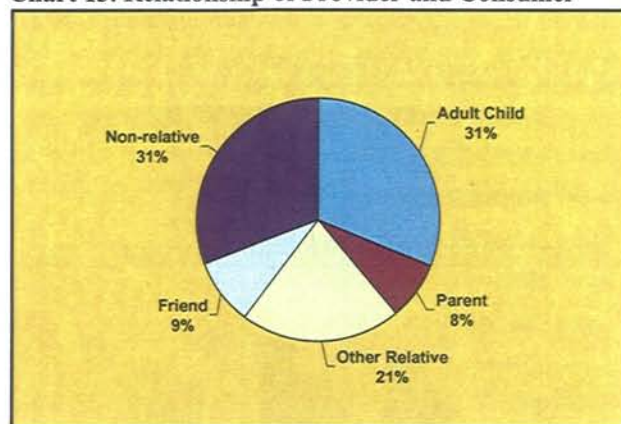
Summary on Demographic Characteristics

The charts on population and demographic characteristics show the incredible diversity in the IHSS population across age, gender, ethnicity, languages and living arrangements. Each district office has a distinct distribution in these characteristics.

Profile of Service Providers

In December 2005, there were 121,405 providers and 7,325 of these cared for more than one consumer. Women were 77% of providers and men were 23%. Over 60% of the providers were related to the consumers they served (Chart 13). Less than 3.0% of consumers had a spouse as a paid provider. The average female provider was 46.3 years old and the average male provider was 43.4.

Chart 13. Relationship of Provider and Consumer



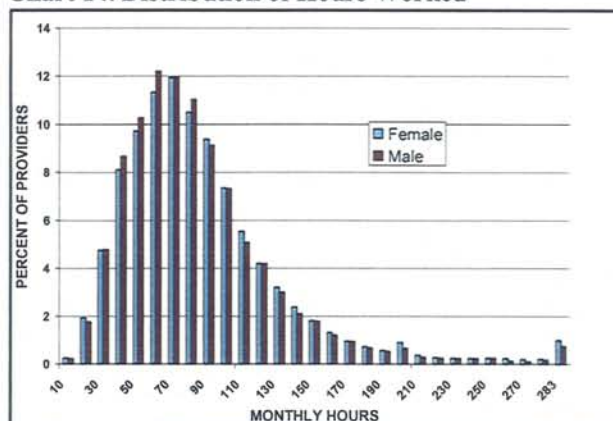
The providers, like the consumers they serve, are very diverse, ethnically and by language. Whites (25%) were the largest ethnic group among the providers who indicated an ethnic identity, followed by Hispanics (22%), Blacks (15%), and all Asian groups (12%).

The language distributions are similar to those of the consumers. The primary language is English (58.5%), which means that the providers are more likely than the consumers to claim English.

Hours Worked by Providers

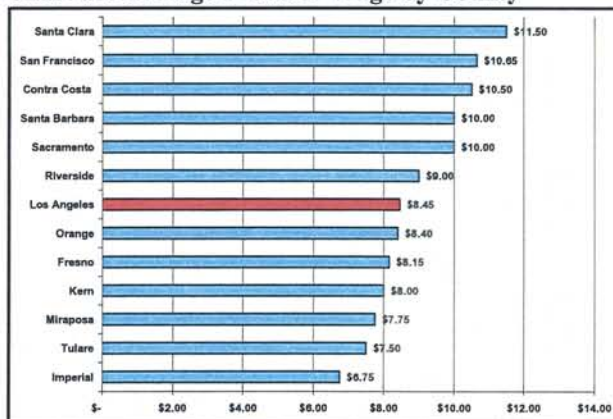
Providers are paid wages of \$8.45 an hour and can work as many as 283 hours per month for one consumer. Female providers averaged 81.5 hours, while males averaged 78.9 hours. The vast majority of providers work between 50 and 110 hours a month (Chart 14). Providers who work the average number of hours earn \$688 or \$666 a month for females or males, respectively.

Chart 14. Distribution of Hours Worked



Each county sets provider wages, with some counties paying as much as \$11.50 an hour and others the State minimum wage of \$6.75. Los Angeles County has the largest provider population in the State, but its wage, \$8.45, is towards the lower end of the wage spectrum (Chart 15).

Chart 15. Average Provider Wage by County



Summary of Report

The IHSS Program provides support for the most vulnerable population in Los Angeles County. By making provider services available, many in this population are able to postpone becoming institutionalized. The IHSS program is very diverse ethnically and in languages. Providers who care for this population, however, tend to work relatively few hours and receive low wages for their services.

This Report was prepared by Henry E. Felder, Ph.D., Assistant Director of DPSS. The Report is based on data from the California Case Management and Payrolling System (CMIPS) for July 2006, and from several years' of data from the Department's Statistical Reports.

2007-2008 Los Angeles County Civil Grand Jury Final Report



**AUDIT OF COUNTY-WIDE VEHICLE USE:
THE DRAWBACKS OF DECENTRALIZED MANAGEMENT**

**2007-2008 Los Angeles County Civil Grand Jury
Investigative Committee**

**Franki Horne, Co-Chair
Brandon Makoroff, Co-Chair**

**Elaine Poydras
John E. Smythe**

EXECUTIVE SUMMARY

This audit of the Los Angeles County-Wide Vehicle Use was conducted by an audit firm for the Fiscal Year 2007-08 Civil Grand Jury of Los Angeles County.

Key findings and the audit recommendations are as follows:

SECTION 1. VEHICLE MANAGEMENT POLICIES AND PROCEDURES

- Los Angeles County vehicles are managed under a decentralized system, governed by Chapter 5.40 of the County Code, which is intended to provide an overarching framework for departmental vehicle management policies and procedures. A department's policies and procedures generally designate who has the authority to approve employee vehicle use, the types of vehicles that are available, the process required for an employee to use a department vehicle, and the responsibilities associated with vehicle use. However, the County Code does not provide a clear framework for departmental vehicle fleet management policies and procedures.
- As a result of the decentralization of vehicle policies and procedures, there are discrepancies in how stringently and comprehensively vehicles are managed across the departments. In particular, there are differences in assigning and reporting take-home vehicle authorizations and use. For example, only the Coroner's procedures require an employee memo and interview prior to assigning a take-home vehicle, while the Fire Department's policies list positions that are automatically assigned a take-home vehicle.
- The County Code should be amended to include a comprehensive County-wide vehicle management framework that will provide clearer guidelines for departmental policies and procedures, while also removing sections that are too specific and more appropriate for departmental policies and procedures. Further, the County should ensure that all vehicle policies and procedures, especially take-home vehicle policies, are consistent County-wide and ensure that sufficient internal controls have been established to identify abuse of the County Code or departmental policies and procedures.

Recommendation 1.1: County Code Chapter 5.40 sections should be amended by the Board of Supervisors to create a simple framework for departments using County vehicles.

Recommendation 1.2: Chapter 5.40 should be amended by the Board of Supervisors to require all departments to develop policies and procedures that define take-home

assigning authorities, criteria for take-home assignment, compliance tracking mechanisms, and the frequency of mileage reporting.

Recommendation 1.3: *The County Executive Officer (CEO) should require that all departments develop a procedure that would define circumstances when ongoing justification of an employee take-home vehicle assignment would be permitted.*

Recommendation 1.4: *The CEO should require that all departments refer to the Coroner's Office as a model for a more stringent set of policies and procedures on take-home vehicles, which would be consistent with a revised Chapter 5.40 of the County Code.*

Recommendation 1.5: *The CEO should require that each department, working with the Auditor-Controller's Office, should develop a tracking system that provides data necessary to determine justification for employee take-home vehicle assignments linked to the department policy that justifies the assignment.*

SECTION 2: TAXABLE INCOME REPORTING

- The Los Angeles County Auditor-Controller, in compliance with Internal Revenue Service regulations (Publication 15-B), requires that County employees who are assigned a take home vehicle, report the use of the vehicle as income on annual tax returns. The current policy states that, on an annual basis, each Department will submit a list of employees who are assigned a take-home vehicle to the Auditor-Controller. However, this list is not reconciled, nor reviewed with actual practice, to ensure accuracy and completeness.
- Further, there are no internal controls to ensure that every County employee with take-home vehicle privileges report the income to the Internal Revenue Services. As a result, a reconciliation of the list of imputed income from the Auditor-Controller's Office and the list of actual take-home vehicles from the County reveals numerous discrepancies in the reporting, involving up to 12 vehicles assigned to Fire Department employees and 18 vehicles assigned to Medical Examiner-Coroner employees. In addition, based on a reconciliation of the data from selected County departments, many departments have some inconsistencies.
- To ensure compliance with the Internal Revenue Service regulations, the Auditor-Controller should require County departments to submit the name of an employee who is authorized to take home County owned vehicles. Further, the Auditor-Controller should engage in a performance audit of one department annually to ensure that take- home vehicle lists are complete and accurate.

Recommendation 2.1: *The Auditor-Controller's Office should work with County departments to ensure the accuracy of documentation showing employees receiving imputed taxable income from take-home vehicle use.*

Recommendation 2.2: *The Fire Department should work with the Auditor-Controller's Office to ensure that all imputed taxable income is reported to the Internal Revenue Service.*

Recommendation 2.3: *The Fire Department should explore the option of placing a County seal on vehicles assigned to senior staff with County take-home privileges.*

Recommendation 2.4: *The Auditor-Controller's Office should perform a reconciliation of the take-home vehicle list and the imputed taxable income reported by departments to ensure accuracy. This reconciliation should be performed annually.*

Recommendation 2.5: *The CEO should require that all County departments provide to the Auditor-Controller's Office the names of employees authorized to use a County take-home vehicle, including exempt employees and the reason for the exemption.*

Section 3. Evaluation of Take-Home Vehicle Need

- Over 1,400 County employees have take-home vehicle privileges and drive a County-owned vehicle home nightly. Although there are County-wide procedures, the County lacks detailed and consistent policies and procedures authorizing take-home vehicle use at the departmental level, where the program is implemented. In many instances, the authorization for take-home privileges is made at the department level by a senior manager, based upon operational need. In other instances the decision is made on other bases, in accordance with department specific policies and procedures. Based on interviews with staff and department managers, a review of take-home approval documentation, and policies and procedures, there is minimal evaluation of the ongoing operational need for take-home vehicles.
- As a result of the managerial decisions regarding take-home vehicles, the on-going business need of each authorization is not fully known. While senior managers understand the organizational need for take-home vehicles, there is minimal tracking of the business need or justification of take-home vehicle requirements. Without formal justification, some take-home privileges may not be appropriate since there is minimal review and oversight to ensure adequate business need.

- To make sure departments are only providing take-home vehicles for senior managers, as compensation; and, line-staff, based on justifiable business need, departments should review the take home privileges of staff and evaluate the number of call-outs, after hour-incidents, and the miles associated with such events annually. The information should be provided to the Auditor-Controller and the County Executive Office for annual review and development of recommendations to the Board of Supervisors regarding take-home privileges.

Recommendation 3.1: *The Board of Supervisors should direct all County departments to track and monitor after-hour vehicle usage to ensure sufficient business justification exists for the take home vehicle.*

Recommendation 3.2: *The Board of Supervisors should direct the Auditor-Controller's Office to work with County Departments to establish minimum criteria for after-hour business needs to establish consistent practices within the County.*

Recommendation 3.3: *The Auditor-Controller's Office should work with County departments to assess business need, review take-home vehicle privileges, and recommend changes in department's take-home vehicle assignments, on an annual basis.*

Recommendation 3.4: *The CEO should require that all County departments with take home vehicles add a policy and procedure that establishes a system to evaluate after-hour vehicle use.*

Recommendation 3.5: *County-wide, each department with take home privileges should work with the Auditor-Controller's Office and the Chief Executive Office to review take-home vehicle use and compare the cost of such use with reimbursements for use of personal vehicles.*

SECTION 4: COUNTY FLEET COSTS

- There are inconsistencies in the types of vehicles purchased by County departments, resulting in numerous instances where the type of vehicle purchased may have features that are inconsistent with those that are required for the vehicle's intended business use. Many of the vehicles have features that appear to exceed such needs, and many tend to be take-home vehicles that are assigned to senior staff.

- A review of departmental vehicle inventories indicates that some departments have purchased luxury vehicles for the department director or other senior managers. Without clear direction from the Board of Supervisors, departments do not have a strong incentive to purchase vehicles that more closely meet the business needs of the departments and are priced at a lower cost.
- To ensure that there are consistent, cost effective vehicle purchases throughout the County, the Board of Supervisors should amend the County Code by adding criteria regarding the types of vehicles to be purchased by departments. Departments should be required to submit justifications for any requested exceptions to such criteria, for approval by the Board. The Internal Services Department should prepare an annual report to the Board of Supervisors on County vehicle purchases that exceed a threshold value determined by the Board of Supervisors.

Recommendation 4.1: *The Internal Services Department should review the composition of the County fleet annually to identify the number of vehicles considered to be luxury or over \$30,000, and provide the report to the Board of Supervisors.*

Recommendation 4.2: *The Board of Supervisors should amend the County Code by adding language that establishes criteria for the standard vehicle types and require departments to submit any exceptions to such criteria to the Board of Supervisors.*

Recommendation 4.3: *The Internal Services Department should prepare an annual report to the Board of Supervisors on County vehicles over a threshold value determined by the Board of Supervisors for routine sedans, sports utility vehicles and light trucks.*

Recommendation 4.4: *The Office of the Auditor-Controller and the Internal Services Department should work with other County departments to reconcile the various County fleet information sources to ensure that accurate information exists.*

INTRODUCTION

The purpose of this audit is to examine to what extent County departments are complying with the County Vehicle Use Ordinance 5.40.300, which restricts use of County vehicles for County business only, and prohibits home to work usage without special authorization from the Board of Supervisors or Chief Executive Officer. The Civil Grand Jury requested this management audit after conducting preliminary interviews and making other inquiries into County vehicle usage. In response to the request, the audit firm prepared a proposal for accomplishing the scope of work developed by the Civil Grand Jury. After being selected, the audit firm then met with the Vehicle Committee and other members of the Civil Grand Jury, to refine the proposed work plan and to select the departments to be audited.

Study Purpose and Scope

The management audit evaluated County-wide vehicle use, focusing on take-home vehicle assignments and the personal use of County-owned vehicles. The analysis of vehicle usage concentrated in particular on four large County departments, which utilize or manage significant numbers of vehicles, with some follow-up with six smaller County departments. These departments were selected in consultation with the Civil Grand Jury, based on several general criteria, including: (1) the size and business functions of the department; (2) the number of vehicles assigned to the department; and, (3) the amount of department exposure to abuse of take-home privileges, based on numbers of take-home vehicles in their fleets. Based on these and other criteria, the ten County departments selected for review included:

Higher Use Departments

1. Fire Department
2. Internal Services Department
3. Public Works Department
4. Sheriff's Department

Lower Use Departments

1. Agriculture Commission
2. Board of Supervisors
3. County Executive Office
4. Coroner
5. Parks and Recreation
6. Probation

In addition, the County Auditor-Controller's Office was contacted to receive information pertaining to the County's fixed asset database and to receive data on taxable income reported for employees with County take-home vehicle privileges.

As requested by the Civil Grand Jury, the first priority for this study was to identify a control total and baseline number of County vehicles, as well as to review and assess County policies and procedures. This first priority was established to ensure that, to some extent, all vehicles were included in the review and that the selected County departments encompassed the greatest risk to the County for potential violations County Ordinance Code Section 5.40.300.

Concerned that potential violations of the County Code may exist, efforts were made to determine if improvements in business practices and operations could result in cost savings, and to ensure that policies and procedures are sufficient. Information to be obtained and questions to be answered through this audit included the following:

1. Determine the number of vehicles in the County fleet;
2. Quantify the total cost of all County vehicles;
3. Identify the annual operating cost of the vehicles;
4. Review County information to determine the number of authorized vehicles driven from home to work daily;
5. Determine how many vehicles are actually driven from home to work daily;
6. Identify the number of employees who receive taxable income, as reported on federal W-2 Tax Forms, related to the use of a County vehicle for take-home purposes;
7. Identify the number of contractors that received taxable income, as reported on federal 1099 Miscellaneous Income Tax Forms, related to the use of a County vehicle for commute purposes;
8. Quantify the number of employees with take-home vehicle privileges without special authorization required by County ordinance; and,
9. Determine the County costs related to the abuse of County Ordinance Code Section 5.40.300 abuses.

Project Methodology

With the exception of departmental review of the entire draft report, a management audit was conducted. This management audit was conducted with professional standards ensuring independence, objectivity, and comprehensiveness. In accordance with these objectives, the following management audit steps were followed.

- An entrance conference with each of the four County departments was conducted by members of the Civil Grand Jury and members of the audit firm. The purpose of these meetings were to explain the project objectives and study scope, introduce the project team, outline the processes and timelines, arrange logistics, obtain an overview of the County's vehicle fleet size, obtain other basic documentation, and respond to questions.
- Interviews were conducted with staff from the Office of the Auditor-Controller, the Fire Department, Internal Services Department, the Department of Public Works, and the Sheriff's Department. The purpose for these interviews was for the audit firm's project team to obtain an overview understanding of the departmental vehicle policies and procedures, and to gain perspectives on respective department vehicle usage.
- Documentation was collected from each County department on its policies and procedures; budget documentation, financial reports and cost allocation data for the fleet acquisition and maintenance program; claims data related to vehicle incidents; inventories of vehicles; contracts and agreements for leased/lease purchased vehicles; and, contracts and agreements for equipment modifications and repair.
- Interviews were conducted with personnel from six additional departments⁴, who are responsible for managing department vehicles. These interviews were conducted to obtain additional information on department vehicle inventories, policies and procedures, and take-home vehicles. In addition, interviews were conducted with representatives from the Auditor-Controller's Office to obtain a detailed understanding of taxable income and the federal tax implications of take-home vehicles and fixed asset inventory reporting, as required by Governmental Accounting Standards Board (GASB) Statement 34.
- Analysis of vehicle data to identify total costs related to County vehicle usage.

⁴ These departments are: the Agriculture Commission, the Board of Supervisors, County Executive Office, Coroner, Parks and Recreation Department, and Probation.

- A survey of best practices regarding vehicle policy and procedures in selected jurisdictions throughout California. Because our focus was on practices in other California jurisdictions, we were able to obtain an understanding of methods used in other jurisdictions that are subject to the same laws and employee relations issues faced by the agencies that were the subject of this audit.
- Inconsistent with the Government Auditing Standards 2007 Revision, by the Comptroller General of the United States, U.S. General Accounting Office, only a partial draft report was submitted to departments for review. The Civil Grand Jury requested that only factual information and tables be submitted to the management from each of the participating departments for review. The Office of the Auditor-Controller, the Fire Department, the Internal Services Department, the Department of Public Works, and the Sheriff's Department were asked to review the draft report for factual accuracy and clarity. Exit conferences were then held with each of the departments to receive comments, suggestions for changes to partial report, and any additional information they felt was relevant to facts and information. Members from the Civil Grand Jury participated in these exit conferences.

Based on the comments received at exit conferences, a final report was produced and submitted to the Civil Grand Jury.

Profile of the County Fleet

To provide an understanding of the Los Angeles County fleet, it is key to understand the unique nature of Los Angeles County. Los Angeles County is a large County, covering 4,061 square miles, with a population of approximately 10 million people. Because of the sheer size and population of the County, departments have a greater need for vehicles than do smaller and more geographically concentrated jurisdictions within the State.

County Fleet Inventory

The Governmental Accounting Standards Board (GASB) is an organization established to "improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports⁵." In 1999, GASB issued GASB Statement 34 to local governments that require

⁵ Source: Government Accounting Standards Board website (<http://www.gasb.org/>)

all local governments to account for all capital assets. Capital Assets are defined by GASB Statement 34 as assets that have a useful life extending beyond a single annual reporting period. This includes all vehicles and equipment, but also includes infrastructure (e.g., buildings and other facilities). The Los Angeles County Auditor-

Controller includes all vehicles and equipment with an original cost greater than \$5,000 in its fixed asset inventory, and in compliance with GASB 34, such assets are recorded at their original cost.

Since vehicles must be reported by the Auditor-Controller in the County's financial statements, this provided us with one database covering the entire universe of County vehicles. For purposes of this audit, the information provided by the Auditor-Controller was useful to establish a baseline and use as a control total throughout the project. Using the numbers provided by the Auditor-Controller also provided us with a consistent reporting of vehicles, as well as a consistent description of vehicles, acquisition costs, date of acquisition, and acquisition purchasing methods.

As of January 2008, the total number of vehicles in the County fleet is 12,780, as reported by the Auditor-Controller's Office. A review of this database suggests that this includes a broad range of vehicle types. The table below shows the total County fleet size as reported by the Auditor-Controller by the largest County departments.

Table 1
Fleet Size by Department

Department	No.	Percent	Cumulative Percent
Sheriff's Department	5,308	41.5%	41.5
Public Works Department	1,860	14.6%	56.1
Fire Department	1,330	10.4%	66.5
Internal Services Department	967	7.6%	74.1
Parks & Recreation Department	739	5.8%	79.9
All Other County Departments	2,576	20.1%	100.0
GRAND TOTAL	12,780	100.0%	

Source: Auditor-Controller Capital Asset Database. Vehicles as of January 2008. This represents vehicles as classified by the Auditor-Controller. This database is all encompassing, and includes all vehicle types, including vehicles, sedans, buses, trucks, and trailers.

As shown in the table above, the five main departments comprise approximately 80 percent (79.9 percent) of all vehicles in the County's fleet. This appears reasonable, given the functions and operating requirements of these departments. The Sheriff's Department has the largest number of vehicles, which are assigned to patrol, investigation, and other core law enforcement and detention functions. Similarly, the Public Works Department, the Fire Department and the Internal Services Department have large fleets, corresponding with the business needs of these departments. For example, the fleet for the Public Works department includes a mix of sedans, light trucks and heavy equipment, while the fleet for the Fire Department includes sedans, light trucks and fire suppression equipment.

As stated, the table above shows all vehicles in the department's fleet. While the Auditor-Controller's Database classifies vehicles based on type, the classifications were simplified into broader categories for purposes of this report. Most importantly, since the focus of this audit is on automobiles, pick-up trucks, sport utility vehicles (SUV), vans, motorcycles, and other similar vehicles, the vehicle inventory was combined into several broad categories of vehicles, shown in the table below.

Table 2
Types of Vehicle in County Fleet

Type of Vehicle	No.	Percent
Automobiles	5,417	42.4%
Light Trucks	3,762	29.4%
Sport Utility Vehicles (SUV)	491	3.8%
Motorcycles	159	1.2%
Buses	162	1.3%
Heavy or Specialized Equipment	2,525	19.8%
Not Identified	264	2.1%
GRAND TOTAL	12,780	100.0%

Source: Auditor-Controller Capital Asset Database. Vehicles as of January 2008.

The classifications of fleet vehicles determined for purposes of this audit are broken into the following seven broad categories:

- Automobiles – This includes automobiles or station wagons. This classification includes marked patrol vehicles.
- Light Trucks – Trucks include light trucks and vans.
- Sport Utility Vehicles (SUV) – Any SUV found in the database was classified as a sports utility vehicle. This includes large SUVs like a Ford Expedition, to smaller SUVs like a Ford Escape hybrid.
- Motorcycle – This includes motorcycles as well as all-terrain vehicles (ATVs).
- Buses – Large passenger buses are included in this category. This excludes passenger vans used for transportation purposes, shown under light trucks.
- Heavy or Specialized Equipment – Since the focus of this audit was not on heavy equipment and specialized equipment, this is a broad classification that includes large vehicles or specialized equipment, most commonly used in the public safety departments and County public works departments.
- Not Identified – This is a classification where the description was either incomplete or the description made it difficult to more generally classify a vehicle.

To highlight the characteristics of County department fleets, the table below identifies the County fleet by each department using the categories above.

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Table 3

Types of Vehicle by Department

	County Department						
Vehicle Type	Sheriff	Public Works	Fire	Internal Services	Recreation & Park	All Others	TOTAL
Automobiles	3,704	187	332	200	39	955	5,417
Light Trucks	665	549	280	717	446	1,105	3,762
Sport Utility Vehicles	303	18	71	7	3	89	491
Motorcycle	151	0	2	0	1	5	159
Buses	85	35	28	0	1	13	162
Heavy or Specialized Equipment	297	1,071	585	38	243	291	2,525
Not Identified	103	0	32	5	6	118	264
TOTAL	5,308	1,860	1,330	967	739	2,576	12,780

Source: Auditor-Controller Capital Asset Database. Vehicles as of January 2008.

As the table above shows, each of the departments' fleets has unique characteristics. Brief overviews of each of the departments are provided below.

- The Sheriff's Department's fleet is primarily automobiles. The data shows that 69.7 percent of the fleet are vehicles, with a majority of these vehicles being patrol vehicles. Also, included in the Sheriff's Department fleet are large mobile command units, buses for prisoner transportation, motorcycles for traffic control purposes, and boats and other watercraft.
- The Department of Public Works fleet primarily consists of heavy equipment used for construction purposes, including street sweepers and dump trucks, with automobiles and light trucks comprising a smaller proportion of its total fleet.
- The Fire Department utilized numerous specialized pieces of equipment for their fire suppression activities, including fire engines and pumper trucks. The Fire Department also has extensive large inventory of automobiles. These automobiles are used for a wide variety purposes, ranging from fire prevention and suppression activities, to the transportation of high-ranking officials and lifeguard functions.
- The Internal Services Department maintains the County's pooled fleet, which is a vehicle rental service. In addition to passenger automobiles, the pooled fleet includes vans and pick-up trucks for County departments that do not have a great need for vehicles or sufficient resources to maintain a fleet.
- The Recreation and Parks Department has a fleet that contains many pieces of specialized equipment necessary for maintaining County parks, such as riding mowers and Cushman utility vehicles.

Take Home Vehicles

For many government functions, responses to potential emergency situations require staff to be available at all hours of the day. In some instances, this requires that some staff have take-home vehicle privileges, where a County-owned vehicle is permitted to be driven home nightly. Should an incident occur after hours and a call-out be required, staff will have

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the County vehicle available and be able to respond directly to the scene of an incident or critical event. Often these vehicles contain specialized equipment, consistent with the routine nature of the position. For example, an arson inspector in the Fire Department carries specialized tools required for the arson investigation function.

In other instances, the use of a County vehicle for take-home use is a benefit contained as part of an employee's compensation package. Generally, senior department managers are granted County vehicles for personal use to drive from home to work. In the Sheriff's Department, however, the Deputy Sheriff's Association negotiated an agreement with the County that permits deputies that drive a motorcycle to take-home the vehicle, but requires the deputy to maintain the motorcycle.

To determine the number of take-home vehicles, ten departments submitted a list of staff with take-home privileges. Staff granted take-home vehicle privileges must report the use of the vehicle to the Internal Revenue Service (IRS) as income. The list of take-home vehicles is provided to the Auditor-Controller's Office. While not all staff are required to report take-home vehicle use as income, this list provided a baseline throughout the County to determine the number of take home vehicles assigned by department. The number of take-home vehicles derived from this analysis are shown in the table on the next page, by department.

Table 4
Number of Take Home Vehicles
by Largest Departments

Department	No.
Sheriff's Department	835
Department of Public Works	319
Fire Department	145
Board of Supervisors	75
District Attorney	19
Coroner	18
Internal Services Department	11
Agriculture Commission	10
Parks & Recreation	8
Chief Executive Office	7
All Other Departments	24
TOTAL	1,471

Source: Auditor-Controller Imputed Income Database and Take-Home Vehicle list provided by selected departments (Sheriff, Public Works, Fire, Board of Supervisors, Coroner, Internal Services Department, Agriculture Commission, Parks & Recreation, and Chief Executive Office).

Generally, the departments with the highest numbers of take-home vehicles are the ones with the need for these vehicles after normal work hours. The Sheriff's Department and Fire Department may respond to emergency situations where time is of the essence and quick response time is paramount. Similarly, the Department of Public Works often may need to respond to an after hours event.

Fleet Costs

As part of this audit, the total acquisition costs of the entire County fleet was determined by using the data contained in the Auditor-Controller's fixed asset database. These numbers have to be reported by each department to comply with auditing regulations. The total acquisition costs, which is the original purchase price, of the County's fleet is shown in the table on the next page.

Table 5
Fleet Costs by Largest Departments

Department	Costs
Sheriff's Department*	\$136,745,888
Fire Department	\$107,467,895
Public Works Department	\$85,413,859
All Other County Departments	\$68,074,658
Internal Services Dept	\$20,616,035
Parks & Recreation Department	\$14,846,207
GRAND TOTAL	\$433,164,543

Source: Auditor-Controller Capital Asset Database and shows original purchase price. This database is all encompassing and includes all vehicles, including passenger cars, buses, trucks, and trailers. Vehicles as of January 2008.

* In the database, there are 188 Sheriff's Department vehicles without any cost information. The Sheriff's Department indicated these 188 vehicles had an original purchase price of \$4,628,447 which would increase the total costs for the Sheriff's Department to \$141,374,335.

The table above shows that the entire County fleet acquisition, or original purchase costs are over \$433 million, including both heavy equipment and automobiles. Since there are still vehicles in the County fleet that are several decades old, this picture of the County fleet includes a lengthy historical view. The oldest vehicle included in the database is from October 1963. However, the median acquisition date is 2001, so many of the vehicles are relatively new.

Although the original purchase price contains some older vehicles, the table on the next page presents the average original purchase price for vehicles by the departments with the largest fleets.

Table 6
Fleet Costs by Per Vehicle by
Largest Departments

Department	Costs	No.	Average Cost Per Vehicle**
Sheriff's Department*	\$136,745,888	5,308	\$25,762
Public Works Department	\$85,413,859	1,860	\$45,921
Fire Department	\$107,467,895	1,330	\$80,803
Internal Services Dept.	\$20,616,035	967	\$21,320
Parks & Recreation Department	\$14,846,207	739	\$20,090
All Other County Departments	\$68,074,658	2,576	\$26,426
GRAND TOTAL	\$433,164,543	12,780	\$33,894

Source: Auditor-Controller Capital Asset Database. This database is all encompassing and includes all vehicles, including vehicles, buses, trucks, and trailers. Vehicles as of January 2008.

* In the database, there are 188 Sheriff's Department vehicles without any cost information. The Sheriff's Department indicated these 188 vehicles had an original purchase price of \$4,628,447 which would increase the total costs for the Sheriff's Department to \$141,374,335 and would change the average cost per vehicle to \$26,634. **Does not represent replacement cost.

Some aspects of the individual department costs are outlined below:

- The table shows that the Fire Department average cost per vehicle is over \$80,000 per vehicle. The Fire Department requires fire rescue equipment for fire suppression purposes, which dramatically increases the averages. For example, the database shows the Fire Department has over 324 vehicles with an original purchase price over \$200,000, including seven fire trucks with an original purchase price of \$724,000. Overall, the Fire Department has a total of 276 vehicles with an original purchase price over \$100,000.
- The Department of Public Works average cost per vehicle is approximately \$46,000. The Department of Public Works fleet includes specialized heavy equipment necessary for large construction projects, increasing the average cost per vehicle. The Department of Public Works has 155 vehicles over \$100,000 and 48 vehicles over \$200,000. Additionally, there is a crane in the department's fleet with an original purchase price of \$406,000.

- The Sheriff's Department average cost per vehicle is \$25,762. The Department is composed primarily of patrol cars and other light trucks and sports utility vehicles. The proportion of these types of vehicles results in a lower cost per vehicle than reported for the Fire Department and Public Works. However, it is important to note that the Sheriff's Department includes a large fleet of buses used for transporting prisoners throughout the State and to Court. The Sheriff's Department's fleet also includes specialized tactical response equipment.
- The Internal Services Department includes mostly cars and trucks. This is the department that operates the County motor pool. The Internal Services Department includes large trucks and tractors that departments may use on an as-needed basis. However, vehicles in this department are primarily light trucks and automobiles.
- The Recreation and Parks Department's average cost per vehicle is only \$20,090. These lower average costs are driven by the small equipment required to maintain County parks, such as riding mowers and Cushman utility vehicles, which reduce the average costs for the fleet.
- The remaining departments have an average cost of \$34,000. The higher average cost per vehicle is driven by large specialized equipment operated by County hospitals. Included in these numbers are two mobile hospitals with original purchase prices of \$2,850,752 and \$674,594.

In addition to the historical information from the Auditor-Controller's database, vehicle acquisition information was received for the main four survey departments, which provides a recent picture of acquisitions made by the survey departments.

The Fire Department provided information for vehicles purchased since Fiscal Year 2005-06 to present. This information indicates that the department purchased a total of 113 vehicles for a total purchase price of \$8.1 million. The purchases by the Fire Department show most of the purchases were for automobiles, sports utility vehicles, pick-up trucks and vans. Overall, 97 of the vehicles purchased since FY 2005-06 were automobiles and light trucks. Of the remaining 16 purchases in the fleet, thirteen were fire engines, including a hazardous materials response truck, and three were large trailers.

The Internal Services Department provided information outlining their vehicle purchases for the previous three fiscal years. Over the three year period the Internal Services Department purchased 318 vehicles. These vehicles are a mix of cars, trucks, and heavy equipment. The table on the next page shows the details of purchases.

Table 7
Vehicle Purchases by the Internal Services Department
Previous Three Fiscal Years

Fiscal Year	Number of New Equipment	Cost	Average Cost
2005-06	148	\$4,363,028	\$29,480
2006-07	105	\$3,732,464	\$35,547
2007-08*	65	\$2,697,608	\$41,502
TOTAL	318	\$10,793,100	\$33,941

Source: Internal Services Department. LAC-CAL purchases

* Through February 21, 2008.

The Department of Public Works also provided a list of vehicle purchases over the previous three fiscal years. The DPW database shows that the department has purchased 256 vehicles over the past three fiscal years for a total of almost \$18 million. The vehicles purchased include a wide array of vehicles that is consistent with the existing fleet of the department.

Table 8
Vehicle Purchases by the Department of Public Works
Previous Three Fiscal Years

Fiscal Year	Number of New Equipment	Cost	Average Cost
2005-06	103	\$8,076,246	\$78,410
2006-07	148	\$9,171,211	\$61,968
2007-08*	16	\$481,649	\$30,103
TOTAL	256	\$17,729,106	\$66,401

Source: Department of Public Works

* As of February 12, 2008. There are an additional 112 vehicles the Department of Public Works plans to purchase in FY 2007-08.

Ongoing Operating Costs

In addition to the purchase costs for vehicles, there are ongoing operating costs associated with the use of County vehicles. These ongoing costs are primarily routine maintenance costs, accident costs and claim costs. The components of ongoing costs are outlined briefly below:

- **Claim Costs:** This is a legal decision or settlement where one party obtains a settlement, generally in the form of money, against the County as a result of an accident or incident involving the County.
- **Routine Maintenance Costs:** This is standard routine maintenance all vehicles receive, and includes fuel costs, oil change costs, tire replacement and other expected repair costs associated with the operation of a vehicle.
- **Accident Repair Costs:** This is unexpected costs associated with the repair of a County owned vehicle resulting from an accident involving a County employee.

Claims costs are tracked and monitored for the County by the Risk Management Branch of the County Executive Office. This office prepares an annual report that outlines all claims in the County, including claims related to County vehicle use. The most recent annual report is through Fiscal Year 2005-06. The latest audited vehicle claims costs show that in FY 2005-06 there were a total of 830 claims and the overall County amount paid was \$6.7 million. These numbers also show that the departments with the largest fleets have the highest claims costs. The Sheriff's Department had 301 claims with a total of \$3.9 million in claims paid, while the Fire Department had 107 claims with a total payout of \$1.1 million.

As part of this audit, more recent and timely claims information was requested from each of the survey departments. While each of the survey departments provided the information outlining claims costs, in all instances, the numbers provided were inconsistent with data compiled centrally by the County. Further, the information provided by departments appeared to be an inaccurate representation of total claims cost, considering the size and activities of the departments that were surveyed.

Routine Maintenance Costs

All vehicles have ongoing routine maintenance costs associated with use. Typical routine maintenance costs include oil changes, tire change and rotation, brake replacement, and engine maintenance. These costs are separate from costs associated with accident costs, as the costs are known and more predictable. Accordingly, departments can budget and project expenses in a consistent manner. Most of the departments with the largest County fleet size have entered into agreements with an

outside vendor to provide routine maintenance and repair services. The routine maintenance costs for each of the four departments are discussed below.

- The Internal Services Department is the only one of the four surveyed departments that does not have an annual maximum cost built into its maintenance contract, so therefore, the ability to accurately predict annual costs is difficult. However, a review of the actual expenditures for FY 2005-2006 and FY 2006-2007 show that routine maintenance costs have been relatively stable at approximately \$5.2 million each year.

The contract with Johnson Controls World Services, Inc, was originally executed in 2003 to provide all of the routine maintenance for the Department's fleet, such as mechanical and body shop services. The current contract expires in FY 2007-08. As such, the department is in the process of issuing a Request for Proposals (RFP) for a vendor to provide routine maintenance services. The current contract does not contain a maximum amount and the department indicated that the new agreement will also not contain such provisions. The Internal Services Department should consider a contract structure more similar to those that have been entered into by other departments and contain a maximum amount.

- The Department of Public Works has entered into agreements for routine vehicle maintenance services with 76 vendors. These contracts contain provisions that cap the total expenditures by the department at a maximum amount of \$1.5 million. The department expended the maximum amount for routine maintenance in FY 2006-07 and is expected to expend the maximum amount in FY 2007-08.
- The Fire Department has entered into agreements with a total of 82 vendors to provide routine vehicle maintenance services for the department for a maximum amount of \$3.5 million per year. The actual expenditures for services received through these agreements are the maximum of \$3.5 million.
- The Sheriff's Department recently entered into an agreement with a single vendor to provide routine maintenance services for its fleet. This agreement, with the Penske Corporation, is for an amount not to exceed \$16.0 million per year.

Accident Costs

Accident repair costs involve actual payments for County vehicle repairs involved in accidents and, in many instances, the repair costs are not covered by the contracts discussed above. Many of the accidents cost the department additional amounts that vary year-to-year. Complete and verifiable cost information was not readily available from the departments for this audit. However, the table on the next page shows the numbers of accidents as reported by the individual departments.

Table 9
Reported Vehicle Accidents in the
Four Largest Vehicle Usage Departments
FY 2005-06 through March 2008

Department	Number of Accidents*	Ratio of Number of Accidents to Number of Vehicles**
Sheriff's Department	849	16.0%
Public Works Department	747	40.2%
Fire Department	132	9.9%
Internal Services Department	124	12.8%
Total	1,852	—

Sources: Los Angeles County Departments

* Data is for FY 2005-06 to FY 2007-08. The data for FY 2007-08 is year to date and does not contain the entire year.

** The number of vehicles is based on the totals received from the Auditor-Controller's Fixed Asset database.

The Sheriff's Department can expect accidents due to vehicle pursuits and other patrol activities, and has implemented several policies and procedures to ensure that accidents are kept to a minimum and thoroughly reviewed. Further, the Risk Management Branch of the County Executive's Office works with departments by providing "technical support (consultations, training, surveys, etc.)⁶" to reduce costs associated with vehicle liability. The County Executive Office continues to work with departments to keep accidents to a minimum and thus reduce claim costs and accident repair costs.

Acknowledgements

We would like to thank the managers and staff from each of the departments included in this study. In virtually every instance, the departments responded to our requests for data and interviews in a timely manner, and provided access to records required to accomplish the study objectives. Even when access to certain records was delayed because of privacy concerns, Sheriff's Department management and staff worked diligently toward obtaining the information we required for our review. This high level of cooperation permitted us to accomplish a complex study in the timeframe requested by the Civil Grand Jury, and provide recommendations that we believe will assist the departments to improve vehicle usage throughout the County.

⁶ Chief Administrative Office Risk Management Annual Report, p. 21.

1. VEHICLE MANAGEMENT Policies and Procedures

- **Los Angeles County vehicles are managed under a decentralized system, governed by Chapter 5.40 of the County Code, which is intended to provide an overarching framework for departmental vehicle management policies and procedures. A department's policies and procedures generally designate who has the authority to approve employee vehicle use, the types of vehicles that are available, the process required for an employee to use a department vehicle, and the responsibilities associated with vehicle use. However, the County Code does not provide a clear framework for departmental vehicle fleet management policies and procedures.**
- **As a result of the decentralization of vehicle policies and procedures, there are discrepancies in how stringently and comprehensively vehicles are managed across the departments. In particular, there are differences in assigning and reporting take-home vehicle authorizations and use. For example, only the Coroner's procedures require an employee memo and interview prior to assigning a take-home vehicle, while the Fire Department's policies list positions that are automatically assigned a take-home vehicle.**
- **The County Code should be amended to include a comprehensive County-wide vehicle management framework that will provide clearer guidelines for departmental policies and procedures, while also removing sections that are too specific and more appropriate for departmental policies and procedures. Further, the County should ensure that all vehicle policies and procedures, especially take-home vehicle policies, are consistent County-wide and ensure that sufficient internal controls have been established to identify abuse of the County Code or departmental policies and procedures.**

Los Angeles County Code and Vehicle Management

The Los Angeles County Code includes sections that govern the County's decentralized vehicle fleet management system. Altogether, the sections are intended to provide an overarching framework for departmental vehicle management policies and procedures. Chapter 5.40 is the primary chapter that outlines a range of definitions, authorizations, provisions for specific departments, and threshold requirements for vehicle fleet management.

While the County Code is the highest codification of legislation passed by the Board of Supervisors, it is merely a compilation of County ordinances developed over time.

Accordingly, the County Code is always subject to change from new or amended legislation by the Board of Supervisors.

The dynamic nature of the County Code, with regard to Chapter 5.40 and vehicle fleet management, results in a collection of sections that range widely from covering broad policy areas to outlining detailed management practices of a single department's vehicles (see Appendix 1.1 for a summary of the County Code sections).

The mix of broad policy areas with department-specific sections results in the lack of a clear framework for departments to develop their own vehicle fleet management policies and procedures. Several County Code sections are too vague to be implemented consistently across departments, while others are more appropriate as departmental policies and procedures, rather than as part of the County Code. For example, Section 5.40.300 states:

Any county officer, chauffeur, or employee of the county using any county automobile for any purpose other than on business for the county shall be deemed guilty of a violation of his duties and shall be discharged as provided for in these sections, and no county officer, chauffeur or other employee shall...keep any county automobile overnight or on Sundays or holidays at the place of residence of any county officer or employee; provided any authorization for special use of a county automobile as hereinabove specified shall not be construed as permitting the use of such automobile for the personal business or pleasure of any person whatsoever.

The above provides an example of a section that is too vague. The first part of the section initially bans any take-home vehicle use. The second part scales back the ban, provided the vehicle is not used for personal business. As departments review this section of the County Code to develop and implement their own policies and procedures, it does not provide adequate direction on whether to build in other restrictions on take-home use, and if so, what additional restrictions should be included. The resulting potential for inconsistencies across departments creates discrepancies in how stringent take-home policies and procedures are, as discussed later in this section.

Section 5.40.320 states, "The probation officer or his deputies may take a county machine outside the county when actually engaging in transporting a juvenile court ward to another county or investigating said juvenile court ward." This section focuses exclusively on the Probation Department's vehicle use, in situations that apply to actions that are limited to employees of a single department. Given the limited scope of the County Code section to one department and the specific task identified, this section and similar policies are more appropriate for the targeted department's policies and procedures rather than the County Code. To provide departments with this authority, the County Code should provide general authorization for County vehicles to leave the County for official business, since many departments, including the Sheriff, the Department of Children and Family Services, the Health Department, and others, regularly use County-owned vehicles in this way.

Departmental Policies and Procedures

Based on the size of their fleets, the Los Angeles County Civil Grand Jury audit focused on four County departments: the Internal Services Department, the Public Works Department, the Fire Department, and the Sheriff's Department. All four of these departments maintain a set of vehicle fleet management policies and procedures. Generally, the four departments clearly connect their policies and procedures to the authorities granted by the Board by citing a section of the County Code, noting that a specific policy or procedure is consistent with a Code section. To identify common provisions of departmental policies and procedures or clear inconsistencies with the County Code, each set of policies and procedures for the four departments were reviewed. Further, we reviewed the departmental policies and procedures between departments to identify best practices within the County.

In line with the County Code, all four departments require that County vehicles may be used for official business only and not for personal reasons (see Appendix 1.3 for a listing of department vehicle use policies and procedures). However, additional eligibility criteria for employees to use County vehicles exists for some departments, which are more stringent. For example, the departments are inconsistent concerning the documentation that is required from employees who use County vehicles. Some unique criteria and procedures for each department follow:

- The Internal Services Department requires that each employee complete a County Vehicle Mileage and Safety Check Form prior to and following use of a vehicle, which includes logging all trips; miles to/from home, to the job site or business destination; lunch stops; fuel stops; call backs; and/or non-routine work days and hours. In addition, each employee must annually submit a completed Vehicle Certification Form to ISD management, by March 31, to obtain renewal authorization for continued use of an ISD vehicle.
- Prior to driving a County vehicle, the Public Works Department requires an employee to get a medical physical examination and be able to prove financial responsibility in the event of an accident, which involves showing proof of insurance and ownership of a vehicle.
- The Fire Department requires that staff log their names and purpose of vehicle use in the fire station's "Business Journal," where the vehicle is housed. Following use, the vehicle is to be cleaned, fueled, and returned to the location where housed, with mileage reported. In addition, the employee must provide notice, either verbally or in writing, that the vehicle has been returned.
- The Sheriff's Department requires that employees not use a County vehicle without the knowledge or permission of their supervisors, and requires employees to sign their internal "Department Assignment Vehicle Record and Approval Form" as part of the department's semi-annual inventory of vehicles.

The inconsistent department criteria for general use of County vehicles do not provide uniform requirements or stringency. These policies and procedures function as internal controls for each department, which should be consistent throughout the County.

Take-Home Policies and Procedures

Inconsistent department vehicle take-home policies and procedures have gaps that place County fixed assets at a heightened risk of abuse or theft. While this risk exists for general use of County vehicles, it is particularly acute for take-home vehicles because such vehicles are taken off County property and home-garaged, increasing the potential for abuse of County procedures.

Similar to non-take-home County vehicles, the departments are inconsistent with the specificity regarding how take-home vehicle assignments are to be made (see Appendix 1.4 for a listing of department take-home vehicle policies and procedures). A review of some vehicle take-home policies and procedures is discussed below:

- The Internal Services Department's policies and procedures outline that a vehicle take-home assignment can be made if an employee's assignment (1) involves a vehicle with specialized equipment, (2) involves reporting daily to a field assignment, or (3) involves wearing a pager for emergency response. An employee may also be permitted to take home a vehicle if an "Assigned County Vehicle Agreement" form is completed and signed by the employee.
- The Public Works Department's policies and procedures delegate authority to assign take-home vehicles to the Chief Deputy Director and the Assistant Director of Public Works. Policies indicate that in most cases, home assignment of vehicles is authorized to enhance emergency operations and reduce response time to emergencies.
- The Sheriff's Department's policies and procedures do not provide any clear authority to assign take-home vehicles. A semi-annual vehicle inventory is required, which includes a review of all take-home vehicles with signed documentation by each employee receiving the privilege.
- The Fire Department's policies and procedures tasks the Bureau Heads for assigning take-home vehicles, but assignment of some take-home vehicles is provided directly to certain employees by a listing of positions in the policies and procedures. No justification is provided in the written policies and procedures.

These inconsistent department criteria for take-home vehicle assignments complicate oversight of vehicle management.

The Auditor-Controller compiles an annual fixed asset database. Currently the Auditor-Controller creates the database by integrating individual department reports,

without reconciling the reported assets against any single set of policies or procedures. Without a consistent procedure for making take-home assignments across departments, each department's assignment record must be reconciled against its own department policies and procedures. In other words, to properly reconcile the appropriateness of take-home vehicle use as part of the annual fixed asset review, the Auditor-Controller would need to examine a patchwork of department policies and procedures to determine the accuracy of department-reported disposition of take-home vehicles. This presents an unnecessary burden on a process that should be efficient, as it is conducted on an annual basis.

The take-home policies and procedures of six additional departments that are also major users of County vehicles were also reviewed as part of this audit. The six additional departments were the Agricultural Commissioner's Office, the Board of Supervisors, the Chief Executive Officer's Office, the Coroner's Office, the District Attorney's Office, the Parks and Recreation Department, and the Probation Department. The District Attorney's Office did not respond to requests to furnish department policies and procedures for take-home vehicles before the completion of this report.

- The Agricultural Commissioner has the authority to approve take-home vehicles directly. Division Chiefs are also granted the flexibility to establish additional vehicle use guidelines in conformance with County and departmental guidelines to meet operating requirements. However, criteria for what is involved in meeting operating requirements are not included.
- The Board of Supervisors did not provide any department-specific policies and procedures. Instead, the department submitted the Controller's 2007 Updated Procedure for Accounting for Personal Use of County-Provided Vehicles Memo as justification for take-home vehicles.
- The Chief Executive's Office requires a vehicle assignment to be cost-effective and a benefit to the department, the County and its customers, without providing clear criteria for how to measure either. Department Head or Chief Deputy approval is required for the assignment of all vehicles. The policies include mention of a centralized CEO Vehicle Coordinator that is assigned oversight of the CEO Vehicle Program. Vehicle use can be discontinued at the discretion of management, with listed reasons of non-compliance.
- The Coroner's Office may assign vehicles to Coroner Investigators as part of the Field Response Vehicle Program. Management has assignment discretion, based on workload levels, financial constraints, and required service and operational needs. Twenty-four hour notice must be given to an employee whose vehicle use privileges are reassigned or altered, based on exigent or non-exigent circumstances. Coroner Investigators initiate the take-home vehicle assignment process with a memo, which is forwarded to the Captain of Investigations. The Captain bases the

assignment on the quality and consistency of the employees overall work product, attendance, performance evaluations, driving history, historical availability for scheduled or unanticipated overtime, call-back, after hours call-outs, and geographic location of primary residence. An interview with the Coroner Investigator is set up and lists exist for future assignments based on vehicle availability.

- Parks and Recreation grants the Department Director the authority to approve take-home vehicles. Division Chiefs may establish vehicle use guidelines in conformance with County and Department guidelines to meet specific operating requirements. However, operating requirements are not defined in the policies.

Analysis of the ten departments' take-home policies and procedures provide a context for comparing how stringent the department's controls are for take-home assignment. Table 1.1 below summarizes the relative stringency of take-home policies and procedures.

Table 1.1
Relative Stringency of Department Take-Home Vehicle
Policies and Procedures

More Stringent	Less Stringent	No Reported Take-Home Policies or Procedures
Coroner's Office	Internal Services Department	Sheriff's Department
	Public Works Department	Board of Supervisors
	Fire Department	
	Agricultural Commissioner	
	Chief Executive's Office	
	Parks and Recreations Department	

Source: Los Angeles County Department Policies and Procedures

The criteria for the level of depth and stringency as determined for this audit, and shown in the table above, are explained as follows:

- More Stringent – Clear criteria and assignment authority, required documentation, defined employee procedures, ongoing justification.
- Less Stringent – Little criteria and unclear authority, little documentation, lacking employee procedures.
- No Reported Take-Home Policies or Procedures.

Best Practice Take-home Vehicle Policies

Policies that promote clear criteria and documentation of take-home use are fundamental controls over the County's fixed assets. Clear procedures for employees are essential for ensuring compliance with a department's take-home vehicle policy. The Coroner's Office has a good example for other departments to emulate, putting both strong take-home policies and procedures on the books. At a minimum, each department's policies and procedures should include who has take-home assigning authority, what clear criteria exists for take-home assignment, which document must be filled out by the employee to receive a take-home vehicle assignment, and how often mileage reporting should occur. In addition, building in a policy for ongoing justification of employee take-home vehicles would ensure the appropriate use of the County's fixed assets and minimize liability caused by abuse or theft.

The County of Monterey's Vehicle Code lists two criteria for take-home use: (1) take-home assignment is in the best interest of the public and (2) the task(s) to be performed when called during off-duty hours requires immediate travel to the job location. While Monterey's first criterion is vague, the Los Angeles County Code already prohibits any personal use of County vehicles and limits use of County vehicles to business. Accordingly, take-home assignments should only be done for business purposes after regular business hours. Monterey's second criterion offers a clear operational justification for take-home assignments, which is currently lacking in the Los Angeles County Code.

Potential County Costs Due to Take-home Vehicle Abuse

The inconsistencies in authorizing take-home vehicle assignments across departments carry financial risk. The ability to identify the appropriate department policy for any given take-home vehicle assignment is essential to secure the County's fixed assets and serves as an internal control against inappropriate use. In addition to clearly understanding who has the authority to assign take-home vehicles, vehicle fleet managers should be able to review a list of take-home vehicles and determine the basis on which the assignment has been made. Analysis of the Fire Department is provided below to illustrate the level of impact and fixed asset value at risk that are associated with less stringent department policies and procedures.

Fire Department

Working with the Los Angeles County Fire Department and examining their take home vehicle list, it was discovered that the department has not authorized all County vehicles for take-home use. The department revealed that many of the vehicles are unapproved, in violation of the policies and procedures of the department. The breakdown of County take-home vehicles is shown in the Table 1.2 below.

Table 1.2

Take Home Vehicles Without Approval in the Fire Department

Approval Status	No. of Employees with Take-Home Vehicles	Percent	Value of At-Risk Fixed Assets
Approved for Home Use, within and Outside of Los Angeles County	112	80.6%	—
Unapproved Take-home vehicle	27	19.4%	\$582,544*
TOTAL	139	100.0%	

Source: Los Angeles Fire Department, March 19, 2008

* Assumes an average vehicle asset value of \$21,576, which is equivalent to the County-wide average for passenger vehicles that was computed for this study.

As shown in the table above, 27 Fire Department employees are currently provided a take-home vehicle without proper authorization. The use of these vehicles is in direct violation of Department policies and procedures. As a result of this omission, the fixed assets of the Fire Department may be at risk of abuse, loss, or theft. Based on a review of the Auditor-Controller's Fixed Asset database, the total value of at-risk fixed assets is \$582,544.

The Fire Department is one of nine departments with less stringent or non-existent take-home policies and procedures. Altogether, these nine departments maintain the vast majority of take-home vehicles. Without consistent department criteria, from the Auditor-Controller's perspective, take-home vehicles are at risk.

Conclusion

Finding 1: The Los Angeles County Code does not provide a clear framework for departments to develop vehicle fleet management policies and procedures and has sections that are too specific and would be more appropriate as part of department policies and procedures.

Finding 2: Los Angeles County Department vehicle use policies and procedures are inconsistent across departments and create disparities for employee use of County vehicles.

Finding 3: Department take-home vehicle policies and procedures vary in stringency, are difficult to reconcile with actual take-home vehicles on an ongoing basis, and put the County's fixed assets at increased risk of abuse.

Recommendations

Recommendation 1.1: County Code Chapter 5.40 sections should be amended by the Board of Supervisors to create a simple framework for departments using County vehicles.

Recommendation 1.2: Chapter 5.40 should be amended by the Board of Supervisors to require all departments to develop policies and procedures that define take-home assigning authorities, criteria for take-home assignment, compliance tracking mechanisms, and the frequency of mileage reporting.

Recommendation 1.3: The CEO should require that departments develop a procedure that would define circumstances when ongoing justification of an employee take-home vehicle assignment would be permitted.

Recommendation 1.4: The CEO should require that departments refer to the Coroner's Office as a model for a more stringent set of department policies and procedures on take-home vehicles, which would be consistent with a revised Chapter 5.40 of the County Code.

Recommendation 1.5: The CEO should require that each department, working with the Auditor-Controller's Office, should develop a tracking system that provides data necessary to determine justification for employee take-home vehicle assignments linked to the department policy that justifies the assignment.

Implementation of all recommendations should be accomplished using existing resources. The benefits include a clearer policy framework through a streamlined County Code and standardized departmental policies and procedures for vehicle fleet management. The recommendations will improve internal controls for assigning, tracking, and reporting take-home vehicle use. In addition, consistent department policies and procedures will promote uniform stringency for employee use of County vehicles, reduce the risk of take-home vehicle abuse, and create a system to ensure ongoing justification for employee take-home vehicle assignments.

Appendix 1.1

Vehicle Management Sections in County Code Chapter 5.40

Section	Section Summary
5.40.240	There should be a signed certificate on record for all permittees, certified by the Auditor-Controller.
5.40.260	The signed certificate should be initiated at most 60 days in advance before the employee needs to use a private vehicle.
5.40.300	Out of county use of county vehicles requires BOS or CAO approval, except when approved by the department head, or involves the Sheriff/Probation.
5.40.300	Employees are restricted from keeping public vehicles overnight, Sundays, or holidays at the place of residence of any county officer or employee; provided that any authorization for special use of a county automobile shall not be construed as permitting the use of the automobile for personal business or pleasure of any person whatsoever.
5.40.305	Whether because of construction activities of any kind, fire, flood, disaster, or other act of God, an employee of the department of public works employees who is furnished housing by the flood control district is not able to use a private vehicle, then the department shall supply a substitute automobile.
5.40.310	The Sheriff and his deputies may use any means of transportation, either within or outside the county, when its has been approved by competent departmental authority in the performance of investigation of criminal cases arising in the county or in pursuit of criminals.
5.40.320	Transporting a juvenile court ward to another jurisdiction for probation
5.40.330	Inspecting telephone lines for the department of communications
5.40.330	Inspecting motorways, firebreaks for the Department of County Forester and Fire Warden
5.40.460	Officers appointed by and serving at the pleasure of the BOS may utilize their assigned County vehicle for home to office travel if they execute a "commuting agreement" and pay a fee of \$600 per year by monthly payroll deduction. Use of the vehicle limited to official business and commuting but vehicle should be available to officer at all times if the needs of the service require its use. County provides each officer with a \$50 monthly allowance, which at the option of the officer, may be paid monthly or made as an added, non-matched employer contribution to the officer's savings plan.
5.40.465	Any management position authorized for vehicle assignment and whose appointing power is the department head, may elect to receive a monthly transportation allowance in lieu of an assigned or leased county vehicle; exceptions at the discretion of the CAO in accordance with BOS Vehicle Policy. Employee receiving transportation allowance cannot lease or be assigned a county vehicle, except for few exceptions

Source: Los Angeles County Code

Appendix 1.2

Mileage Reporting in the Top Four Vehicle Use Departments

Department	Mileage Reporting Policy
Internal Services	<i>Policy #605:</i> ISD employees using a Pool vehicle must complete a “County Vehicle Mileage and Safety Check” sheet on a daily basis after driving an ISD County Assigned or Service pool vehicle. A completed form must include the destination, number of miles driven and purpose of trip, fuel stops and number of gallons pumped must be indicated in the comments section. The sheet must be submitted by all employees using a pool vehicle, such that if one vehicle is used by three employees, three reports would be filed by the end of the day. Other procedures include completing a safety check list to assess the need for any potential vehicle repairs; office services responsibilities. Mileage Permittees driving their own vehicles must utilize the Mileage Claim form for reimbursement, and submit the completed form on a monthly basis, no later than the last work day of the month and whenever the vehicle is sent in for repair or garaged due to vacation, work assignment change or extended illness.
Public Works	Public Works <i>Vehicle Operator’s Handbook</i> provides that every driver of a DPW vehicle is responsible for reporting usage of his/her miles/hours, along with job accounting information. Usage is reported on an “Equipment Usage Report” or on the back of the timesheet so the cost of operating the vehicle can be charged to the appropriate jobs. Drivers are to check with their supervisors for the appropriate usage reporting forms and procedures.
Fire	According to Fire Department Policy, personnel assigned a vehicle are responsible for reporting mileage on a monthly basis, using County Form 618, on the 15th day of the month to Fire Fleet Services, whether operating a regular or relief vehicle. They shall also submit Mileage Claim Form 76M3965 on the first of each month with the employee’s time card. For non-assigned county vehicles, usage procedure includes a completed mileage report after each use.
Sheriff	Employees are required to report mileage as part of the department’s semi-annual vehicle inventory report, which must be filed by every July 12. The “Department Assigned Vehicle Record and Approval” includes the one-way mileage from home to primary work address for an employee, and non-sworn personnel must file with the Auditor-Controller’s Office each year.

Source: Los Angeles County Department Policies and Procedures

Appendix 1.3

**Departmental Use Policies for County Vehicles
in the Top Four Vehicle Use Departments**

Department	Department Vehicle Use Policy
Internal Services	<i>Policy #602</i> clearly restricts use of any County vehicle for any purpose other than for the conduct of County business. Any employee who uses a County-owned vehicle for personal business or pleasure shall be subject to disciplinary action, up to and including discharge. <i>Policy #603</i> governs the assigning of ISD vehicles as assigned vehicles or pool vehicles. The assignee vehicle policy provides that an employee can be assigned an ISD vehicle providing their job assignment (1) the vehicle must be equipped with special tools/instruments, supplies and materials necessary for the employee to perform service duties, and (2) the employee must either directly report daily to a field assignment and/ or respond to emergency requests to provide service, and (3) the employee may be required to wear a “Pager” for emergency response assignment, and (4) the employee signs the “Assigned County Vehicle Agreement” form, acknowledging that s/he has read and understand Policy #603 and agrees to comply with said policy, and (5) the employee must respond to emergencies, when notified. <i>Policy #605</i> requires that each employee that utilizes an ISD vehicle to perform their job assignment must daily complete a County Vehicle Mileage and Safety Check Form, which includes all trips, miles to/from home to the job site or business destination, lunch stops, log fuel stops, call backs and/or non-routine work days/hours.
Public Works	<i>Administrative Directive A106</i> establishes responsibilities for assignment of Department of Public Works vehicles and ensures compliance with Chief Administrative office mandates on vehicle assignments. All vehicles shall be made and approved on the Vehicle Assignment Card. The policy applies to any new or a change in vehicle assignments. An Annual Verification and Update of Vehicle Assignments is required. Replacement of Home Assigned Vehicles must be documented. The Fleet Management Group is responsible to maintain the master file of vehicle assignments. Administrative Services Division is assigned as the unit to coordinate any review or analysis of home or County-facility-garaged vehicles. <i>Administrative Directive 107</i> establishes policy and regulations that govern all Department of Public Works employees’ use of County

	vehicles. County-owned automobiles and trucks are provided for employees' use when, in the opinion of management, such vehicles are necessary for the performance of specified duties. These vehicles are to be used for official business only. Drivers shall conduct themselves in a lawful, courteous, and professional manner at all times. Employee responsibility is clearly outlined, including the requirement to receive a medical physical and understanding of the County's financial responsibility for the vehicle. Overnight vehicle usage and overnight parking are subject to the Chief Deputy Director or Assistant Director of Public Works. In support of departmental carpooling, the Director of Public Works or his designee may approve use of an assigned County vehicle in a carpool. This approval will be made on a case-by-case basis, and is dependent on the intended use of the assigned vehicle. In most cases, home assignment of vehicles is authorized to enhance emergency operations and reduce response time to emergencies. All carpool riders in an assigned vehicle must be County employees. Should operational needs preclude an assigned vehicle from being available for a carpooler's ride home, Public Works will make arrangements for alternate transportation.
Fire	In general, while Fire Department Bureau Heads are tasked by the policies and procedures for assigning vehicles, certain Fire Department employees are assigned a take home vehicle directly by a listing of positions in the department's policies and procedures. <u>Responsibilities</u> The Bureau Heads, or designated representatives shall make all vehicle assignments for their respective bureaus when vehicles are received from the Fire Fleet Services Division, Services Bureau. <u>Vehicle Assignment, Decals, and Emergency Equipment Policy</u> Deputy Chiefs and above are assigned a fleet-colored or red interceptor-type vehicle with no Department or County decals and equipped with a portable light bar, siren, and communications equipment. Assistant Fire Chiefs are assigned a fleet colored interceptor-type vehicle equipped with a portable light bar, siren, and communications equipment. County and Department decals are optional. Battalion Chiefs are assigned interceptor-type vehicles equipped with a light bar, siren, County and Department decals, and standard department communications equipment. Battalion Chiefs may also be assigned suburban vehicles equipped with light bar, headlight flasher, and two sets of intersection lights, communication equipment, siren, and rear interior

lights.

Captains, whenever possible, are assigned interceptor-type vehicles equipped with emergency light, sirens, County and Department decals, and communications equipment.

Fire Fighter Specialists/Inspectors may be assigned any available vehicle. Detailed and temporary assigned uniformed personnel may be assigned any available vehicle on an as-needed basis.

Non-uniformed badge personnel may be assigned any available vehicle on an as-needed basis. Civilian personnel may be assigned any available non-emergency equipped vehicle on an as-needed basis.

Any change of assignments must be reported to the Division Chief of Fire Fleet Services on a quarterly basis.

Housing of County Vehicles Policy

Emergency vehicles assigned to the Chief Deputies, Deputy Fire Chiefs and Assistant Fire Chiefs may be garaged at their personal residence within the County of LA or a County adjacent to LA.

During a Department's state of readiness, declared in a written directive from the Fire Chief, designated personnel may garage emergency assigned vehicles at their personal residence within the County of LA or a county adjacent to LA County.

All other personnel should house their assigned County vehicles at a County facility approved by their Battalion Chief or Section Head, except employees with special assignments shall house their vehicles at their place of residence if they live within the County of Los Angeles (Division Chiefs, Battalion Chiefs, and Section Heads, Camp Superintendents, Fire Investigation Unit Members Supervising Fire Fighting Construction Equipment Operator, Senior Fire Fighting Construction Equipment Operators, Fire Fighting Construction Equipment Operators, Transportation and Services Supervisor.)

Employees when on call shall house their vehicles at their place of residence if they live within the County of LA or at an approved Fire Department facility (Health Haz Mat Team Members, Fire Mechanics).

Fire Captains that have on-call responsibilities as part of their regular duty may, at the approval of their Deputy Fire Chief and if they reside in the County of LA house their assigned County vehicles at their residence

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	during off-duty hours. If residing outside the County of LA, vehicle shall be housed at an approved Fire Department facility.
Sheriff	The Sheriff Department's policies and procedures do not include clear provisions for employee use of County vehicles. The County Code, however, in Section 5.40.310 provides that "the Sheriff and his deputies may use any means of transportation, either within or outside the county, when such transportation has been approved by competent departmental authority in the performance of investigation of criminal cases arising in the county or in pursuit of criminals." The Sheriff Department policies cover fuel tracking and delegate the responsibility to the Unit or Station level for shared department vehicles. In addition, the procedures for how to handle an accident are detailed and note the formation of a Vehicle Accident Review Committee.

Source: Los Angeles County Department Policies and Procedures

Appendix 1.4

Departmental Take-Home Vehicle Policies in Top Four Vehicle Use and Seven Additional Major Vehicle Use Departments

Department	Department Take-Home Vehicle Use Policy
Internal Services	The Internal Services Department outlines that a vehicle assignments can be made if an employee's assignment (1) involves a vehicle with specialized equipment, (2) involves reporting daily to a field assignment, (3) involves wearing a pager for emergency response, and (4) follows the employee signing the "Assigned County Vehicle Agreement" form. Currently, eleven ISD employees have take-home County vehicles. Seven of the eleven employees are in the Facilities Operations Services Division, which provides building maintenance, crafts services, custodial/grounds maintenance, and energy management. The remaining four vehicles are assigned to ISD's second-in-command Chief Deputy Director, and the three Division Heads for ISD information technology, ISD Administration and Finance Services, and ISD Purchasing and Contract Services.
Public Works	The take-home vehicle policy is governed by Administrative Directives A106 and A107. The Directives require the approval of either the Chief Deputy Director or the Assistant Director of Public Works. Take-home vehicle must be parked in a secure, off-street location at night, on weekends, and during holidays. In support of departmental carpooling, the Director of Public Works or his designee may approve use of an assigned County vehicle in a carpool, and is done on a case by case basis. In most cases, home assignment of vehicles is authorized to enhance emergency operations and reduce response time to emergencies. All carpool riders in an assigned vehicle must be County employees. Public Works policies separate out new vehicle assignments require a Division/ Group Head prepare and forward a Vehicle Assignment Card in duplicate with written justification to the Chief Deputy Director or their Assistant Director through their Deputy Director for approval. If approved by the Chief Deputy/ Assistant Director, the original Vehicle Assignment Card is sent to the Fleet Management Group, with a signed copy returned to the originating Division/Group.
Fire	By policy, take-home vehicles are assigned to a list of positions: Chief Deputies, Deputy Fire Chiefs and Assistant Fire Chiefs may be garaged at their personal residence within the County of LA or a County adjacent

	to LA County. During a Department “state of readiness”, declared in a written directive from the Fire Chief, designated personnel may garage emergency assigned vehicles at their personal residence within the County of LA or a county adjacent to LA County. All other personnel should house their assigned County vehicles at a County facility approved by their Battalion Chief or Section Head, except employees with special assignments shall house their vehicles at their place of residence if they live within the County of Los Angeles (Division Chiefs, Battalion Chiefs, and Section Heads, Camp Superintendents, Fire Investigation Unit Members Supervising Fire Fighting Construction Equipment Operator, Senior Fire Fighting Construction Equipment Operators, Fire Fighting Construction Equipment Operators, Transportation and Services Supervisor.) Employees when on call shall house their vehicles at their place of residence if they live within the County of LA or at an approved Fire Department facility (Health Haz Mat Team Members, Fire Mechanics). Fire Captains that have on-call responsibilities as part of their regular duty may, at the approval of their Deputy Fire Chief and if they reside in the County of LA house their assigned County vehicles at their residence during off-duty hours. If residing outside the County of LA, vehicle shall be housed at an approved Fire Department facility.
Sheriff	The Sheriff’s Department’s policies and procedures do not include any explicit take-home provision. The department notes that it requires employees to fill out “Department Assigned Vehicle Record and Approval” form, which is compiled as part of the semi-annual vehicle inventory.
Agricultural Commissioner	Home Garaging of Vehicles: The decision to home garage a vehicle is made by the Chief Deputy. Home garaging may be permissible when: (1) The employee assigned to the vehicle is required to respond to emergency situations within their area of responsibility before and after regular working hours. (2) The home garaging results in increased program efficiency and overall reduction of fuel consumption. (3) The vehicle is garaged within the limits of the County. Departmental personnel authorized for home garaging, or an employee who is

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	authorized for overnight usage of County vehicle, shall park the vehicle off-street in a secure location at night and on weekends.
Board of Supervisors	Provided the Controller's February 1, 2007 Updated Procedure for Accounting for Personal Use of County-Provided Vehicles Memo. No department specific policy or procedure.
Chief Executive Officer	The purpose of the CEO policy is to establish uniform guidelines for the administration of the Chief Executive Office vehicle program. (1) Assignment of a vehicle to an individual or a branch/division to conduct County business should be cost effective and a benefit to the department, the County and its customers. (2) Department Head or Chief Deputy approval is required for the purchase and/or assignment of all vehicles to individuals or branches/divisions. (3) A centralized CEO Vehicle Coordinator will be assigned to oversee the CEO Vehicle Program. (4) Any deviation to this policy requires department head authorization. (5) Use of the vehicle may be discontinued at management's discretion due to reasons such as non-compliance with policies and procedures, change of assignment, budget curtailments, etc. Guidelines. An assigned County vehicle is certified for use by one employee to perform County business. These vehicles may be housed in a secure garage at home, headquarters or at other facilities depending on the needs of the service.
Coroner	<i>Policy:</i> The Department of Coroner Operations Bureau may assign selected Coroner Investigators County-owned vehicles for use as part of the Field Response Vehicle Program. This administrative assignment will be at the discretion of management based on workload levels, financial constraints and required service and operational needs. Management reserves the right to reassign or alter on-call vehicle assignments based on the needs of the department in exigent circumstances or absent exigent circumstances, by giving a 24-hour notice to the affected employee(s). Those employees assigned to the program shall have use of the vehicle on a 24-hour basis, until notified otherwise by Operations Bureau management or designee. Management reserves the right to discontinue the program at any time and/or reassign the available vehicles to other employees or the general fleet based on the needs of the Department. The vehicle is to only be used for official business on behalf of the County of Los Angeles Department of Coroner. Non-County employees are not allowed the use of the vehicle.

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District Attorney	Did not respond to repeated requests for policies and procedures before the completion of this report.
Parks and Recreation	3.0 / 3.2 If approved by the Director, a specific employee may be authorized to house County vehicles at home. 4.0 / 4.2 Division Chiefs may establish additional vehicle use guidelines in conformance with County and Departmental guidelines, to meet their specific operating requirement. 5.0 / 5.2 Only certain employees are authorized to park overnight or garage vehicles at or near their private residences. A list containing the names and locations of these employees must be submitted and approved by the Director, no later than December 31, of each year.
Probation	Accessing Fleet Vehicles After-Hours/Weekends. At the approval of the Director, staff shall be allowed to utilize fleet vehicles after hours and on weekends. To the extent possible, staff shall make vehicle arrangements with the Director in advance. However, should staff be conducting Probation-related business in the evening and on weekends and returning the fleet vehicle to its garaged facility becomes impractical, staff shall be allowed to transport fleet vehicles to their residence. Should this situation occur, staff shall contact their Bureau Chief and advise them of their situation and request to temporarily house the fleet vehicle at their residence.

Source: Los Angeles County Department Policies and Procedures

2. Taxable Income Reporting

- The Los Angeles County Auditor-Controller, in compliance with Internal Revenue Service regulations (IRS Publication 15b), requires that County employees who are assigned a take home vehicle, report the use of the vehicle as income on annual tax returns. The current policy states that, on an annual basis, each Department will submit a list of employees who are assigned a take-home vehicle to the Auditor-Controller. However, this list is not reconciled, nor reviewed with actual practice, to ensure accuracy and completeness.
- Further, there are no internal controls to ensure that every County employee with take-home vehicle privileges report the income to the Internal Revenue Services. As a result, a reconciliation of the list of imputed income from the Auditor-Controller's Office and the list of actual take-home vehicles from the County reveals numerous discrepancies in the reporting, involving up to 12 vehicles assigned to Fire Department employees and 18 vehicles assigned to Medical Examiner-Coroner employees. In addition, based on a reconciliation of the data from selected County departments, many departments have some inconsistencies.
- To ensure compliance with the Internal Revenue Service regulations, the Auditor-Controller should require County departments to submit the name of an employee who is authorized to take home County owned vehicles. Further, the Auditor-Controller should engage in a performance audit of one department annually to ensure that take-home vehicle lists are complete and accurate.

Background

County employees who are assigned take-home vehicles must report this privilege as taxable income to the Internal Revenue Service (IRS). According to IRS Publication 15-B, employees granted use of a vehicle must report both the lease value of the vehicle and calculate commuting costs associated with the vehicle. This IRS Publication outlines the provisions and criteria for income to be reported for employees who utilize County vehicles when commuting to work.

There are two methods described in IRS Publication 15-B for determining commuting costs as taxable income, entitled the "Commuting Rule" and the "Lease Value Rule." Each will be discussed below.

The Commuting Rule⁷ states:

The value of a take-home vehicle provided to an employee and used for commuting is computed by multiplying each one-way commute by \$1.50 per employee in the vehicle. Thus, the commute would be \$3.00 per day round-trip for a single commuting employee. This rule only applies if a) the take-home vehicle is provided to the employee for business reasons; b) the department establishes written policies which state that employees may not use the vehicle for personal purposes, other than for commuting or de minimis personal use; c) the employee complies with these policies and procedures and does not use the vehicle for personal purposes other than commuting and de minimis personal use; and, d) the vehicle is an automobile.

The Lease Value Rule states:

- Employees must pay the equivalent of the lease value of an automobile. Generally, employees may reduce the lease value reported as a business expense by the amount that is reported as employee income (page 21).
- The percentage of personal use is determined by calculating the total number of miles driven, divided by the personal use miles, which are tracked by the employee who has been assigned the vehicle. The annual personal miles are the total miles used for calculating income, minus documented business miles.
- All non documented business miles are considered personal miles.
- The overall taxable income is computed as the percentage of personal use multiplied by the annual lease value.

Every employee in the County with an assigned County vehicle for take-home purposes will complete the required forms and these forms are then provided to the Auditor-Controller's Office for tax reporting.

Exceptions to IRS Taxable Income Reporting

Outlined under the regulations of IRS Publication 15-B, the income from take-home vehicles is excluded if certain criteria are met. Generally, the taxable income is excluded if the vehicle is considered a "nonpersonal-use vehicle." IRS Publication 15-B states, "a qualified nonpersonal-use vehicle is any vehicle the employee is not likely to use more than minimally for personal purposes because of its design⁸." Some of the vehicles that fall under this definition, as stated in IRS Publication 15-B, are as follows:

- Police and fire vehicles with County markings.
- Unmarked vehicles used by law enforcement officers, if the use is officially authorized.
- An ambulance or hearse issued for its specific purpose.

⁷ IRS Publication 15-B, pg. 21

⁸ IRS Publication 15-B, pg. 18

- Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds.
- Passenger bus with a capacity of 20 or more.
- Pick-up truck with a hydraulic lift gate, permanent tanks or drums, permanent side boards, or other heavy equipment that is used to transport a certain load.
- A van under the loaded gross weight of 14,000 pounds that is modified so that it is unlikely to be used for personal purposes.

Thus, any staff that is authorized to have a marked County vehicle or a law enforcement officer with an unmarked County vehicle are not required to report this privilege as taxable income.

The Fire Department also cited Penal Code §830 et al. – Peace Officers, as further justification for exempting staff from reporting taxable income for vehicle use. As part of the audit, other tax provisions were reviewed for further clarification on exemptions for staff reporting taxable income. The Treasury Regulations provides additional clarification in IRS Publication 15-B. Section 1.274-5T(k)(6)(i) further defines unmarked law enforcement vehicles as a vehicles owned by a department that “employs the officer, and must be incident to law-enforcement functions, such as being able to report directly from home to a stakeout or surveillance site, or to an emergency situation.” Section 1.274-5T(k)(6)(ii) further defines law enforcement officers as:

An individual who is employed on a full-time basis by a government unit that is responsible for the prevention or investigation of crime involving injury to persons or property, who is authorized by law to carry firearms, execute search warrants, and to make arrests, and who regularly carries firearms.”

Thus, the provisions outlined above provided exemptions for several groups of County employees in reporting vehicle taxable income. All sworn staff, from deputies to officers in the Sheriff’s Department would be exempt. Fire Department staff reported that arson investigators are the only staff that do not report vehicles as taxable income, because they fall under the peace officer definition. Specifically, §830.37(a) states that the following persons are considered peace officers:

Members of an arson-investigating unit, regularly paid and employed in that capacity, of a fire department or fire protection agency of a county, city, city and county, district, or the state, if the primary duty of these peace officers is the detection and apprehension of persons who have violated any fire law or committed insurance fraud.

A review of these provisions supports the interpretation by the Fire Department, because arson investigators clearly fall under this definition.

In the Department of Public Works, there are staff who are exempt from reporting the use of a vehicle as taxable income since the assigned vehicle falls under the nonpersonal-use vehicle definition. According to the Internal Services Department, all staff granted use of a take-home vehicle report the taxable income to the IRS.

Reporting County Vehicle Use as Taxable Income

The Auditor-Controller's Office is the department responsible for reporting vehicle income as taxable income. The Auditor-Controller's Office provided County departments a revised "Handbook for the Reporting of the Personal Use of County-Provided Vehicles" on February 28, 2008. This thorough handbook outlines the process for reporting taxable income for staff assigned a take-home vehicle. The handbook provides detailed guidelines and instructions to County departments regarding the tracking and reporting of taxable income from County take-home vehicles.

The Handbook for the Reporting of the Personal Use of County-Provided Vehicles outlines the procedures for tracking mileage and reporting the taxable income on form W-2. The handbook outlines the procedures for calculating the taxable income and determining the appropriate method from the options discussed above.

As outlined in the Handbook for the Reporting of the Personal Use of County Provided Vehicles, the process for reporting taxable income is based on the methodology for determining taxable income. The Handbook also includes numerous forms the County requires to appropriately report taxable income from vehicle use. The Auditor-Controller requests that departments submit these forms in October for review and for the completion of the tax reporting.

However, the Auditor-Controller's Office does not fully examine the information pertaining to taxable income. The only documents reviewed for reporting taxable income are the forms received from the departments. The office does not receive a take-home vehicle list from any of the County departments, nor does the Auditor-Controller's Office have any other method for identifying employees who have take-home vehicle privileges. In addition, the determination of the correct methodology for reporting taxable income is determined by the department, as is the accuracy of the number of employees reporting taxable income. The Auditor-Controller's Office does not review the reports from departments to ensure accuracy. As part of the audit, we were advised that the Auditor-Controller's Office relies on the departments to submit the information accurately.

Review of Reported Taxable Income

As part of this audit, the number of employees reporting taxable income from County take-home vehicle privileges was reviewed to identify the number of employees who receive taxable income, as reported on federal W-2 Tax Forms, related to the use of a County vehicle for take-home purposes. The number of County contractors that received taxable income, as reported on federal 1099 Miscellaneous Income Tax Forms, related to the use of a County vehicle for commute purposes, was also reviewed. A database with the number of employees reporting taxable income for the previous three calendar years was provided by the Auditor-Controller and analyzed for the report. The results of the analysis are shown in the table below.

Table 2.1
Number of Employees Reporting Taxable Income
From Take-Home Vehicle Use

Department	Number of Vehicles			2007 Percent
	CY 2005	CY 2006	CY 2007	
Public Works Department	265	270	284	57.8%
Board of Supervisors	66	72	66	13.4%
Fire Department	26	28	34	6.9%
Sheriffs Department	23	25	21	4.3%
District Attorney	19	0	19	3.9%
Internal Services Department	3	13	14	2.9%
Agricultural Commission	19	11	13	2.6%
Parks & Recreation Department	5	8	9	1.8%
Chief Executive Office	6	9	7	1.4%
<i>All Other Departments</i>	<i>43</i>	<i>61</i>	<i>24</i>	<i>4.9%</i>
TOTAL	475	497	491	99.9%*

Source: Auditor-Controller

* Difference from 100% is due to rounding.

As shown in the table above, a total of 491 employees reported County take-home vehicle income to the Internal Revenue Service in 2007. The table above shows that the Department of Public Works has almost 58 percent of all County employees reporting County vehicle use as a taxable income. As shown in the Introduction of this report, the Sheriff's Department has 835 employees with take-home privileges, but only 21 of the

835, or 2.5 percent, did not fall under any of the permitted exemptions and had to report County take-home privileges as taxable income. A total of 66 County employees in the offices of the Board of Supervisors, primarily aides to Board members, are assigned take-home vehicles, reporting taxable income to the Auditor-Controller's Office.

A total of ten departments provided lists of County employees that currently have a County vehicle for take-home use. The Auditor-Controller's Office reported they do not review the take-home lists of employees who have completed information to report taxable income to the IRS. Thus, as part of this audit, a reconciliation of the take-home lists with the lists provided to the Auditor-Controller's Office was performed to identify potential inconsistencies and to ensure that all County employees are reporting taxable income, which is summarized below.

Table 2.2
Reconciliation of Employees Reporting Taxable Income
to Department Take Home Vehicle Lists

Department	No of Employees on Take-Home List	No. of Employees with Taxable Income in '07	Difference
Sheriff's Department	835	21	-814
Fire Department	139	34	-105
Public Works Department	319	284	-35
Coroner	18	0	-18
Board of Supervisors	66	66	0
Chief Executive Office	7	7	0
Internal Services Department	11	14	3
Agricultural Commission	10	13	3
Probation	1	1	1
Parks & Recreation Department	8	9	1
District Attorney	Not Provided	19	n/a
TOTAL	1,414	468	-965

Source: Individual departments and Auditor-Controller Office

The table above shows numerous discrepancies between department take home lists and the number of employees that have claimed taxable income with the Internal

Revenue Service. As outlined previously in this section, the rules governing taxable income for County vehicle use provides numerous exceptions. In the Sheriff's Department the discrepancy is explained by these provisions. Further, many of the discrepancies can be explained by employee separations, promotions or other organizational changes, which occurred since the 2007 report was produced.

However, in some instances the discrepancies appear to be instances when employees are not properly reporting taxable income resulting from County take-home vehicle use. The table above shows that the Fire Department has 139 employees assigned a County vehicle with take-home privileges, while only 34 have reported this income with the Auditor-Controller for tax purposes. To understand this difference in numbers, the exceptions outlined under IRS Publication 15-B were applied to the Fire Department's list of employees with take-home vehicles privileges to determine if the differences of 105 employees could be explained. The Treasury Regulations and the provisions of IRS Publication 15-B do include provisions that would provide an exception to arson investigators in the Fire Department. Numerous conversations with Fire Department confirmed that the seven arson investigators with a County take-home vehicle are not required to report the County vehicle as taxable income.

Further, IRS Publication 15-B states that if a County take-home vehicle has County markings the employee does not have to report taxable income to the Internal Revenue Service. To determine whether the County take-home vehicles had markings, a reconciliation of three sources was performed to determine if some Fire Department employees were not reporting the take-home vehicle use as taxable income. The three data sources were: a) the vehicle inventory provided by the department, which identified vehicles with markings (County Fire Department seal); b) the take home list provided by the Fire Department; and, c) the Auditor's Controller's taxable income database of employees with take-home vehicle income. The reconciliation found that most of the vehicles for take-home purposes have a marking of the County Fire Department on the car, thus exempting the employee from reporting taxable income to the IRS.

However, the reconciliation identified 12 employees, or nine percent of Fire Department employees that take-home a County unmarked vehicle, but for whom taxable income was not reported in 2007. Based on the information reviewed, one of the twelve employees with an unmarked vehicle was the Fire Chief. While this is a small number, it raises questions regarding the accuracy of the reporting in other departments and potential data inaccuracies. The Auditor-Controller's Office should work with the Fire Department to report taxable income from take-home vehicle use for these staff. The addition of the County Fire Department seal would mean more staff would be exempt from the taxable income provision established by the IRS. The Fire Department should explore this option for staff or work with the Auditor-Controller's Office to ensure no staff are missed.

The Coroner's Office reported having 18 County take-home vehicles currently. Of these 18 employees with take home vehicle privileges, none appeared on the Auditor-Controller's database of employees with vehicle taxable income. Coroner's Office staff indicated that these employees do not qualify under any of the exceptions listed in IRS Publication 15-B. To ensure this error does not happen in the future, all County departments should provide the Auditor-Controller with the names of employees who are authorized a County take-home vehicle, including exempt employees and the reason for the exemption.

CONCLUSION

Finding 1: The Auditor-Controller's Office does not verify the accuracy of departmental listings of employees who receive taxable income from County vehicle take-home privileges.

Finding 2: The taxable income reported to the IRS by the County is incomplete and does not capture all staff with a County take-home vehicle.

Finding 3: The County is not properly reporting taxable income for approximately 9 percent of Fire Department employees who have take-home vehicle privileges.

Finding 4: A total of 18 employees in the Coroner's Office had County take-home vehicles. However, the department did not report taxable income for any of these 18 employees.

Recommendations

Recommendation 2.1: The Auditor-Controller's Office should require County departments ensure the accuracy of documentation showing employees receiving imputed taxable income from take-home vehicle use.

Recommendation 2.2: The Fire Department should work with the Auditor-Controller's Office to ensure that all imputed taxable income is reported to the Internal Revenue Service.

Recommendation 2.3: The Fire Department should explore the option of placing a County seal on vehicles assigned to senior staff with County take-home privileges.

Recommendation 2.4: The Auditor-Controller's Office should perform a reconciliation of the take-home vehicle list and the imputed taxable income reported by departments to ensure accuracy. This reconciliation should be performed annually.

Recommendation 2.5: The CEO should require that all County departments provide to the Auditor-Controller's Office the names of employees authorized to use a County take-home vehicle, including exempt employees and the reason for the exemption.

The costs associated with these recommendations are primarily staff time. The staff time required to ensure that all County employees are properly reporting taxable income will result in department staff who are responsible for the collection of the vehicle use data and providing the information to the Office of the Auditor-Controller. There will be increased use of staff time at the Office of the Auditor-Controller to reconcile the take-home lists and review the lists to ensure all County employees are properly reporting taxable income. The main benefit from these recommendations is to ensure that all County employees are reporting taxable income to the Internal Revenue Service.

3. Evaluation of Take-Home Vehicle Need

- Over 1,400 County employees have take-home vehicle privileges and drive a County-owned vehicle home nightly. Although there are County-wide procedures, the County lacks detailed and consistent policies and procedures authorizing take-home vehicle use at the departmental level, where the program is implemented. In many instances, the authorization for take-home privileges is made at the department level by a senior manager, based upon operational need. In other instances the decision is made on other bases, in accordance with department specific policies and procedures. Based on interviews with staff and department managers, a review of take-home approval documentation, and policies and procedures, there is minimal evaluation of the ongoing operational need for take-home vehicles.
- As a result of the managerial decisions regarding take-home vehicles, the on-going business need of each authorization is not fully known. While senior managers understand the organizational need for take-home vehicles, there is minimal tracking of the business need or justification of take-home vehicle requirements. Without formal justification, some take-home privileges may not be appropriate since there is minimal review and oversight to ensure adequate business need.
- To make sure departments are only providing take-home vehicles for senior managers, as compensation; and, line-staff, based on justifiable business need, departments should review the take home privileges of staff and evaluate the number of call-outs, after hour-incidents, and the miles associated with such events annually. The information should be provided to the Auditor-Controller and the County Executive Office for annual review and development of recommendations to the Board of Supervisors regarding take-home privileges.

Background

As described in the previous section, the departments reviewed during this audit have established different policies and procedures for providing County vehicle take-home authorization to employees. Overall, all aspects of vehicle use must comply with the County Code, including take-home vehicle use, reimbursements, mileage reporting, and vehicle availability. Using the County Code as a framework, departments then draft internal policies and procedures that further guide vehicle use.

Given the size and nature of Los Angeles County operations, policies and procedures must be established for all functions to ensure compliance with rules are met, and that

operations requiring vehicles are performed in the most cost effective manner. Each department has policies that determines the level of authorization required for use and requirements of vehicle use.

However, as shown in Section 1, policies and procedures show County departments have no quantitative criteria and varied criteria regarding the authorization of take-home vehicles that result in a lack of uniform application of assigning take-home vehicles. In essence, the evaluation of take-home vehicles is left up to individual departments. Information provided as part of this audit indicated that departments have not implemented thorough, analytical mechanisms that evaluate take-home need and on-going justification of such need. This audit discovered that departments do not analyze the number or types of activities that happen after work hours to justify the use of vehicles for take-home use.

Tracking After-Hour Vehicle Use

As mentioned previously, departments have policies and procedures that they use as guidelines for vehicle use and take-home authorization. Generally, these policies and procedures outline the rules and regulations regarding use, but rarely provide systematic outlines of the consistent business need for take-home vehicles. Further, the departments do not review take-home vehicles based upon use and need in a consistent manner. As Section 1 indicates, the rationale for take-home vehicles is broad and may not meet strict business need. In many cases, take home authorization merely reflects an unsubstantiated decision by management to permit an employee use of a vehicle. The table on the next page shows the number of take-home vehicles assigned throughout the County.

Without sufficient evaluation of the need for staff to have take-home vehicles, County costs may be higher and waste may exist. Inconsistent policies and management oversight systems related to the three departments with the greatest number of take-home vehicles are discussed below.

Sheriff's Department

The Sheriff's Department authorization to receive County take-home vehicle privileges is initiated with the completion of a "Department Assigned Vehicle Record and Approval Form." This form requires signatures from the Unit Commander, Division Commander, the "Approved Division Chief," and an Assistant Sheriff. This form also includes a section where justification is required for authorization. In this area the rational for the take-home vehicle request is intended to be outlined. The authorization forms also include the round trip miles from home to work location. In addition, these forms include the Division and Rank of the employee and a brief outline of the rational for submitting the form.

Table 3.1

**Number of Assigned Take Home Vehicles in the Three
County Departments with the Greatest Number of Authorizations**

Department	Number Assigned
Sheriff's Department	835
Department of Public Works	319
Fire Department	139
Board of Supervisors	66
District Attorney	19
Coroner	18
Internal Services Department	11
Agriculture Commission	10
Parks & Recreation	8
Chief Executive Office	7
All Other Departments	24
TOTAL	1,456

Source: Auditor-Controller Imputed Income Database and Take-Home Vehicle list provided by individual departments.

Reviewing these forms and discussing take-home vehicle assignments with Sheriff's Department staff, a detailed understanding of the department's business need for take-home vehicles was obtained for this study. In doing this review, it was discovered that in the Sheriff's Department, there are examples where the business need may not be sufficiently justified. Further, the review and authorization process is done annually and does not appear to reflect reassessments of ongoing business need. The following authorizations and justifications were discovered from this review:

- Three employees in the Executive Office that act as media liaisons for the Department are authorized to take home their vehicles. The authorization for these positions all state, "employee is required to respond to breaking events in a timely manner." The number of instances when these employees are required to respond to an event in a "timely manner" is not known, nor is it tracked by the Department.

- Most Divisions and Areas of the Department state that authorization is based on call-outs for crime scenes, investigations, or other emergency response reasons. Many of the County vehicles approved for take-home use are given the same justification. This justification and the number of instances when there are call-outs or other business need requirements are not known.
- In general, most of the divisions contain a single justification for take-home authorization. This authorization is sufficient in most instances, but without a thorough assessment by management, the number of staff receiving a take home vehicle may or may not be appropriate.

In the Sheriff's Department, the audit discovered that justifications generally appear to be business related. However, there is not any follow-up to determine the number of instances where the business need of the vehicle is required after hours. Consequently, the need for Sheriff's Department employees to be assigned County take-home vehicles may exist, but without sufficient analysis into the required business need, it is unclear whether such determinations are appropriate. Thus, the department should work with the Auditor-Controller's Office to develop a business need review of take-home vehicles, and recommend changes in the department's take-home vehicle privileges on an annual basis.

Department of Public Works

The Department of Public Works has a total of 319 employees that take a County-owned vehicle home on a nightly basis. Authorization for these employee take-home vehicles is provided in County Code Sections 5.40.460 (Vehicle Availability) and 5.12.200 (Security Programs), per the take-home vehicle document provided as part of this audit. These sections outline vehicle use authorization requirements for the staff in the County and in the Department of Public Works. County Code Section 5.12.200 authorizes the Department Director to have a take-home vehicle as part of the County Security program.

According to the Department of Public Works information, the remaining vehicles are authorized for take-home use under County Code Section 5.40.460. This section states:

Officers appointed by and serving at the pleasure of the board of supervisors and not designated as subject to Section 5.12.200 and other designated employees may utilize their assigned county vehicle for home to office travel if they execute a "commuting agreement" and pay a fee of \$600.00 per year to the county by monthly payroll deduction. Use of such vehicle shall be limited to official business and commuting but such officer must have the vehicle available to him at all times if the needs of the service require its use.

The key phrase in the County Code is that the staff "must have the vehicle available to him at all times if the needs of the service require its use." Based on the nature of the Public Works Department and its core function, such as flood control, road

maintenance, and traffic control, the requirement of County take-home vehicles is appropriate. The number of take-home vehicles, however, is not examined department-wide based on after-hour call outs and needs during non-business hours. The department indicated that some analysis may be done, but they were unable to verify if the analysis is done, nor how that analysis went into making the decision of providing an employee a County take-home vehicle.

There will be incidents where employees of the Construction Division, Flood Maintenance Division, and Road Maintenance Division will need a vehicle during off hours or to travel directly to an off site location for work or employees who need to respond to emergency situations. However, in the Geotechnical and Materials Engineering Division, and Operational Services Division, the need to respond to an emergency event after work hours is unlikely. While the possibility exists that staff from all divisions may be required to work at other locations throughout the County, without tracking this information, staff are not sure that County take-home privileges are provided to only absolutely necessary employees. The Department should work with the Auditor-Controller's Office to establish minimum criteria for after-hour business need to establish a County-wide level for take-home vehicles and review take-home vehicles annually

Fire Department

The Fire Department provides County take-home vehicles in the case of an emergency tactical response. County vehicles are provided to staff for take-home use for lifeguard, hazardous materials, arson investigation, and truck and vehicle repair. The business justification and the potential need for rapid response in an emergency situation generally provides sufficient justification for County vehicles to be driven home nightly for these assignments. However, there are other instances when the business need is not as clear.

As stated in Section 1 of this report, based on the information provided by the Fire Department, there were 27 employees who take home vehicles, but do not have department authorization. Further analysis into the functions performed by these employees indicates that there may not be a sufficient business need to warrant use of a County vehicle for take-home. Some of the employees the Fire Department identified as having vehicle take home privileges without proper authorization perform the following duties:

- Six of the unapproved employees are assigned to the Public Information Office. These staff members primarily are assigned in the Executive Office Bureau, but some positions are in the Operations Bureau.
- Two additional staff are assigned to the Public Affairs Office for the Fire Department. These employees have vehicles assigned for their work.

- The Health Coordinator is currently using an unapproved take-home vehicle.
- There are four other employees assigned an unapproved County take-home vehicle. In each instance, the business need may not justify the use of a County vehicle for take-home purposes. These positions perform the following functions: a) Fire Training; b) Wellness and Fitness; c) Video and Education; and, d) Staff Aide.

A total of 27 Fire Department employees are currently using unapproved take home vehicles. The Department needs to review the authorizations for these staff to ensure that the take-home use of County vehicles is appropriate. Further, while performing this review, the department should reconsider the take home need and business justification for all employees.

Overall, the lack of tracking of vehicle use after hours is insufficient to ensure that only staff that have sufficient business need should be provided vehicles. The Board of Supervisors should direct all County departments to track and monitor after-hour vehicle usage to ensure sufficient business justification exists for the take home vehicle. Specifically, all departments that provide staff with County take-home vehicles should a) monitor after hour usage of vehicles by individual personnel; b) track the number of miles driven for business related work and the number of instances the vehicle is needed for emergency purposes; and, c) determine a threshold when staff are required to use a vehicle for efficiency purposes, and monitor the need.

Once the use is fully determined, the Board of Supervisors should direct the Auditor-Controller's Office to work with County departments to establish minimum criteria for after-hour business need and to establish a County-wide level for take-home vehicles. Departments should quantify the costs of using a personal vehicle in some instances in lieu of a County vehicle.

County Provided Vehicles or Personal Vehicles

County employees who are provided a take-home vehicle, but do not utilize it frequently for core work-related activities after hours or require specialized equipment for call-outs, should not be provided a County vehicle. In lieu of providing employees County vehicles, the County should reimburse employees for mileage driven for the use of personal vehicles for conducting the core County business related activities after regular working hours. If necessary, the department could utilize the Internal Services Department vehicle motor pool if the situation arises where an employee would need a vehicle overnight or for several days. In instances where County Owned vehicles are primarily used for commuting and there is a low frequency of use after working hours, authorizations should be discontinued and the vehicles removed from inventory.

As stated previously in this report, an analysis should be performed by each department to fully quantify the number of instances each County employee who is provided a take-home vehicles actually needs the vehicle after work hours is complete for core County business activities. Once this analysis is complete, a second analysis should be performed, County-wide, to determine if staff should be provided a take home vehicle or use a personal vehicle for after hour business.

To make this determination, it is critical to determine the average per mile cost for a County vehicle. This analysis should include all the aggregate costs of the vehicle, including the average amortized acquisition, the average annual maintenance cost, and average fuel expenses. The total number of miles driven should also be fully understood for the analysis. The number of miles driven should be classified into types of use, such as commuting miles, response to after-hour work related incidents or events, and miles driven during normal work hours for County work related activities. These numbers resulting from the analyses should be compared with the Internal Revenue Services reimbursement rate of \$0.505 cents per mile⁹.

During the audit, take-home vehicles and miles per year driven was analyzed. However due to the lack of data in some instances, a full and complete analysis was not performed. However, a review of some selected departments and sample staff revealed that the costs associated with County vehicles compared to reimbursements for personal vehicle use could save the County money. The Sheriff's Department list of take-home vehicles was reviewed. Overall, 34 take-home vehicles were reviewed. Of the 34 vehicles reviewed most were civilians or were sworn staff performing administrative functions. The results of the analysis are presented in Table 3.2 below.

Table 3.2
Cost Comparison of
Selected Sheriff Department Vehicles
Take-Home Privileges or Personal Vehicle Reimbursements

Number of Take-Home Vehicles	Estimated Reimbursement Amount	Estimated Total Cost of County Owned Take-Home Vehicles	Potential Savings By Using Personnel Vehicles
34	\$293,207	\$425,144	\$131,937

Sources: Sheriff Vehicle database, IRS Publication 15-B

The table above shows that in the sample of take-home vehicles that were determined to have potentially questionable business need use for take-home purposes in the Sheriff's Department, there could be some savings. Based on estimates of number of

⁹ Internal Revenue Services, Publication 15-B

days worked and overall business related miles, the use of a take-home vehicles costs the Sheriff's Department approximately \$132,000 annually in additional costs. Extended throughout the County, decisions to discontinue take-home vehicle authorizations could represent significant savings.

The County does not systematically analyze the costs of staff using County vehicles for take-home purposes compared to the use of personal vehicles. With a review of business need for vehicles, the County can determine justifications and compare the costs of providing County vehicles or reimbursing staff for using personal vehicles. County-wide, each department with take home privileges should work with the Auditor-Controller's Office and the Chief Executive Office to review take-home vehicle use, compared to reimbursements for use of personal vehicles

CONCLUSIONS

Finding 1: County departments provide County vehicles for take-home use, but these departments do not fully evaluate need based on number of instances when vehicles are required to be used for business related functions.

Finding 2: There is no County-wide, systematic evaluation of the justifications for County take-home vehicles assignments, leading to potential inconsistencies between departments.

Finding 3: The Sheriff's Department has not sufficiently reviewed the business need for take-home vehicles in every instance, and may be providing some staff with vehicles who do not consistently use have after-hours duties.

FINDING 4: THE FIRE DEPARTMENT PROVIDES 27 COUNTY VEHICLES FOR TAKE-HOME USE WITHOUT PROPER DEPARTMENT APPROVAL. THE DEPARTMENT DOES NOT TRACK THE USE OF THESE VEHICLES AFTER HOURS FOR EMERGENCY BUSINESS REQUIREMENTS, AND THUS CANNOT BE SURE THAT ALL TAKE HOME VEHICLES ARE NECESSARY.

FINDING 5: THERE IS NO COUNTY-WIDE SYSTEMATIC EVALUATION OF COUNTY TAKE-HOME VEHICLES TO ENSURE JUSTIFICATION IS CONSISTENT AND WARRANTED, BASED ON BUSINESS NEED.

FINDING 6: The County does not systematically analyze the costs related to staff using County vehicles for take-home purposes compared to the cost of using personal vehicles. With a review of business need for vehicles, the County can determine the justification in business need and costs to providing County vehicles or reimbursing staff for using personal vehicles.

RECOMMENDATIONS

Recommendation 3.1: *The Board of Supervisors should direct all County departments to track and monitor after-hour vehicle usage to ensure sufficient business justification exists for the take home vehicle.*

Recommendation 3.2: *The Board of Supervisors should direct the Auditor-Controller's Office to work with County Departments to establish minimum criteria for after-hour business needs to establish consistent practices within the County.*

Recommendation 3.3: *The Auditor-Controller's Office should work with County departments to assess business need, review take-home vehicle privileges, and recommend changes in department's take-home vehicle assignments, on an annual basis.*

Recommendation 3.4: *The CEO should require that all County departments with take home vehicles add a policy and procedure that establishes a system to evaluate after-hour vehicle use.*

Recommendation 3.5: *The CEO should require that each department with take home privileges work with the Auditor-Controller's Office and the Chief Executive Office to review take-home vehicle use and compare the cost of such use with reimbursements for use of personal vehicles.*

The primary cost associated with these recommendations is staff time. The evaluation of County vehicles will be the primary costs. Once the system is determined and in place, ongoing staff time to evaluate the business need for take-home vehicles will be minimal. Once the evaluation is complete, there could be savings from reducing the number of take-home vehicles, based on insufficient business need.

4. County Fleet Costs

- **There are inconsistencies in the types of vehicles purchased by County departments, resulting in numerous instances where the type of vehicle purchased may have features that are inconsistent with those that are required for the vehicle's intended business use. Many of the vehicles have features that appear to exceed such needs, and many tend to be take-home vehicles that are assigned to senior staff.**
- **A review of departmental vehicle inventories indicates that some departments have purchased luxury vehicles for the department director or other senior managers. Without clear direction from the Board of Supervisors, departments do not have a strong incentive to purchase vehicles that more closely meet the business needs of the departments and are priced at a lower cost.**
- **To ensure that there are consistent, cost effective vehicle purchases throughout the County, the Board of Supervisors should amend the County Code by adding criteria regarding the types of vehicles to be purchased by departments. Departments should be required to submit justifications for any requested exceptions to such criteria, for approval by the Board. The Internal Services Department should prepare an annual report to the Board of Supervisors on County vehicle purchases that exceed a threshold value determined by the Board of Supervisors.**

Background

In the other sections of this report, matters concerning the management of the County vehicle fleet are discussed extensively. The evaluation of the processes used to assess ongoing need for employees to receive vehicle take-home privileges, modifications to policies and procedures, and improvements to income tax reporting have been discussed at length. The purpose of this section is to assess the composition of the County's passenger vehicle fleet and determine whether the composition could be changed to reduce County costs, while sufficiently supporting the core business needs of the departments.

The Introduction to this report also contains a description of the County fleet, in terms of the general types of vehicles by department and original costs associated with vehicle acquisitions, but does not draw conclusions based on the characteristics of the County fleet. However, a thorough review of the County vehicle fleet inventory is necessary to determine if a) the County owns vehicles with features that may exceed the department's needs for the required use, based on cost and type; and, b) standards regarding the types of vehicles that are purchased by departments are consistently applied throughout the County.

Use of Costly Vehicles

As part of this audit, information on the cost of individual equipment in the County fleet was requested to ensure that the price of vehicles was not excessive. Specifically, one of the focuses of the audit was to examine the luxury vehicles purchased by the County to ensure that such purchases are justified by the business needs of the County. During this audit, there were informal reports that suggested some County departments are purchasing luxury sedans and high-end sport utility vehicles, which may not be necessary based on the purposes for which they are used.

This concern aside, it should be noted that certain County policies may increase new vehicle costs. For example, Board of Supervisors Policy 3.020 – Clean Fuel Program states the following:

- Whenever practical and economically feasible, new vehicle purchases will be clean fuel vehicles. The standard for new non-emergency passenger sedans for conducting routine County business are hybrid vehicles.
- Departments seeking an exemption from the acquisition of hybrid-powered non-emergency passenger sedans will submit a letter, (with their requisition) signed by the Department Head and addressed to the County's Purchasing Agent (ISD), explaining why a hybrid passenger sedan does not meet their requirements.

Thus, the purchase of new passenger vehicles shall be a hybrid when practical and economically feasible, and all justification for exceptions will be provided to the Internal Services Department. A review of the County vehicles databases received and a review of the most recent Internal Services Department hybrid vehicle report¹⁰ indicates that the number of hybrids in the County's fleet is increasing and in general, the County is doing a good job of complying with the Board of Supervisors policy.

To determine if the County had numerous unjustified luxury vehicles, several databases provided by departments during the audit were reviewed. These databases included a) the Auditor-Controller's Fixed Asset database; b) the Department of Public Works Owned Vehicles database; c) the Internal Services Department's Automated Fleet Management Information System (AFMIS) database; d) the Sheriff's department vehicle database; e) the Fire Department vehicle database; and f) databases provided by other departments contacted during this audit¹¹. Each database was reviewed to determine the number of vehicles that might be considered costly and which might exceed the requirements necessary to accomplish a department's core business function.

¹⁰ Internal Services Department, *Annual Clean Fuels Report*, March 5, 2008.

¹¹ These departments are: the Agriculture Commission, the Board of Supervisors, County Executive Office, Coroner, Parks and Recreation Department, and Probation.

The analysis and review of the databases found that the County's fleet contains many vehicles that appear to exceed the requirements for the function for which they were purchased. To determine a standard against which this question could be considered, the audit found that in most instances, the ISD motor pool identifies the Ford Taurus as the sedan most frequently purchased by the County and is the "de facto standard for sedans¹²." Thus, based on interviews and a review of records, the Ford Taurus was considered to be the baseline sedan type for general County business.

Using this standard, the table below lists some of the vehicles that could be considered excessive for routine County business. The table below only includes vehicles purchased within the previous ten years.

Table 4.1
Automobiles and Sports Utility Vehicles
With Purchase Price Over \$30,000

Department	Number Over \$30,000	General Types of Vehicles
Health Services	20	Primarily High End Sports Utility Vehicles, such as the Ford Expedition.
Board of Supervisors	8	Various Vehicles for Elected Board Members
Department of Public Works	7	Jeeps, SUVs and one Sedan
Public Library	3	High End SUVs
<i>All Other Departments</i>	<i>13</i>	<i>Various, primarily SUVs</i>
TOTAL	51	

Sources: a) the Auditor-Controller's Fixed Asset database; b) the Department of Public Works Owned Vehicles database; c) the Internal Services Department AFMIS database; d) the Sheriff's department vehicle database; e) the Fire Department vehicle database; and f) databases provided by other departments contacted during this audit. Discrepancies were identified in the various databases. This table lists numbers from the Fixed Asset database primarily that was also identified in a second database. Numerous examples were only identified in one database and thus not included in this table.

¹² Internal Services Department, *Hybrid Vehicles Cost Analysis Memo*, January 17, 2006. Attachment 3, pg. 4.

Some of the more expensive automobiles that make up the numbers in the table above are described below.

- The Board of Supervisors has one 2007 Cadillac DTS with an original price of \$31,663. This vehicle is used by a member of the Board of Supervisors.
- The Assessor's Office has a 2007 Acura MDX which has an original purchase price of \$49,511. As of January 15, 2007, this vehicle has a total of 23,011 miles.
- The Internal Services Department motor pool contains a 2003 Lincoln LS, which was purchased for \$48,192.
- The County's fleet contains several Chrysler 300 vehicles. These vehicles are located in the Probation Department and the Board of Supervisors offices.
- The Public Library purchased a Toyota Highlander hybrid SUV in 2007 that cost the department \$38,322. In addition, the Public Library added a 2008 Chevrolet Suburban which cost \$38,036 to go along with two Suburban vehicles already in the fleet.

These are examples of the more expensive vehicles in the County fleet. The overall number of vehicles over \$30,000 are captured on the previous page, in Table 4.1.

The numbers presented in Table 4.1 are the best estimates of high-end vehicles owned by the County, developed by examining several databases provided during the course of this audit. If the vehicle was clearly identified in two primary databases, the vehicle was included in the table. The goal was to use the Office of the Auditor-Controller's Fixed Assets database as a control total since this included vehicles owned by every County department. While this was the number used as a control total, there were numerous discrepancies identified when attempting to quantify the costs of vehicles. While it is possible that some discrepancies exist in such large databases, the number of discrepancies identified in some departments is troubling. As an effort to fully understand and obtain an accurate number of County vehicle fleet, a reconciliation of internal departmental databases with the Auditor-Controller information should be performed by the Auditor-Controller annually to ensure accuracy.

In addition, the tables above and below do not include light trucks, nor does it include most vehicles assigned to public safety organizations. The data does not include light trucks since the examination of the appropriateness of these vehicles could not be easily performed within the parameters of this audit. In addition, the tables, which do include automobiles and sport utility vehicles, may also include vehicles necessary to perform relevant core County functions, such as those performed by some public safety organizations. As such, these vehicles should be included only if sufficient evidence exists showing they are used primarily for routine County business and a lesser vehicle

could perform the work. As these vehicles are reviewed and a threshold is established, savings may be realized. Because of data limitations and the number of vehicles

excluded from the list after applying our selection criteria, the numbers presented in this report are very conservative.

The cost to the county for purchasing these vehicles is difficult to quantify. However, it is clear that such cost should include the higher purchase price of the vehicle, as well as increased fuel costs associated with poorer gas mileage. As the County continues to move toward the purchasing of clean fuel and hybrid vehicles, the savings from fuel reductions will be increased.

One potential way to ensure that County departments do not purchase vehicles that have features that exceed departmental needs is to obtain specific approval for exceptions to standard categories of vehicles during the purchasing process. Such an approval process could provide the County with improved information about the fleet and the costs associated with the fleet, and prevent any unjustified purchases.

To comply with the Board of Supervisors Policy 3.020 – Clean Fuel Program, the Internal Services Department prepares an annual report to the Board of Supervisors on the composition of each department fleet and the efforts to increase the number of clean fuel vehicles in the fleet. As a companion to this report, the Internal Services Department could review the composition of the County fleet on an annual basis to identify the number of vehicles considered to be in a luxury class. This should include hybrid sports utility vehicles that are in excess of a threshold established by the County.

The table on the next page estimates the potential savings that could result from establishing such a process within the County.

Table 4.2

**Potential Savings from Automobile and SUV Purchases
With Enforcement of a \$30,000 Maximum Purchase Price¹**

Department	Automobiles and SUVs over \$30,000	Total Cost	Total Cost w/ \$30,000 Cap	Potential Savings
Board of Supervisors	8	289,902	240,000	49,902
Alternate Public Defender	2	69,470	60,000	9,470
Animal Care and Control	1	32,260	30,000	2,260
County Executive	1	34,149	30,000	4,149
Assessor	1	49,511	30,000	19,511
Agriculture Commission / Weights and Measures	1	33,547	30,000	3,547
Child Support Services	1	35,575	30,000	5,575
Health Services	20	627,956	600,000	27,956
Human Resources	1	35,304	30,000	5,304
Internal Services Department	2	64,260	60,000	4,260
Probation Department	1	34,548	30,000	4,548
Public Library	3	110,926	90,000	20,926
Department of Public Works	7	221,989	210,000	11,989
Recreation and Park	2	65,244	60,000	5,244
TOTAL	51	1,704,638	1,530,000	169,395

Source: Auditor-Controller Fixed Asset Database

¹ Excludes savings from better gas mileage and lower fuel costs.

The numbers presented in the table above are conservative. The review of the Fixed Asset database only included vehicles that had an original price in excess of \$30,000. There are potentially hundreds of other vehicles that could be included in the database, based on purchase price, alone. However, these were not included in the analysis because of the minimal description of such vehicles, and the potential that many sports utility vehicles, pick-up trucks, and vans may be required or have specialized equipment that is necessary for departmental business needs.

In addition, the threshold for vehicles is a rather high amount of \$30,000. If the amount was reduced to \$27,500 or \$25,000 the number of vehicles falling within this category of vehicle would be greatly increased. Such a reduction in average cost would result in significantly larger savings for the County. There are 183 automobiles (cars only), 218 sports utility vehicles, and 873 pick-up trucks and vans that are valued over \$25,000.

Although these numbers include vehicles with specialized equipment, a large percentage appear to be used for routine purposes.

There are minimal controls to ensure that County departments employ consistent vehicle purchasing standards. To rectify this inconsistency, and to make vehicle purchases more consistent throughout the County, the Board of Supervisors should amend the County Code, adding language that defines the types of vehicles approved for standard purchase, and require departments to submit formal justifications for any exceptions to the criteria to the Board of Supervisors. The Internal Services Department should prepare a report to the Board of Supervisors on County vehicle purchases that exceed a threshold price determined by the Board of Supervisors for routine sedans, sports utility vehicles and light trucks.

CONCLUSION

Finding 1: *The County has no internal controls in place to ensure County departments do not purchase vehicles that have features that exceed those required for routine County business.*

Finding 2: *There are dozens of vehicles that appear to have features that exceed need based on intended use, resulting in unnecessary costs for the County.*

Finding 3: *Some departments have vehicles that are not expensive, other departments have purchased luxury vehicles for the Department Director or other senior managers. Without clear direction from the Board of Supervisors, departments do not have any clear incentives to purchase vehicles that minimize cost.*

Finding 4: *There are discrepancies between the databases that individual departments, the Internal Services Department and the Auditor-Controller maintain.*

Recommendations

Recommendation 4.1: *The Internal Services Department should review the composition of the County fleet annually to identify the number of vehicles considered to be luxury or over \$30,000, and provide the report to the Board of Supervisors.*

Recommendation 4.2: *The Board of Supervisors should amend the County Code by adding language that establishes criteria for the standard vehicle types and require departments to submit any exceptions to such criteria to the Board of Supervisors.*

Recommendation 4.3: *The Internal Services Department should prepare an annual report to the Board of Supervisors on County vehicles over a threshold value determined by the Board of Supervisors for routine sedans, sports utility vehicles and light trucks.*

Recommendation 4.4: *The Office of the Auditor-Controller and the Internal Services Department should work with other County departments to reconcile the various County fleet information sources to ensure that accurate information exists.*

Costs and Benefits

The only costs associated with these recommendations will be an increase in staff time. Staff time will be required to reconcile the databases and get a firm control total of vehicles. Additional staff time is required to prepare the annual report to the Board of Supervisors outlining expensive vehicles and by the Auditor-Controller to ensure data is accurate. With these changes, there will be potential ongoing savings in County vehicle purchases as well as consistency County-wide.



**AN AUDIT OF WAREHOUSE OPERATIONS
& INVENTORY MANAGEMENT:
WASTE AT THE LOS ANGELES UNIFIED SCHOOL DISTRICT**

**2007-2008 Los Angeles County Civil Grand Jury
Investigative Committee**

John Gleiter, Chair

**Octavio V. Chavez
Ernest Oestreich
Arnie L. Spears**

INTRODUCTION AND SCOPE

This performance audit of the Los Angeles Unified School District's (LAUSD) warehouse function was conducted by Harvey M. Rose Associates, LLC for the Fiscal Year 2007-2008 Civil Grand Jury of Los Angeles County. The general purposes of the audit were to determine if the District is maximizing the benefits of having its own warehouse such as achieving price discounts by buying items in volume that it can store itself and expediting delivery to end users at District schools and offices and if LAUSD management has implemented sufficient internal controls to safeguard District assets and resources maintained in its warehouses.

Questions the Civil Grand Jury sought to resolve through this audit included the following:

10. What is the amount and dollar value of each of the following types of products within LAUSD's warehouses?
 - a. Like products, which are functionally alike but differ in non-functional attributes;
 - b. Obsolete products, which still have functionality but have lost their consumer demand;
 - c. Perishable products, which should not be used after a certain specified date and/or naturally reach an unusable condition; and,
 - d. Lost products, which have gone missing from one inventory cycle to the next due to shrinkage, damage, theft or misplacement.
11. How much did these products cost LAUSD, and is there any remaining value of obsolete products?
12. Have policies and procedures been established to limit individual purchases of like products at different prices, dispose of obsolete products or products that have perished, and to minimize the inappropriate loss of warehouse inventory, and are such procedures being followed?
13. What management systems, reporting processes and internal controls have been established to monitor the level of like, obsolete, perishable and lost products?

The scope of the audit covered the questions outline above regarding the District's warehouse function, including its General Stores, Foods, Maintenance and Salvage Warehouses and Beaudry Street facility, a total of five facilities. Organizationally, these

facilities are located in the District's Materiel Management Branch that also contains Stock Purchasing (items in the warehouse), Inventory Management Services, Truck Operations, or delivery services, including a mail unit and a Reprographics unit, and a Marketing division. The Materiel Management Branch is part of the District's Business Services Division. During the course of this audit, a reorganization took place in which the separate Procurement Services Branch of Business Services, responsible for non-stock purchasing and contracting, was merged with the Stock Purchasing unit, thus becoming part of the Materiel Management Branch.

The approved operating budget for the Materiel Management Branch for Fiscal Year 2007-2008 contains \$41.2 million in expenditures and 380 full-time equivalent positions, including the Reprographics and Mail units which were not part of this audit scope. Budgeted Fiscal Year 2007-2008 expenditures for the Procurement Services Group, a separate unit at the time the budget was adopted, is \$6.4 million. With the merger of the Procurement Services Group into the Materiel Management Branch, the total Fiscal Year 2007-2008 budget would be approximately \$47.6 million. The Materiel Management Branch and Procurement Services Group serve all of the District's schools and offices, all cafeterias and food preparation facilities and the Maintenance and Operations division. Though part of the District's operations, the disposition of used and old textbooks was not within the purview of the scope of this audit.

Tables I.1 and I.2 present Fiscal Year 2006-2007 data on the District's warehouse inventory and District-wide expenditures by procurement method.

**Table I.1
District Stock Items
Fiscal Year 2006-2007**

Warehouse		Number of Stock Items*	Percent of Total Stock	Average Inventory Value*
S1	General Stores	3,046	54.4%	\$9,656,504.40
M10	Maintenance	1,506	26.9%	\$1,717,894.90
F	Foods**	655	11.7%	\$4,821,031.14
BGS	Beaudry General Store	397	7.1%	\$55,844.03
TOTAL		5,604	100%	\$16,251,274.47

* Number of Stock Items as of February 13, 2008- excluding BGS (Stock Items by Commodity Code)

**Includes F6 Grocery, F6S Staples/Supplies, F6M Meats, and F38P Produce.

Table I.2
Stock, Non-Stock, and Procurement Card Expenditures
Fiscal Year 2006-2007

Type	Sub-total	Total
<i>General Stores</i>	\$49,873,684	
<i>Maintenance</i>	\$6,600,486	
<i>Foods</i>	\$45,261,399	
<i>BGS</i>	\$525,569	
Stock*		\$102,261,138
Non-Stock**		\$329,560,916
Procurement Card***		\$40,080,736
TOTAL		\$471,902,790

*Stock total based on stock disbursements as of June 29,2007 (Inventory Turns Report)

**Non-Stock total based on Fiscal Year 2006-2007 non-stock requisition data

***P-Card total annualized based on total Fiscal Year 2006-2007 expenditures of \$33,400,613.00 from Sept. 2006 through June 2007

END OF INTRODUCTION AND SCOPE.
EXECUTIVE SUMMARY FOLLOWS ON THE NEXT PAGE

Executive Summary

This performance audit of the Los Angeles Unified School District's warehouse Function Department was conducted by Harvey M. Rose Associates, LLC for the Fiscal Year 2007-08 Civil Grand Jury of Los Angeles County.

Key findings and the audit recommendations are as follows:

Section 1: Required Warehouse Purchases & Like Products

- ❑ District schools and offices are purchasing items from the 30 top selling product categories from outside vendors using District Procurement Cards (P-Cards) in violation of District policy. On average, "Top 30" items purchased from outside vendors cost approximately 40 to 86 percent more than Top 30 items purchased from the General Stores Warehouse, resulting in estimated District-wide excess expenditures of between \$1.7 and \$2.8 million per year.
- ❑ Though District policy states that P-Card purchases will be reviewed to ensure compliance with the restriction on Top 30 purchases from outside vendors, such monitoring is not being performed by the Purchasing Branch to ensure that these products are not being procured by District staff at higher prices from outside vendors.
- ❑ District policy does not preclude District schools and offices from purchasing non-Top 30 items and like items from outside vendors with their P-Cards or through the non-stock purchasing process, even though the District reports that their prices are an average of 86 percent lower at the warehouse. District records show that such items are being purchased at higher prices with P-Cards and through the non-stock requisition process, resulting in estimated excess costs of \$7.7 million per year.
- ❑ District employees are not consistently receiving District-negotiated discounts from non-stock contract vendors when making purchases using their P-Cards.
- ❑ The Purchasing Branch lacks internal management controls to effectively monitor staff compliance with and enforcement of District Top 30 policy and to ensure that appropriate steps are taken by Buyer staff to minimize non-stock purchases of non-Top 30 like items.
- ❑ The Purchasing Branch does not consistently analyze non-stock data for the purposes of identifying items that should be moved into stock.

Based on these findings, it is recommended that District management should:

Recommendation 1.1: *Require that the Purchasing Branch enforce the District's restriction on purchasing Top 30 items from sources other than District warehouses by: (a) reviewing P-Card transactions to identify Top 30 purchase violations as part of the P-Card Unit's audit function; (b) developing and communicating formal, written policies and procedures regarding District non-stock purchasing processes; and, (c) implementing internal management controls to monitor, track, and document staff compliance with and enforcement of these policies and procedures.*

Recommendation 1.2: *Amend the Top 30 policy to promote greater compliance and to discourage the purchasing of Top 30 and non-Top 30 like and identical items from outside vendors at higher costs by extending required warehouse purchases for all items that fall under the broad Top 30 categories rather than specific products in each category, as is current policy.*

Recommendation 1.3: *Direct Purchasing Branch management to require that all Buyers document and report their contacts with schools and offices to attempt to redirect non-stock requisitions for outside vendors to the warehouse for items identical to or like those available in the warehouse at lower cost.*

Recommendation 1.4: *Require Purchasing Branch management to annually track and report to District management the number and dollar amount of non-stock requisitions that are converted into stock requisitions by non-stock Buyers to avoid purchase of the same or like items that are available from the warehouse at less cost.*

Recommendation 1.5: *Require school principals and office managers to provide District management with written justifications for their purchases from outside vendors at higher cost of items available in the warehouse when they are identified by Purchasing Branch review of detailed P-Card transaction data and/or to surrender their P-Cards in cases of ongoing violations of District policies regarding purchases from the warehouse.*

Recommendation 1.6: *Require that the Purchasing Branch ensure that District P-Card holders are consistently receiving discounts from non-stock contract vendors, with the discount received reflected in the detailed P-Card purchase data received from the District's third party P-Card administrator. P-Card holders should be instructed to routinely inquire about such discounts when making purchases from non-stock contract vendors.*

Recommendation 1.7: *Negotiate with the District's third party P-Card administrator to provide more detailed information regarding the quantities and unit prices paid for items purchased using District P-Cards for the purposes of tracking employee compliance with the Top 30 and related policies to minimize purchasing costs, to ensure that discounts are being obtained and to identify items that should be moved into stock.*

Recommendation 1.8: *Require that the Purchasing Branch develop policies and procedures for conducting quarterly reviews of the District's Integrated Financial System (IFS) vendor reports and other applicable non-stock data for the purposes of identifying items that should be moved into stock, including details on how such information will be communicated to inventory management personnel in the Materiel Management Branch.*

SECTION 2: INVENTORY MANAGEMENT AND ANALYSIS

- ❑ THE DISTRICT IS NOT SYSTEMATICALLY REMOVING LOW TURNOVER, LOW DEMAND ITEMS FROM INVENTORY BASED ON INVENTORY TURNOVER ANALYSES. THE MAJORITY OF ITEMS IN THE GENERAL STORES WAREHOUSE HAD A TURNOVER RATE OF LESS THAN FOUR IN FISCAL YEARS 2006-2007 AND 2005-2006 AND 383 ITEMS IN FISCAL YEAR 2006-2007 HAD A TURNOVER RATE OF LESS THAN ONE. THE HIGH NUMBER OF LOW TURNOVER ITEMS INDICATES OVERSUPPLY IN THE WAREHOUSE OF LOW DEMAND ITEMS THAT SHOULD BE REMOVED TO MINIMIZE WAREHOUSE COSTS AND/OR OVER-ORDERING OF ITEMS THAT ARE IN DEMAND, REPRESENTING SPENDING FOR THOSE ITEMS BEYOND WHAT IS NEEDED, UNNECESSARILY TYING UP DISTRICT CASH.
- ❑ Many warehouse items in the high volume Top 30 selling categories were found to have low inventory turnover rates, indicating over-ordering. Another indicator of this is the average of 4.2 months worth of stock maintained in the warehouse for 239 of the Top 30 items. This appears to be excessive since District policy is to maintain three months worth of stock for each item. Further, most vendors can reportedly

deliver their orders within one month, indicating that the District quantity ordering policy is also higher than needed.

- ❑ District suggestions that high turnover rates are due to unexpected changes in demand due to grant funded art and sports programs is not supported by inventory data that shows a small percentage of sports and arts supplies had high turnover in FISCAL YEAR 2006-07.
- ❑ The District does not have a systematic analytical approach to adding new items to inventory. Materiel Management Branch (MMB) staff do get suggestions and input from District customers and Buyers but analysis of non-stock and Procurement Card product purchase data are not conducted for this purpose, potentially leaving the warehouse without products that its customers want.

Based on these findings, it is recommended that District management should:

Recommendation 2.1: Direct Inventory Management staff to analyze and quarterly report to warehouse management all warehouse items that have turnover rates of less than one in a year or less than two for two consecutive years.

Recommendation 2.2: Direct warehouse management to develop a policy to remove all items with turnover rates of two or less for two consecutive years unless there are documented unusual circumstances warranting retention of the items.

Recommendation 2.4: Direct Inventory Management staff to develop a systematic approach to analyzing District consumption patterns using non-stock requisition and Procurement Card purchase data to identify items being purchased at such a level that it would make economic sense to stock the item in the warehouse.

SECTION 3: WAREHOUSE MANAGEMENT OF LOST OR UNACCOUNTED FOR PRODUCTS

- ❑ POSITIVE OR NEGATIVE INVENTORY ADJUSTMENTS RESULTING FROM THE ANNUAL PHYSICAL COUNT AND ADJUSTMENTS TO INVENTORY RECORDS MADE THROUGHOUT THE YEAR WERE VALUED AT \$2.9 MILLION, OR 18 PERCENT OF AVERAGE INVENTORY VALUE IN FISCAL YEAR 2006-2007. THIS RATE EXCEEDS THE STANDARD INVENTORY ADJUSTMENT BENCHMARK OF TEN PERCENT AND RAISES THE RISK OF THE WAREHOUSES BEING UNABLE TO MEET CUSTOMER DEMAND AND OF THEFT OR MISUSE OF DISTRICT ASSETS. THIS AMOUNT IS NOT REPORTED TO DISTRICT MANAGEMENT TO MEASURE AND IMPROVE ON WAREHOUSE PERFORMANCE.
- ❑ Independent On-site Warehouse Inventory Tests conducted for this audit showed significant discrepancies between the District's electronic inventory records and amounts found in the warehouses.
- ❑ Staff training for the annual physical count is not sufficient. Ongoing inventory adjustments reported and recorded by warehouse staff are not independently verified by the Job Cost Accounting Section staff to ensure their legitimacy. Order error inventory adjustments are made to electronic inventory records by warehouse staff without review or verification by independent non-warehouse staff.
- ❑ Deficiencies were found in the order filling processes at each warehouse with potential impact on the accuracy of inventory records maintained electronically. These deficiencies include: the absence of verification of order accuracy in the individual commodities being shipped from the warehouses; and, a computer inventory tracking system that is often inconsistent with the actual movement of inventory.
- ❑ The District's Maintenance Warehouse must use two separate computer systems to process Maintenance Warehouse stock orders and inventory adjustments.

Based on these findings, it is recommended that District management should:

Recommendation 3.1: Direct staff to prepare an annual report for management presenting year-to-year gross dollar and commodity unit discrepancies, rather than net discrepancies as is currently reported between inventory records and actual inventory found in the warehouses, as part of the annual Business Service's Division Service Efforts and Accomplishments.

Recommendation 3.2: *Direct staff to prepare formal written policies and procedures to improve internal controls over the annual physical count including enhanced staff training for the process, adding periodic cycle counts to the control processes where randomly selected items are spot counted during the year and enhanced documentation and independent verification by the Job Cost Accounting Section of all inventory adjustments resulting from the annual physical count and others proposed during the year by warehouse staff. Use of outside contractors for the annual inventory count should also be considered.*

Recommendation 3.3: *Delegate responsibility to the Materiel Management Branch and warehouse managers to reduce the gross discrepancy levels at the warehouses from the current 18 percent to at least 10 percent and preferably lower over the next two years and to submit written reports to executive management once a year on progress in accomplishing this goal.*

Recommendation 3.4: *Direct warehouse management to develop a formal data entry process and inventory controls for the District's Integrated Financial System (IFS) electronic inventory management system and for each warehouse's order filling procedures, starting with the entry point of an order by a customer to creating greater accuracy checks against item control sheets and detailed item pick and issue tickets generated by IFS and performing and documenting spot checks for order accuracy before orders are shipped from the warehouses.*

Recommendation 3.5: *Direct Materiel Management Branch staff to determine the costs and benefits of modifying the Maintenance Warehouse's MAXIMO software so that Maintenance inventory order data is recorded in sufficient detail and merged with IFS to ensure that consistent and accurate inventory updates are made in both systems.*

SECTION 4: MANAGEMENT OF OBSOLETE ITEMS IN THE SALVAGE WAREHOUSE

- ❑ Warehouse staff currently do not electronically compile or keep track of a tally of the salvage/obsolete items that are delivered to the warehouse, resulting in a lack of a formalized accounting of the number, types, and values of the obsolete and salvage materials and equipment delivered to the Salvage Warehouse. Currently, the only tracking system in place involves the filing of the physical copies of the Transportation Order forms, which are grouped alphabetically by school sites and by fiscal quarter.
- ❑ The Salvage Warehouse lacks formal policies and procedures for reconciling the number of items picked-up at the schools and offices with the number of items that are actually delivered to the Salvage Warehouse. As such, no formal accounting of salvage and obsolete items takes place, which increases the risk of misuse or theft of salvage and obsolete items. Similarly, some items that schools or offices have requested for pick up are not delivered to the Salvage Warehouse without documented explanation.
- ❑ The District's Salvage Warehouse lacks policies and procedures for how to group and classify salvage and obsolete items received at the Salvage Warehouse, increasing the risk of misuse or theft of such items. Formal standards are not in place for determining which materials should be dumped, recycled, sold or auctioned, or retained by the warehouse staff for reuse by other District schools and offices.
- ❑ The District lacks standards for how Salvage Warehouse staff assigns base asking prices to items that are to be sold or auctioned. Base prices are established solely based on staff's opinion of the value of items to be sold, potentially resulting in under- or over-valuing District assets.
- ❑ The Salvage Warehouse will lose approximately \$300,000 in revenue in Fiscal Year 2007-2008, or approximately 61 percent of its total revenue, previously generated from auctioning District computers and peripherals. The District now has entered in to an agreement transferring that equipment to Apple Computer, Incorporated who has guaranteed that no confidential data from the devices will be released and all equipment will be disposed of without environmental harm. District staff could not report if the benefits of this new arrangement offsets the loss in revenues, which will increase the net costs of warehouse operations.
- ❑ District contracts for hauling and wood disposal were not reviewed as they could not be produced by District staff.

Based on these findings, it is recommended that District management should:

Recommendation 4.1: Establish formal and consistent written policies and procedures for tracking and processing items that were not picked-up by the drivers or where quantities delivered are different than the amount originally requested by the District school or office.

Recommendation 4.2: Establish and implement written policies and procedures that include guidelines for systematically and electronically keeping a tally and tracking information regarding all salvage and obsolete items that are delivered to the Salvage Warehouse. At a minimum, the District should electronically input the following information from the Transportation Order forms: (a) item description; (b) serial numbers; (c) the quantity entered by the school/office; (d) the quantity that actually arrived at the warehouse; (e) consistent grouping classification; (f) relevant date; and, (g) form numbers. The Salvage Warehouse should then use these Transportation Order data to keep track of the items on an ongoing basis and generate reports on Salvage Warehouse items and activities.

Recommendation 4.3: Establish standards for assigning base asking prices to items that are to be sold or auctioned to continue the feasibility of meeting the 50 percent cost recovery goal from auction revenues of operational costs.

Recommendation 4.4: Conduct a cost-benefit analysis of alternative options to destroy end-of-life electronic assets in an environmentally-sound manner, with the goal to determine ways to recuperate the lost auction revenue associated with computer and electronic sales.

Recommendation 4.5: Establish contracts with one or more vendors governing hauling and wood disposal.

Table E.1 on the next page presents a summary of estimated savings resulting from implementation of the audit recommendations. As shown, estimated one-time savings are between \$390,000 and \$1.1 million. Estimated annual savings are between \$10.7 and \$11.8 million per year. Additional savings are possible because some of the audit analysis that the estimates are based on stemmed from limited samples.

Table E.1
Estimated savings based on
audit sample and other analyses

Recommendation	Estimated one-time savings*	Estimated annual savings*
1.1: Require that the Purchasing Branch enforce the District's restriction on purchasing Top 30 items from sources other than District warehouses by: (a) reviewing P-Card transactions to identify Top 30 purchase violations as part of the P-Card Unit's audit function; (b) developing and communicating formal, written policies and procedures regarding District non-stock purchasing processes; and, (c) implementing internal management controls to monitor, track, and document staff compliance with and enforcement of these policies and procedures.		\$1.7 - 2.8 million/year+
1.3: Direct Purchasing Branch management to require that all Buyers document and report their contacts with schools and offices to attempt to redirect non-stock requisitions for outside vendors to the warehouse for items identical to or like those available in the warehouse at lower cost.		\$7.7 million/year+
2.3: Direct Inventory Management staff to analyze procurement quantities for all warehouse items and to establish lower order quantities for most items based on actual annual disbursement quantities, prices and the cost of storing the items, possibly using a computer-based Economic Order Quantity formula or another structured, systematic, data-based approach.	\$390,000 - \$1.1 million+	
3.3: Delegate responsibility to the Materiel Management Branch and warehouse managers to reduce the gross discrepancy levels at the warehouses from the current 18 percent to at least 10 percent and preferably lower over the next two years and to submit written reports to executive management once a year on progress in accomplishing this goal.		\$1.3 million/year
Total	\$390,000 - \$1.1 million+	\$10.7 – 11.8 million/year+

* A + sign indicates that the estimated savings were based on analysis of a limited sample and that the actual savings could be greater.

END OF EXECUTIVE SUMMARY
METHODOLOGY SECTION FOLLOWS ON THE NEXT PAGE

METHODOLOGY

Methods employed for this performance audit included:

- Collection, review and analysis of laws and District policies related to warehouse operations.

Collection, review and analysis of District budget, organization structure and staffing information pertaining to the Materiel Management Branch and Procurement Services Group.

Review of previous analyses and of the District's warehouse function and the decision to consolidate General Stores and Foods operations at the current Pico Rivera facility.

- Audits by the District's Inspector General's Office regarding the warehouse and related topics were reviewed.
- Interviews were conducted with the District's Business Services Manager, Inspector General and staff, interim Controller, Chief Procurement Officer, the former and current Materiel Management Director, Principal Administrative Analyst for Materiel Management Branch, Purchasing Services Manager, Warehouse Manager, Inventory Management supervisor, Truck Operations Manager, individual warehouse supervisors, selected Buyers and Inventory Analysts, a Business Tools for Schools (District's automated system initiative) project manager and other selected staff.

All District warehouse facilities were toured and details of the work processes at each were facility were reviewed with supervisors and staff.

- Cycle counts were conducted of randomly selected item in each warehouse for comparison to the amounts posted in the District's IFS computer system.
- Stock and non-stock buyers' work processes were observed.

Warehouse inventory data, including details on all items currently in stock, inventory turnover for Fiscal Year 2007-2008 through December and the prior fiscal year, and related data, was collected and analyzed.

- Non-stock requisition and purchase order data for Fiscal Year 2006-2007 was collected and analyzed.

Procurement Card purchase data was for Fiscal Year 2007-2008 through December and the prior fiscal year was collected and analyzed.

Annual physical inventory procedures and results were reviewed for the past two years.

- The inventory adjustment report for Fiscal Year 2006-2007 was reviewed.

District financial records detailing expenditure totals for stock and non-stock items were obtained and analyzed.

A presentation of mockup screens of a possible new computer system and software for the purchasing and warehouse inventory management functions was attended.

- The Procurement Services Group's *Guide to Procurement* was reviewed and processes in it confirmed and clarified with District staff.
- Customer surveys conducted by the Materiel Management Branch were reviewed as were forms and documents used to solicit input from District staff on items to stock in the warehouse.
- The Business Services Division's *Service Efforts & Accomplishments* reports for Fiscal Year 2006-2007 and Fiscal Year 2005-2006 were reviewed.
- A survey was conducted of other large school districts throughout the U.S. to obtain comparative information on their warehouse functions. Surveys were solicited and received from the following districts:

School District	Response Provided
Broward County, FL	✓
Clark County, NV	
Detroit, MI	
Houston, TX	✓
Long Beach, CA	✓
Miami-Dade, FL	✓
Montgomery County, MD	✓
New York, NY	
Palm Beach County, FL	
Philadelphia, PA	
San Diego Unified, CA	✓

Survey details and results are provided in the Appendix Section of this report.

GOVERNMENT AUDITING STANDARDS

Government auditing standards promulgated by the Comptroller General of the United States in the Government Accountability Office's 2007 edition of *Government Auditing Standards* were adhered to for this performance audit.

The remainder of this report contains the audit findings, conclusions and recommendations.

**END OF METHODOLOGY SECTION.
SECTION 1 FOLLOWS ON THE NEXT PAGE**

1. REQUIRED WAREHOUSE PURCHASES AND LIKE PRODUCTS

This section presents the results of analyses conducted for this audit to: (a) assess the amount and value of products that are functionally alike but non-functionally similar in District warehouses; (b) determine if policies and procedures are in place and being complied with to limit individual purchases of the same or like products at different prices; and, (c) to assess whether management systems, reporting processes and internal controls have been established to monitor and control the level and cost of purchases of like and identical products.

SUMMARY OF FINDINGS FROM SECTION 1

- The chief benefit of the District's warehouses should be that commonly used items are purchased in such volume that significant price reductions can be provided to District schools and offices compared to purchasing the items at retail prices. The District reports that prices for its warehouse items in the 30 top selling product categories are as much as 40 percent less than retail prices. For this reason, District policy prohibits procurement of these "Top 30" items from outside vendors.
- District schools and offices are provided with P-Cards, which are similar to credit cards and are intended for low dollar value purchases of items other than those in the Top 30 categories. A review of Fiscal Year 2006-2007 District P-Card transactions found that items in the Top 30 selling categories available in the District warehouse were purchased from outside vendors in violation of District policy and that, for three products reviewed, at average prices 86 percent higher than District warehouse prices. Assuming that this pattern applies to all Top 30 products, excess annual District P-Card expenditures are estimated to be between \$1.7 and \$2.8 million per year based on higher prices paid.
- P-Card purchase records also show that District schools and offices are buying non-Top 30 and other items from outside vendors even though the same or like items are available from District warehouses at lower prices. The estimated impact of the higher prices paid to outside vendors for products available from the warehouse is \$7.7 million per year. All District staff have access to the items in stock in the warehouse via the District's computer system.
- Though District policy calls for schools and offices to obtain District-negotiated discounts from certain non-contract vendors on purchases made using P-Cards, a sample of P-Card transaction records data shows that such discounts are not being obtained in at least half the cases reviewed, with the results unclear for the other half of records reviewed.
- District schools and offices are ordering items available in District warehouses from outside vendors through non-stock requisitions processed by District

Buyers. As a result, they are not getting the price advantages of buying the same items from the warehouse. Buyer staff report that they stop non-stock requisitions for Top 30 items and redirect them to the warehouse but District records show that this is not always occurring.

- The District's third party P-Card administrator provides limited P-Card purchasing data to the District and the staff reviewing it focuses little on the inappropriate purchase of items also in the warehouse. Similarly, management oversight and staff review of non-stock purchasing data does not take place to identify and prevent more costly purchases of items available in District warehouses.

DISTRICT POLICY REGARDING REQUIRED WAREHOUSE PURCHASES

District policy requires all schools and offices to purchase stock items identified as District-wide top sellers from the General Stores warehouse¹³. These items are grouped into thirty product categories referred to in the District as the Top 30 selling categories. District schools and offices are allowed to directly purchase all other non-Top 30 items stocked in the District's General Stores warehouse from outside vendors using a District-issued Procurement Card (P-Card)¹⁴, for purchases under \$1,000, or through a non-stock requisition¹⁵ processed by Purchasing Branch staff for items over \$1,000. Non-stock requisitions are reviewed by Purchasing Branch staff before they are processed and could be stopped if they are found to violate District policy. By definition, a similar type of review cannot take place for P-Card purchases because receipts and other records are not provided to District administrative staff until after the purchase is made.

Purchasing Branch staff report that they advise school and office staff of the availability of items in the warehouse when they find such items in non-stock requisitions they receive and process. In order to ensure that items identified as required warehouse purchases are not being purchased from outside vendors and to ensure District

¹³ Los Angeles Unified School District Policy Bulletin 965: Required Stores Warehouse Purchases, June 22, 2004.

¹⁴ The District implemented a Procurement Card, or P-Card, program in 2001. P-Cards are similar to credit cards but are limited to District purchases only with restrictions on the types of items that can be purchased, merchants to be patronized and dollar value of individual and monthly cumulative purchases. The District has issued most of its P-Cards to school and office administrators, who are responsible for approving all purchases made on their site's P-Cards. P-Card use is limited to low dollar value office supplies, electronics and instructional materials. Single purchases on a P-Card cannot exceed \$1,000 and monthly cumulative purchases cannot exceed \$10,000,

¹⁵ A non-stock requisition is a formal written request for goods, services, and supplies that are not stocked in the warehouse.

compliance with the Top 30 policy, District policy requires Procurement Services¹⁶ and Accounts Payable staff to review P-Card and non-stock transactions and states that such transactions are subject to audit by the Office of the Inspector General (OIG).¹⁷

The 432 items in the Top 30 selling categories are broad categories of commonly used school and office supplies with each category containing numerous commodities designated as required warehouse purchases.¹⁸ In Fiscal Year 2006-2007, the 432 items in the Top 30 selling categories comprised approximately 14.2 percent of the 3,046 items in inventory in the General Stores Warehouse. Top 30 item sales of \$15,101,129 in Fiscal Year 2006-2007 represented nearly 30.3 percent of the \$49,873,683 in total annual sales for all stock items in the General Stores Warehouse. With this volume of sales, substantial District savings should be achieved through the requirement that all items in the Top 30 selling categories be purchased from the warehouse since the Materiel Management Branch reports that warehouse prices for Top 30 items in Fiscal Year 2006-2007 were, on average, 36 percent lower than those offered through U.S. Communities, a government purchasing alliance to which the District belongs, and 40 percent lower than those offered by the Office Depot¹⁹.

Since required warehouse purchases are limited to the specific items listed in the Top 30 selling categories, the purchase of “like” products, items that are functionally comparable to Top 30 items, but different in non-functional attributes, is not prohibited by District policy. Additionally, the District does not preclude schools and offices from purchasing items that are identical to or like the remaining 2,614 non-Top 30 stock items in inventory in the General Stores warehouse and others in the Maintenance Warehouse from outside vendors even if they offer no additional functionality than items available in the warehouse.

The District policy regarding non-Top 30 items appears to have the effect of allowing for increased costs since the Materiel Management Branch reports in their Fiscal Year 2007 *Services Efforts and Accomplishments* publication that prices for 1,800 stock

¹⁶ The Purchasing Branch, which includes the P-Card Unit, was formerly a part of the District's Procurement Services Group.

¹⁷ P-Card transactions occur directly between the P-Card holder and the outside vendor and, as such, are only subject to retroactive review for Top 30 purchase violations. Conversely, non-stock requisitions must be processed by non-stock buyers in the Purchasing Branch thereby allowing for proactive identification of Top 30 purchase violations.

¹⁸ For example, in Fiscal Year 2006-2007, the “Adhesives” Top 30 selling category contained the following four commodities designated as required warehouse purchases:

- Glue Stick (Code #: 615-05-37400)
- Rubber Cement (Code #: 615-05-75125)
- School Glue (Code #: 615-05-37400)
- White Glue (Code #: 615-05-37255)

¹⁹ Materiel Management Branch Industry Measures, *Service Efforts and Accomplishments, Fiscal Year 2006-2007*, Business Services Division, LAUSD

warehouse items not in the Top 30 categories are, on average, 86 percent lower than those offered by outside vendors for “like” items. However, the higher costs associated with allowing schools and offices to make such purchases may be appropriate in some instances due to the need for faster service than the warehouse can provide such as when items are on back-order at the warehouse, or during an emergency or other reasons. Purchasing Branch staff report that they do notify customers at schools and offices who submit non-stock requisitions for such items that they could obtain them at lower cost from the warehouse. However, except for Top 30 items, the decision to purchase from the warehouse is ultimately up to the end users, according to Purchasing Branch staff.

Additionally, District policy regarding non-Top 30 items places the General Stores Warehouse in the untenable position of competing with large national retail vendors for sales of all non-Top 30 items. These vendors can generally offer District consumers a greater selection of most of the commodities available in the warehouse, have easier to navigate shopping websites and often can provide faster service than the warehouses. Materiel Management Branch personnel report that such competition has led to improved warehouse customer service and marketing efforts to identify customer product needs and to promote the cost savings and other benefits of purchasing from the warehouse. In fact, customer satisfaction surveys conducted by the warehouse during the first quarter of 2007 showed that the majority of respondents were very satisfied with the overall performance of the warehouse as a supplier. Specifically, on a scale of 1 to 5, with 1 being “very dissatisfied” and 5 being “very satisfied”, approximately 82 percent of principals and 76 percent of School Administrative Assistants (SAA) rated the warehouse a “4” or “5.”²⁰ However, consistent with the purpose of a centralized warehouse, the General Stores Warehouse should only stock like items to the extent that it is cost-effective to do so. Rigid adherence to this tenet, however, may result in limited product variety thereby driving District demand for higher priced like items on P-Cards and through the non-stock purchasing process.

TESTS OF COMPLIANCE WITH DISTRICT TOP 30 POLICY AND THE EXTENT TO WHICH WAREHOUSE “LIKE ITEMS” ARE PURCHASED FROM OUTSIDE VENDORS

The following analyses were conducted to determine: (a) District school and office adherence to the requirement that items in the Top 30 selling categories must always be purchased from the warehouse; (b) the extent to which items identical or like those in the warehouse (“like items”) are being purchased from outside vendors through District

⁸ Materiel Management Branch, Results of the Stores Warehouse Customer Satisfaction Survey, 2007. Survey results based on responses received from 71 principals and 258 Schools Administrative Assistants.

P-Cards and the non-stock purchasing process; and, (c) the prevalence and adequacy of like items stocked in the District's General Stores Warehouse to meet most customers' needs.

- Fiscal Year 2006-2007 warehouse inventory turnover records were used to: (a) calculate District Top 30 and non-Top 30 stock expenditures; and, (b) identify the number of items in inventory, by warehouse.
- P-Card spending data was analyzed to determine total P-Card expenditures, by vendor, in Fiscal Year 2006-2007;
- Fiscal Year 2006-2007 P-Card purchase data²¹ was analyzed: (a) to determine if purchases of three common items from the Top 30 selling categories were made from outside vendors using District P-Cards in violation of District policy and, if so, how the prices paid for those items compared to warehouse prices; (b) to identify the extent and value of P-Card purchases for items like or identical to warehouse items for five selected non-Top 30 stock items; and, (c) to determine if P-Card holders receive discounts from vendors pursuant to the terms of the District's non-stock contracts;
- Fiscal Year 2006-2007 General Stores inventory records were analyzed to identify the number and prices of like items in inventory for 25 stock items to determine if the warehouse provides sufficient variety to meet most customer needs;
- Fiscal Year 2006-2007 non-stock requisition data was analyzed to: (a) estimate District demand for non-stock items, excluding professional services and prohibited P-Card expenditures; and, (b) identify the prevalence of requests for like items for 25 stock items, including 15 Top 30 items and 10 non-Top 30 stock items.

P-CARD: TOP 30 AND LIKE PRODUCT PURCHASES

The District's P-Card Unit, a division of the Purchasing Branch, is charged with administration and oversight of the District's P-Card program. Consistent with the District's Top 30 policy covering non-stock purchases discussed above, District P-Card policies and procedures expressly prohibit cardholders from purchasing "Top 30" category items that are designated as required warehouse purchases.²² To determine District compliance with and enforcement of this policy, P-Card purchase data was

²¹ In addition to cardholder information, merchant category code and name, and transaction date and amount, P-Card purchase data additionally includes a brief description of the items purchased and the corresponding merchant item code.

²² Reference Guide No. REF-588: Procurement Card, January 28, 2004.

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analyzed to identify unauthorized purchases of three common items from the District's Top 30 selling categories:

- #2 Pencils: Office w/ Eraser 12/Box (Code #: 620-60-52060)
- Hardboard Clipboards: LTR 12/Box (Code #: 615-25-25250)
- Glue Stick: Non-Toxic Clear 12/Box (Code #: 615-05-90360)

It should be noted that this type of analysis cannot be readily conducted by the District given limitations of the electronic P-Card purchase records received from the District's third party P-Card administrator. The District P-Card Unit receives monthly vendor sales reports from the District's third party P-Card administrator which includes total P-Card transaction amounts for all vendors. However, because these reports do not contain more detailed information about the actual commodities purchased, District staff cannot readily determine key factors about P-Card purchases including:

- if items from the Top 30 selling categories are being purchased with P-Cards in violation of District policy;
- the extent to which non-Top 30 items stocked in the warehouse are being purchased with P-Cards, probably at higher prices;
- if discounts are being obtained from vendors who have non-stock contracts with the District;
- if certain items are being purchased in such volume that they should be added to warehouse stock.

While the P-Card Unit does receive line item transaction detail about P-Card purchases from the District's third party P-Card administrator, this information is only available for selected vendors. Unfortunately, even these more detailed records do not indicate the number of items purchased in a transaction nor do they provide the unit price for each item, both key variables needed for analysis of District-wide P-Card expenditures. The purchase records only lists total transaction amounts, item descriptions in text form, and vendor item codes for the items purchased. While the information in the detailed P-Card purchase records may be useful in identifying inappropriate P-Card purchases and possible transaction splitting to avoid the District's \$1,000 limitation on individual P-Card transactions, it is not useful for determining compliance with District procurement policies or identifying the extent of additional costs incurred by buying the same or like items as those available from the warehouses

The District's detailed P-Card purchase data was analyzed to determine if certain Top 30 items could be identified in these records of purchases from outside vendors. Because individual commodities are not coded consistent with the warehouse's commodity coding system or consistently among all vendors, the items in the database had to be identified by searching text descriptions, which are not consistently entered by different vendors for the same items. Whenever possible, the vendor product code was used to obtain a more detailed description and picture of the item from the vendor's website for the purposes of Top 30 comparisons. Fiscal Year 2006-2007 warehouse prices for such items were obtained and compared to the vendor's prices also obtained from their websites.

A review of the limited detailed P-Card transaction data available for Fiscal Year 2006-2007 showed that for just three of the 432 items in the Top 30 product categories, there were at least 143 incidents of unauthorized purchases of one or more of these products using District P-Cards, as shown in Table 1.1. However, as noted above, because detailed P-Card purchase data does not provide the number of items purchased in each transaction, there is no way to determine the actual quantity of items purchased represented by these 143 purchase records.

On average, the three items purchased from outside vendors using District P-Cards cost approximately 85.9 percent more than the prices of the same items in the General Stores Warehouse. Other Top 30 items sold by the warehouse were identified in our review of P-Card purchase data but they were not compiled due to the time required to search out all possible text entries for the same item among the 14,374 P-Card transactions in Fiscal Year 2006-2007, for which detailed purchase data was available, and confirm that the item was in fact a Top 30 purchase through use of the vendor item code.

The Fiscal Year 2006-2007 Business Services Division Service Efforts and Accomplishments report²³ states that, on average, warehouse prices for commodities in the Top 30 selling categories are 40 percent lower than those of the Office Depot. While we found the price differential between the warehouse and outside vendors to be much greater (85.9 percent higher for outside vendors), the limitations of the P-Card purchase data precluded analysis of additional items in the Top 30 selling categories to determine if the 40 percent differential is more realistic for Top 30 items as a whole.

²³ Materiel Management Branch Industry Measures, *Service Efforts and Accomplishments, Fiscal Year 2006-2007*, Business Services Division, LAUSD

Table 1.1

**Examples of 3 Common Items from the District
Top 30 Selling Categories Purchased with District P-Cards
Fiscal Year 2006-2007**

Top 30 Item	Warehouse Price	Average Non-Warehouse Price	Price Difference	Percent Price Difference	Number of Purchase Records*
Office #2 Pencils: w/Eraser,12/Box	\$ 0.79	\$1.86	\$1.07	135.1%	94
Hardboard Clipboards: LTR 12/Box	\$0.73	\$1.22	\$0.49	66.7%	21
Glue Stick, Non-Toxic Clear 12/Box	\$3.75	\$5.84	\$2.09	55.7%	28
Average Percent Price Difference/Total Number of Purchase Records				85.9%	143

* Number of purchase records out of 14,374 P-Card transactions. Transactions may include multiple purchase records.

Source: LAUSD Level III P-Card Purchase Data Fiscal Year 2006-2007

The prevalence of these three and other Top 30 items purchased using District P-Cards is likely understated due to the limitations of P-Card purchase data with detailed transaction records not available for all P-Card vendors. Given the nature of many P-Card vendors and the variety of products they carry, it is highly probable that Top 30 items were purchased from vendors for which detailed P-Card purchase data is not available.

P-CARD PURCHASES OF NON-TOP 30 ITEMS LIKE OR IDENTICAL TO THOSE CARRIED IN THE WAREHOUSE

District P-Card purchase data was analyzed to identify District purchases of like products for the following five non-Top 30 stock items carried in the warehouse:

- Name Badges ("Hello My Name Is ____") 100/Box (Code #: 08-035-40065)
- Computer Keyboard Wrist Supports (Code #: 20-760-90208)
- TI-84 Calculators Plus SE (Code #: 60-017-88888)
- Single Hole Punch Hand Held (Code #: 605-67-11123)
- Rubber Bands Assorted Sizes (Code #: 615-75-91136)

As shown in below in Table 1.2, there were 399 purchase records found in P-Card transaction data in Fiscal Year 2006-2007 for which detailed purchase data was available, where non-Top 30 like stock items – and in some cases identical items – were purchased using District P-Cards. As stated previously, the purchase of such items is not a violation of District policy. However, because P-Card purchase data provided to the District by its third party P-Card administrator lacks critical quantity and unit price information it cannot be readily used by District procurement and warehouse inventory management staff to determine: (a) the justification and fiscal impact of these purchases, which are most likely at higher prices than if the item or like item was purchased from the warehouse; (b) to possibly negotiate volume discounts with the vendors; (c) to quantify and make adjustments in items stocked in the warehouses considering District preferences for specific non-Top 30 like items; and, (d) to amend District P-Card policies as needed to contain costs.

Table 1.2
P-Card Purchases of Non-Top 30 Items with Like or
Identical
Products Carried in the Warehouse Fiscal Year 2006-
2007

Like Product in Warehouse	Number of P-Card Purchase Records w/ one or more like products*
Name Badges ("Hello My Name Is "): 100/Box	51
Computer Keyboard Wrist Support	64
TI-84 Calculator Plus SE	40
Single Hole Punch, Hand Held ²⁴	181
Rubber Bands Assorted Sizes	63
TOTAL	399

*Number of purchase records out of 14,374 P-Card transactions in FY 2006-2007. Transactions may include multiple purchase records.

Source: LAUSD Level III P-Card Purchase Data Fiscal Year 2006-2007

²⁴ Total number of occurrences for the "Single Hole Punch, Hand Held" includes P-Card purchases of two and three hole punches, which are also stocked in the General Stores Warehouse.

To determine the potential fiscal impact of using District P-Cards for the purchase of Top 30 and non-Top 30 like stock items, District Top 30, non-Top 30 stock, and non-stock expenditures were analyzed to construct an expenditure profile for the District for Fiscal Year 2006-2007. The following two assumptions were made about District purchasing preferences:

The \$40,078,230²⁵ in P-Card expenditures in Fiscal Year 2006-2007 were comprised of purchases of (a) Top 30 items, (b) non-Top 30 like and identical stock items, and (c) items not carried in the warehouse; and

The Fiscal Year 2006-2007 District P-Card expenditure distribution for Top 30 items, non-Top 30 like and identical stock items, and legitimate non-stock items²⁶ was the same as the distribution of total District expenditures for stock and non-stock items, excluding P-Card purchases. Using these assumptions, the assumed distribution of P-Card expenditures were developed, as presented in Tables 1.4 and 1.5.

**Table 1.3
LAUSD Actual Expenditure Profile
Stock and Non-Stock Items
Excluding P-Card Purchases
Fiscal Year 2006-2007**

Type of Purchase	Total Actual Expenditures	Percent of Total
Top 30 Items	\$15,186,569	15%
S1: General Stores	\$15,101,129	
BGS: Beaudry General Store	\$85,439.45	
Non-Top 30 Stock Items	\$ 41,813,170	42%
S1: General Stores	\$34,772,555	
BGS: Beaudry General Store	\$ 440,130	
M10: Maintenance	\$6,600,486	
Non-Stock Items	\$43,516,729	43%
Legitimate Non-Stock	\$43,516,729	
TOTAL	\$100,516,468	100.0%

Sources: LAUSD Inventory Turnover Report, June 30, 2007 LAUSD Fiscal Year 2006-2007 Non-Stock Requisitions

²⁵ Annualized based on total Fiscal Year 2006-2007 P-Card expenditures of \$33,398,525 from September 2006 through June 2007.

²⁶ For the purposes of this analysis, legitimate non-stock items include all non-stock items that are not expressly prohibited by District Policy (Publication REF-588) and all authorized non-stock purchases excluding professional services, textbooks, computers, and vehicles.

The distribution of District expenditures for Top 30 stock items, non-Top 30 stock items, and non-stock items in Table 1.3 was applied to the \$40,078,230 in actual District P-Card expenditures for Fiscal Year 2006-2007 to determine District P-Card expenditures for each item class and to estimate the potential fiscal impact of P-Card purchases of items identical to and like those carried in the warehouse. Table 1.4 presents the assumed annual distribution of the \$40.1 million in FY 2006-2007 actual P-Card expenditures using the same percentage distribution for stock and non-stock items from Fiscal Year 2006-2007, as shown in Table 1.3.

**Table 1.4
Assumed District P-Card Expenditure Profile
Fiscal Year 2006-2007**

Type of Purchase	Total Expenditures	Percent of Total
Top 30 Items	\$6,051,813	15%
Non-Top 30 Like Stock Items	\$16,672,544	42%
Non-Stock Items	\$17,353,873	43%
TOTAL	\$40,078,230	100.0%

Sources: Total expenditures from District P-Card expenditure records; distribution based on profile of actual stock and non-stock purchases, shown in Table 1.3.

In Fiscal Year 2006-2007, the District paid between an estimated 40 percent to 85.9 percent more when P-Cards were used to purchase Top 30 items based on the District's own estimates and our analysis of price differentials between the warehouse and outside vendor retail prices for such items. Based on this range of price differentials, the District-wide impact of using P-Cards to purchase Top 30 items from outside vendors thus ranges from between approximately \$1,729,089 to \$2,858,244 per year, as shown in Table 1.5.

**Table 1.5
District-Wide Impact of Using P-Cards
to Purchase Top 30 Items From Outside Vendors
Fiscal Year 2006-2007**

P-Card: Expenditures on Top 30 Items	\$6,051,813	
Average % Warehouse Savings on Top 30 Items	40%	85.9%
Cost if Top 30 Items Purchased from Warehouse	\$4,322,723	\$3,193,549
TOTAL Estimated Over Expenditure for Top 30 Items	\$1,729,089	\$2,858,244

Though stated District policy²⁷, Purchasing Branch staff does not review District P-Card transactions to verify that items identified as required warehouse purchases are not being purchased from outside vendors. Purchasing Branch staff report that current P-Card audit efforts are primarily focused on identifying P-Card transactions with questionable or non-traditional vendors – vendors whose product offerings are largely intended for personal or home use such as Home Depot, Lowe’s, and Linens and Things. Of the 1,136 P-Card transactions that were flagged as “questionable” from July 2007 through December 2007, Purchasing Branch staff report that likely none were flagged due to purchases of Top 30 items.

Additionally, while the analysis of non-Top 30 items like or identical to those carried in the warehouse and purchased on District P-Cards did not include price comparisons, according to the Fiscal Year 2006-2007 Business Services Division Service Efforts and Accomplishments report, on average, warehouse prices for over 1,800 like commodities were 86 percent lower than those of outside vendors. Assuming District warehouse prices for like items are 86 percent lower than outside vendors, the District spent an estimated \$7,708,810 more in Fiscal Year 2006-2007 for items like or identical to non-Top 30 items carried in the warehouse and purchased with District P-Cards.

**Table 1.6
District-Wide Impact of Using P-Cards
to Purchase Like or Identical Stock Items From Outside Vendors
Fiscal Year 2006-2007**

P-Card: Expenditures for Like Items	\$16,672,544
Average % Warehouse Savings on Like Items	86%
Cost if Like Items Purchased from Warehouse	\$8,963,733
TOTAL Estimated Over Expenditure for Like Items	\$7,708,811

DISCOUNTS NOT BEING OBTAINED FROM NON-STOCK CONTRACT VENDORS IN MOST P-CARD PURCHASES

While District policy strongly encourages P-Card holders to purchase items from vendors who are on contract with the District to take full advantage of contracted

²⁷ LAUSD Policy Bulletin 965, Required Stores Warehouse Purchases, Section III, June 22, 2004

savings²⁸, analysis of District P-Card purchase data from the first six months of Fiscal Year 2007-2008 suggests that District P-Card holders are generally not receiving discounts from vendors pursuant to the terms of District non-stock contracts when making purchases with P-Cards.

As an example of potential discounts, the District currently has a \$2,080,603 non-stock contract with a major retailer for school and office supplies under which the District receives either (a) 45 percent off the manufacturer's list price plus 15 percent of Gross Profit or (b) 10 percent off the vendor's web price for most commodities.²⁹ A review of 30, primarily single item, P-Card transactions with this vendor from Fiscal Year 2007-2008 found 14 transactions where the P-Card holder received no discount for the item purchased.

For example, on August 15, 2007, a District P-Card holder purchased an Ativa DQ120D Diamond-Cut Shredder from this vendor. District P-Card purchase data reported the total transaction amount for this purchase as \$108.24. Using the vendor item code, the retail price of the shredder was found to be \$99.99. When the \$8.25 sales tax (8.25 percent) was added to the retail price, the total cost of the shredder was \$108.24. Given that there was no difference between the retail price of the shredder plus tax and the price paid by the P-Card holder, the P-Card holder apparently did not receive the applicable non-stock discount for this purchase.

Results from the remaining sixteen P-Card transactions with this vendor were inconclusive – revealing minor to significant differences between the current retail price plus tax and the reported P-Card transaction price for many items. Such price differences could be due to the contracted non-stock discount, seasonal price fluctuations, or limitations in the P-Card purchase data as discussed above. However, given that nearly half of the transactions sampled showed no difference between the retail price plus tax and the reported P-Card transaction amount, it is clear that if P-Card holders are receiving contracted discounts from the vendor pursuant to the terms of the District's non-stock contract, such discounts are not being provided consistently to all District P-Card holders. Moreover, the District's P-Card transaction data contains a field for Item Discount Amounts to be recorded. Of the 3,612 P-Card transactions recorded in the Fiscal Year 2007-2008 P-Card purchase data for this vendor, none of the transactions indicate that a discount was received for any of the items purchased, further suggesting that contracted discounts are not being provided, or at minimum, are not being reported to District P-Card personnel.

²⁸ Reference Guide No. REF-588, Procurement Card, January 28, 2004

²⁹ Contracted discounts for this vendor are secured through U.S. Communities, a national purchasing consortium of state and local government agencies, school districts, colleges and universities, and non-profit organizations.

NON-STOCK PURCHASES FOR TOP 30 ITEMS AND PRODUCTS LIKE OR IDENTICAL TO THOSE IN THE WAREHOUSE

In Fiscal Year 2006-2007, District schools and offices submitted approximately 15,075 non-stock requisitions worth an estimated \$329,560,916³⁰ to the District's Purchasing Branch to purchase non-stock goods and services valued over \$1,000. Unlike District P-Card transactions, which are only subject to retroactive review by District Purchasing and Finance staff, non-stock buyers in the District's Purchasing Branch have the potential to identify and prevent District non-stock expenditures for Top 30 items and, to a certain extent, influence District purchasing of non-Top 30 like items before they occur. Purchasing Branch staff report that their policy is to redirect non-stock requisitions for Top 30 items to the Customer Service Unit of the Materiel Management Branch whose staff converts them to stock requisitions for the same items in the warehouse at lower prices in most cases.

Similarly Purchasing Branch staff report that they contact school or office staff who have submitted non-stock requisitions for non-Top 30 items that are like or identical to stock items in the warehouse to inform them that they can obtain the same or like items at lower price if they make the purchase from the warehouse. If the school or office agrees, such items on the non-stock requisition are reportedly removed and converted to a stock requisition for warehouse items at lower cost. Because District policy only requires that Top 30 items be purchased from the warehouse, Purchasing Branch staff report that their role is only to inform customers of the items available in the warehouse and the savings to be realized though they do not have the authority to automatically convert such non-stock requisitions to warehouse stock requisitions.

To support the efforts of the Purchasing Branch in informing and attempting to persuade District school and office personnel to purchase less costly like or identical items from the warehouse rather than through the non-stock process, ideally, the District's non-stock purchasing process should:

- Be based on formal written policies and procedures that require each non-stock buyer to review non-stock requisitions to identify and redirect to the extent possible: (a) Top 30 items that should be purchased from the General Stores Warehouse; (b) non-Top 30 like or identical items that could be purchased at lower costs from the General Stores or Maintenance Warehouses; and, (c) items that can be purchased at a discount from District Master Contract vendors;
- Ensure that each non-stock buyer is informed of and consistently adhering to such written policies and procedures;

³⁰ Estimate based on Fiscal Year 2006-2007 LAUSD non-stock requisition data.

- Document key steps in the non-stock purchasing process, as an internal management control, to evaluate non-stock buyer compliance with written policies and procedures, to ensure that appropriate steps are taken to acquire non-stock goods and services in the most cost-effective manner possible, and to collect valuable customer preference data that can be used by warehouse inventory management personnel;
- Monitor and track non-stock requisitions that are converted into stock requisitions pursuant to District policy to document and quantify non-stock buyer enforcement efforts; and
- Consistently analyze non-stock purchasing data to identify (a) vendors with whom the District should contract or terminate existing contracts and (b) non-stock items that should be moved into warehouse inventory.

Currently, the Purchasing Branch lacks the aforementioned policies, procedures, and internal management controls to effectively monitor staff compliance with and enforcement of formal District policy related to the purchase of Top 30 items and informal District efforts to limit the purchase of non-Top 30 like or identical items. In the absence of such, District school and office requests for Top 30 and non-Top 30 like or identical items through the non-stock requisition process do not appear to be consistently identified or converted to stock requisitions by non-stock buyers. In order to determine the prevalence of District requests for Top 30 and non-Top 30 like or identical items through the District's non-stock purchasing process, Fiscal Year 2006-2007 non-stock requisition data was reviewed to identify the number of lines and requisitions that contained similar item text descriptions for a sample of stock items comprised of fifteen Top 30 items and ten non-Top 30 stock items.

As shown in Table 1.7 below, a review of non-stock requisitions submitted by District schools and offices in Fiscal Year 2006-2007 found similar text item descriptions for 23 of 25 selected stock items in 228 non-stock requisitions, representing 444 lines. It is important to note that the prevalence of non-stock requisitions containing line item orders for these sample items is likely understated because District schools and offices do not consistently enter the same text descriptions or commodity codes for a given item. Nevertheless, this analysis shows that District schools and offices are clearly requesting what appear to be Top 30 and non-Top 30 like items through the non-stock requisition process.

While non-stock Purchasing Branch staff reported that they routinely convert non-stock requisitions for the required 432 items from the Top 30 selling categories into stock requisitions and consistently contact District school and office staff to advocate that non-Top 30 like items also be purchased from the warehouse, these conversions are not documented or tracked by the Purchasing Branch. A review of purchase order data generated for 36 of the 38 non-stock

requisitions³¹ that contained line item requests for #2 office pencils³², and other pencils carried in the General Stores warehouse, found that none of the non-stock requests for pencils with text descriptions similar to those of Top 30 and non-Top 30 pencils were stopped by the non-stock buyers but, instead, were converted into purchase orders.

Of the requested pencils, only 28 orders could be identified by item product code on their respective vendors' websites to obtain a more detailed description of the item. Of those 28 pencil orders that could be identified by item product code:

- Three were unquestionably Top 30 items;
- 22 were non-Top 30 pencils similar to those in stock (like items);
- Three were specialty pencils, not available in stock (e.g., those with a slogan on them)

Table 1.7
Examples of 25 Like Items Requested Through
Non-Stock Requisitions*
Fiscal Year 2006-2007

Stock Items	Number of Non-Stock Lines Found For Like Items**
CLIPBOARD HARDBOARD LTR 12/BOX	23
FOLDERS MAN 3CUT ASSTD POS LTR	6
PADS NOTE 5 NEON COLORS 3X3	26
CLIPS PAPER JUMBO 100/BOX	5
RULER 12" PLAST METRIC & 1/16"	22
STAPLES WIRE STANDARD 1/4" 5M	9
TAPE TRANSP 3/4"X36YD 1" 12/CT	11
PENCILS OFFICE #2 W/ERASER	52
PEN GEL ROLLER BALL BLUE 12/BX	65
PENS HIGHLIGHT FLUOR 4-COLORS	28
CRAYONS STANDARD ASSTD 16/BX	13
BATTERY 1-1/2 V AAA 144/BOX	26
ENVELOPES WINDOW WHITE #10 LGL	13
GLUE STIC NON-TOXIC CLEAR 12/B	16
BINDER HARD COV 8.5X11" 1" BLK	31

³¹ Information Technology Department staff report that two of the 38 purchase orders were cancelled and could not be identified in the requisition query.

³² The 52 line item requests for #2 office pencils also includes requests for colored pencils, charcoal pencils, golf pencils, drawing pencils, and mechanical pencils all of which are also available in the General Stores Warehouse.

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BADGE "HELLO MY NAME IS" 100/B	6
COMPUTR KEYBOARD WRIST SUPPORT	12
CORD EXTENSION MULTI-OUTLET 9'	1
PROTRACTOR PLASTIC 6" SEMICIR	7
CALCULATOR TI-84 PLUS SE	32
PUNCH SINGLE HOLE HAND HELD	27
HOLDER CHALK WITH POCKET CLIP	N/A
PAPER 3-RING BINDER 8.5 X 11"	N/A
CORRECTION FLUID PEN WHITE	12
RUBBER BANDS ASSTD SIZES	1
TOTAL Number of Non-Stock Lines	444

*The 444 lines, or items, listed above were selected at random from the 3,046 items in the General Stores Warehouse. The items also serve as proxies for similar items available in the General Stores Warehouse. As such, the number of non-stock lines found are inclusive of line item requests for those similar items.

** These were identified from a District database of 43,887 lines for the year. Each line can represent any quantity of items but the quantity is not specified in the database. Some lines do not specify the specific products purchased but provide a generic description such as "Office Supplies".

Source: LAUSD Fiscal Year 2006-2007 Non-Stock Requisition Data

The purchase order data also revealed non-stock purchases of what appeared to be other Top 30 and non-Top 30 like items, including crayons, binder clips, glue, and scissors to name a few. In the absence of documentation of key steps in the non-stock purchasing process, Purchasing Branch management cannot ensure that the appropriate steps were taken by non-stock buyers to enforce District Top 30 policy or to minimize the purchase of non-Top 30 like items. Additionally, because the Purchasing Branch does not track the number of non-stock requisitions that are converted to stock requisitions due to Top 30 enforcement or non-Top 30 like item purchase diversions, there is currently no way to quantify the dollar impact and document the frequency of such occurrences.

INCONSISTENT ANALYSIS OF NON-STOCK PURCHASING DATA

The Purchasing Branch does not consistently analyze non-stock purchasing data to identify items that should be stocked in the General Stores Warehouse and sold to District schools and offices at lower prices. Purchasing Branch staff report that analysis of non-stock purchasing trends primarily consists of (a) review of Integrated Financial System (IFS) vendor reports, (b) review of District purchases made from the Top 20 P-Card vendors, and (c) informal reports received by Purchasing Branch management from non-stock buyers regarding high-demand non-stock items.

Purchasing Branch staff report that an IFS vendor report is generally run several times a year to identify non-contract vendors with whom District non-stock purchases have reached the State bid threshold.³³ Once high-dollar value non-contract vendors have been identified, District non-stock purchases are reviewed by Purchasing Branch personnel to identify items that should be moved into stock. However, according to Purchasing Branch staff, this non-contract vendor report has not been generated in Fiscal Year 2007-2008 – nearly ten months into the Fiscal Year as of the writing of this report.

In addition to the IFS vendor report, Purchasing Branch staff also report obtaining a list of the top 20 high-dollar value P-Card vendors to determine the nature of non-stock items purchased on District P-Cards. However, given the limitations of the detailed P-Card purchase data, as discussed above, and the fact that detailed P-Card purchase data is not available for every vendor, it is unclear how such information is currently used by the Purchasing Branch to identify items that should be moved into stock without significant vendor follow-up to obtain the quantity, unit price, and for most P-Card transactions, the actual item(s) purchased. High-demand non-stock items are also identified based on informal reports received from individual non-stock buyers, according to Purchasing Branch staff. However, these anecdotal reports should only confirm District non-stock purchasing trends known to Purchasing Branch management through ongoing analysis of non-stock purchasing data.

LIKE ITEMS IN THE GENERAL STORES WAREHOUSE

Among the 3,046 items in inventory in the General Stores Warehouse in Fiscal Year 2006-2007, analysis of a sample of 25 stock items revealed the prevalence of very few like items – items that are functionally comparable, but different in non-functional attributes. Of the 25 stock items sampled, 22 stock items, or approximately 88.0 percent, had like items in inventory. However, the like items found in inventory represented either: (a) distinct categories of the item; or, (b) a reasonable, yet limited, selection in item color, size, or quantity, particularly when compared to large retail competitors. For example, like item analysis conducted for blue, gel, roller ball pens (Code #: 620-80-55015) found that while there were 29 other pens stocked in the General Stores Warehouse, these pens all fell into three distinct categories – porous, ballpoint, and rollerball – with a range of 3 to 18 different pens in each category.³⁴ As shown in Table 1.8 below, Office Depot offers a considerably larger selection of pens in the same categories – a range of 54 to 354 different pens.

³³ Pursuant to California Public Contract Code Section 20111(a), school districts are required to competitively bid and award any contracts involving the expenditure of more than \$72,400 (effective January 1, 2008) to the lowest responsible bidder. Contracts subject to competitive bidding include:

Purchases of equipment, materials, or supplies to furnished, sold, or leased to the school district;

Services that are not construction services;

Repairs, including specified maintenance repairs, that are not public projects as defined by State law.

³⁴ Excluding counterfeit bill detector pens, markers, highlighters, pen refills, penholders, and visual aid pens.

Table 1.8
General Stores Warehouse vs. Office Depot
Number of Pens Offered by Type by Vendor

VENDOR	Porous	Ballpoint	Rollerball
General Stores Warehouse	3	18	9
Office Depot	54	306	354

Sources: LAUSD Fiscal Year 2007-2008 General Stores Inventory List
Office Depot Website as of March 22, 2008

As such, District competition with outside vendors does not appear to have resulted in an overabundance of like items in inventory in the General Stores Warehouse in Fiscal Year 2006-2007. However, the relatively limited selection among stock items, though seemingly adequate for most common purpose, when compared to outside vendors, may drive District demand for higher priced, like items. As discussed above, the purchase of non-Top 30 like items on District P-Cards or through the non-stock purchasing process (from requisition prepared by staff to purchase order authorizing the procurement) would not be a violation of District policy.

The District's Top 30 policy is an effort to balance the significant savings that can be achieved by maintaining a centralized warehouse operation with increasing demand for decentralization, autonomy, and choice regarding various aspects of the provision of educational services. However, this policy has several limitations which undermine its intent and implicitly allow for increased costs. First, the Top 30 selling categories are comprised of more than 400 individual commodities making enforcing compliance by District schools and offices complicated at best. Specifically, strict adherence to the policy would require thorough knowledge of each item to avoid unauthorized purchases. Further complicating matters is the fact that the Top 30 selling categories are not all inclusive – containing some, but not all, stock items that would generally fall into the category. For example, while "Correction Supplies" is a Top 30 selling category, it does not include the standard correctional fluid pen (Code #: 615-29-06030). As a non-Top 30 item, the purchase of a correctional fluid pen identical to or like the one stocked in the General Stores Warehouse from an outside vendor using a District P-Card or through the non-stock requisition process would not be a violation of District policy.

Moreover, the District's Top 30 policy fosters warehouse competition with large retail vendors for sales of all non-Top 30 items which allows for increased costs. Most warehouse items are low dollar value items that can be purchased in quantities that would not exceed the \$1,000 per day P-Card purchase threshold. As such, given the low dollar value of the items purchased, District schools and offices are paying higher prices for non-Top 30 like or identical items, possibly in exchange for the greater consumer selection and convenience provided by these vendors. However, when

aggregated among all District P-Card purchases, such purchasing decisions are resulting in higher costs. Further, because the Purchasing Branch is not enforcing District policy by reviewing P-Card transactions to verify that Top 30 items are not being purchased from outside vendors, Top 30 items are also being purchased at higher costs.

With respect to the non-stock purchasing process, the Purchasing Branch lacks adequate management controls to effectively monitor staff enforcement of District Top 30 policy and to verify that appropriate steps were taken to minimize District non-stock expenditures for non-Top 30 like or identical items. It is important to note, however, that District policy does not expressly require non-stock buyers to try to redirect such purchases to the warehouse, although it was reported that this is current practice. While Top 30 and non-Top 30 items purchased through the District's non-stock purchasing process will be discounted to some extent, due to the mechanics of the non-stock purchasing process, such prices may not be comparable to those offered in the warehouse. Further, if District policy mandates that items in the Top 30 selling categories of products be purchased from the warehouse, the Purchasing Branch should implement the controls necessary to achieve this objective.

FINDINGS

Finding 1: District schools and offices are purchasing items from the top 30 selling product categories from outside vendors using District Procurement Cards (P-Cards) in violation of District policy. On average, “Top 30” items purchased from outside vendors cost approximately 40 percent to 86 percent more than Top 30 items purchased from the General Stores Warehouse, resulting in estimated District-wide excess expenditures of between \$1.7 and \$2.8 million per year.

Finding 2: Though District policy states that P-Card purchases will be reviewed to ensure compliance with the restriction on Top 30 purchases from outside vendors, such monitoring is not being performed by the Purchasing Branch to ensure that these products are not being procured by District staff at higher prices from outside vendors.

Finding 3: District policy does not preclude District schools and offices from purchasing non-Top 30 items and like items from outside vendors with their P-Cards or through the non-stock purchasing process, even though the District reports that their prices are an average of 86 percent lower at the warehouse. District records show that such items are being purchased at higher prices with P-Cards and through the non-stock requisition process, resulting in estimated excess costs of \$7.7 million per year.

Finding 4: District employees are not consistently receiving District-negotiated discounts from non-stock contract vendors when making purchases using their P-Cards.

Finding 5: The Purchasing Branch lacks internal management controls to effectively monitor staff compliance with and enforcement of District Top 30 policy and to ensure that appropriate steps are taken by Buyer staff to minimize non-stock purchases of non-Top 30 like items.

Finding 6: The Purchasing Branch does not consistently analyze non-stock data for the purposes of identifying items that should be moved into stock.

RECOMMENDATIONS

District management should:

Recommendation 1.1: *Require that the Purchasing Branch enforce the District's restriction on purchasing Top 30 items from sources other than District warehouses by: (a) reviewing P-Card transactions to identify Top 30 purchase violations as part of the P-Card Unit's audit function; (b) developing and communicating formal, written policies and procedures regarding District non-stock purchasing processes; and, (c) implementing internal management controls to monitor, track, and document staff compliance with and enforcement of these policies and procedures.*

Recommendation 1.2: *Amend the Top 30 policy to promote greater compliance and to discourage the purchasing of Top 30 and non-Top 30 like and identical items from outside vendors at higher costs by extending required warehouse purchases for all items that fall under the broad Top 30 categories rather than specific products in each category, as is current policy.*

Recommendation 1.3: *Direct Purchasing Branch management to require that all Buyers document and report their contacts with schools and offices to attempt to redirect non-stock requisitions for outside vendors to the warehouse for items identical to or like those available in the warehouse at lower cost.* **Recommendation 1.4:** *Require Purchasing Branch management to annually track and report to District management the number and dollar amount of non-stock requisitions that are converted into stock requisitions by non-stock Buyers to avoid purchase of the same or like items that are available from the warehouse at lower less cost.*

Recommendation 1.5: *Require school principals and office managers to provide District management with written justifications for their purchases from outside vendors at higher cost of items available in the warehouse when they are identified by Purchasing Branch review of detailed P-Card transaction data and/or to surrender their P-Cards in cases of ongoing violations of District policies regarding purchases from the warehouse.*

Recommendation 1.6: *Require that the Purchasing Branch ensure that District P-Card holders are consistently receiving discounts from non-stock*

contract vendors, with the discount received reflected in the detailed P-Card purchase data received from the District's third party P-Card administrator. P-Card holders should be instructed to routinely inquire about such discounts when making purchases from non-stock contract vendors.

Recommendation 1.7: *Negotiate with the District's third party P-Card administrator to provide more detailed information regarding the quantities and unit prices paid for items purchased using District P-Cards for the purposes of tracking employee compliance with the Top 30 and related policies to minimize purchasing costs, to ensure that discounts are being obtained and to identify items that should be moved into stock.*

Recommendation 1.8: *Require that the Purchasing Branch develop policies and procedures for conducting quarterly reviews of the District's Integrated Financial System (IFS) vendor reports and other applicable non-stock data for the purposes of identifying items that should be moved into stock, including details on how such information will be communicated to inventory management personnel in the Materiel Management Branch. Implementation of these recommendations would result in potentially significant, monetary and other benefits associated with greater compliance with District purchasing requirements and identification of high-demand items that should be moved into stock. Excess annual spending on Top 30 items purchased from outside vendors at higher cost than if purchased from the warehouse are estimated to be between \$1.7 and \$2.8 million per year. Excess annual spending for non-Top 30 items or like items is estimated to be approximately \$7.7 million per year compared to what would be spent if those items were purchased from the District warehouses at lower cost. Annual District-wide savings from obtaining the District's negotiated discounts non-stock vendor contracts for P-Card purchases cannot be determined at this time.*

While most of the recommendations could be implemented within existing resources, there may be unknown, but potentially significant, costs associated with District-wide outreach efforts should the District decide to change current policy related to the purchase of Top 30 items. Though unknown at this time, there should be no or low costs associated with obtaining more detailed information from the District's third-party P-Card administrator since that vendor is now processing approximately \$40 million in annual District P-Card purchases per year.

END OF SECTION 1
SECTION 2 FOLLOWS ON THE NEXT PAGE

2. INVENTORY MANAGEMENT AND ANALYSIS

Effective inventory management requires ongoing analysis of District purchasing data to: (a) identify items that are in demand or are obsolete and should be moved into or out of stock; and, (b) ensure that appropriate levels of stock are being ordered and maintained in inventory. This section analyzes the adequacy of District warehouse inventory management practices, policies, procedures, and internal controls used to achieve these objectives.

SUMMARY OF FINDINGS FROM SECTION 2

Warehouse inventory should turn over several times per year, with four to eight times generally considered a reasonable standard, to prevent an organization's cash from being unnecessarily expended on inventory and to minimize warehouse operating costs. While the District's average inventory turnover rate was approximately four in Fiscal Years 2005-2006 and 2006-2007, the majority of individual items had a turnover rate of less than four in Fiscal Year 2006-2007 and 338 stock items had a turnover rate of less than one. These low turnover rates are indicators that: (a) many items were over-ordered, negatively impacting District cash flow; and/or, (b) items are being kept in stock for which there is no longer demand, adding unnecessarily to warehouse operating costs. A low average turnover rate was also found for FY 2005-2006.

Of the District's 383 stock items that turned over less than one time in Fiscal Year 2006-2007, 207 of the items also turned over less than one time in Fiscal Year 2005-2006. District procedures for predicting demand and minimizing warehouse inventory by removing obsolete items is not achieving the desired results. Only 155 of the 383 stock items with less than one inventory turn in Fiscal Year 2006-2007 were identified by Materiel Management Branch (MMB) staff to be removed from inventory. Evidence of over-ordering stock items was found in that many items in the Top 30 selling categories turned over less than four times in Fiscal Year 2006-2007.

The average quantity of many items in stock exceeds the District's target of maintaining three months' worth of stock in inventory. Reducing the average quantity in stock for just 239 of the approximately 3,000 General Stores Warehouse items could generate one time savings of between \$390,000 and \$1.1 million. Further savings could be realized by applying this approach to other warehouse items with excess inventory amounts.

There is little to no formal communication, coordination, or data/information sharing among MMB and Purchasing Branch personnel for the purposes of determining which items to add to inventory. The process for identifying new items to move into inventory is not based on systematic analysis of district non-stock purchasing data, including Procurement Card (P-Card) transactions and non-stock requisitions.

Inventory turnover records from Fiscal Year 2005-2006 and Fiscal Year 2006-2007 were analyzed to determine the extent to which adequate inventory management

practices and controls are being used to: (a) evaluate inventory turnover and identify and remove obsolete items from inventory; (b) ensure that appropriate stock levels are being ordered and maintained; and, (c) add new items to inventory. Analyses of these key warehouse inventory management functions, which should largely be guided by District purchasing and inventory data, suggest the warehouse inventory is not so analyzed and controlled, resulting in costly operational inefficiencies including excess costs due to ordering items beyond what is needed each year.

The goal of all warehouse operations is to maintain the optimal amount of inventory in stock to meet customer demand on a timely basis while minimizing buying and storing expenses by procuring only the quantity that will be needed for a given time period. While there will always be some uncertainty about predicting customer demand for products, many consumption patterns are the same from year to year and can be reasonably predicted based on analysis of past consumption patterns, known changes in demand in the future and cost and vendor delivery data

IDENTIFYING AND REMOVING OBSOLETE ITEMS FROM INVENTORY

The inventory turnover rate, the rate at which inventory is depleted and restocked during the year, is one of the most commonly used benchmarks for analyzing the performance of an inventory management system.³⁵ Inventory turnover is calculated by dividing the value of the issues for any item in a fiscal year by the value of the average quantity kept in inventory.

$$\text{Inventory Turnover Rate} = \frac{\text{Value of Item} * \text{Annual Issues}}{\text{Value of Item} * \text{Average Quantity in Inventory}}$$

For example, an item worth \$1, with issues of 100 units in a fiscal year, and 20 units in stock on average, would have an inventory turnover rate of five. An average inventory turnover rate can also be calculated for all items in inventory using inventory data in the IFS database.

While optimal inventory turnover rates will vary among industries and commodities stocked in general, extreme inventory turnover rates – those that are markedly high or low – often reveal inefficiencies in inventory management practices. Inventory turnover rates of between four and eight are often considered reasonable as they generally represent a balance between over- and under-ordering, with enough products kept in stock and regularly replenished to meet customer demand without incurring unnecessary costs by over-ordering and over-stocking the warehouse. Specifically, high inventory turnover rates may indicate that inadequate inventory levels are being maintained to meet customer demand, resulting in stock outs, backorders, excessive re-stocking and purchasing transactions and costs and general customer dissatisfaction.

³⁵ The Controller's Function, Roehl-Anderson and Bragg, Wiley & Sons, 2005,

Alternatively, low inventory turnover rates may indicate that: (a) low-demand, or slow moving, items are being maintained in inventory, many of which are likely to become obsolete; or, (b) items are being ordered in excess of what is needed to meet consumer demand.³⁶

In Fiscal Year 2006-2007 the Business Services Division set a target inventory turnover rate of five turns for the District's General Stores Warehouse.³⁷ While five is a reasonable average inventory turnover rate, turnover analysis is needed for individual commodities to ensure that the right mix of items are being maintained in inventory. Measuring only the average inventory turnover rate for the entire warehouse can weaken the significance of extreme inventory turnover rates for individual commodities thereby potentially masking inefficiencies in inventory management, as discussed above.

Materiel Management Branch (MMB) inventory management personnel report that inventory turnover rates for individual commodities are analyzed at least once, at the end of every fiscal year, to identify slow moving and obsolete items that will be removed from inventory. Stock Analysts and Buyers are also required to review inventory turnover rates when an item is reordered or under consideration for the purposes of contract renewal, respectively.

Analysis of warehouse inventory turns for Fiscal Year 2006-2007 indicate that while the overall inventory turnover rate for the 2,849 items stocked in the District's General Stores Warehouse was approximately four (4.09), 2,034 items, or approximately 71.4 percent of the total items in inventory in Fiscal Year 2006-2007, had low turnover rates of less than four.³⁸ These 2,034 items had an average inventory value of \$5,692,060, or approximately 64.3 percent, of the \$8,855,483 total average inventory value in Fiscal Year 2006-2007. A similar pattern was found for Fiscal Year 2005-2006. The results for both years are shown in Tables 2.1 and 2.2 below.

Of the 2,034 stock items with less than four inventory turns in Fiscal Year 2006-2007, 383 items, or approximately 13.4 percent of the total items in inventory, had an inventory turnover rate of less than one, meaning that the District incurred the costs of

³⁶ Obsolete items are products which still have functionality, but have lost their consumer demand.

³⁷ Materiel Management Branch Industry Measures, *Service Efforts and Accomplishments, Fiscal Year 2006-2007*, Business Services Division, LAUSD

³⁸ This analysis excludes 197 stock items identified by Materiel Management Branch inventory management personnel as having particularly high or particularly low inventory turnover rates including Special Education and Equity Office forms that have no value and are stocked by the General Stores Warehouse and distributed to District schools and offices free of charge, Just-in-Time (JIT) stock items or Vendor Managed Inventory (VMI), and specified General Stores Warehouse fees and charges which have designated commodity code numbers. Including these items increases the number of stock items to 3,046 and increases average inventory turnover rate for the General Stores Warehouse in Fiscal Year 2006-2007 to 5.16.

buying and stocking all these items for which there was little demand over an entire year. These 383 items had an average inventory value of \$884,505, representing approximately ten percent of the total average inventory value in Fiscal Year 2006-2007. Further, analysis of warehouse inventory turns from Fiscal Year 2005-2006 reveals that of the 383 stock items that had less than one inventory turn in Fiscal Year 2006-2007, 207 of those items, or approximately 54.0 percent, also had less than one inventory turn in Fiscal Year 2005-2006. The \$333,958 average inventory value of these slow moving "carry over" items, comprised approximately 37.8 percent of the \$884,505 total average inventory value of all stock items with less than one inventory turn in Fiscal Year 2006-2007.

Table 2.1
General Stores Warehouse
Distribution of Inventory Turns
Fiscal Year 2006-2007

Inventory Turns	Number of Items	Percent of Total Items in Inventory	Average Inventory Value	Percent of Total Average Inventory Value
< 1 turn	383	13.4%	\$884,505	10.0%
1- 4 turns	1,651	58.0%	\$4,807,555	54.3%
<i>Subtotal</i>	<i>2,034</i>	<i>71.4%</i>	<i>\$5,692,060</i>	<i>64.3%</i>
4 to 8 turns	674	23.7%	\$2,226,319	25.1%
> 8 turns	82	2.9%	\$652,243	7.4%
> 12 turns	59	2.1%	\$284,861	3.2%
TOTAL	2,849³⁹	100.0%	\$8,855,483	100.0%

Source: LAUSD Inventory Turnover Report, June 29, 2007

The distribution of inventory turns for General Stores warehouse inventory for Fiscal Year 2005-06 is presented in Table 2.2. As can be seen, the same pattern found in Fiscal Year 2006-2007 and shown in Table 2.1, was found in the previous fiscal year.

³⁹ Please see footnote No. 4.

Table 2.2
General Stores Warehouse
Distribution of Inventory Turns
Fiscal Year 2005-2006

Inventory Turns	Number of Items	Percent of Total	Average Inventory Value	Percent of Total Average Inventory Value
< 1 turn	463	16.2%	\$1,122,365	12.9%
1 - 4 turns	1,442	50.4%	\$4,271,165	49.2%
<i>Subtotal</i>	<i>1,905</i>	<i>66.6%</i>	<i>\$5,393,530</i>	<i>62.1%</i>
4 to 8 turns	661	23.1%	\$2,560,543	29.5%
> 8 turns	144	5.0%	\$345,129	4.0%
> 12 turns	151	5.3%	\$390,192	4.5%
TOTAL	2,861	100.0%	\$8,689,394	100.0%

Source: LAUSD Inventory Turnover Report, June 30, 2006

MMB's criteria for removing items from inventory appears insufficient. It is reasonable to assume that most stock items that have an inventory turnover rate of less than one, for two consecutive fiscal years, are likely to be obsolete and should be removed from inventory such as the examples of carry over items listed in Table 2.3 below. None of the five carry over items listed in Table 2.3 were identified by MMB inventory management staff to be removed from inventory in Fiscal Year 2006-2007.

Table 2.3
Examples of Potentially Obsolete Items
with Turnover Below 1.0 Two Years in a Row

Commodity Code	Item	Turnover Rate Fiscal Year 2005-2006	Turnover Rate Fiscal Year 2006-2007	Average Inventory Value
600-27-55255	COVER TYPEWRITER 22-1/2"WX20"D	0.26	0.82	\$86
840-40-33569	TAPE VIDEO CASSETTE 1/2" T-30	0.19	0.13	\$2,461
840-71-00999	VCR PLAYER 1/2 IN VHS ECONOMY	0.80	0.23	\$10,445
205-71-34115	DISKETTE UNFORMAT 3-1/2" 720KB	0.68	0.66	\$109
205-71-34150	DISKETTE UNFORMAT 3.5" 1.44MB	0.99	0.87	\$550

Source: LAUSD Inventory Turnover Reports, June 30, 2006 and June 29, 2007

Of the 383 stock items with less than one inventory turn in Fiscal Year 2006-2007, only 155 stock items were identified by MMB to be removed from inventory. These 155 items

had an average inventory value of \$162,223 and included only 98 of the 207 items that had turnover rates of less than one in both Fiscal Years 2005-2006 and 2006-2007. The remaining 228 stock items with less than one inventory turn in Fiscal Year 2006-2007, including 109 items that also turned over less than one time in Fiscal Year 2005-2006, were not identified by MMB to be removed from inventory in Fiscal Year 2006-2007. These 228 stock items had an average inventory value of \$772,281.

ORDERING AND MAINTAINING APPROPRIATE LEVELS OF STOCK

In the absence of adequate inventory management controls, including standardized processes and procedures for ensuring that appropriate levels of stock are being ordered and maintained in inventory: (a) an organization's resources may be expended for inventory in excess of what is needed to meet consumer demand; and, (b) frequent stock outs and backorders may occur thereby stalling warehouse operations and preventing District schools and offices from receiving their goods in a timely manner. District warehouse inventory turnover records from Fiscal Year 2006-2007 were analyzed to determine if stock items in the Top 30 selling categories of products are being over-ordered by Materiel Management Branch (MMB) stock buying staff as reflected in low turnover for items known to be in high demand.⁴⁰ Additionally, all stock items with relatively high inventory turnover rates (i.e., greater than 12) were reviewed and classified by type.⁴¹

MMB Stock Analysts are advised by District management to establish reorder points for stock items, so as to maintain a three-month, or 90-day, supply of the item in inventory at all times and reorder quantities such that the item will turnover approximately four to five times each year.⁴² However, the current process for establishing reorder points and reorder quantities for Top 30 and other stock items is largely a manual process – done without the assistance of a systematic analytical tool to forecast demand based on historical utilization trends and more accurately account for delivery cycle times. Instead, MMB Stock Analysts must manually calculate and adjust inventory reorder points and reorder quantities based on a hard copy review of stock issuances for the current and previous two years and their best recollections and judgments about seasonal consumer demand and vendor delivery times.

⁴⁰ Materiel Management Branch stock buying staff report that Top 30 items are a warehouse stock priority. As such, it is assumed that incidents of over-ordering would be most prevalent among this class of items.

⁴¹ For the purposes of this analysis, items with more than 12 inventory turns in Fiscal Year 2006-2007 were assumed to have been on backorder at some point during the fiscal year.

⁴² A reorder point represents the number of days worth of stock in inventory at the time an item is replenished, while a reorder quantity is the amount ordered when an item needs to be replenished.

According to MMB management, each week, Stock Analysts receive an Inventory Replenishment (IREP) Report⁴³ which identifies stock items that have fallen below their designated re-order quantities. As such, for many stock items, receipt of an IREP will initiate the evaluative process described above used to order additional stock and/or adjust re-order quantities as needed. However, because an IREP report is only generated for those stock items that are being purchased such that they fall below their specified re-order quantities, low turnover items, by definition, are not automatically brought to a Stock Analyst's attention via an IREP report and, as such, are largely not subject to proactive review and analysis.

Table 2.4 below shows the distribution of inventory turnover rates for the 432 items in the Top 30 selling categories in Fiscal Year 2006-2007.

Table 2.4
General Stores Warehouse
Distribution of Inventory Turns for 432 Top 30 Items
Fiscal Year 2006-2007*

Inventory Turnover	Number of Top 30 Items	Percent of Top 30 Items	Annual Disbursement Value	Percent of Total Annual Disbursement Value	Average Inventory Value	Percent of Total Average Inventory Value
< 1 turn	8	1.9%	\$11,486	0.1%	\$11,486	0.4%
1- 4 turns	239	55.3%	\$4,494,262	29.8%	\$1,516,085	53.4%
4 to 8 turns	159	36.8%	\$4,574,393	30.4%	\$879,992	31.0%
> 8 turns	13	3.0%	\$2,066,578	13.7%	\$226,958	8.0%
> 12 turns	13	3.0%	\$3,922,968	26.0%	\$204,294	7.2%
TOTAL	432	100.0%	\$15,069,686	100.0%	\$2,838,815	100.0%

*The numbers and percentages presented above are discrete and not cumulative.

Source: LAUSD Inventory Turnover Report, June 29, 2007

As shown in Table 2.4, while the majority of Top 30 items, approximately 55.3 percent, had more than one but less than four inventory turns in Fiscal Year 2006-2007, sales of these items totaled \$4,494,262 and comprised nearly 29.8 percent of total sales of all Top 30 items in Fiscal Year 2006-2007 suggesting that there is significant consumer demand for these items in spite of their low inventory turnover rates. Additionally, as shown in Table 2.4, the average inventory value of the 239 items with between one and four turns in Fiscal Year 2006-2007 represent 53.4 percent of the total average inventory value of all Top 30 items in Fiscal Year 2006-2007. As such, the high consumer demand for these Top 30 items coupled with their significant share of the total Top 30 inventory value suggests that their low inventory turnover rates are likely

⁴³ Inventory Replenishment reports are generated from the District's Integrated Financial System (IFS).

due to over-ordering driven by Stock Analysts' tendencies to err on the safe side to avoid potential stock outs and backorder. For example, Table 2.5 below lists five Top 30 items with more than one, but less than four inventory turns for which the average quantity in inventory ranged from 39 to 52 percent of the annual disbursement quantity.

Table 2.5
General Stores Warehouse
Example: Over Ordering of Selected Top 30 Items
Fiscal Year 2006-2007

Commodity Code	Item	Annual Disbursement Quantity	Annual Disbursement Value	Average Inventory Quantity	Average Inventory Quantity Percent Disbursement	Average Inventory Value	Inventory Turns
620-60-52060	Pencils Office #2 w/Eraser	224,851	\$106,697	87,332	38.8%	\$41,375	2.58
785-30-20107	Crayons Large Assorted 8/Box	104,314	\$32,982	47,109	45.2%	\$14,885	2.22
785-30-98166	Crayons Std Multicultural 8/Box	35,537	\$6,602	14,193	39.9%	\$2,636	2.51
785-30-18816	Scissors Class Sharp Blunt 5"	32,327	\$16,720	15,998	49.5%	\$8,263	2.02
785-89-76840	Scissors Class 2 Blunt Pts 4.5"	26,053	\$35,253	13,620	52.3%	\$18,431	1.91
TOTAL/AVG.		423,082	\$198,254	178,252	42.1%	\$85,590	2.32

Source: LAUSD Inventory Turnover Report, June 29, 2007

Another indicator of over-ordering of District warehouse inventory can be seen by reviewing average inventory quantities relative to average inventory disbursements. As shown in Table 2.6, the 239 items from the Top 30 selling categories with turnover rates of more than one, but less than four in Fiscal Year 2006-2007 maintained average inventory quantities amounting to 35 percent of their average quantities disbursed. This equates to an average inventory on hand that would cover 4.2 months of disbursement for each item, or 1.2 months in excess of the District policy of maintaining three months worth of inventory in stock.

The District has reported that it was building up its inventory in Fiscal Year 2006-2007 due to a planned implementation of a new computer system that never occurred. However, the same pattern of low turnover for the majority of items was found in Fiscal Year 2005-2006, as shown above in Table 2.2., indicating that over-ordering was likely in that year too.

Since MMB staff report that most vendors can deliver their items in approximately one month or less, the quantity on hand as well as the District policy of a three month stock supply on hand appears excessive. By reducing the average quantity on hand for these items to a three month supply, or 25 percent of the amount disbursed, the District would not have to purchase as much as it did in Fiscal Year 2006-2007 to get through a year and would realize a one-time savings of \$389,669. By reducing the average quantity on

hand to approximately one month for these items, or 10 percent of the amount disbursed, the District would realize one-time savings of approximately \$1.1 million. Additional unquantified savings would be realized as this same inventory on hand standard is applied to other warehouse items. Besides the one-time expenditure savings, savings would also be achieved by reducing the average value of warehouse inventory.

Table 2.6
One time Savings from Reducing
the Average Amount of Inventory kept
in Stock for the 239 Top 30 Warehouse Items
with Turnover Between 1 and 4

Assumed Average Quantity in Stock:	4.2 months (Actual Fiscal Year 2006-2007)	3 months	1 month
Average quantity disbursed	11,147	11,147	11,147
Percent of quantity disbursed kept in stock	35%	25%	10%
Average quantity in stock	3,848	2,787	1,115
Dollar value items in stock	\$1,516,085	\$1,126,416	\$450,566
One-Time Savings	\$0	\$389,669	\$1,065,519

Source: LAUSD inventory disbursement reports

While the savings demonstrated above are based on converting all items uniformly to a lower amount of quantity in stock, some exceptions would have to be considered for items that are disbursed unevenly throughout the year and would require a greater amount in inventory during certain times of the year. This would require ongoing analysis by District Buyers and Inventory Analysts.

Another approach to determining order quantities that the District could consider is an Economic Order Quantity approach, which relies on a standardized formula to determine quantities that should be ordered considering the price of the item, annual disbursements, the transaction costs each time an order is placed and the costs of keeping items in inventory. Using this formula, a quantity can be determined for each item so that the optimal amount is obtained and costs are minimized. Though it has limitations, an Economic Order Quantity formula or other systematic, data-based approach could be programmed in to District computers to make these determinations with adjustments made by District staff as needed for unusual or seasonal variations.

As previously noted, markedly high inventory turnover rates may also indicate that inventory is being maintained at levels that are insufficient to meet consumer demand for some commodities resulting in backorders. MMB inventory management personnel report that backorders are largely due to a lack of communication with District grant writing personnel and report that most items on backorder are generally sports-or-arts-

related commodities – those for which the District commonly receives programmatic grant support. Backorders for other non-sports-or-arts-related commodities may also occur due to large, one-time purchases needed for special events or projects.

A review of the 59 stock items in the General Stores Warehouse that had more than 12 inventory turns in Fiscal Year 2006-2007, found that only 11 items, or approximately 18.7 percent, could be categorized as sports-or-arts-related commodities. The majority of the 59 items, approximately 54.2 percent, were items that could be characterized as common school and office supplies. This suggests that while District grant funding may in fact lead to unanticipated demand for certain sports-or-arts-related commodities, the shortcomings in the current process for determining and maintaining appropriate stock levels may be the underlying cause of backorders for most commodities.

Table 2.7
General Stores Warehouse
Type of Stock Items with an Inventory Turnover Rate
Greater Than 12

Item Type	Number of Items	Percent of Total Items
Sports	5	8.5%
Art / Music / Games	6	10.2%
School and Office Supplies	32	54.2%
Other	16	27.1%
TOTAL	59	100.0%

Source: LAUSD Inventory Turnover Report, June 29, 2007

ADDING NEW ITEMS TO INVENTORY

As an enterprise-based warehouse operation that must compete with large retail vendors for sales of all non-required warehouse purchases⁴⁴, Materiel Management Branch (MMB) personnel employed at various levels of the organization reported that, in addition to competitive pricing and certified child-safe quality products, the District's strongest competitive advantage is rooted in its commitment to customer service. MMB staff also consistently reported difficulties in trying to balance the equally important, but often conflicting, principles of sound warehouse management with customer service related accommodations.

⁴⁴ Los Angeles Unified School District Policy Bulletin 965: Required Stores Warehouse Purchases, June 22, 2004.

The process of identifying new stock items is an essential inventory management function. While new items must be added to inventory in order to meet the changing and diverse educational needs of the District, the purpose of maintaining a centralized warehouse is to stock items that fall into one or more of the following categories:

Items of high customer demand;

Items that can be bought in significant quantity at lower prices;

- Items priced such that buying and storing them is less costly than buying them as needed;
- Items that need to be kept on hand for emergencies;
- Items that are safe.

As such, the process for adding new items to inventory should largely be based on systematic analysis of District non-stock purchasing data, including Procurement Card (P-Card) transactions and non-stock requisitions, to identify new items that meet the criteria specified above. However, currently there is little to no formal communication, coordination, or data/information sharing among MMB and Purchasing Branch personnel for the purposes of identifying new items that should be added to inventory.

Rather, the current process for identifying new stock items is largely customer service oriented – based on New Product Suggestion Forms submitted to MMB Marketing Team members by District schools and offices. New Product Suggestion Forms ask District schools and offices to list the product(s) requested, including the unit price and brand name, and to provide an estimate of their annual usage. These items are then evaluated by MMB inventory management personnel to determine the cost effectiveness of stocking them in the warehouse. However, the criteria used by MMB inventory management personnel to make such a determination is unclear.

Selected new items are then introduced into inventory in limited amounts and monitored throughout the year to track District demand.⁴⁵ These items are also advertised to District schools and offices through quarterly warehouse newsletters, promotional flyers, and in the annual Supplies and Equipment Catalog.

While New Product Suggestion Forms should be used to inform the process of adding new items to inventory, because they are only based on the preferences of a self-selected sample of District schools and offices, such suggestions are likely not representative of District-wide preferences, and therefore should not be exclusively used to identify new items to add to inventory. Analysis of non-stock purchasing data would more accurately reflect aggregate District purchasing preferences for specified non-stock items and reveal actual District expenditures for such items.

⁴⁵ ABC stratification is a method used to categorize inventory into groups based upon certain activity characteristics. New products receive the ABC stratification code “ABC 05” which is used to track product movement throughout the year.

FINDINGS

Finding 1: The District is not systematically removing low turnover, low demand items from inventory based on inventory turnover analyses. The majority of items in the General Stores warehouse had a turnover rate of less than four in Fiscal Years 2006-2007 and 2005-2006 and in Fiscal Year 2006-2007 383 items had a turnover rate of less than one. The high number of low turnover items indicates oversupply in the warehouse of low demand items that should be removed to minimize warehouse costs and/or over-ordering of items that are in demand, representing spending for those items beyond what is needed, unnecessarily tying up District cash.

Finding 2: Many warehouse items in the high volume Top 30 selling categories were found to have low inventory turnover rates, indicating over-ordering. Another indicator of this is the average of 4.2 months worth of stock maintained in the warehouse for 239 of the Top 30 items. This appears to be excessive since District policy is to maintain three months worth of stock for each item. Further, most vendors can reportedly deliver their orders within one month, indicating that the District quantity ordering policy is also higher than needed.

Finding 3: District suggestions that high turnover rates are due to unexpected changes in demand due to grant funded art and sports programs is not supported by inventory data that shows a small percentage of sports and arts supplies had high turnover in Fiscal Year 2006-2007.

Finding 4: The District does not have a systematic analytical approach to adding new items to inventory. Materiel Management Branch (MMB) staff do get suggestions and input from District customers and Buyers but analysis of non-stock and Procurement Card product purchase data are not conducted for this purpose, potentially leaving the warehouse without products that its customers want.

RECOMMENDATIONS

District management should:

RECOMMENDATION 2.1: Direct Inventory Management staff to analyze and quarterly report to warehouse management all warehouse items that

have turnover rates of less than one in a year or less than two for two consecutive years.

RECOMMENDATION 2.2: *Direct warehouse management to develop a policy to remove all items with turnover rates of two or less for two consecutive years unless there are documented unusual circumstances warranting retention of the items.*

Recommendation 2.3: *Direct Inventory Management staff to analyze procurement quantities for all warehouse items and to establish lower order quantities for most items based on actual annual disbursement quantities, prices and the cost of storing the items, possibly using a computer-based Economic Order Quantity formula or another structured, systematic, data-based approach.*

Recommendation 2.4: *Direct Inventory Management staff to develop a systematic approach to analyzing District consumption patterns using non-stock requisition and Procurement Card purchase data to identify items being purchased at such a level that it would make economic sense to stock the item in the warehouse.*

The costs of implementing these recommendations would mostly entail staff time though all of the recommended actions are consistent with the duties of the Inventory Management function. Recommendation implementation may require Information Technology Department staff assistance to help develop databases and access to data needed to analyze inventory turnover and consumption patterns as recommended.

The benefits of implementing the recommendations will include a reduction in warehouse inventory by removing low turnover, low demand items from stock and a one-time savings as the quantities purchased are reduced to better reflect actual consumption patterns and realistic delivery turnaround times. For just 239 items in the Top 30 selling categories, a reduction in average quantities maintained in the warehouse to a three month or one month supply would produce estimated one-time savings of \$390,000 to \$1.1 million, respectively. Further one-time savings would be realized as this new standard is applied to other items with excess amounts in inventory.

**END OF SECTION 2
SECTION 3 FOLLOWS ON THE NEXT PAGE**

3. WAREHOUSE MANAGEMENT OF LOST OR UNACCOUNTED FOR PRODUCTS

This section addresses lost products that have gone missing from one inventory cycle to another due to shrinkage, damage, misplacement or theft as well as District policies and procedures, management systems, reporting processes and internal controls to monitor and control the extent of lost products.

SUMMARY OF FINDINGS FROM SECTION 3

Gross positive and negative discrepancies between the District's inventory records and amounts found in the warehouses were \$2.9 million in Fiscal Year 2006-2007, or 18 percent of the average inventory value for that year. This represents a high rate of inventory items being lost, at risk of loss or otherwise unaccounted for, which affects the warehouses' ability to meet customer demand and to ensure that it is preventing theft or misuse of its assets. Instead of this gross discrepancy rate being used as a performance measure, District management uses a net discrepancy rate in which items over-reported in the inventory records cancel out under-reported items and obscure the total level of lost or unaccounted for warehouse inventory. For example, the net rate of inventory discrepancy reported by the District for 2006 was only \$287,538, or 1.8 percent of the average inventory value for that year.

- Controls found lacking regarding the District's inventory adjustment processes include: the absence of bar-coding or a real-time tracking system; warehouse staff making changes in electronic inventory records themselves, Job Cost Accounting Section staff making changes with minimal or no review of the adjustments requested by warehouse staff and a lack of training and formalized procedures for staff conducting the annual physical count of warehouse inventory.
- On-site Warehouse Inventory Tests for 45 randomly selected items at the District's three warehouse facilities confirmed a high rate of discrepancy between the inventory recorded in the District's computer database and items found in the General Stores, Foods, and Maintenance Warehouses. Commodity discrepancies were found for between 33 and 100 percent of the items reviewed in the three warehouses, with a gross dollar discrepancy value of \$84,124, or 52 percent of the value of all of the sample items.
- Processes for ordering items from all of the warehouses were found to have control weaknesses that could be contributing to the high rate of discrepancies found. These weaknesses include: the absence of commodity verification before items are shipped from the warehouse the District's computer system automatically removing items from the system before they are delivered in some cases; a lack of order, or receiver, verification by the schools and offices when

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they receive their deliveries; and, the use of two incompatible computers systems for Maintenance Warehouse orders.

Accurate management and tracking of warehouse inventory is necessary to ensure that the demand for products ordered from the warehouse can be filled on a timely basis and that District assets and resources are protected from waste and improper use such as theft. If its inventory tracking and management is not accurate, the District is at risk of lost products, defined as items that have been lost, are at-risk of loss or are otherwise unaccounted for, either in the District's inventory records or physically in the warehouses. Lost products can translate into insufficient or excess inventory. Insufficient inventory, the presence of less inventory in the warehouses than is indicated in the District's Integrated Financial System (IFS), can generate back orders and delays in filling orders. Excess inventory, the presence of inventory beyond what is accounted for in IFS, results in inventory for which there is no record and is thus at risk of undetected loss or theft and can add to District costs by causing unnecessary ordering.

WAREHOUSE INVENTORY PHYSICAL COUNT AND ADJUSTMENT PROCESSES

There are three ways in which electronic warehouse inventory records in IFS are adjusted each year to account for lost products: 1) a physical count of items in the warehouses takes place each December and adjustments are made when discrepancies are found; 2) inventory adjustments are made for a limited time each year based on subsequent analyses of discrepancies following the December physical count, and on an ongoing basis, when damaged, missing or excess inventory is discovered by warehouse staff; and, 3) adjustments are made based on order errors reported by District schools, offices and work sites. A review of each of these adjustments revealed that there are significant instances of warehouse inventory lost, at risk of loss, or unaccounted for each year and that the extent of this is not clearly reported to District management as a key measure of warehouse performance and internal controls. Specifically, these three sources of adjustments to warehouse inventory amounted to gross discrepancies of \$2,941,144 in Fiscal Year 2006-2007, or 18 percent of the \$16.3 million average warehouse inventory value for that year. A standard inventory gross discrepancy rate for benchmarking purposes is 10 percent⁴⁶ so the District's 18 percent rate is eight percent over the benchmarking standard. A common private industry inventory shrinkage standard is one percent, generally measured by the ratio of average net sales to inventory.

The \$2.9 million gross discrepancy for Fiscal Year 2006-2007 was not reported to District management though it is an important measure of warehouse performance and an indicator of possible problems in controlling and protecting District inventory from theft or misuse. It is not included in the regular measures of warehouse operations reported each year in the Business Service's Division *Service Efforts and Accomplishments*.

⁴⁶ *Handbook of Inventory Management* by Robert L. Janson, CPIM and published by Prentice-Hall, Inc.

Table 3.1 presents the distribution of these discrepancies by type of adjustment, followed by a discussion of the details on each component of these adjustments for lost products.

Table 3.1
Gross Discrepancies in
Inventory Value
District Warehouses
Fiscal Year 2006-2007

Adjustments	Gross Dollar Value of Inventory Discrepancies*
December 2006 physical inventory count	\$573,047
Ongoing inventory adjustments**	1,591,515
Order error claims	776,583
TOTAL	\$2,941,144
Average inventory value	\$16,251,274
Gross discrepancies as a percent of total inventory	18.1%

Sources: Job Cost Accounting Section and Materiel Management Branch

*Gross dollar value discrepancies are the total of all positive and negative value discrepancies, expressed as a positive number.

** Includes subsequent analysis of December inventory findings.

FISCAL YEAR 2006-2007 INVENTORY PHYSICAL COUNT AND ADJUSTMENT RESULTS

To ensure the accuracy of inventory amounts reported in IFS and to determine the amount of lost products to reconcile at the end of each year, the Job Cost Accounting Section of the District's General Accounting Branch oversees a physical count of inventory in the General Stores, Foods, and Maintenance Warehouses. These physical counts are conducted in December over the span of seven to ten days. All items in the warehouses are counted by warehouse staff and a random sample of 20 percent of all items is counted by Job Cost Accounting Section staff for validation of Warehouse staff's counts. Job Cost Accounting maintains a 15 percent unit count discrepancy policy, where if any individual stock item is more than 15 percent discrepant from the quantity shown in IFS records, a recount is triggered.

When differences are found between the two sets of counters, they are reported to warehouse staff who attempt to resolve the discrepancy by further checking their order records. If explanatory documentation is found, it is provided to Job Cost Accounting Section staff and if they agree with the explanation, the new total is entered in IFS as the amount On Hand. If explanations cannot be found for any discrepancies found, the difference is attributed to "Bad Count" and the amount found in the warehouses through a joint recount is entered in IFS. These final control counts reset the On Hand quantities reported in IFS and are recorded as "Last Count".

In December 2006, the District reported a net discrepancy of \$35,978 in the General Stores, Foods, and Maintenance Warehouses. This amount appears low compared to the On-site Warehouse Sample Inventory Test performed for this audit, which found an \$84,124 gross dollar discrepancy based on a review of only 45 randomly selected stock warehouse items out of the 5,604 total items in the three warehouses. However, the seeming inconsistency is explained by the District's practice of reporting inventory discrepancies on a net basis, where all dollar overages and shortages are summed and effectively cancel each other out. A more meaningful measure for inventory management purposes is the gross discrepancy in inventory value based on a comparison of IFS records and inventory in the warehouses during the annual December physical count. On a gross discrepancy basis, the absolute discrepancy is measured, which is preferred since both overages or shortages are discrepancies that should be resolved and could indicate an internal control or warehouse management problem. The December 2006 physical inventory count identified \$573,047 in gross inventory adjustments.

ONGOING INVENTORY ADJUSTMENTS

Further adjustments to the amounts in IFS resulting from discrepancies found in the annual December physical count can occur during a two-month reconciliation period that takes place in January and February of each year, known as the Card Count Adjustment process. Such adjustments may be made in instances where warehouse staff resolve discrepancies through further investigation during the two month window and provide that documentation to the Job Cost Accounting Section, who will then reset the On Hand amounts in IFS accordingly. This investigation and reconciliation period lasts through the end of February.

Further inventory adjustments take place throughout the year through discoveries of damaged, missing or excess inventory by Warehouse staff. Such discrepancies are documented by Warehouse staff and submitted to Job Cost Accounting Section staff who adjust the item count in IFS accordingly.

From December 2005 to December 2006, the District's Job Cost Accounting Section reported a net inventory write-off to account for these ongoing inventory adjustments of only \$251,160, or two percent of total average inventory value for the year. Applying the gross calculation of inventory write-offs to determine a more representative discrepancy measure, for Fiscal Year 2006-2007, the gross dollar discrepancy for inventory adjustments, including Card Count Adjustments, was \$1,591,515, or 9.8 percent of the average inventory value of \$16.3 million in Fiscal Year 2006-2007 in all warehouses.

INVENTORY ADJUSTMENTS BASED ON ORDER ERROR PROBLEMS

Adjustments are also made to warehouse inventory amounts through the warehouse staff-managed order error claims process. District schools and offices must submit

claims forms (Order Adjustment and Product Complaint forms) to the General Stores Warehouse to document any disputes regarding the nature, quantity, or quality of the items received.

General Stores Warehouse claims are investigated to determine the legitimacy of the claim and how the claim will be resolved by the warehouse – credit, replacement, or denial. Claims investigations rely heavily on Control Sheets, which contain summary records of packages and items shipped to each school and any discrepancies recorded by the school or office on these sheets at the time of delivery. During Fiscal Year 2006-2007, the General Stores and Maintenance Warehouses processed a total of 5,861 claims, comprised of the following types of claims:

- **Returns:** If returned stock items are in “sellable” condition, warehouse staff will issue a credit to the school adjust the inventory records in IFS.
- **Damaged:** Schools may receive a replacement item or a credit for damaged stock items. Credit and adjustments to IFS records are made by warehouse.
- **Shortages/Overages:** Shortages/overages are usually due to human errors in warehouse filling, sorting, and control processes or school site or catalog errors. Shortage/overage claims involving repacks are usually honored because the warehouse has no way of tracking individual commodities. Shortage/overage claims issued for stock items delivered by District distribution trucks are more difficult to prove because the Stores Warehouse can request a copy of the electronic signature provided by the school receiver at the time of delivery which verifies that the school site received the correct piece count.
- **Refusals:** Schools can refuse anything upon delivery and are automatically issued credits for refused items. Once they sign the control sheet and accept the item(s), they must then submit a claims form to receive a credit. Similar credit and inventory adjustment processes are followed as described above.

For Food order errors, cafeterias are generally made whole for any shortage, provided the discrepancy is not too great. Materiel Management Branch (MMB) representatives report that no firm replacement threshold exists but Standard Operating Procedures are reportedly being drafted for the Foods and all other warehouses with a targeted completion date by the end of summer in 2008.

Maintenance Warehouse staff use IFS for comparison during the annual physical inventory count and throughout the year when they identify discrepancies between the amount of inventory available in the system and what is physically available in the warehouse. Maintenance Warehouse management states that inventory discrepancies are easier to track due to the small amount of stock items kept in the Maintenance Warehouse and the fewer numbers of requisitions processed by warehouse staff.

Ongoing tracking of order error claims began in Fiscal Year 2006-2007 for the General Stores, Foods, and Maintenance warehouses, with the results summarized in Table 3.2 on the next page.

Table 3.2
Inventory Adjustments from
Order Error Claims
Fiscal Years 2006-2007 and 2007-2008

Warehouse	Fiscal Year 2006-2007	Fiscal Year 2007-2008*
General Stores and Maintenance	\$776,583	\$768,289
Foods	N/A	\$190,076
TOTAL	\$776,583	\$958,365

Sources: Job Cost Accounting Branch and Materiel Management Branch

*Fiscal Year 2007-2008 Claims Totals are projected.

The following internal control deficiencies were identified regarding management of warehouse inventory pertaining to the annual physical count, ongoing inventory adjustments and order errors claims adjustments.

- Internal controls do not exist to ensure that all IFS adjustments are adequately documented and that the entry of all order error inventory adjustments into IFS is controlled by a separate entity. The warehouse units of MMB are responsible for receiving, filling, packing, and shipping items and should not also have authority over adjusting inventory records in IFS for order errors without independent review and/or approval. When discrepancies arise, MMB, which originally managed the process that lead to the discrepancy, has sole authority over the claims process, including decision-authority to validate or reject claims, and any subsequent adjustments in IFS if a claim is found to be valid. The Job Cost Accounting Section enters other inventory adjustments in IFS but do not verify the explanations for the adjustments submitted by Warehouse staff.
- Protocols are not in place to ensure order error inventory adjustments entered by warehouse staff are based on valid claims. For example, during the On-site Warehouse Inventory Test in the General Stores warehouse for this audit, two versions of USB drives were found on the warehouse shelves in spite of IFS showing none in inventory. Warehouse management reviewed IFS records, including reports to track the inflows and outflows of these items. It was determined that a school had double ordered the USB drives and had returned the excess order. An in-house Access database is used to track claims and the

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situation with the USB drives did not fit into any of the existing categories to signal re-entry to adjust IFS inventory records.

- Training for the annual December physical inventory is minimal, consisting of some quick orientation and some brief written procedures, with inventory counting staff receiving a brief memo two weeks in advance, which outlines a general procedure, but lacks specific information such as proper unit counting and locating inventory in selection versus in reserve.

WAREHOUSE ON-SITE SAMPLE INVENTORY TESTS

On-site Inventory Tests were conducted as part of this audit to measure the accuracy of current inventory management systems and processes by comparing the type and quantity of randomly selected items in the warehouses with electronic records in IFS.

Fifteen items were selected for each inventory test in the General Stores, Foods, and Maintenance warehouses. Three criteria were used to create a representative sample:

- Product turnover – indicates the pace at which the product cycles through the warehouse, covering the range of high to low turnover rates
- Product cost – involves the potential cost to the warehouse in terms of lost revenue from sale of inventory (including markup) , including the range of high to low prices
- Product quantity – refers to the average quantity in stock of a given product, reflecting the range of high to low quantities for commodity items

Printouts of the various IFS screens were made for the fifteen randomly selected items for each warehouse listing quantities On Hand, Reserved, Released, In Transfer and Available. If a discrepancy was found, during the walk through of the warehouse, staff attempted to explain the discrepancy in some instances based on their knowledge and other times deferred an explanation until after reviewing further details in IFS. A summary of item discrepancies by warehouse is presented in Table 3.3 below.

Table 3.3
On-Site Inventory Tests
Item Discrepancies at Warehouses

Warehouse	Number of Items incorrectly recorded in IFS	Number of Items sampled	Percent Incorrect in IFS vs. Number Sampled
General Stores	10	15	66%
Foods	15	15	100%
Maintenance	5	15	33%
TOTAL/ AVERAGE	30	45	67%

Source: Harvey M. Rose Associates On-site Inventory Test, March 6-7, 2008

The On-site Inventory Tests of randomly selected items in each warehouse demonstrated that the IFS system does not accurately reflect the physical inventory located in the General Stores, Foods, and Maintenance Warehouses. As shown in Table 3.3, inventory count discrepancies between IFS and the number of items found in the warehouses were 66 percent of the sample items for the General Stores Warehouse, 100 percent for the Foods Warehouse, and 33 percent for the Maintenance Warehouse. According to Job Cost Accounting Section procedures, any individual commodity that surpasses a 15 percent error rate triggers an extended inventory test count during the December physical count, which involves a recount of the individual commodity.

On a gross dollar basis, discrepancy rates of 28 percent in the General Stores Warehouse, 66 percent in the Foods Warehouse, and 17 percent in the Maintenance Warehouse were found. The total gross value discrepancy of all samples from the three warehouses was \$84,124, or an overall rate of approximately 52 percent of the pre-count value of all sample items. While some inventory shrinkage or adjustments can be expected in any warehouse operation, the level of unit and gross dollar discrepancy found in this sample exceeds industry and government operation benchmark of 10 percent⁴⁷.

GENERAL STORES ON-SITE WAREHOUSE INVENTORY TEST

Ten of the fifteen randomly selected stock items for the General Stores On-Site Inventory Test, or 66 percent, were not accurately recorded in IFS. The gross dollar discrepancy rate for these items was \$11,594, or 28 percent of the \$41,691 pre-count value of the items tested according to IFS. A 28 percent gross discrepancy rate for lost or unaccounted for items is 18 percent above the 10 percent benchmark standard cited above. Two individual inventory items surpassed the 15 percent unit discrepancy threshold that would trigger an extended inventory test according to Job Cost Accounting Section procedures for the December physical count. If this same discrepancy rate is extrapolated to the entire General Stores warehouse, approximately 400 stock items would exceed the discrepancy threshold and would be subject to the extended inventory test. Table 3.4 below summarizes the findings of the General Stores Inventory Test.

⁴⁷ *Handbook of Inventory Management* by Robert L. Janson, CPIM and published by Prentice-Hall, Inc.

Table 3.4
Overages and Shortages Found in On-Site Inventory Test
of Random Sample of Items in General Stores Warehouse

Item	Total Shortage in Dollars (A)	Total Overage in Dollars (B)	Total Gross Discrepancy in Dollars (C) = A+B	Pre-Count Value in Dollars (D)	Error Variance (E) = C/D
SANDPAPER 9"X10" FINE (100/PK)	\$0.00	\$0.00	\$0.00	\$233.10	0.00%
PAPER BOND FLUOR PURPLE 8.5X11	(7.99)	0.00	7.99	4,674.15	0.17%
LACING WHITE GLOSSY 3/32" FLAT	(2.25)	0.00	2.25	891.00	0.25%
TAPE CLOTH ADHESIVE 2" RED	0.00	7.98	7.98	1,029.42	0.78%
STAPLES 5/8"-3/4" HEAVY-DUTY	(47.76)	0.00	47.76	316.41	15.09%
VIOLA STRING G STAINLESS STEEL	0.00	0.00	0.00	247.50	0.00%
PEN BALLPOINT REFILLABL BLK 12	0.00	0.00	0.00	701.25	0.00%
FLASH DRIVE SEE 2043201020	0.00	1,319.45	1,319.45	0.00	N/A
MATCHES WATERPROOF	0.00	0.00	0.00	6,044.40	0.00%
RECORDER, SOPRANO- BAROQUE	0.00	250.00	250.00	4,305.00	5.81%
FELT WHITE 72" WIDE	0.00	65.25	65.25	4,067.25	1.60%
PROJECTOR OVERHEAD 2X2" SLIDES	0.00	0.00	0.00	5,599.84	0.00%
BRACKETS EXTENSION 2 PIECE	0.00	350.00	350.00	3,900.00	8.97%
CHAIR HARD PLASTIC 18" GENERIC	0.00	9,538.20	9,538.20	9,538.20	100.00%
LAMP INCANDESCENT 25W 130V 25A	0.00	5.00	5.00	143.00	3.50%
TOTAL	(\$58.00)	\$11,535.88	\$11,593.88	\$41,690.52	27.81%

Source: Harvey M. Rose Associates On-site Inventory Test, March 6, 2008

Following the review of an item, warehouse staff attempted to best explain the reason for discrepancies between the IFS inventory and the inventory found on the shelves. The range of explanations follows:

- May have neglected to file a Record of Stock Movement, the form used to record any change in location of warehouse stock by fillers, for items in Reserve, which created a discrepancy.
- Missed filling an order to a school.
- The discrepancy was below the 300 unit or \$300 threshold that is set by the Job Cost Accounting Section, so only a single count was conducted and the item was not reconciled.
- Item is measured by weight rather than unit, so the number of units can be off.
- Number of units is off because warehouse staff held off on filling the order since the audit inventory count was about to occur.
- Generally, no items are located within the warehouse for Vendor Managed Inventory. Depending on whether the order is above or below \$5,000, the vendor will deliver the product directly to the school or to the warehouses for subsequent delivery, respectively.
- The inventory was put into In Transfer status because of earlier discrepancy found by warehouse staff.

While all of these explanations seem plausible, no documentation was produced by staff to verify these possible causes for the discrepancies found in the General Stores Warehouse.

FOODS WAREHOUSE ON-SITE INVENTORY TEST

None of the fifteen randomly selected items for the Foods Warehouse On-site Inventory Test were accurately recorded in IFS. The gross dollar discrepancy for the lost or unaccounted for items in this test was \$70,702, or 66 percent of the \$107,226 pre-test value of the items. This rate is 56 percent above the benchmark standard cited above of a 10 percent maximum gross discrepancy rate. Five individual inventory items surpassed the 15 percent unit discrepancy threshold and thus would be subject to an extended inventory test in accordance with District's December physical count procedures. Extrapolated to the entire Maintenance Warehouse, approximately 250 stock items in the Foods Warehouse would be subject to an extended count. Table 3.5 on the next page summarizes the findings of the Foods Warehouse Inventory Test.

Table 3.5

**Overages and Shortages Found in On-site Inventory Test of
Random Sample of Items in Foods Warehouse**

Item	Total Shortage in Dollars (A)	Total Overage in Dollars (B)	Total Gross Discrepancy in Dollars (C) = A+B	Pre-Count Value in Dollars (D)	Error Variance (E) = C/D
FRUIT APPLESAUCE SURPLUS 6 #10	\$0.00	\$273.24	\$273.24	\$10,641.51	2.57%
TICKETS SPRING "M" REDUCED	0.00	110.75	110.75	7,398.10	1.50%
WRAP FOIL PRINTED 12"X12"	0.00	2,362.66	2,362.66	33,772.14	7.00%
BREAD CARROT MNI LF 72/CS	0.00	2,439.04	2,439.04	14,650.72	16.65%
SNACK COUNT FORM (100/PKT)	0.00	557.04	557.04	10,001.40	5.57%
BOLOGNA BEEF 16 SLICES PER LB	(436.17)	0.00	436.17	6,071.66	7.18%
JUICE APPLE 100% 200ML 27- 40/C	0.00	882.57	882.57	3,558.75	24.80%
SAUCE BBQ SHELF STBLE 4 GAL/CS	0.00	318.36	318.36	1,819.20	17.50%
APPLES VARIOUS VARIETIES 125 CT	0.00	57,602.48	57,602.48	9,067.48	635.26%
RACK-A-FRAME FOR FOOD BAGS	(45.84)	0.00	45.84	1,283.52	3.57%
CHICKEN ROASTED SURPLUS 80	N/A	N/A	N/A	N/A	N/A
APPLES PRE SLICED WED FRESH	N/A	N/A	N/A	N/A	N/A
CORN DOG MINI TURKY 10#-239/CS	0.00	5,679.46	5,679.46	8,961.56	63.38%
STRAWBERRIES	N/A	N/A	N/A	N/A	N/A
CORN FRESH 12 EARS/CASE	N/A	N/A	N/A	N/A	N/A
TOTAL	(\$482.01)	\$70,225.60	\$70,701.61	\$107,226.04	65.94%

Source: Harvey M. Rose Associates On-site Inventory Test, March 6, 2008

Warehouse staff attempted to explain the reason for discrepancy between the IFS inventory and the inventory found on the shelves in the Foods Warehouse. The range of explanations follows:

- USDA informs school districts of food surplus items based on what items are available, without any input from the Foods Services Branch.
- A certain number of items were going out in an order that day and could already be in transit.
- An extra box was found in the reserves location for the item.
- With twice a week delivery and constantly pulling items for delivery, it is hard to track when an item might be in transit if the product is not on the shelves. By reviewing the Stock Issues Report, warehouse staff can determine how much stock of one item is scheduled to be issued on a given day.
- A major shipment just came in the day before and staff has not yet received the Goods received receipt yet so it has not been processed and reflected in IFS.
- Don't know why.

As with the General Stores warehouse, most of these explanations seem plausible but no documentation was produced by Warehouse staff to verify these possible causes of discrepancies.

MAINTENANCE WAREHOUSE TEST

Five of the 15 sample items for the Maintenance Warehouse Inventory Test were not accurately recorded in IFS, resulting in a gross dollar discrepancy of \$1,822, or 17 percent of the pre-test value of \$10,895. A 17 percent gross discrepancy rate of items that were either lost or unaccounted for is 7 percent above the benchmark standard of 10 percent gross discrepancy. Three individual inventory items surpassed the District's 15 percent unit discrepancy threshold that would trigger an extended inventory test in the December physical count. Extrapolated to the entire warehouse, approximately 280 Maintenance Warehouse stock items, would be subject to the extended inventory test. Table 2.6 on the next page summarizes the findings of the Maintenance Warehouse Inventory Test.

Table 3.6
Overages and Shortages Found in Inventory Test of Random Sample
of Items in Maintenance Warehouse

Item	Total Shortage in Dollars (A)	Total Overage in Dollars (B)	Total Gross Discrepancy in Dollars (C) = A+B	Pre-Count Value in Dollars (D)	Error Variance (E) = C/D
VALVE GARDEN BENT NOSE ¾"	(\$381.40)	\$0.00	\$381.40	\$1,067.92	35.71%
PVC TEE 3/4X3/4X1/2"	0.00	0.00	0.00	3.45	0.00%
GYPSUM PURE WHITE 80 LB	0.00	63.80	63.80	1,142.02	5.59%
PWR SUP CORD 8FT 3 COND #16	0.00	0.00	0.00	194.25	0.00%
CONNECTOR LIQ TIGHT ½" 90DEG	0.00	151.00	151.00	780.67	19.34%
PIVOT SPRING SURFACE DULL BRS	0.00	1,148.88	1,148.88	957.40	120.00%
POLYCARBONATE 4X8X 236 GRAYLIT	0.00	0.00	0.00	3,835.26	0.00%
CHAIN PROOF COIL STRAIT LINK	0.00	0.00	0.00	1,292.50	0.00%
LUMBER DF CONST S4S 2X4	0.00	0.00	0.00	0.00	0.00%
STRAP CONDUIT 2 HOLE 1/2	0.00	0.00	0.00	4.00	0.00%
CLAMP PIPE REPAIR 1/2"	0.00	0.00	0.00	122.56	0.00%
WASHER FENDER/PLASTER 5/16 INC	0.00	0.00	0.00	19.08	0.00%
CHAIN SASH COP 40	0.00	0.00	0.00	370.00	0.00%
PUTTY KNIFE 5-IN-1	0.00	77.04	77.04	868.84	8.87%
PAINT SPRAY ENAMEL ROYAL BLUE	0.00	0.00	0.00	237.22	0.00%
TOTAL	(\$381.40)	\$1,440.72	\$1,822.12	\$10,895.17	16.72%

Source: Harvey M. Rose Associates On-site Inventory Test, March 7, 2008

Warehouse staff attempted to best explain the reason for discrepancy between the IFS inventory and the inventory found on warehouse shelves. The range of explanations follows:

- Potential filling error
- Potential bad count
- Receiving error
- Order may be sitting after just being delivered. Most likely a filling error or hasn't been delivered yet.

As with the General Stores and Foods On-site Warehouse Inventory Tests discussed above, all of these explanations seem plausible, but no documentation has been produced by Warehouse staff to verify these possible causes.

STOCK INVENTORY ORDER PROCESSES

Depending on the warehouse, IFS classifies inventory as: (1) On Hand; (2) Reserved; (3) Released; (4) In Transfer; or, (5) Available. These categories imply a dynamic, real time system but an examination of the current system disclosed that it does not have these characteristics. The "On Hand" count is the starting quantity that reflects the total inventory accessible by the warehouse and is comprised of the other four inventory classifications. Reserved inventory represents products that have been ordered by a warehouse customer (school, office, maintenance shop, etc.) and for which funding sufficiency has been determined. Depending on the warehouse, ordered items move to Released status overnight, and a Confirmation Issue is assigned to each line item, which is a code assigned to the item in IFS that can be used to track the item's status. Items are automatically removed from warehouse inventory in IFS after 24 hours in the Released status. Warehouse inventory is classified as In Transfer while items are being researched as the subject of an apparent order error or when they are in transit between warehouses (e.g., General Stores to the General Stores facility at the District's Beaudry Avenue headquarters). Customers are free to order all of the remaining items in inventory which are classified in IFS as Available. A back order is recorded in IFS for any inventory ordered beyond the quantity Available.

Accurate classification of inventory items in each category is key to the efficiency of the warehouse system and protection of District assets and resources. A review of current District inventory order-filling process and controls revealed a number of internal control deficiencies that put the District at risk of inefficiencies, unnecessary costs in its stock ordering process and improper use or theft of District assets.

PROCESSING GENERAL STORES WAREHOUSE STOCK ORDERS

The General Stores Warehouse stocked 3,046 items in Fiscal Year 2006-2007. To order these items, customers generally submit their orders by directly accessing the IFS

system at their school or office. From their system screen, they can view the number of items recorded as Available by IFS and place their orders accordingly. This places their ordered items in Reserved status. The District's financial records are integrated with its inventory records as both are hosted by the IFS system, so funding sufficiency to cover the cost of the ordered items is automatically checked against the ordering school's or office's budget. If funds are sufficient, a Stock Requisition number is assigned, and the ordered items are moved from Available to Reserved status in the IFS system. If there is insufficient inventory reported Available in IFS to cover an order, the unit count currently available is placed in Reserved status while the balance of the order is placed on back order. At the end of each day, the General Stores senior staff review the orders that have come in throughout the day and manually confirm the orders in IFS each evening.

Overnight IFS (1) automatically moves the ordered items from Reserved to Released status (2) assigns a Confirmation Issue number to each line of the order and (3) prints "Pick and Issue" tickets, which list the approved IFS order by school or office delivery stop number. Because the Pick and Issue tickets are printed at the District's central administrative offices located in Downtown Los Angeles, each morning, General Stores warehouse staff must drive from Pico Rivera to Downtown Los Angeles to transport the printed Pick and Issue forms back to the District's warehouse where the orders can be filled. Senior staff prepare Control-D reports, which are electronic compilations of all Pick and Issue tickets that were generated the night before. This information is then downloaded into a database, manually scanned for any obvious errors like orders going to the wrong warehouse, and then subsequently used to generate a control sheet for items to be delivered to each school site.

IFS keeps items in Released status for 24 hours before purging the recorded inventory from the system. During that time, warehouse "Filler" staff fill orders by taking stock items off the shelves based on the Pick and Issue tickets and pack the items into clusters, noting the number and type of each package, as well as the total number of packages to be delivered to each school or office. Included in these counts are packages of "repacked" items where orders for amounts less than the standard quantities delivered to the warehouse, such as a case, are broken up and mixed in to packages with other such items.

The number of pieces or packages for each Pick and Issue ticket is noted by the Fillers and the products and tickets are transferred to Warehouse distribution staff who consolidate the orders for each school, office or other delivery site. Warehouse distribution staff note the number of pieces received from each warehouse department for each Pick and Issue ticket on Control Sheets prepared for each school or office. When the physical number of pieces received from each respective department matches the number of pieces listed on the Control Sheets, the order is considered filled. District drivers then deliver the items to the schools and offices, where staff verify

receipt of the number of packages or pieces indicated on the Control Sheets, but not the quantity or type of individual items delivered.

Controls found deficient in the General Stores Warehouse order processing that could be affecting the accuracy of inventory records in IFS include:

- Controls do not exist to prevent IFS from automatically moving ordered inventory from Reserved to Released status, thus creating an opportunity for the IFS system to become discrepant from the physical inventory in the warehouse in the event of a delay or change in the order. Regardless of any delays, IFS is setup to automatically clear inventory in Released status out of the system after a 24 hour period.
- General Stores Warehouse staff use Control Sheets to ensure that an order has the appropriate piece count, not to determine if filled orders are comprised of the appropriate commodity items and quantities.
- The General Stores Warehouse has no way of tracking individual commodities packed as “repacks” and does not conduct spot checks for repacks. The target policy is to spot check ten percent of all shipments before they leave the warehouse but this reportedly is not occurring on a regular basis.
- District drivers only verify delivery of the appropriate piece count with receiving school or office staff, but not delivery of the appropriate items or quantities.

PROCESSING FOODS WAREHOUSE STOCK ORDERS

The Foods Warehouse stocked 655 items in Fiscal Year 2006-2007. The Foods Services Branch, which is a separate unit of the Materiel Management Branch (MMB), manages a food order unit that serves as the central ordering entity for the District with eight clerks on staff. Each clerk calls to take food orders from a set group of schools and then relays these orders to Foods Warehouse staff. Schools submit food orders six days in advance and generally receive deliveries either every three or six days, depending on whether the order involves meats, produce, groceries, or staples.

The Food Services Branch Order Clerks input each school's order into IFS as a Stock Requisition – Food. Foods ordered are listed in Reserved status if the stock is available, otherwise the balance is listed in back order and the needed amount is ordered through the Purchasing Services Branch. The order will remain in Reserved status in IFS with dates and delivery zones, until the day before it is needed by the school.

Similar to the General Stores process, after IFS issues the order the night before, Pick and Issue tickets are printed at the District's administrative headquarters, guiding the Foods Warehouse Filler staff in filling orders for meats, produce, groceries, or staples. A Confirmation Issue – Food is generated by IFS and the items move into Released

status. Unlike General Stores warehouse items which are removed from Released status after 24 hours, Foods Warehouse items move through the Released status the same day they are entered.

Aspects of the Foods Warehouse order process found deficient that could be affecting the accuracy of inventory records in IFS include:

- Automatic clearing of food inventory items from IFS the same day they are listed as Released, regardless of whether any delays occur in the filling, packing, or shipping of ordered items.
- Constant movement of food items due to frequent deliveries results in staging of items on the loading dock, where the food items are not placed in clearly marked areas for loading. Verbal communication is used to track the placement of various items rather than any recorded system. The target policy is to spot check five percent of all shipments before they leave the Foods warehouses but this reportedly is not occurring on a regular basis.

PROCESSING MAINTENANCE WAREHOUSE STOCK ORDERS

The Maintenance Warehouse stocked 1,506 items in Fiscal Year 2006-2007 for orders generated by the Maintenance and Operations division's Central Shops and satellite shops and District schools and offices. Maintenance & Operations Central Shops request stock items via MAXIMO software, which is an integrated job ticket system used to allocate maintenance costs to various District schools and offices. MAXIMO is currently not compatible with IFS, thus requiring the Maintenance Warehouse to operate two separate systems.

The M&O orders are generally Over-the-Counter, or will call, which involve an expedited purging from the IFS system. Once an order is submitted via MAXIMO, Maintenance Warehouse staff must manually enter the Over-the-Counter orders into IFS before these orders can be processed. Entry into IFS is coded as an Over-the-Counter order rather than as a Stock Requisition order. This coding triggers a funding sufficiency check, which if found to be sufficient, automatically removes the inventory from Available to off IFS records. This immediate purging from the IFS system occurs since, according to warehouse staff, a customer can only order an Over-the-Counter item if it is Available and is ready to be picked up in person. Consequently, Over-the-Counter orders are never placed in Reserved or Released status and there are never backorders.

Maintenance Warehouse orders that come from LAUSD school or office sites directly and are entered as Stock Requisition orders. These requisitions are entered into IFS by school/office personnel as Stock Requisition orders. As with Stock Requisition orders in other warehouses, they are printed out at the District's administrative headquarters and delivered to the Maintenance Warehouse to be filled.

The key control missing for Maintenance warehouse orders that could be affecting the accuracy of the District's inventory records in IFS is:

- Over-the-Counter, or will-call, orders are first entered in the MAXIMO system. No reconciliation exists to ensure that it is subsequently entered in to IFS accurately or at all. While the MAXIMO system has a simple check box screen to reconcile a printed IFS order that has been entered from MAXIMO, the MAXIMO screen does not include order details, such as the number of units of the order. Such a screen would enable an item count reconciliation between a MAXIMO order prior to beginning the processing of the order in the Maintenance Warehouse.

FINDINGS

Finding 1: Positive or negative inventory adjustments resulting from the annual physical count and adjustments to inventory records made throughout the year were valued at \$2.9 million, or 18 percent of average inventory value in Fiscal Year 2006-2007. This rate exceeds the standard inventory adjustment benchmark of ten percent and raises the risk of the warehouses being unable to meet customer demand and of theft or misuse of District assets. This amount is not reported to District management to measure and improve on warehouse performance.

Finding 2: Independent On-site Warehouse Inventory Tests conducted for this audit showed significant discrepancies between the District's electronic inventory records and amounts found in the warehouses.

Finding 3: Staff training for the annual physical count is not sufficient. Ongoing inventory adjustments reported and recorded by warehouse staff are not independently verified by the Job Cost Accounting Section staff to ensure their legitimacy. Order error inventory adjustments are made to electronic inventory records by warehouse staff without review or verification by independent non-warehouse staff.

Finding 4: Deficiencies were found in the order filling processes at each warehouse with potential impact on the accuracy of inventory records maintained electronically. These deficiencies include: the absence of verification of order accuracy in the individual commodities being shipped from the warehouses; and, a computer inventory tracking system that is often inconsistent with the actual movement of inventory.

Finding 5: The District's Maintenance Warehouse must use two separate computer systems to process Maintenance Warehouse stock orders and inventory adjustments.

RECOMMENDATIONS

District management should:

Recommendation 3.1: Direct staff to prepare an annual report for management presenting year-to-year gross dollar and commodity unit discrepancies, rather than net discrepancies as is currently reported between inventory records and actual inventory found in the warehouses,

as part of the annual Business Service's Division Service Efforts and Accomplishments.

RECOMMENDATION 3.2: *Direct staff to prepare formal written policies and procedures to improve internal controls over the annual physical count including enhanced staff training for the process, adding periodic cycle counts to the control processes where randomly selected items are spot counted during the year and enhanced documentation and independent verification by the Job Cost Accounting Section of all inventory adjustments resulting from the annual physical count and others proposed during the year by warehouse staff. Use of outside contractors for the annual inventory count should also be considered.*

RECOMMENDATION 3.3: *Delegate responsibility to the Materiel Management Branch and warehouse managers to reduce the gross discrepancy levels at the warehouses from the current 18 percent to at least 10 percent and preferably lower over the next two years and to submit written reports to executive management once a year on progress in accomplishing this goal.*

RECOMMENDATION 3.4: *Direct warehouse management to develop a formal data entry process and inventory controls for the District's Integrated Financial System (IFS) electronic inventory management system and for each warehouse's order filling procedures, starting with the entry point of an order by a customer to creating greater accuracy checks against item control sheets and detailed item pick and issue tickets generated by IFS and performing and documenting spot checks for order accuracy before orders are shipped from the warehouses.*

RECOMMENDATION 3.5: *Direct Materiel Management Branch staff to determine the costs and benefits of modifying the Maintenance Warehouse's MAXIMO software so that Maintenance inventory order data is recorded in sufficient detail and merged with IFS to ensure that consistent and accurate inventory updates are made in both systems. Implementation of all recommendations should be accomplished using existing resources. The benefits include formalized internal controls for the Materiel Management Branch, improved operations of the warehouses, and increased protections against lost products. In addition, consistent data management procedures will reduce errors at all stages of IFS use, and*

better use of existing IFS report capacity will create greater links between the physical inventory and the electronic inventory, which more closely reflects a true perpetual inventory system. Finally, a reduction of inventory and dollar discrepancies by eight percent over the next two fiscal years will realize a savings to the District of approximately \$1.3 million.

**END OF SECTION 3
SECTION 4 FOLLOWS ON THE NEXT PAGE**

4. MANAGEMENT OF OBSOLETE ITEMS IN THE SALVAGE WAREHOUSE

This section addresses issues of the District's policies and procedures, management oversight and internal controls regarding perishable and obsolete items.

SUMMARY OF FINDINGS FROM SECTION 4

- In Fiscal Year 2006-2007, the District's Salvage Warehouse received used District property that was resold for approximately \$493,000 plus thousands of other items with no assessed value that were either disposed of or re-circulated to other District schools and offices. In spite of the volume and value of this District property, internal controls and formal policies and procedures for tallying, tracking, reconciling, and processing salvage and obsolete items received at the Salvage Warehouse are lacking, increasing the risk of misuse or theft of District assets. In a review of 40 randomly selected records of items transported to the Salvage Warehouse, 23 percent of the product lines covered were not delivered to the warehouse in the same quantity as the requesting school or office recorded, with no documented explanation or verification of these changes. Other recordkeeping practices regarding disposition of these items is inconsistent. Formalized policies and procedures are not in place governing prices of salvage items to be sold by auction or the criteria for items that are determined to be scrap or recyclable.
- Salvage Warehouse operational costs increased from \$789,480 in FY 06-07 to \$835,860 in Fiscal Year 2007-2008. While the District exceeded its goal of a 50 percent cost recovery from auction revenue in Fiscal Year 2006-2007, a similar result does not seem realistic in FY 2007-2008 since as of the end of January 2008, only 9 percent of operational costs have been recovered, while at the end of January 2007 in FY 2006-2007, 32 percent of operational costs had already been recovered. The primary difference is that the District has entered into an agreement with a private vendor to remove all salvage computer equipment at no cost to the District but at a loss of approximately \$300,000 in computer equipment auction revenue collected by the warehouse before the agreement was approved.

The Salvage Warehouse manages the pickup and receiving of salvage equipment and determines the appropriate disposition of the materials. Salvage items include used furniture, obsolete equipment, and donated material. Once items are received by the Salvage Warehouse, the items are sorted based on whether they can be reused by other schools, discarded as obsolete items, recycled as electronic items, or auctioned through a public or online auction. The disposition of items is determined at the time of pickup or receiving and sorted accordingly. For example, used furniture either donated from a third party or a school that is determined to be in good condition can be reused by another school.

In Fiscal Year 2006-2007, the Salvage Warehouse received its first operational budget of \$789,000. Previously, the overhead costs of the Salvage Warehouse were charged to the General Stores Warehouse. Currently, revenue generated from the auction of salvage items is put into a warehouse revenue account and surplus revenue is returned to the General Fund. In Fiscal Year 2006-2007, District management targeted auction revenue to cover 50 percent of the annual operational budget, or \$395,000 and through a combination of public and online auctions, the warehouse exceeded the target with \$493,603, which resulted in a transfer of \$98,603 back to the District's General Fund. Beginning in Fiscal Year 2007-2008, the warehouse anticipates a decrease of auction revenues due to a Memorandum of Understanding with Apple Computer Incorporated (Apple). to recycle all electronic equipment, including computers, television, monitors, etc. at no cost to the District, but without the revenue previously generated from the sale of such items. In Fiscal Year 2006-2007 auction revenue from the sale of computer equipment was over \$300,000.

PROCESSING SALVAGE WAREHOUSE ITEMS

The pick-up and transfer of material and equipment between schools/offices and the Salvage Warehouse are coordinated and provided by the Materiel Management Branch's (MMB) Truck Operations Section, which contracts with a private trucking company to arrange for the actual pick-ups. Staff from schools and offices needing salvage pick-up services are required to complete a Transportation Order form and list all salvage items that need to get picked-up, including the relevant items' corresponding serial numbers. District policy regarding Transportation Orders is that they, "must be completed as accurately as possible ..." ⁴⁸, so that the number of items and their costs can be readily determined. Transportation Orders are either faxed or mailed by District school or office staff to Truck Operations staff, who arrange and coordinate with schools/offices for salvage pick-up.

Once the driver arrives at the pick-up location (i.e., school or office), he or she then counts the physical items to be picked up and compares this count to the quantity number entered in the Transportation Order forms. According to the District's Reference Guide on salvage pick-up, only items that are listed on the form by school or office staff will be picked up by the trucking personnel. No provisions are made in the policy for any party other than the school or office to create or adjust the numbers entered into the Transportation Order. However, according to MMB personnel, drivers do make revisions to the numbers entered into the Transportation Order as needed.

Once the salvage truck arrives at the Salvage Warehouse, warehouse staff then check the Transportation Order forms in terms of the number of items delivered and assign a code to each item to indicate which pile the item needs to be grouped into (e.g.,

⁴⁸ District Reference Guide, *Pick-up and Transfer of Materials for Salvage* (District REF-1293).

recycling, dump/trash, sale/auction, reuse, or scrap metal pile). Warehouse staff adjust the quantity of items listed on the Transportation Order forms prepared by the schools and offices at this point. No provision in the District policy outlines or implies any party can adjust the Transportation Order forms other than the school or office requesting pickup of salvage items. Once the salvage items are grouped, each pile has a corresponding contract to sell, dispose of or otherwise process the salvaged item. Contracts for hauling and disposal of scrap metals and wood and plastics were not reviewed since the District reports that one is not in place for scrap metals. The District's contract for hauling and disposal of wood and plastics could not be found according to District staff.

TRANSPORTATION ORDER ANALYSIS

A random sample of Transportation Orders were secured on-site and analyzed for item type, disposition, form handling and the presence of internal controls over management of these assets. Currently, the tracking system in place only involves the filing of the physical copies of the Transportation Order forms, which are grouped by fiscal quarter and alphabetically, and are not electronically filed or recorded.

Based on a review of 40 randomly selected Transportation Orders that were processed between July 2007 and December 2007, most of the items included in the Transportation Orders were either electronic recyclable items (e.g., computer monitors, keyboards, printers, etc.), which accounted for 45 percent of all items, or scrap metal disposable items (e.g., chairs, desks, tables, etc.), which accounted for over 30 percent of all items in the sample that were delivered to the Salvage Warehouse. If extrapolated to the entire warehouse, 75 percent of all items fall under either recyclable or disposable, two categories that do not recuperate revenue.

Table 4.1 provides summary statistics of the analysis of the 40 randomly selected Transportation Orders.

Table 4.1
Transportation Order Analysis Summary
Disposition of Salvage Items

Item Disposition	Number of Lines*	Percent
Recycled	156	42.0%
Scrap Metal	69	18.6%
Not Picked Up	56	15.1%
Dumped	46	12.4%
Sold/Auctioned	42	11.3%
Pianos**	2	0.6%
Reuse	0	0.0%
Total	371	100.0%

Sources: Salvage Warehouse Random Selection of 40 Transportation Orders

*Lines represent a single product line and, on Transportation Orders, can represent a single item or many of the same items.

** Pianos are picked up by a separate contractor who specializes in piano moving.

The 40 Transportation Order forms had a total of 371 lines of salvage items (a line is a product or commodity; a line represents an individual item or many of the same item), which means that each order form had an average of approximately 9 lines of salvage items. Based on a review of these 40 Transportation Orders, the following deficiencies were identified in internal controls over materials processed by the Salvage Warehouse:

- ♣ Items and quantities originally reported on Transportation Order forms are often changed without any documentation of why items have not been delivered at all to the Salvage Warehouse or why the number of items delivered is discrepant from the number originally entered by the requesting school or office. Explanations are not provided on the Transportation Order forms for why items are “Not Picked Up” by the truckers. 56 of the 371 line items were coded this way on the sample Transportation Order forms reviewed. Thirty lines had revised Quantity numbers. According to MMB staff, items listed as Not Picked Up or changed quantities represent changes in requests by school or office personnel after submitting their request form. This could not be confirmed in reviewing the 40 sample Transportation Order forms; it is unclear who has made changes to quantities listed on the forms. Further, the quantities listed on a number of Transportation Order forms were changed without explanation.
- No serial numbers or any means of tracking the items transported to the Salvage warehouse are recorded on Transportation Orders. The District’s Reference Guide, *Pick-up and Transfer of Materials for Salvage* (REF-1293), requires that serial numbers be included in the description section to avoid having the wrong material transferred from the schools/offices to the Salvage

Warehouse. None of the 40 randomly selected Transportation Orders reviewed for this audit included any serial number information, making it impossible to track the District's assets that are being transferred to the Salvage Warehouse.

For the 42 lines involving sold/auctioned items, Salvage Warehouse staff has sole authority to decide on whether an item is of sufficient quality to be auctioned and the price at which an item will be sold. When asked for a written list of policies, warehouse management indicated that no such written policies existed.

- Formal written policies and procedures for items to be reused have not been established. While there were no lines classified as Reuse materials in our sample, a walk-through of the Salvage Warehouse indicated a separate disposition process for salvage warehouse items with determination of when items are available for reuse made by staff based on their judgment of the condition of the items. Salvage Warehouse staff report that automatic disqualifying item conditions include graffiti, rust, and obsolescence.

Of the 156 lines to be recycled and the 46 lines to be dumped in our sample, inconsistencies exist in terms of classifying or coding items. For example, two codes exist for items to be dumped (i.e., D or WD) and two codes also exist for items to be recycled (i.e., R or RC). Such lack of coding definition and procedures can result in an increased risk for the misuse and theft of items due to improper accounting of salvage materials.

Out of these 371 lines on the sample Transportation Order forms, 56 lines were classified as "Not Picked Up" and 30 lines had manually revised Quantity numbers – 16 resulted in decreased Quantity numbers, and 14 resulted in increased Quantity numbers. Together, these changed Transportation Orders represent 86 lines out the 371 in our sample, or 23 percent. Since it cannot be determined from existing documentation if such changes in records are made by school or office personnel, truck drivers or Salvage Warehouse staff, a clear lack of internal controls exist. Without clear policy from warehouse management, the disposition of 23 percent of items, comprised of 15 percent Not Picked Up and 8 percent Quantity changed, is unexplained and at risk of loss or theft.

Inconsistencies exist in terms of how the Truck Operations Branch and Salvage Warehouse staff process Transportation Order forms. For example, the warehouse staff used a variety of indicators to flag items listed in the forms that were not received by the Salvage Warehouse, including (a) circling the Quantity number, (b) not inputting a grouping classification code next to the Quantity number, (c) writing a "0" next to the Quantity number, (d) not inputting a check mark next to the Quantity number, (e) writing that nothing was picked up, or (f) a combination of these indicators.

As an example of these issues, on one Transportation Order form reviewed, out of the list of items, which included a computer, scanner, and printers, none of the items were

picked-up by the driver and no explanation was provided on the form regarding the reasons for the non-pick up. Such absence of standards and guidelines results in a lack of accountability for tracking and processing supposedly salvage and obsolete materials and equipment, thereby increasing the risk of misuse or theft of such items.

SALVAGE REVENUE

Summary disposition statistics are presented in Table 4.2 for the 315 lines on the Transportation Orders reviewed that actually resulted in items delivered to the Salvage Warehouse. As shown, the 315 lines, which excludes the 56 lines classified as Not Picked Up, represent 2,194 items since a line can consist of multiple items. Most of the lines and items were disposed of through recycling or scrap metal disposal.

Table 4.2
Disposition Summary for Sample Items Delivered to
Salvage Warehouse

Item Disposition	Number of Items	Percent
Recycled	996	45.4%
Scrap Metal	670	30.5%
Sold/Auctioned	296	13.5%
Dumped	232	10.6%
Total	2,194	100.0%

Sources: Salvage Warehouse Random Selection of 40 Transportation Orders

The 13.5 percent of salvage items that are sold/auctioned comprise inventory that can assist with cost recovery of the Salvage Warehouse's annual operational costs. With 60 percent of Fiscal Year 2006-2007 revenue from the auctioning of computers and electronics, the impact of the Apple Memorandum of Understanding (MOU), which instituted a "comprehensive program to manage the District's 'end-of-life' electronic asset program", has a direct impact on warehouse revenue.

It is unclear after review of the Apple MOU why the "end of life" electronic asset program was instituted, however, the three main components of the program suggest that the District valued the opportunity: (1) to destroy and recycle the District's end-of-life electronics equipment in an environmentally sound manner; (2) to reduce the environmental impact of the District's disposal of electronic equipment; and (3) to protect the disclosure of District data on hard drives, flash, and all other memory devices by ensuring the effective destruction of such data.

While the three components of the MOU are clearly important to the District, the MOU also resulted in an estimated \$300,000 reduction in Salvage Warehouse revenues without a corresponding decrease in costs, indicating that alternatives to the current contract should be considered. A cost-benefit analysis of alternative options to destroy

end-of-life electronic assets in an environmentally-sound manner should be conducted. The goal of such analysis would be to determine ways to recuperate lost auction revenue associated with computer and electronic sales.

Salvage Warehouse auction revenue for Fiscal Year 2006-2007 and Fiscal Year 2007-2008 (as of January 2008) is presented in Table 4.3 to show the impact of reduced revenues since the MOU was approved.

Table 4.3
Salvage Warehouse Auction Items and Revenue Summary

	Fiscal Year 2006-2007	Fiscal Year 2007-2008 (a/o Jan 2008)	Total
Number of items and lots	555	363	918
Live/Public Auction	3	0	3
Online Auction	34	19	53
Auction Revenue	\$493,403.16	\$76,602.27	\$570,005.43
Auction Revenue Budget Recovery	65.04%	9.16%	—

Sources: Salvage Warehouse

A total of 918 items were auctioned over the current and previous fiscal years, for a total of \$570,005 in revenue. In Fiscal Year 2006-2007, two types of auctions were held: live/public auctions and online auctions. Live/public auctions were organized as in-person auctions, where bidding for items occurred similar to an auction house, where an auction coordinator presented an item or lot for sale and coordinated the bidding process. Online auctions were held through a third-party website, where bidders had a time period to bid on District-listed items. In Fiscal Year 2007-2008, only online auctions have been coordinated given the associated lower overhead cost.

Salvage Warehouse operational costs increased from \$789,480 in Fiscal Year 2006-2007 to \$835,860 in Fiscal Year 2007-2008. Salvage Warehouse's 50 percent cost recovery policy from auction revenue increased accordingly from \$394,740 in Fiscal Year 2006-2007 to \$417,930 in Fiscal Year 2007-2008. At the end of January 2007 during Fiscal Year 2006-2007, auction revenue had recovered over 32 percent of operational costs, while only 9 percent of operational costs have been covered during the corresponding period in Fiscal Year 2007-2008. With over \$300,000 in auction revenues coming from computer equipment and other electronic items in Fiscal Year 2006-2007, the 50 percent cost recovery does not appear achievable with the implementation of the Apple Computer MOU that now recycles all computers and electronic items with no revenue to the District.

As discussed, at its current pace, Fiscal Year 2007-08 auction revenue will be challenged to achieve the 50 percent cost recovery target. The District should reconsider its policy and determine a more realistic target based on the new revenue

baseline of Fiscal Year 2007-2008. In addition, as mentioned previously, the pricing of auction items is currently based on the Senior Store Clerk's best estimates. With the loss of computers and other electronic items as auction items, the formalizing of auction item pricing is increasingly important to maximize cost recovery through auction items.

FINDINGS

Finding 1: Warehouse staff currently do not electronically compile or keep track of a tally of the salvage/obsolete items that are delivered to the warehouse, resulting in a lack of a formalized accounting of the number, types, and values of the obsolete and salvage materials and equipment delivered to the Salvage Warehouse. Currently, the only tracking system in place involves the filing of the physical copies of the Transportation Order forms, which are grouped alphabetically by school sites and by fiscal quarter.

Finding 2: The Salvage Warehouse lacks formal policies and procedures for reconciling the number of items picked-up at the schools and offices with the number of items that are actually delivered to the Salvage Warehouse. As such, no formal accounting of salvage and obsolete items takes place, which increases the risk of misuse or theft of salvage and obsolete items. Similarly, some items that schools or offices have requested for pick up are not delivered to the Salvage Warehouse without documented explanation.

Finding 3: The Salvage Warehouse lacks policies and procedures for how to group and classify salvage and obsolete items received at the Salvage Warehouse, increasing the risk of misuse or theft of such items. Formal standards are not in place for determining which materials should be dumped, recycled, sold or auctioned, or retained by the warehouse staff for reuse by other District schools and offices.

Finding 4: The District lacks standards for how Salvage Warehouse staff assigns base asking prices to items that are to be sold or auctioned. Base prices are established solely based on staff's opinion of the value of items to be sold, potentially resulting in under- or over-valuing District assets.

Finding 5: The Salvage Warehouse will lose approximately \$300,000 in revenue in Fiscal Year 2007-2008, or approximately 61 percent of its total

revenue, previously generated from auctioning District computers and peripherals. The District now has entered in to an agreement transferring that equipment to Apple Computer, Incorporated who has guaranteed that no confidential data from the devices will be released and all equipment will be disposed of without environmental harm. District staff could not report if the benefits of this new arrangement offsets the loss in revenues, which will increase the net costs of warehouse operations.

Finding 6: District contracts for hauling and wood disposal were not reviewed as they could not be produced by District staff.

RECOMMENDATIONS

District management should:

RECOMMENDATION 4.1: Establish formal and consistent written policies and procedures for tracking and processing items that were not picked-up by the drivers or where quantities delivered are different than the amount originally requested by the District school or office.

RECOMMENDATION 4.2: Establish and implement written policies and procedures that include guidelines for systematically and electronically keeping a tally and tracking information regarding all salvage and obsolete items that are delivered to the Salvage Warehouse. At a minimum, the District should electronically input the following information from the Transportation Order forms: (a) item description; (b) serial numbers; (c) the quantity entered by the school/office; (d) the quantity that actually arrived at the warehouse; (e) consistent grouping classification; (f) relevant date; and, (g) form numbers. The Salvage Warehouse should then use these Transportation Order data to keep track of the items on an ongoing basis and generate reports on Salvage Warehouse items and activities.

RECOMMENDATION 4.3: Establish standards for assigning base asking prices to items that are to be sold or auctioned to continue the feasibility of meeting the 50 percent cost recovery goal from auction revenues of operational costs.

RECOMMENDATION 4.4: Conduct a cost-benefit analysis of alternative options to destroy end-of-life electronic assets in an environmentally-sound manner, with the goal to determine ways to recuperate the lost auction revenue associated with computer and electronic sales.

RECOMMENDATION 4.5: *Establish contracts with one or more vendors governing hauling and wood disposal. Implementation of all recommendations should be made with minimal impact to existing resources. Document scanning capability already exists within the Salvage Warehouse for electronic tracking of the Salvage Warehouse. However, full tracking will require a minor investment for a functional computer terminal in the Salvage Warehouse's office and training of warehouse staff, or coordination of staff time with the Maintenance Warehouse to maintain an electronic database of the scanned documents. Staff resources would be needed on a one-time basis to conduct a cost-benefit analysis of electronic asset destruction and re-introduction of the sale of some electronic assets, but would occur only on a one-time basis. Other recommendations should not require any additional ongoing resources.*

The benefits from implementation of the recommendations include improved internal controls, more efficient access to Transportation Orders, which serve as the control document for the warehouse, and analysis of inventory movement. Recommendation implementation will codify existing institutional knowledge to consistent policies and procedures for all warehouse staff to follow. Finally, possible recuperation of auction revenue from a re-introduction of electronic asset sales would recover an increased proportion of annual operational costs for the Salvage Warehouse.

**END OF SECTION 4
APPENDIX FOLLOWS**

APPENDIX: SURVEY OF OTHER SCHOOL DISTRICTS

Summary of Results: Survey of Other School Districts' Warehouse Functions

PART I. District Overview

Question	Broward County, FL	Houston	Long Beach	Miami-Dade	Montgomery County, MD	San Diego	LAUSD
1) Number of Students	258,000	202,000	90,000	350,000	137,745	135,000	694,288
2) Number of Schools	283	295	93	378	200	221	1,072
3) Number of Employees	34,000	29,450	No Response	40,000	21,840	23,500	83,967
4) Square Miles	1,220	301	129	No Response	497	211	710
5) District Annual Budget	\$5.1 Billion	\$1.5 Billion	\$600 Million	\$6 to \$7 Billion	\$2.0 Billion	\$2.2 Billion	\$7 Billion*
6) Confirmation of Warehouse Facility	Yes	Yes	Yes	Yes	No Response	Yes	Yes

* General Fund

PART II. Overview of District Warehouse Operations and Funding

7 How many discrete physical warehouse facilities does the District operate?

Five Responses: 2= "10 or more"

1= "1"

2= "4"

LAUSD: 3

8 Do you operate a warehouse for any of the following purposes? (Check all that apply):

Six responses:

Field	Number Responding "Yes"	LAUSD
Food/Food Supplies	6	✓
General Stores	6	✓
Salvage	6	✓
Maintenance	6	✓
Other	4	✓

District Responding "Yes" to Other	Response
Broward County, FL	"Food supplies, but not commodities"
Miami-Dade	"Transportation vehicles parts inventory is not included in the data provided. Food cafeteria paper supplies are included, but not food inventory. Food (frozen, fresh, canned goods) inventory and distribution is outsourced."
San Diego	"Food Services has a warehouse for storage, PPO has warehouse for receiving, storage and issuing stock. IMC textbook and library warehouse and Supply Center receiving, stocking and issuing forms and textbooks and salvage material."
Montgomery County, MD	"Science kits."
LAUSD	Small General Stores satellite at District headquarters.

9 Are any of these functions combined into a single facility? If yes, please describe briefly below.

Four responses:

Number Responding "Yes"
3

District Responding "Yes"	Response
Broward County, FL	"One warehouse for each of the following: surplus, textbooks, transportation parts, operating supplies, stockroom"
San Diego	"Food Services leases a cold storage warehouse and storage warehouse, PPO operates a maintenance warehouse. IMC has a warehouse for textbook, science kits, library books and Supply Center for stocking, issuing and Receiving Annex for surplus and salvage furniture and for issuing and storing can food products."
Montgomery County, MD	"Yes, main general warehouse houses the supplies and furniture operation."
LAUSD	General Stores and Foods are located in a single facility.

10 Is the delivery function a part of the District's warehouse operations or is it separate?

Six Responses: 6= "Part of Warehouse Division"

LAUSD: "Part of Warehouse Division"

11 Do any of the District's warehouse facilities have an integrated automated warehouse management system (WMS)?

Six responses: 4= "Yes"

2= "No"

LAUSD: No

12 If YES, please indicate the capabilities of the WMS.

Responses	Real Time Inventory Mgmt.	Cycle Counting	Order Picking	Stock Replenishment	Bar Coding	Receiver Confirmation	Other
Number of Responses	4	4	4	4	4	4	4
Number Responding "Yes"	2	4	4	4	1	3	2

"Others" Responses: "MRP"; "This applies to the supply warehouse only, not furniture."

- 13 Using the matrix below please indicate (1) which statement best describes your District's warehouse purchasing policy and (2) what controls are currently being used to enforce this policy. (Check all that apply):**

	Number Responding "Yes"	LAUSD
District schools and offices are required to purchase all goods from the District's warehouse	0	
District schools and offices are required to purchase some goods from the District's warehouse.	5	✓
District schools and offices are not required to purchase goods from the District's warehouse.	1	

Controls	Monitored by Computer System	Written Policies & Procedures	Periodic Audits	Training	Other
Number of Responses	5	5	5	5	5
Number Responding "Yes"	2	4	1	1	1
LAUSD		✓			

"Other" responses: "We carry some forms not sold elsewhere"; "District schools are recommended to purchase goods from the district's warehouse, but it is not policy."

14 Are any stock items managed via a “Just in Time” system?

Five responses: 2= “Yes”
3= “No”

LAUSD: Yes, furniture

15 How are District warehouse operations funded? Please check all that apply.

Six Responses: 5= “General Fund”
1= “General Fund” and “Enterprise Fund”

LAUSD: Cost recovery enterprise fund

16 What is the annual budget for District warehouse operations?

17 What is the number of authorized full-time equivalent (FTE) positions for the warehouse function?

District	Broward County, FL	Houston	Long Beach	Miami- Dade	Montgomery County, MD	San Diego	LAUSD
Budget	\$10,000,000	\$3,000,000	\$2,200,000	\$6,000,000	\$3,280,000	\$1,838,821	\$26.3 m
Authorized FTE	80	62	27	120	45	27	176

18 Does your District calculate and use a “carrying cost” to assess the cost of inventory? (defined as costs such as rent, insurance, taxes, etc. and the opportunity cost of having capital tied up).

Six Responses: 6= “No”

LAUSD: Yes, but it’s the value of inventory, not the “carrying costs” of maintaining inventory.

PART III. Stock Items

District	Broward County, FL	Houston	Long Beach	Miami-Dade	Montgomery County, MD	San Diego	LAUSD
19) Number of items in current warehouse inventory	2,000	5,000	1,500	4,500	1,700	751	3,000
20) Annual average dollar value of items in warehouse inventory	\$2,000,000	\$1,900,000	\$1,300,000	\$6,000,000	\$3,000,000	\$682,569	\$16,000,000
21) Annual Sales of stock items in FY 2006-07	\$50,000,000	\$9,100,000	\$4,500,000	“\$27,000,000 without textbooks; \$90,000,000 to \$120,000,000 w/ textbooks. Textbooks are handled as central warehouse cross- docked items but are not part of inventory.”	\$12,400,000	\$729,053	\$135,000,000
22) Average Delivery Time from the Warehouse to School/Office site	10 days	2 days	2-3 days	1-5 days	“5 days during normal times”	3 days	2 -3 days

23 Does the warehouse offer a same or next-day delivery option?

Six Responses: 6= "Yes"

LAUSD: Yes

24 If YES, is there a charge for this service?

Six responses: 6= "No"

LAUSD: Yes

25 If YES, what is the amount?

LAUSD: \$9-13

PART IV. Non-Stock Items

26 How do District schools and offices generally purchase non-stock items?

Six responses:

Method of Non-Stock Purchase	P-Card	Requisition or Purchase Order	Other
Number Responding "Yes"	5	6	0

27

If your District uses P-Cards, please answer the questions below.

A) What is the maximum number of P-Cards issued per site?

Three responses: 1= "1"

1= "Most have 3"

1= "5"

LAUSD: "2"

B) Is there a maximum single purchase limit?

Five responses: 5= "Yes"

LAUSD: Yes

If yes, what is it?

Five responses: 3= "\$500"

1= "\$4,999"

1= "Yes"

LAUSD: \$500

C) Is there a maximum monthly purchase limit?

Five responses: 5= "Yes"

If yes, what is it?

Five responses: 3= "\$10,000"

1= "\$4,999"

1= "\$1,500"

LAUSD: \$10,000

D) What controls have been implemented to enforce these provisions?

Five responses:

P-Card Control	Written Policies & Procedures	Periodic Audits	Manual Review & Override of Certain Purchases	Automated Review & Override of Certain Purchases	Other?
Number Responding "Yes"	5	3	3	3	1
LAUSD	✓	✓	✓		

Other Response: "Procurement, Accounting and Audit share in monthly reviews."

- 28 If your District allows personnel to order non-stock items through requisitions or purchase orders, please indicate to whom such items are submitted:**

Five Responses:

Submitted Directly to Vendor	Submitted to a Centralized District Purchasing/Procurement Office
0 responses	5 responses
	LAUSD= ✓

- 29 If your District has another method of purchasing non-stock items (other than via P-Cards, requisitions or purchase orders) please describe the method(s):**

Five Responses: 5= "N/A"

LAUSD: No other method

- 30 Please indicate which statement best characterizes your District's non-stock purchasing policy:**

There are **NO** restrictions on the type of non-stock items that District schools and offices are allowed to purchase:

One Response.

Restrictions:

Policy	District schools and offices are prohibited from purchasing ANY item that is stocked by the warehouse through the District's non-stock purchasing processes.	District schools and offices are prohibited from purchasing SPECIFIED items that are stocked by the warehouse through the District's non-stock purchasing processes.	District schools and offices are prohibited from purchasing non-stock items for which there is a functionally similar (like) item stocked in the warehouse <u>with NO exceptions.</u>	District schools and offices are prohibited from purchasing non-stock items for which there is a functionally similar (like) item stocked in the warehouse <u>with SOME exceptions.</u>	Non-stock purchases are limited to items specified on an approved product list.
Number of "Yes" Responses	1	2	1	1	0
LAUSD		✓			

- 31 What controls have been implemented to enforce these non-stock purchasing restrictions? Please check all that apply:**

Control	Written Policies and Procedures	Monthly/Annual Audits of Non-Stock Purchases	Manual Review and Override of Restricted Non-Stock Purchases	Automated Review and Override of Restricted Non-Stock Purchases	Other
Number of Responses	5	5	5	5	6
Number of "Yes" Responses	5	0	1	1	1
LAUSD	✓		✓		

Other response: "Evaluation Policy"

PART VI. Performance Measurement and Documentation: Which of the following measures does your district use to monitor performance of the warehouse function?

- 32 Districts reporting:**

Six responses:

Performance Measure	Any Performance Measures	Flow Charts	Performance Audits/Reviews	Customer Service Surveys
Number of "Yes" Responses	5	4	5	5
LAUSD	✓		✓	✓



LOS ANGELES COUNTY REHABILITATION CENTERS

2007-2008 Los Angeles County Civil Grand Jury Investigative Committee

Lionel S. Martinez, Chair

**Judy Hsu
James Kaiser
Lloyd R. Smith**

LOS ANGELES COUNTY REHABILITATION CENTERS

INTRODUCTION

As a result of a citizen's complaint, the 2007-2008 Civil Grand Jury decided to investigate the operation of the Los Angeles County Rehabilitation Centers. According to the complaint a rehab center resident at the time of discharge was so sick that he required emergency ambulance transportation to a hospital. He died later that evening. Finally, the complaint states that all of this occurred with no assistance from rehabilitation center staff. Based on the results of the investigation, the Civil Grand Jury has determined there are areas for improvement in the policies and procedures of the rehabilitation centers.

OBJECTIVES and SCOPE

The purpose of this report is to investigate the policies and procedures of Los Angeles County Rehabilitation Centers. The primary focus of the investigation was operational procedures as they pertain to residents who become ill or are injured while residing at the rehabilitation centers.

The Civil Grand Jury identified two county rehabilitation centers, both of which are administered by the Los Angeles County Department of Public Health. These centers are :

Acton Rehabilitation Center
30500 Arrastre Canyon Road
Acton, California

Warm Springs Rehabilitation Center
38200 North Lake Hughes Road
Castaic, California

BACKGROUND

Los Angeles County Rehabilitation Centers provide residential recovery and medical rehabilitation services to alcoholic or other drug dependent individuals on a voluntary basis. This is accomplished by providing services which include residential, physical, medical, literacy training and after-care planning.

Potential residents must reside in Los Angeles County, be at least 18 years of age, not in need of intensive (24 hour) medical or psychiatric care, and able to participate in all aspects of the recovery program. Residents are referred from sobering

agencies, families, courts, Department of Public Social Services and other community agencies.

Some residents are admitted directly as self-referrals.

The residents served at the Centers exhibit a variety of physical, mental and social problems related to alcohol or other drug abuse and/or dependency. The nature and severity of their illness and disabilities are such that residents usually require a stay of several months. The recommended length of stay for most residents is a minimum of three months. A resident may voluntarily leave at anytime.

The rehabilitation centers strive to operate as communities that provide residents with an environment and activities which will lead to a positive recovery experience. Residents may volunteer to assist staff with various activities such as facilities maintenance, food services and clerical support. Center staff feel that participation in these volunteer activities can provide a very positive experience through development of a sense of community and increased self esteem. However, the core of the rehabilitation program is a daily series of lectures, group therapy and individual counseling.

The Acton Rehabilitation Center is a residential treatment facility that has 309 beds to accommodate female (75) and male (234) residents. The Warm Springs Rehabilitation Center is an all male facility that has 199 beds. Both rehabilitation centers operate a health clinic that is open seven days a week. A doctor is available 2 or 3 days a week. Nursing staff are present every day.

In discussion with center personnel they explained what actions would be taken if a resident was injured or appeared ill. However, there are no written policies instructing staff or residents what procedures to follow when a resident becomes ill or injured at the facility. Interestingly, the rehab centers' operational manual does have a written policy for individuals injured on the premises who are not residents.

METHOD

The Rehabilitation Centers investigative committee of the Civil Grand Jury met representatives of the Department of Public Health with administrative responsibility for the treatment facilities. Jurors also visited and toured both rehabilitation centers. Staff

at these facilities were also interviewed. In addition the committee was provided with the operational manual for the rehabilitation centers as well as all written material that are given residents upon their arrival.

FINDINGS and RECOMMENDATIONS

FINDING 1

There are no written policies and procedures instructing staff when a resident becomes ill or is injured at the rehabilitation centers.

RECOMMENDATION 1

The Department of Public Health should develop written policies and procedures instructing staff upon the event a resident becomes ill or is injured at the rehabilitation center.

FINDING 2

Rehabilitation center residents are not given a medical evaluation prior to release.

RECOMMENDATION 2

Acton and Warm Springs Rehabilitation Centers' residents should have medical evaluations prior to release. This will serve as a safeguard for both the residents and the Department of Public Health.



**THE HERTZBERG-DAVIS FORENSIC SCIENCE CENTER:
LAPD and LASD Crime Laboratories Going for the Gold**

**2007-2008 Los Angeles County Civil Grand Jury
Investigative Committee**

Richard Niederberg, Chair

**Arnold Colman
Rhodora Delacruz
Dolores Rillos
Claire Stone**

2007-2008 Los Angeles County Civil Grand Jury Final Report
**THE HERTZBERG-DAVIS FORENSIC SCIENCE CENTER:
LAPD and LASD Crime Laboratories Going for the Gold**

INTRODUCTION

In the early 1920's the Los Angeles Police Department established the first crime laboratory in the country. The use of forensic science to identify, analyze and test crime scene evidence has grown over the years and forensic evidence has become the preferred evidence to present in court by prosecutors and defense counsel alike. As a consequence, the Los Angeles Police Department and Los Angeles Sheriff's Department now have several crime laboratories within the City and County.

The 1996-1997 Civil Grand Jury posed the question as to whether a union of the existing forensic crime laboratories of the City and County of Los Angeles into one new building would produce a "better, more effective facility". They presented a very factual and persuasive report recommending that the LAPD and the LASD crime laboratories be consolidated into a separate and independent agency called the Los Angeles Scientific and Forensic Laboratory Agency.

This idea of a new facility was touted to the public as a multi-jurisdictional joint laboratory with a common focus. The project would gain popularity if both agencies would come together as a single unit under one roof. This concept was encouraged by academic forensic experts and the city and county forensic departments.

That investigation plus forecasts of growth in the forensic science needs of both agencies did produce a concept, not for total union, but for a "business as usual" approach of continued independence and control of their separate crime laboratories with some shared offices, laboratories and analytical equipment in a new crime laboratory building to be constructed on the campus of California State University at Los Angeles. The LAPD and the LASD would still maintain their existing crime laboratories. The new building would also include offices, class rooms, laboratories and a library for CSULA's School of Criminal Justice and Criminalistics and the California Forensic Science Institute.

The new crime laboratories were built and paid for with lease bond revenue by the State of California, Department of General Services. The state contributed \$96 million of the total cost of construction while the City and the County of Los Angeles each contributed \$3 million. The floor space of the new facility was allocated to the three tenants (LASD, LAPD, and CSULA) on the basis 43% to the City and 43% to the County with the remaining 14% to be used by CSULA's School of Criminal Justice and Criminalistics and the California Forensic Science Institute. This was and is an extremely favorable deal for the City and County of Los Angeles.

Ground breaking ceremonies for the new crime laboratories occurred on January 14, 2005. The opening ceremony was conducted on May 11, 2007.

The objective of our investigation was to compare the operation of the existing crime laboratories of the City of Los Angeles Police and County of Los Angeles Sheriff with the new crime laboratory. The Los Angeles County Coroner's Laboratory provided a baseline.

METHOD

To achieve our objective, we read the City and County operating agreement and periodicals relating to the Los Angeles Regional Crime Laboratory Facility.

We investigated the existing Los Angeles Police Department Scientific Investigation Division at Erwin C. Piper Technical Center.

We investigated the existing Los Angeles Sheriff's Department Science Services Bureau.

We investigated the existing Los Angeles Police Department Property Division in the William H. Parker Center.

We investigated the existing Los Angeles Sheriff's Department crime laboratories.

We examined the Department of Coroner's Toxicology, Tool-Mark and other laboratories located within their facility, as they provide an industry-recognized benchmark of excellence to evaluate practices in other laboratories.

We held conferences with sworn and non-sworn Los Angeles Sheriff's Department administrative staff at the new crime laboratory.

We interviewed separately a Los Angeles Police Department Crime Scene Investigator based at the new crime laboratory.

We interviewed separately a Los Angeles Sheriff's Department Crime Scene Investigator based at the new crime laboratory.

We visited the Los Angeles Fire Department Arson Division Battalion Chief at LAFD Training Facility to ascertain how evidence is processed and transported from a suspected crime scene and viewed demonstrations of locating minute samples of flammable materials by a member of the K-9 Unit.

We interviewed the Director of the School of Criminal Justice and Criminalistics Program at CSULA.

We held a conference with a deputy sheriff in the Court Services Division to analyze the chain of custody for items from the crime laboratory to their final destination.

We held a conference with a sex crimes expert from the medical field who provided input regarding the backlog of 'rape kit' DNA evidence that has not yet been processed.

FINDINGS

This joint venture by the LASD and LAPD was to consolidate their respective crime laboratories through the formation of a Joint Powers Authority for the construction of the 'state-of-the-art' Hertzberg-Davis Forensic Science Center.

The original idea of a unified laboratory, such as the Department of Coroner laboratory, which serves all 88 cities as well as the unincorporated areas of Los Angeles County and the LASD, never materialized.

Some of the laboratories have moved from their antiquated and cramped quarters to the new 206,000 sq. ft. eco-friendly building that integrates the design of the laboratories and office space for an efficient and healthy environment. This design also provides for continuous dimming day lighting control and occupancy sensors. There is natural light to interior spaces, with north light for laboratories and south light for offices. The laboratory fume hoods are always on, which ensures optimal ventilation for building occupants.

Each of the above agencies occupies 43% of the total building floor space, divided into separate and distinct offices and laboratories.

While these new quarters serve the existing laboratory staff(s), at present there appears to be no plan to add a second shift to expedite the analysis of the backlog of evidence.

There is minimum *sharing* of equipment. Each agency selects its own particular vendors and maintenance contracts.

The building housing the new crime laboratory is located on the campus of CSULA. There are classrooms and laboratories for hands-on training as part of the university's programs in Criminal Justice and Criminalistics as well as the California Forensic Science Institute. The expansion of the California Forensic Science Institute as

part of this facility will be used as in-service training and career development of current employees.

CONCLUSIONS

The Hertzberg - Davis Forensic Science Center was touted to the public as a multi-jurisdictional joint laboratory venture with a common focus. Early on in the planning stages, experts concluded that financial support would not be easy to get if the Los Angeles Police Department and the Los Angeles Sheriff's Department each focused only on their separate requirements. The project would gain popularity if both agencies would come together as a single unit under one roof. Consolidation was the best plan for the most efficient, effective and economic model in an expanded venue.

Ten years later, consolidation is not in place and both agencies are content to do business as usual, separate and distinctly apart.

Our investigation reveals no significant changes in the established separatist policy.

This new facility is sensibly styled with a harmonious design. There are some oversights that should be fixed such as the decontamination showers in hallways throughout the building, which have no drains to capture toxic runoff. These indoor environmental hazards are an unnecessary liability, especially in a science laboratory setting that demands a clean and safe workplace.

There is no apparent plan to recruit and retain additional criminalists to augment the scientific and technical staff that face increasing caseloads and backlogs in processing evidence, DNA samples and forensic material.

FINDINGS AND RECOMMENDATIONS

Finding 1

There is a substantial deviation between the original proposal and rationale used to justify the building of the new facility and what was actually realized in the way of cooperation between the LASD and the LAPD.

Recommendation 1

The City Controller and the County Audit-Controller should initiate an audit to quantify the promised savings to the taxpayer through the economy and efficiency brought about by unification of their respective labs. The audit should be

2007-2008 Los Angeles County Civil Grand Jury Final Report
completed and the recommendations implemented by 2010.

Finding 2

There were rented refrigerated trailers used for the storage of forensic evidence to be processed by the crime lab that are parked at the loading dock of the Scientific

Investigation Division facility at Erwin C. Piper Technical Center, despite the fact that there is abundant empty floor space inside the facility.

Recommendation 2

The Los Angeles City Department of General Services should request that the refrigerated storage area currently in use by the Scientific Investigation Division of the Los Angeles Police Department be reconfigured or expanded in the empty area presently assigned to the Scientific Investigation Division at that site, so that the leases of refrigerated trailers can be terminated, and the City of Los Angeles be no longer obligated to rent them or use valuable loading dock space at the Erwin C. Piper Technical Building.

Finding 3

The Property Division of the Los Angeles Police Department has a policy of retaining hundreds of thousands of items of evidence for 65 years.

Recommendation 3

The Los Angeles Police Department should review their policy of retaining evidence in the property division for sixty-five years, and develop a policy of disposing of all items not needed for current trials or those in which a retrial could be ordered following a post-conviction appeal by a defendant.

Finding 4

The laboratory areas have emergency decontamination showers in the hall. We noted that there were no drains in the floor. It was explained that the flooded floor was easier to maintain than drains.

Recommendation 4

The Joint Powers Authority of the Hertzberg-Davis Forensic Science Center should review why there are no floor drains beneath the decontamination showers located in the hallways of the new crime laboratory. This may allow run-off to travel into the various rooms of the building under the doors, some of which do not have adequate

thresholds or weather-stripping at their base. The governing authority should direct that appropriate refitting, if any, be done to redirect, capture and dispose of the runoff.

Finding 5

In the vehicle inspection areas, the doors do not adequately block outside light, permitting too much ambient light to be present for investigations requiring alternate light sources to reveal latent evidence.

Recommendation 5

The Joint Powers Authority of the Hertzberg-Davis Forensic Science Center should review why there are light leaks in the vehicle inspection areas that lessen the effectiveness of alternative light sources, the use of which is often necessary to discover evidence that is difficult to detect under traditional light sources. Appropriate refitting, if any, should be done to eliminate the light leaks.

Finding 6

There are only two allocated intern positions for graduate students to obtain work experience in the LAPD and LASD crime laboratories.

Recommendation 6

The Los Angeles Sheriff's Department and the Los Angeles Police Department should hire additional interns from the California State University Los Angeles Department of Criminalistics, or other students in this same specialization at other universities.

Finding 7

One of the considerations for the consolidation of the LAPD and LASD crime labs was to add more personnel in expanded quarters to alleviate the backlog of evidence testing, including DNA testing. A recommendation by a medical expert on sexual abuse suggested that analysis of DNA be prioritized in cases of rape, particularly in cases of rape by a perpetrator unknown to the victim.

Recommendation 7

It is recommended that the Los Angeles Police Department and the Los Angeles Sheriff's Department should accelerate the analysis of stored DNA samples in rape cases where the assailant is unknown to the victim.



**EMERGENCY PREPAREDNESS:
THE PUBLIC INFORMATION PART**

**2007-2008 Los Angeles County Civil Grand Jury
Investigative Committee**

John Gleiter, Chair

**Octavio “Toby” Chavez
Richard Niederberg
Dolores Rillos
Arnie L. Spears**

EMERGENCY PREPAREDNESS: THE PUBLIC INFORMATION PART

INTRODUCTION

The past two Civil Grand Juries have commented upon the County Office of Emergency Management's (OEM) efforts in the area of emergency communications to the general public, particularly regarding how to prepare and then to endure an emergency.

This year's report will take a different tack, having found that emergency preparedness literature, tapes, films, websites, radio spots and other media are numerous, and adequate for the general public. The situation is analogous to that of the horse being led to water, but refusing to drink. Similarly, the public must inform itself with all the information available, absorb it, then act upon it.

The county's Emergency Operations Center (EOC) is plugged into the State of California's Emergency Alert System, utilizing local TV and radio. The state, county and California Highway Patrol (CHP) all have websites which provide emergency information, including road closures and evacuation routes. A reverse 911 notification system is not yet available in Los Angeles County.

Under federal statutes, the Red Cross is the lead agency for providing short-term shelter. This is meritorious for those individuals who can reach these shelters if and when they are set up; however, this is not the topic of the following report.

BACKGROUND

World War II, and the subsequent Cold War, provided the genesis for worst-case planning, especially with the introduction of atomic bombs and sophisticated delivery systems for chemical and biological weapons. The tragedy of September 11, 2001 impressed upon the American public the immensity of the disaster that can happen

here, a country spared from the physical destruction of World Wars I and II. Distance and oceans are no longer a protection; survivability is paramount in human nature. We are no longer in the days when the general population and school children were advised to "duck and cover" as a nuclear device went off in the school yard.

SUMMARY

The following report addresses the need for some worst-case scenario planning to be accomplished, then shared with senior county and city managers. It is inevitable that the functioning of county and city government will degrade in a widespread, sustained emergency, but it will not cease altogether. Planning for a severe degradation in government services will provide an honest and real set of options for government leaders.

As a matter of fact, such operational planning may have already been done, but kept in a confidential mode. If so, the Findings and Recommendations of this report could serve as a prompt to review and update the existing worst-case scenario management and recovery plan.

FINDINGS AND RECOMMENDATIONS

FINDINGS

Emergency personnel are reluctant to discuss severe disaster scenarios, as opposed to those which are more in the nature of a short-term inconvenience. The L.A. County Emergency Operations Center (EOC), perhaps reacting somewhat to the comments of the 2006-2007 Civil Grand Jury, has prepared, published and/or accumulated a great variety of "In Case of Emergency" literature. Included are pamphlets, booklets, posters, notepads, website addresses and refrigerator magnets. Also, there are literally hundreds of agencies in the United States, at all levels of government, which are disseminating this type of material.

This tabletop selection of literature and handouts addresses those small-scale disaster scenarios where three (3) days of water, food and spare batteries would suffice. The guidance so provided is codified common sense coupled with a few technical measures (e.g., drops of bleach to add to water make it potable). Overall, this literature is adequate, but duplicative and almost identical to the material prepared in the 1950s.

That being said, our compliments extend to the designers, writers, editors and publisher of *The Topanga Disaster Survival Guide, First Edition 2005*. It is a colorful, specific and pragmatic document, therefore making it useful. The Los Angeles City Fire Department Emergency Preparedness Manual, dated January 2007, also deserves a

complimentary mention. Some of the documents that were also reviewed include:

- California Hospital Bioterrorism Response Planning Guide
California Department of Health Care Services (query DHCS for latest issue)
- California Terrorism Response Plan: An Annex to the State Emergency Plan
Governor's Office of Emergency Services (query department for latest issue)
- Radiological Dispersal Device Preparedness Department of Homeland Security
(query DHS for latest issue)
- Rancho Los Amigos National Rehabilitation Center Emergency Preparedness
Notebook (undated). The closure of this facility is under litigation in Los Angeles Superior Court as of this writing.

This great selection of literature only briefly refers to a shelter-in-place option, without discussing the harsh realities this option truly entails. For purposes of the following recommendations, a shelter-in-place situation exists when:

- Fresh water will not be available for one week, and then only bottled water in outlying locations thereafter.
- Electric and natural gas utilities will not be available for two weeks, then only in outlying locations thereafter.
- No organized evacuations are possible. Self-evacuations, by auto and on foot, are occurring around the periphery of the incident.
- Fire and police services cannot be provided during the first two weeks, then only haphazardly thereafter.
- Even the "Reverse 911" system, a wonderful concept, will be inoperable/ineffective in a near-cataclysmic event.
- Weapons of mass destruction (WMD) do exist, do work, and are deployable. A suitcase nuclear weapon, detonated at the Los Angeles County Hall of Administration, would have a potentially devastating impact.

In the prevailing literature, the populace is always advised not to shelter-in-place unless and until so "instructed" by sheriff or fire department personnel. In a major event, this seems somewhat illogical on its face, given the circumstances.

RECOMMENDATION 1

That the County Emergency Operations Center and its related agencies be directed to prepare a detailed operational plan which would start to be implemented when a “shelter-in-place” widespread disaster is realized to exist, be it in the first minute or the first day.

Examples of harsh realities which might occur include:

- What to do with overwhelming numbers of the dead
- How to deal with injured and ill persons when the hospitals cannot treat all those in need
- Chaos on the streets creating the potential for large scale crime and vandalism

It is the recommended intent that the preparation of the plan *force* thought and planning about these so-called “unthinkables” before they occur.

RECOMMENDATION 2

The County EOC and its related agencies provide a briefing to the Los Angeles County Board of Supervisors, along with all mayors and city council members, on the specifics of this operational plan. It anticipated that this operational plan, if it is realistic and pragmatic, will contain harsh and unpleasant action items which may upset its audience.

RECOMMENDATION 3

As part of the operational plan, public announcements should be prepared in advance so that they are not formulated in a time of crisis. Such public announcements should provide “how to” guidance and the rights and duties of an individual citizen affected by a widespread general emergency. The information contained in these announcements should provide very simple, pragmatic, but realistic approaches to helping people who may be in shock, physically and/or emotionally, from the circumstances in which they find themselves.



**EMERGENCY PREPAREDNESS:
THE COMMUNICATIONS INTEROPERABILITY PART**

**2007-2008 Los Angeles County Civil Grand Jury
Investigative Committee**

John Gleiter, Chair

**Octavio “Toby” Chavez
Richard Niederberg
Dolores Rillos
Arnie L. Spears**

EMERGENCY PREPAREDNESS: THE COMMUNICATIONS INTEROPERABILITY PART

INTRODUCTION

The 2005-2006 Los Angeles County Civil Grand Jury did an extensive report on inter-agency and intra-agency communications in Southern California. The 2005-2006 report discussed the present system in use, called the Los Angeles Regional Tactical Communications System (LARTCS), as well as a system-in-planning, which has been named the Los Angeles Regional Interoperable Communications System (LA-RICS). A brochure on each of these systems is included as a reference in this 2007-2008 Civil Grand Jury Report.

BACKGROUND

This subject area is full of jargon, acronyms, and technical terms which tend to confuse the lay reader. Rather than add to the confusion, a few baseline concepts and explanations are offered.

The electromagnetic spectrum is divided into frequency bands. The frequency bands of interest to us for purposes of this study are:

HF (high frequency)	3-30 megahertz
VHF (very high frequency)	30-300 megahertz
UHF (ultra high frequency)	300-3000 megahertz

A “talkgroup” is a set of users operating on an assigned frequency. Those talkgroups can be re-assigned dynamically, based on the needs of the moment. VHF-high band refers to the upper portion of the VHF band of frequencies. More than half of the public safety agencies in the country (not necessarily in L.A. County) operate in the VHF-high band, typically in the range of 150-174 megahertz (MHz).

A “repeater” is a radio permanently fixed with an antenna situated on a tower or other high spot that receives radio communications on one frequency and retransmits on another frequency within the same band.

A digitally “trunked” radio system uses repeaters, but computers within the radios, which are at the heart of the system, automatically assign their use to individual conversations between groups of users, or talkgroups. This causes radio channels to be defined functionally, rather than being defined electronically and/or geographically.

During emergencies, radio channels can be organized as discrete frequencies in a conventional system, talkgroups in a trunked system or even composite channels as may occur when multiple frequencies and talkgroups are patched together with a gateway.

Radio gateways play an important role in linking separate networks. They can, however, cause problems; by linking two channels, they potentially double the amount of traffic on each. The mere presence of a gateway is not a measure of communications interoperability.

“Re-banding” of 800 MHz is necessary to move public safety users in that band away from harmful interference they may be receiving from commercial radio services. Also, a good deal of new spectrum in the 700 MHz band for public safety will be released in the coming years as incumbent television broadcasters are relocated.

For additional information, refer to the following publication: *Law Enforcement Tech Guide for Communications Interoperability: A Guide for Interagency Communications Projects, 2006* (U.S. Department of Justice, Office of Community Oriented Policing Services).

SUMMARY

Communication interoperability means the establishment of inter-agency, interdisciplinary and inter-jurisdictional voice and data communications. Interoperability isn't a technical problem; rather, it requires that many organizational, operational and technical function changes be made.

LARTCS is a network of radio repeater towers, transceivers, frequency switches and all the related equipment necessary to operate a UHF (ultra high frequency), VHF (very high frequency) and 800 MHz (megahertz or millions of cycles per second) radio net. *Hertz* is a term applied to the older phrase of “cycles per second.” Its usage is in honor of Heinrich R. Hertz, a German physicist from the mid-1800s.

At its heart is a Raytheon JPS Communications ACU-1000, a lengthy name for a frequency switch, console patch, or even sometimes called a “gateway.” The ACU-1000, with the most minimal human input, can permanently connect two or more frequencies or connect them on a case-by-case basis. The ACU, acting as a switchboard, can take radio frequencies from various agencies and output audio in a common frequency, so users can talk directly to each other.

LARTCS now connects most in-county and adjoining county agencies, as well as the California Highway Patrol, National Guard, FBI, Border Patrol and Secret Service. This is not an exhaustive list; a current/updated list can be found at the following website: www.freqofnature.com .

LARTCS is and will be the system of use for the communications interoperability in and throughout the County. It is totally adequate, given the technology and monies available now and in the recent past.

LA-RICS is now in the process of having a consultant organization prepare a functional specification, a systems engineering and design, and a statement of work, hopefully leading to the issuance of an RFP (Request for Proposal) sometime in mid to late 2008. Overall project implementation could extend out to 2014. Status reporting and further information on LA-RICS can be found at: www.la-rics.org .

FINDINGS AND RECOMMENDATIONS

FINDING 1

LARTCS is and will be the communication system for public safety agencies, within the County of Los Angeles, for the next decade. It is wholly adequate to serve its purpose, except in the case of a widespread major disaster. No communication system can withstand a natural or manmade catastrophe.

RECOMMENDATION 1

The public safety agencies of all cities within the County of Los Angeles are encouraged to join LARTCS. It requires only a Memorandum of Understanding (MOU); there is no cost to join. The MOU is available from the Los Angeles County Sheriff's Communications Center, (323) 267-2501.

FINDING 2

LA-RICS is now in the phase of system-engineering and specification development. It is scheduled to be purchased and developed over the next decade. An implementation schedule is presented in the referenced brochure on LA-RICS.

RECOMMENDATION 2

LA-RICS should be supported conceptually and financially by all cities within

2007-2008 Los Angeles County Civil Grand Jury Final Report
the County of Los Angeles. Future civil grand juries may wish to ascertain the status of LA-RICS development and comment upon their findings.

FINDING 3

The Los Angeles County Sheriff Department is the backbone organization for the operation of LARTCS. Sheriff personnel are also heavily involved in the development of LA-RICS. The present Civil Grand Jury has found the personnel involved in both of these systems to be both competent and cooperative. We say this here to reassure the public that knowledgeable people are guiding these developments.

(Copies of LARTCS and LA-RICS brochures will appear at the conclusion of the last part of this report).



**EMERGENCY PREPAREDNESS:
THE COMMUNITY-BASED PART**

**2007-2008 Los Angeles County Civil Grand Jury
Investigative Committee**

John Gleiter, Chair

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EMERGENCY PREPAREDNESS: THE COMMUNITY-BASED PART

OVERVIEW

While fire suppression and law enforcement personnel are the most visible users of handheld radios, in times of civic unrest and natural or manmade disasters, the citizens of the area affected, who are the true first responders, constitute an important part of the communication system through their use of their own handheld radios. The (city of) Los Angeles Fire Department (LAFD) is a lead agency in the integration of citizen volunteers into the disaster relief system, primarily through its development of the Citizens Emergency Response Team (CERT) training program, including quarterly hands-on exercises, monthly battalion meetings, Division training, classes narrowly tailored to specific subject matters, and working at public events to enhance certain skills that can best be learned in a real-world environment, particularly the efficient use of handheld radios in high-traffic situations.

The Los Angeles Fire Department also supports and regulates the Auxiliary Communications Service (ACS), which is a network of hundreds of licensed amateur radio (Ham) operators. Many CERT members are also licensed amateur radio operators who can be deployed to wherever needed by the Los Angeles Fire Department without being accompanied by an ACS member. The frequency that CERT and ACS often tune to, before being directed to another frequency being utilized for a specific location or a specific team at a particular emergency, is 147.300MHz.

The reallocation of frequency bandwidth has significantly affected the utilization of handheld radios by police, fire, sheriff, and other professional personnel, but it has also affected the utilization of handheld radios by citizens. The use of Citizen Band radio frequencies, and the handheld radios designed to utilize these frequencies, has rapidly declined after the Federal Communications Commission (FCC) changed the rules when the number of channels was increased from 23 to 40, but the permitted transmit power was decreased. Channel 9 (27.065 MHz) was/is the emergency contact frequency.

Subsequently, the FCC established two new sequential series of frequencies with lower-numbered, lower-power frequencies that can be used by persons without FCC licenses entitled Family Radio Service (FRS), and higher-numbered, higher-powered frequencies reserved for those persons holding General Mobile Radio Service (GMRS) licenses. In this area, Channel 11 (467.6375 MHz) is routinely used for CERT exercises.

Also available for citizen use are Marine Radios which were designed for ship-to-ship and ship-to-shore communications. Even though their use land-to-land is generally prohibited by the FCC rules, in the case of a true emergency, a radio on a boat in a stranded or injured person's driveway could be their only way to seek assistance. Marine Channel 16 (156.800 MHz) is monitored by persons listening for distress calls.

Likewise, a handheld Air Band Radio, whose use is normally prohibited when not in conjunction with the operation of an aircraft air-to-air or air-to-aircraft control personnel, could be used briefly in case of an emergency when no other method of communication was available. Frequency 121.5 MHz is monitored by persons listening for distress calls.

Business Band radios are of limited assistance in case of an emergency; as they operate on private or semi-private channels that are not likely to be monitored by emergency personnel.

Cellular phones will be of little use in case of any widespread emergency, both because the system will become overloaded quickly and because of the probability of damage to either the cell towers or the possibility that the repeaters and the central telephone office could lose power following the depletion of the back-up battery systems or the fuel required to run the back-up generators continuously for any significant period of time.

In contrast, although most recently manufactured handheld amateur radios can use repeaters in their Duplex mode (transmitting on one frequency and receiving on another frequency, often using a repeater), they also can communicate handheld-to-handheld in their Simplex mode (transmitting and receiving sequentially on the same frequency).

The public can also purchase handheld scanners (radios that only *receive* broadcasts, but can do so on a large number of frequencies) at local consumer electronics stores, including some advanced models which can store 5,000 or more channels programmed into memory, and have the ability to receive broadcasts by systems which employ digital trunking. Scanners allow citizens to monitor broadcasts by all of the above radio types, including evacuation orders for emergency personnel or equipment in their area, if the citizen has, or can obtain, the frequencies being utilized by their local agencies.

(A copy of the Los Angeles City Fire Department Disaster Preparedness Training brochure follows this report).

HOW DO I GET INVOLVED IN THIS FREE PROGRAM?

Contact our office or email us for information and our current schedule.

You can host your own course at your location. Simply identify a location where it can be held, then contact us for an open schedule date.

Natural audiences for this program are local community groups, neighborhood watches, PTA's, religious groups, businesses, industry, or government agencies.



Be sure to download our famous "Dalmatian Book." It's the premier earthquake and disaster preparedness guide. You can find it at

www.cert-la.com/2006EmergPrepBooklet.pdf



Los Angeles Fire Department
Disaster Preparedness Section

5021 N. Sepulveda Blvd.
Sherman Oaks, CA 91403

Phone: (818) 756-9674

FAX: (818) 756-9681

lafdcert@lacity.org



Schedule:

Year round

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Morning,

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Evening

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Classes can be held anywhere in the City of Los Angeles.

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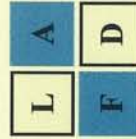
WHAT'S INVOLVED IN THIS COURSE!

The class runs for 2-1/2 hours, one day a week, for seven weeks. A total of 17-1/2 hours of training. Classes are scheduled Monday through Friday (Morning, Afternoon, or Evening).

There are no prerequisites and all citizens, 18 and older, are invited to attend. Adults of any age or disability can participate. Everyone is invited to learn how to deal with disasters correctly.

CORPORATE SPONSORS

The LAFD CERT Program is always in need of corporate support and sponsors. Call our office for additional information.



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Introduction to disasters, their impact, and the hazards posed by buildings and non-structural items. The role of CERT in disasters.

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Identifying and reducing potential fire hazards, basic fire suppression strategy, fire fighting resources, and fire fighting techniques.

DISASTER TRIAGE

Treatment strategies for life threatening conditions and the principles of triage.

DISASTER PATIENT ASSESSMENT

Patient assessment and treatment for multiple injuries.

SEARCH & RESCUE

Search & Rescue priorities and resources, techniques for size-up, search, lifting, cribbing, removing victims, plus rescuer safety.

INCIDENT COMMAND SYSTEM

How to organize your neighborhood post disaster. You do this by using the Incident Command System and CERT strategies and tactics.

DISASTER PSYCHOLOGY

Understanding the stresses of being a disaster service worker and how to cope with those stresses.

TERRORISM

Understanding the terrorist, their weapons, and what you can do to make a difference.

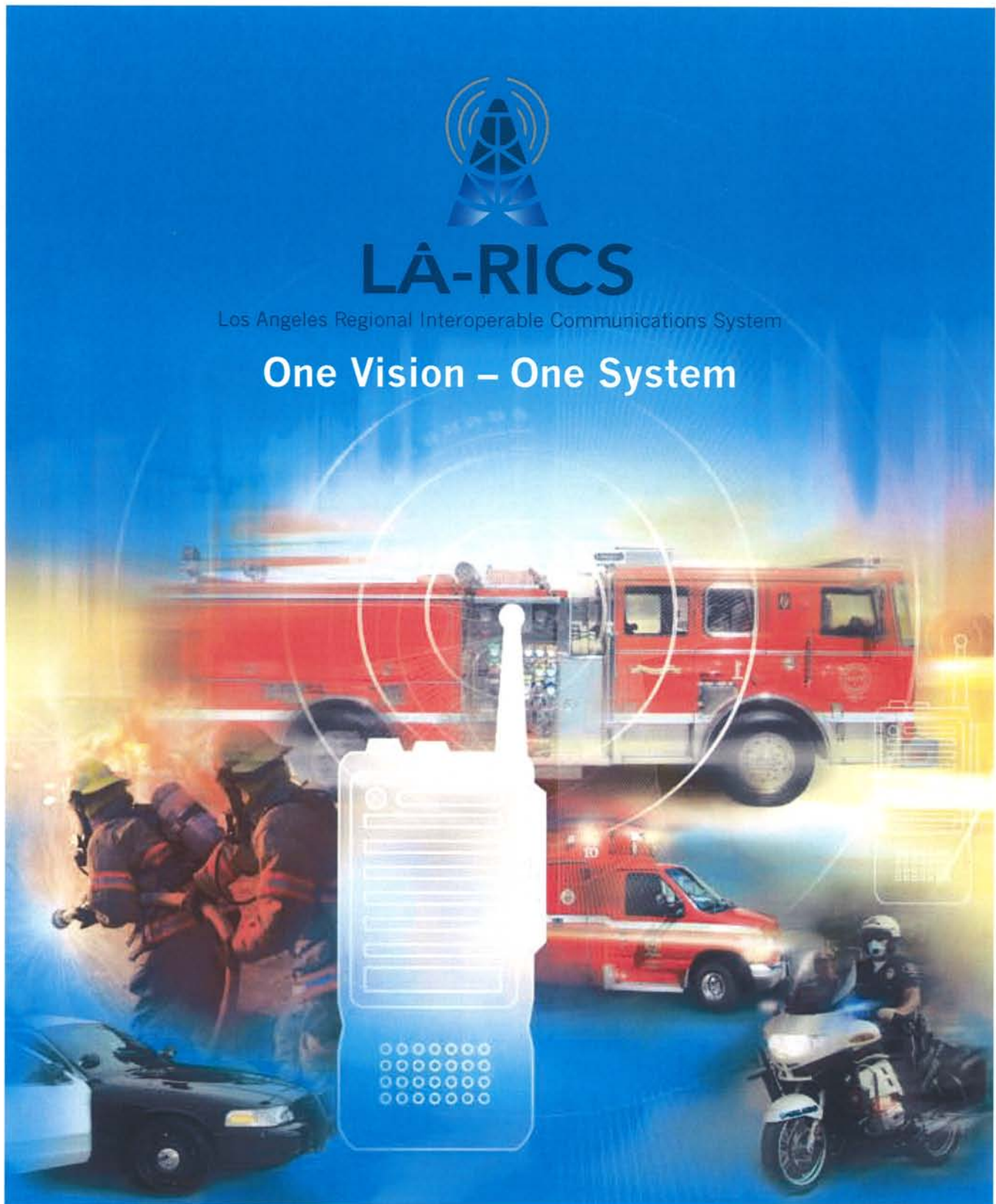
Refresher Training Twice A Year!

CERT refresher training is for graduates. All citizens who have completed the course are welcome to attend this fun day of putting their skills to work. Check our website (www.cert-la.com) for dates.

lafdcert@lacity.org



As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services, and activities. For additional information, please contact the Los Angeles Fire Department, Disaster Preparedness Section at (818) 756-9674.



One Vision One System

The public safety community within the Los Angeles region has begun the process of developing the Los Angeles Regional Interoperable Communications System (LA-RICS), a modern, integrated wireless voice and data communications system that will support more than **34,000 first responders** and local mission-critical personnel within the region. We are committed to providing the necessary leadership and securing the needed funding to develop and expeditiously deploy LA-RICS.

LOS ANGELES REGION AT A GLANCE

Area and Population

- » More than 10 million residents
- » 4,084 square miles
- » Population greater than 42 of the 50 states
- » 88 cities within Los Angeles County

This broad collective vision and solidarity amongst civic leaders and elected officials directed towards enhancing the safety of 10 million residents in a county the size of Los Angeles is unprecedented. With the support of our local, state and federal governmental officials, LA-RICS will be the model communications system in the nation.

— Leroy D. Baca, Los Angeles County Sheriff

The Need to Communicate

May 9, 2007

A major wildfire burned more than 800 acres in historic Griffith Park destroying the bird sanctuary and popular hiking areas. Law Enforcement and Fire Agencies coordinate the evacuation of hundreds of residents as well as the Los Angeles Zoo, Griffith Observatory, Greek Theater, and other buildings. The coordinated evacuation of such a densely populated area would have been aided by interoperable communication.

January 26, 2005

A Metrolink commuter train crash kills 11 people. The crash involves three trains and a vehicle that caused the accident. The incident is the deadliest train crash in Metrolink's history and the deadliest in the US in a number of years. More than 75 agencies respond to the accident. Interoperable communication would have benefited the search and rescue efforts.

July 4, 2002

A lone gunman opens fire at the El Al ticket counter in Los Angeles International Airport, killing two people and wounding four others. Disparate radio systems in use by airport, federal and local agency personnel create challenges for coordinating a fast, effective response.

Emergencies such as these, as well as day-to-day operations, require cooperative efforts from local, state and federal public safety agencies. Incompatible or obsolete radio systems create an environment in which it is difficult, and at times impossible, for public safety personnel to effectively communicate.



Background

The Los Angeles region is one of the largest urban areas in the nation with more than **10 million residents** living within 4,084 square miles; our population is greater than that of 42 of the 50 states. **50 law enforcement** and **31 fire service agencies** provide public safety services to **88 municipalities** as well as unincorporated areas.

Historically, public safety agencies within the region have developed emergency communications systems that primarily meet localized or shared needs but fail to provide seamless, day-to-day interoperability with all jurisdictions and agencies. These systems include: City of Los Angeles systems for police, fire, airports, and harbor; County of Los Angeles systems for law enforcement, fire, and health; the Interagency Communications Interoperability System (ICIS), currently providing interoperable communications for six separate cities; and additional stand-alone systems for the City of Long Beach, Los Angeles Unified School District, and many others. For the most part, these systems utilize separate radio towers, equipment and frequencies, resulting in duplication of costs and efforts. These separate systems also inhibit our ability to communicate with one another.

In order to provide at least a minimum level of communications among our first responders, we have patched our legacy systems together using available technologies. However, given the fragmented nature of our systems, our ability to communicate during major emergencies remains significantly limited.

Nationwide, the events of September 11th have focused public awareness on the need for emergency personnel from different agencies to communicate with one another. This, together with the fact that many of our communications systems are obsolete and now require replacement, provides us with a unique opportunity to develop a shared communications system that will meet the needs of all first responders in the Los Angeles region.

The safety of firefighters, peace officers, and other first responders will be greatly enhanced by LA-RICS, along with our ability to mutually resolve emergencies in the region.

— P. Michael Freeman, Los Angeles County Fire Chief

Vision

It is our collective view within the Los Angeles region that interoperable public safety communications can best and most cost effectively be attained by developing a shared voice and data radio system. By pooling frequencies and utilizing existing infrastructure where practical from the City of Los Angeles, the County of Los Angeles, ICIS, Long Beach, and others, LA-RICS will:

- » Provide unified voice and data communications platforms for all first responders in the region
- » Eliminate the duplication of costs and effort involved in maintaining separate systems
- » Provide instantaneous communications among agencies in the event of a man-made or natural disaster
- » Support the day-to-day communications needs within individual public safety agencies

LA-RICS will also support interoperability with state and federal agencies such as the California Highway Patrol (CHP) and Federal Bureau of Investigation (FBI). Further, the system will support university, community college, and local school district law enforcement and safety personnel. The system will incorporate the recommended best practices of the US Department of Homeland Security and achieve the optimal level of interoperability as defined in the DHS SAFECOM Interoperability Continuum.



Progress

The Los Angeles Regional Interoperable Radio Communication System (LA-RICS) is an outgrowth of the regional interoperable steering committee (RISC) which was formed to explore the development of a single, shared communications system for all public safety agencies within the Los Angeles region. Initial feasibility studies indicated that by leveraging the various agency efforts currently underway, a shared regional system would not only be possible, but would best meet the needs of the entire regional public safety community.

The steering committee is currently finalizing an agreement that creates a Joint Powers Authority (JPA) responsible for constructing and managing the regional system. The JPA board will include a cross-section of first responder stakeholders who all share in the decision-making process.

The total cost of the system over the 5 years is estimated to be \$600 million. To facilitate the design and procurement of the regional system, the steering committee has allocated \$2.5 million of the Los Angeles UASI grant funds to

identify requirements of all public safety agencies within the region and develop a single, comprehensive RFP.

Locally, we plan to cost effectively develop a shared regional system superior to any stand-alone system an agency could hope to develop on its own. By working together, we can eliminate the communications difficulties that have plagued us in the past and improve the services we provide to the public. When completed, the Los Angeles Regional Interoperable Communications System (LA-RICS) will transform this vision into reality.



System Engineering and Design

Estimated funding for year 1:
\$100 Million

2008 **YEAR 1**

System Build-Out

Estimated funding for year 2:
\$175 Million

2009 **YEAR 2**

System Build-Out and Acceptance Testing

Estimated funding for year 3:
\$175 Million

2010 **YEAR 3**

System Migration and User Training

Estimated funding for year 4:
\$100 Million

2011 **YEAR 4**

Complete Migration and Training

Estimated funding for year 5:

2012 **YEAR 5**

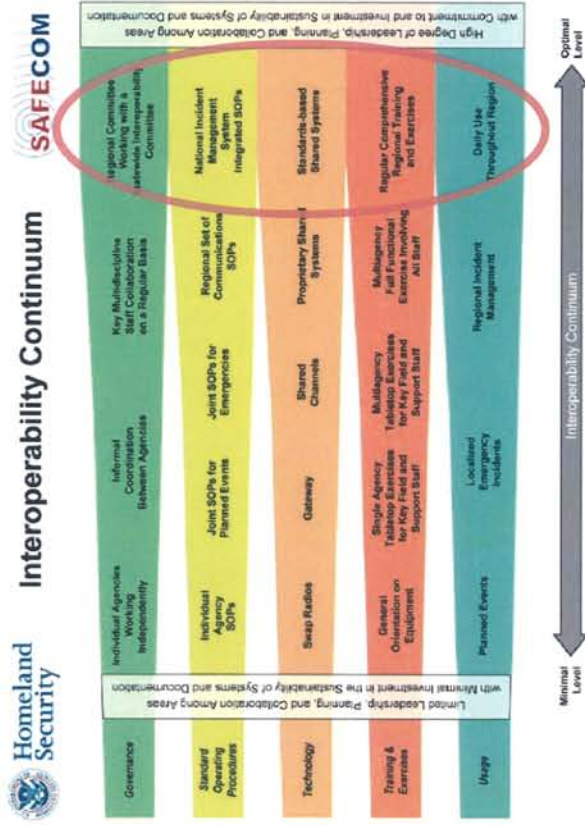
Total:
\$600 Million
5 Years

Project Timeline

With Anticipated Costs

Interoperability - A Federal Priority

SAFECOM is a program of the Department of Homeland Security which provides research and guidance to public safety agencies on more efficient and effective interoperable communications systems. SAFECOM created the Interoperability Continuum as a roadmap of critical success factors for achieving effective interoperable communications. The roadmap identifies five critical success factors for achieving interoperability: Governance, Standard Operating Procedures, Technology, Training & Exercises, and Usage. The Los Angeles Regional Interoperable Communications System's (LA-RICS) goal is to achieve the optimal level of interoperability in all areas when the system build-out is complete, as depicted in the figure below.



Frequently Asked Questions

FAQ

What is LA-RICS?

The Los Angeles Regional Interoperable Communication System (LA-RICS) is a collaborative effort of law enforcement, fire service and health service professionals with elected and appointed officials to implement a regional interoperable radio communication system. The new system will allow interagency coordination and response to routine, emergency and catastrophic events.

What is communications interoperability?

Communications interoperability refers to the ability of public safety agencies – including law enforcement, firefighters, and emergency medical services – to exchange voice and/or data information wirelessly on demand, in real-time, with appropriate security.

What are the barriers to interoperability?

There are a number of issues preventing interoperability among public safety agencies. The four primary issues preventing interoperability among agencies in the Los Angeles region are:

- » Incompatible and aging communications equipment
- » Uncoordinated planning and funding
- » Limited and fragmented radio spectrum
- » Lack of standardized equipment



LOS ANGELES REGION AT A GLANCE

Major Targets and Threats

- » City of Los Angeles is a Department of Homeland Security "High-Threat" City
- » Ports of Los Angeles and Long Beach
- » Los Angeles International Airport
- » Major transportation infrastructure including subway system, buses and freeways
- » Movie studios and entertainment industry landmarks
- » Natural threats, including earthquakes, urban interface fires, refinery fires, etc.
- » Major sporting venues and events including the Rose Bowl, Hollywood Bowl, Academy Awards and Emmy Awards

How does the proposed system improve the lives of the residents of the Los Angeles region?

The system will provide improved emergency response to the region's 10 million residents. Our region is designated as a high-threat area by the Department of Homeland Security. While to date the area has avoided a serious terrorist attack, regional communication is an essential component of emergency planning and response.

How does the proposed system improve first responders' safety and efficiency in serving the public and protecting lives?

There are numerous ways in which interoperable communications improve the services of first responders in the Los Angeles region. The benefits of the proposed system include:

» **Improved speed and efficiency of voice and data communications** – Enabling public safety agencies operating in the region to immediately share information and intelligence during routine operations and natural or man-made disasters.

» **Improved ability to work together and mitigate emergencies** – Our region requires an extreme level of multi-jurisdiction, multi-discipline mutual aid response. These incidents are commonplace, well understood, and demand seamless interoperability to achieve positive life safety results.

What first responders will be included in the system?

LA-RICS is primarily designed for first responders throughout the Region/County of Los Angeles, which includes all law enforcement (capacity to add CHP and federal agents), fire and their paramedics, paramedic base hospitals, and potentially the Los Angeles Unified School District, who has their own police department.

Has a project of similar magnitude and complexity ever been attempted?

Yes, there are regional interoperable communications projects being planned or in place across the country. For example, in the past few years, the State of Indiana has developed Project Hoosier SAFE-T, a statewide, interoperable, wireless public safety communications system for Indiana local, state, and federal first responders/public safety officials. Regional planning efforts are underway in numerous states and regions including New York, Virginia, Kentucky, and Michigan.

Are there examples or best practices for this type of system?

There are a variety of shared public safety communications systems that have proved successful throughout the country, including systems in the States of Florida, Indiana and Utah; San Diego County, and the Capital Region of Washington DC, among others. LA-RICS will continue to monitor these and other system in order to take advantages of the lessons learned in their implementation and operation.

How will ICIS fit into LA-RICS?

ICIS has successfully developed an interoperable communications system for its six member cities and recognizes the need for all agencies in the LA Region to have interoperable communications. ICIS is committed to working with LA-RICS in the development of the regional system.

When will the system be completed?

While we are still in the planning phases, the system is estimated to take 5 years to implement.

How much will the system cost?

The total cost of the system is currently estimated to be approximately \$600 million.

How will the system be maintained?

The LA-RICS steering committee will develop a maintenance plan and strategy for maintaining the system.



LOS ANGELES REGION AT A GLANCE

Local Level First Responders Serving the Region

- » Law Enforcement Personnel
25,000 Personnel
- » Fire & EMS Personnel
9,000 Personnel





We are pleased to provide you with information on the Los Angeles Regional Interoperable Communication System (LA-RICS) project. This important project addresses a critical need for reliable, seamless communication among the region's public safety agencies.

In an unprecedented undertaking for a region of this size and population, law enforcement and fire agencies in the Los Angeles region have come together to develop a region-wide communication system. The system will provide interoperability among first responders from 81 different agencies during normal operations and emergencies, as well as natural and manmade disasters, which is a top priority of the Department of Homeland Security.

Through the combined planning and development of the joint regional communication system the Los Angeles region will gain the following benefits:

- **Rapid and efficient voice communication** – The system will enable local, state and federal public safety agencies operating in Los Angeles region to immediately communicate during routine operations and emergencies, as well as during natural and manmade disasters.
- **Improved public safety response to the region's 10 million residents** – The Los Angeles region is one of the high-threat areas identified by the Department of Homeland Security. While to date the area has avoided a serious terrorist attack, regional communication is an essential component of emergency planning and response.
- **Enhanced ability to work together to mitigate emergencies** – In a region where multi-jurisdiction responses are commonplace, the level of coordinated planning, operations and training required to implement a regional system will improve the ability of first responders in all types of emergencies.
- **Significant cost savings** – Individual public safety agencies will achieve significant cost savings through the joint effort to plan, develop and train users on the regional system. Further, the quality and coverage of the system will exceed that which any agency could obtain on its own.

If you have any further questions, please contact LA-RICS at (877) 742-7520. We look forward to making the Los Angeles region's interoperable communications system a reality.

Sincerely yours,

Frederick W. Latham

Chairman



Contact Information

www.la-rics.org

Questions: info@la-rics.org

Phone: (877) 742-7520

P.O. Box 861236

Los Angeles, CA 90086-1236

July 2007

MISSION STATEMENT

To enhance the safety of the citizens of Southern California by providing the highest degree of operational communications interoperability among the public safety agencies of Los Angeles County and the five adjacent counties and to do so in the most efficient and cost effective manner possible.

Robert N. Sedlitz

Robert Sedlitz, Chairman

John Penido

John Penido, Vice-Chairman



For more information, or to obtain a copy of the MOU, please contact the Executive Committee at the address and phone number listed below.

**Los Angeles Regional
Tactical Communications System**
1277 N. Eastern Ave.
Los Angeles, CA 90063
(323) 267-2501



Jlg/km 9/03

A cooperative product of the:

California Highway Patrol
California Army National Guard
L.A. Area Fire Chiefs Association
L.A. County Police Chiefs Association
L.A. County Sheriff & Fire
LAPD and LA City Fire
State of California OES
United States Secret Service-
(Representing all Federal Agencies)

The Los Angeles Regional Tactical Communications System (RTC) is a system that provides **direct communication interoperability** between any number of Law Enforcement, Fire, EMS, Federal, State, and Military agencies, during major, multi-agency incidents.

These Incidents can be either short term (felony pursuits through multiple jurisdictions, fires, hazmat, etc), or long term (major disaster, large scale fires and floods, civil disturbances, terrorist incidents, etc).

The RTC System cross-connects multiple radio channels, over various radio frequency bands, throughout the Los Angeles Region. It is comprised of various types of hardware, radio sites, utilizing local, county and federal "backbones" within the greater Los Angeles area.

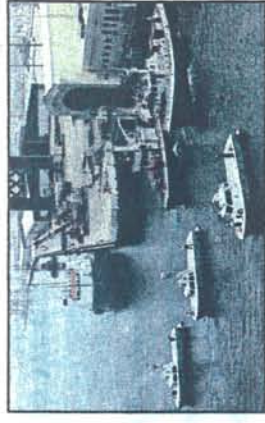
The RTC System enhances the safety of the on-scene personnel, through real time, field unit-to-unit, direct voice communication.

The RTC System is analog based, and can easily cross-connect any type of radio or radio system, including APCO P25. The system has licensed channels on 800 Mhz, UHF, UHF Federal, VHF, Low VHF, and the Military Low VHF.

The LARTCS is available to any public safety agency within Los Angeles County provided that they agree to the terms & conditions, and submits the LARTCS MOU with the signature from their agency Chief, Bureau Head or Director.

There is *NO CHARGE* to be a member, or to use the RTC infrastructure. The only physical commitment required of a participating Agencies is the programming of the agencies radio with the appropriate frequency,

There is no single ownership of the RTC System. The system belongs to, and is managed by all of the agencies involved, equally. The RTC system is made possible through the true commitment and firm cooperation of all the Public Safety agencies listed on the front of this pamphlet.



Future plans call for the expansion of the system to provide 95% handheld radio coverage within the Los Angeles region. Other areas of interoperability being looked at by the RTC, include on-scene low power, simplex communications using mobile interoperability vehicles, as well as an interoperable data sharing network.



**REPORT OF THE
SPEAKERS AND EVENTS COMMITTEE**

**2007-2008 Los Angeles County Civil Grand Jury
Standing Committee**

Dorothy M. Schneider, Chair

**Arnold A. Colman
Franki Horne**

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REPORT OF THE SPEAKERS AND EVENT COMMITTEE

Background

The Speakers and Events Committee is a standing committee and coordinates all invited presenters as well as on-site visits. This is one of the best resources the Civil Grand Jury has for both general information and topics for investigation. Some officials are routinely invited, such as the Los Angeles County Board of Supervisors, the Mayor of Los Angeles and heads of county agencies. Other visitors to the Grand Jury are also garnered from newspaper articles and commentaries by the media.

Members of the Grand Jury are given an opportunity to suggest speakers and field visits. A vote by 14 members is required. Invitations are extended and follow-up confirmation is made. If a speaker requires any special equipment, we request that they provide the equipment.

Guest Speakers

Michael Antonovich	Los Angeles County Supervisor, 5 th District
Leroy Baca	Sheriff of the County of Los Angeles
William Bratton	Chief, Los Angeles Police Department
David L. Brewer III	Superintendent, Los Angeles Unified School District
Phillip Browning	Director, Department Public Social Services
Yvonne B. Burke	Los Angeles County Supervisor, 2 nd District
Laura Chick	City of Los Angeles Controller
Steve Cooley	Los Angeles County District Attorney
David Dmerjian	L A County Deputy District Attorney, Public Integrity Unit
John Fernandes	Ombudsman, Los Angeles County
Kurt E. Floren	Agricultural Commissioner / Director of Weights & Measures
William T. Fujioka	Chief Executive Officer, County of Los Angeles
Wendy Gruel	Los Angeles City Councilmember, 2 nd District
Astrid Heger, M.D.	Director, LAC+USC Violence Intervention Program
Michael Judge	Los Angeles County Public Defender
Don Knabe	Los Angeles County Supervisor, 4 th District
Jack Kyser	Chief Economist, LA County Economic Development Corp.
J. Tyler McCauley	Los Angeles County Auditor/Controller
Conny McCormack	Registrar-Recorder/County Clerk

Guest Speakers *(continued)*

Paul Obney	Managing Partner, Obney and Associates
Allan Parachini	Public Information Office, Los Angeles Superior Court
Darline Robles, Phd.	Superintendent, Los Angeles County Office of Education
Lakshmanan S., M.D.	Los Angeles County Coroner
Robert Taylor	Director Los Angeles County Probation Department
Gordon Trask	County Counsel's Office
Valerie Shaw	Commissioner, Los Angeles City Board of Public Works
Steven Van Sicklen	Supervising Judge, Superior Court of California
Zev Yaroslavsky	Supervisor, 3 rd District

Events

Boys' Republic
Century Regional Detention Facility
City of Los Angeles Fire Department 911 Center
County of Los Angeles Emergency Operations Bureau
County of Los Angeles Men's Central Jail and Twin Towers
County of Los Angeles Office of the Coroner
Hertzberg-Davis Forensic Science Center
Joint Water Pollution Control Plant Tour
LAC+USC Medical Center
Los Angeles County Museum of Art
Marine Biology Laboratory Monitoring and Research Vessel (*Ocean Sentinel*)
Mira Loma Detention Center
Optimist Youth Home
Port Security Harbor Tour (*Angelina II*)



**REPORT OF THE SPEAKERS AND EVENTS
TRANSPORTATION SUBCOMMITTEE**

2007-2008 Los Angeles County Civil Grand Jury

Richard Niederberg, Chair

Rhodora U. Delacruz

Fred Linderman

John E. Smythe

Arnie L. Spears

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REPORT OF THE SPEAKERS AND EVENTS TRANSPORTATION SUBCOMMITTEE

BACKGROUND

The Los Angeles County Civil Grand Jury is routinely transported to the various sites of their investigations by Sheriff's Department buses that are primarily used for the transportation of inmates in the Sheriff's custody. Recently, there was a significant deterioration in the quality of buses provided for the transportation of grand jurors. The Grand Jury formed a subcommittee to investigate whether this was due to a policy change, or whether a majority of buses had fallen into disrepair. It was determined that although most of the 83 buses used by the Sheriff's Transportation Bureau are adequate for their assigned purpose, the Grand Jury had nevertheless been provided with several substandard buses.

A visit was made to the Transportation Division of the Los Angeles Sheriff's Department on April 7, 2008 at approximately 10:00 a.m. Members of the subcommittee immediately observed two buses, numbered 5428 and 5429, which appeared to meet the Grand Jury's needs. Although the buses contain inmate cages, that issue alone is not considered an impediment to otherwise comfortable transportation, and the Grand Jury understands that the primary mission of the Sheriff's Transportation Department is to transport inmates, some of which must be segregated from the others by such cages. The Grand Jury is also aware that these buses and certain others may be normally reserved for the delivery of inmates to prisons in other counties, and therefore may not be available for all Civil Grand Jury field investigations. However, the Sheriff's Department receives sufficient advance notice from the Grand Jury (usually a week to ten days), and if the field trip dates were coordinated in order to take advantage of the availability of those buses, a reasonable accommodation should be possible. If there exist other busses with substantially similar characteristics to numbers 5428 and 5429 as to cleanliness, comfort, and windows, those would also be the Grand Jury's transportation preference.

While the Civil Grand Jury certainly appreciates the transportation service provided by the Los Angeles County Sheriff's Department, it was noted on at least two occasions that buses provided were windowless, graffiti-filled, and poorly-ventilated. On other occasions, the rattling of doors and handcuff chains on the inmate cages made meaningful conversation virtually impossible.

RECOMMENDATION

The Sheriff's Department should consistently provide clean, comfortable buses for transport of the Grand Jury. If appropriate vehicles are not available on a particular day due to logistical problems or other circumstances, the Grand Jury should be notified at least 24 hours in advance, so field trips can be rescheduled.



REPORT OF THE CITIZEN COMPLAINTS COMMITTEE

2007-2008 Los Angeles County Civil Grand Jury Standing Committee

**Rhodora U. Delacruz, Chair
Ethell Anderson
Dolores Rillos
Lloyd R. Smith
John E. Smythe**

2007-2008 Los Angeles County Civil Grand Jury Final Report

REPORT OF THE CITIZEN COMPLAINTS COMMITTEE

SUMMARY

The Citizen Complaints Committee is a Standing Committee of the County of Los Angeles Civil Grand Jury and one which is mandated by State Law. Its primary and essential function is to responsibly provide, in strictest confidence, unbiased, independent evaluations regarding complaints submitted by individuals with respect to County and City Governments, Agencies and Special Districts within the County of Los Angeles over which the Grand Jury has oversight jurisdiction, and to recommend appropriate actions to be taken by the entire Grand Jury.

Such oversight jurisdiction, however, does not include reviews of Judicial performance, Court actions (Civil or Criminal in nature), pending litigation, Federal or State functions, actions of personnel, or out-of-State matters. The Civil Grand Jury is not permitted to assist individuals in their separate court cases.

Procedurally, during the period of its tenure, the Citizen Complaints Committee evaluates each individual complaint and determines which of the following actions should be taken:

- 1) That no action be taken
- 2) That there is no jurisdiction over the Complaint subject matter
- 3) That there be a referral of the Complaint to an appropriate committee for further investigation and recommendations
- 4) To undertake some other appropriate disposition of the Complaint

Once the Citizen Complaints Committee has recommended a specific disposition of a particular complaint, each case was submitted to the entire Grand Jury for its review, evaluation and vote as to whether the Committee's preliminary recommendation should be approved, amended as appropriate, referred back to Committee, or to otherwise determine that some alternative course of action should be pursued.

The jurisdiction of the Civil Grand Jury includes the following:

- Consideration of evidence of misconduct by public officials within Los Angeles County.
- Inquiry into the condition and management of jails within the county
- Investigation and reports on the operations, accounts and records of the officers, departments or functions of county and cities including special districts created by state law.

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The 2007-2008 Citizens Complaint Committee received and processed 75 complaints. The complaints which were processed fell into 7 basic categories as reflected in the following breakdown:

CATEGORY	NUMBER
No Grand Jury jurisdiction (state, federal & court)	20
Governmental mismanagement, waste or incompetence	7
Inmate complaint about court, trial, prison conditions or mistreatment	5
Misconduct of law enforcement agents	19
Governmental malfeasance or corruption	8
Vague or incomplete complaint	6
Non-governmental /personal disputes	10
TOTAL	75

FINDINGS

Many complaints received were not within the jurisdiction of the Grand Jury, others were inappropriate for investigation. A common misconception by complainants is based upon the belief that the Civil Grand Jury can somehow overturn allegedly wrongful convictions or penalty assessments of one sort or another, discipline state prison personnel or to intervene in pending civil and/or criminal litigation. One complaint was referred to an appropriate Grand Jury committee for further investigation to review policies and procedures regarding health and safety of residents of county rehabilitation centers.

RECOMMENDATION

From many of the complaints received, it appears that many of the general public, including those in prison, have serious misconceptions as to the nature of the role that a Civil Grand Jury can lawfully undertake regarding their complaint. The best example of an unrealistic complaint and/or request is a rambling, irrational dialogue concerning complainant's allegations of fraud, abuse of children, misconduct of church elders (clergy) or surveillance by various government agencies.

Citizens are constitutionally entitled to petition their government for redress and relief, and this may include filing a complaint with the Civil Grand Jury, which, for a variety of reasons, may not be able to grant the relief requested. In an effort to reduce the number of insufficient or incomprehensible complaints being submitted, the Citizen Complaints Committee recommends that the Civil Grand Jury staff use the following revised two-sided complaint form.

CITIZEN COMPLAINT FORM

Los Angeles County
CIVIL GRAND JURY
Clara Shortridge Foltz Criminal Justice Center
210 West Temple Street, Eleventh Floor, Room 11-506
Los Angeles, CA 90012

**Please Review Complaint Guidelines
On Reverse Side**

PLEASE PRINT

1. Who: (Your Name) _____

Address: _____

City, State, Zip Code _____

Telephone: () _____ Extension _____

2. **What:** Subject of Complaint: Briefly state the nature of complaint and the action of what Los Angeles County department, section agency or official(s) that you believe was illegal or improper. Use additional sheets if necessary.

3. **When:** Date(s) of incident: _____

4. **Where:** Names and addresses of other departments, agencies or official involved in this complaint. Include dates and types of contact, i.e., phone, letter, personal. Use additional sheets if necessary.

5. **Why/How:** Attach pertinent documents and correspondence with dates.

COMPLAINT GUIDELINES

Receipt of all complaints will be acknowledged by mail. If a matter does not fall within the Civil Grand Jury's investigative authority, or the Jury determines not to investigate a complaint, no action will be taken and there will be no further contact from the Jury. The findings of any investigation conducted by the Civil Grand Jury can only be communicated in a formal final report published at the conclusion of the jury's term, June 30th.

The jurisdiction of the Civil Grand Jury includes the following:

- Consideration of evidence of misconduct by public officials within Los Angeles County
- Inquiry into the condition and management of jails within the County.
- Investigation and reports on the operations, accounts and records of the officers, departments or functions of county and cities including special districts created by state law.

Some complaints are not suitable for jury action. For example, the Civil Grand Jury does not have jurisdiction over judicial performance, actions of the court or cases that are pending in the courts. Grievances of this nature must be resolved through the established judicial appeal system. The Civil Grand Jury has no jurisdiction or authority to investigate federal or state agencies. Only causes of action occurring within Los Angeles County are eligible for review.

FILING A COMPLAINT OR REQUEST FOR INVESTIGATION

Any private citizen, governmental employee or officer may ask the Civil Grand Jury to conduct an investigation. This complaint must be in writing and is treated by the jury as confidential. Any request for an investigation must include detailed evidence supporting the complaint or request for investigation. If the Grand Jury believes that the evidence is valid and sufficient to support the complaint, a detailed investigation may be held. The written complaint should cover the following points.

- Specifically who or what agency is the complaint against
- What is the nature of the complaint
- What action was improper or illegal.
- When and where did the incident(s) occur.
- What were the consequences of this action.
- What action or remedies are you seeking.
- Why/How. Attach relevant documents and correspondence with dates.

Additional information about the Jury is also available on the Civil Grand Jury website:
<http://lasuperiorcourt.org/jury/grandjury.htm>



REPORT OF THE JAILS / DETENTION FACILITIES COMMITTEE

2007-2008 Los Angeles County Civil Grand Jury Standing Committee

Octavio “Toby” Chavez, Chair

**Ethell Anderson
Nicolina Friedman
Lucy Hernandez
Franki Horne
Judy Hsu
James Kaiser
Fred Linderman
Brandon Makoroff
Lionel S. Martinez
Elaine Poydras
Dolores Rillos
Dorothy M. Schneider
Lloyd R. Smith
John E. Smythe
Arnie L. Spears**

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REPORT OF THE JAILS COMMITTEE

BACKGROUND

The Los Angeles County Civil Grand Jury Jails Committee is mandated by California Penal Code §919 (a) & (b) to inspect county and municipal police department jails and lockups, court holding cells, juvenile camps, juvenile detention centers, and other penal institutions.

The inspections include, but are not limited to, examining housing conditions, availability of telephones, medical needs, food service, number of staff and their training background, policy and procedure manuals, local fire inspection reports, use of safety and sobering cells, availability of rules and disciplinary penalty manuals, availability of personal care items, and conditions of the restrooms and showers.

Other agencies conduct in-depth inspections of the facilities on an annual or bi-annual basis. These agencies include local and state health departments, local fire departments, the California Board of Corrections and Rehabilitation, and the California Department of Justice. The agencies report their findings directly to the authorities in charge of the facility. The 2007-2008 Los Angeles Civil Grand Jury publishes its findings in a final report to the Board of Supervisors, made available to the public.

Los Angeles County has 88 cities as well as unincorporated area of 2,299 square miles. The Los Angeles County jail system is the largest in the nation.

METHOD

Based on our criteria, forms were developed to collect common data from each of the facilities. In addition to using the checklist, the 2007-2008 Los Angeles Civil Grand Jury made comments based upon reasonable expectations on appearance, health, and safety elements.

Each facility was inspected by teams composed of two or more members. Most facilities were visited unannounced.

JAIL / DETENTION FACILITY FINDINGS

- 1) The Los Angeles County Sheriff's Department (LASD), the Los Angeles Police Department (LAPD) and several individual police departments utilize sworn personnel for essentially clerical duties.
- 2) Some small cities contract with the LASD or private correctional companies for custodial service. The jails committee was very impressed by these facilities managed by outside contractors.
- 3) A dangerous situation exists at certain facilities where sally ports are not provided for the transfer of inmates. This is hazardous for employees, inmates and the public.
- 4) Most Los Angeles County Sheriff's Department jails/holding facilities were poorly lit. The dim lighting contributed to a very depressing atmosphere.
- 5) At nearly every LAPD and LASD facility we were told or observed that there were insufficient sworn and non-sworn personnel.
- 6) Many sobering cells were not in compliance with current regulations, i.e. padded walls. See *Adult Detention Facilities List* for noncompliant facilities.
- 7) Many facilities, particularly courthouses, were in need of repairs and repainting. Several facilities were in need of graffiti removal.
- 8) Some courthouses containing LASD holding facilities clearly had sustained earthquake damage and are in need of retrofitting.
- 9) At some facilities, policy and procedures manuals were not current or were unavailable when requested by inspection teams.

- 10) Of special concern is the Compton Courthouse. Insufficient numbers of sworn personnel has resulted in a number of serious incidents affecting the safety of the public, court employees, and LASD personnel.
- 11) Food was stored beyond its expiration date at some facilities.
- 12) At locations where medicines are dispensed, medical supply rooms were not adequately secured. Some medications were found to be beyond their expiration dates.
- 13) Inmates receiving medication had no identifying wrist band to prevent medicines and dosages from being incorrectly dispensed.
- 14) LAPD Northeast facility is on the site of a former photo processing plant. According to staff, there is a high incidence of serious illness. The walls require continuous repainting due to peeling. Although facility administrators claim the problem has been fixed, no supportive data was provided. We are not convinced that this potential health hazard has been rectified.

CAMP FINDINGS

- 1) Kitchen equipment in some facilities IS in need of repair or replacement.
- 2) Sprinkler systems have not been installed in many facilities owing to the fact that they were built prior to current code standards.
- 3) Outdoor recreation areas in camps are in poor and unsafe condition and not conducive to recreational activity.
- 4) Probation Officers at camps are performing clerical and routine activities.
- 5) Maintenance in Probation camps is handled by LA County Public Works. The process requires excessive paperwork and Public Works IS slow in responding to maintenance issues.

- 6) Most camps have 12 hour nursing coverage 5 days a week.
- 7) Emergency generators at several camps are in need of repair or replacement.
- 8) Some camp staff reported that they had not been trained in the use of first aid and CPR.

CONCLUSIONS:

The Los Angeles County Sheriffs Department (LASD) manages the largest detention system in the county. Responsibilities include providing security services in all Los Angeles County courthouses, performing policing duties for all unincorporated areas in the county, and performing policing duties under contract with individual incorporated cities.

The Los Angeles Police Department (LAPD) has many detention facilities throughout the county. Most of the detention centers are short term holding areas since most detainees are transported to either Men's Central Jail or Twin Towers after fingerprinting and processing.

In addition, many cities have their own police departments that, in most instances, serve as holding facilities as well. Most detainees are quickly transferred to larger long term jails.

The 2007-2008 Civil Grand jury is pleased with the overall condition of the jails and holding facilities. Most meet or exceed standards required by the State of California. In spite of the inordinate number of detainees in the county processed daily, the facilities are well run and well managed.

2007-2008 CIVIL GRAND JURY
ADULT DETENTION FACILITIES INSPECTIONS
(Listed alphabetically by facility name)

PD = Police Department LASD = Los Angeles Sheriff Department

Facility Name	Operat ed by	Condition	Comments
77 th Street Division LAPD	PD	Satisfactory	Needs paint.
Alhambra PD	PD	Satisfactory	Clean and well run.
Alhambra Superior Court		Satisfactory	Generally good condition. Minor graffiti and peeling paint.
Antelope Valley	LASD	Satisfactory.	No padding on sobering cell.
Arcadia PD	PD	Satisfactory	Clean.
Avalon LACSD	LASD	Satisfactory	Inmates sent back to Mainland for processing.
Azusa PD	PD	Satisfactory	Clean and well run.
Baldwin Park PD	PD	Satisfactory	Needs padding in sobering cells.
Bell Gardens PD	PD		No sprinkler system in jail area. No emergency evacuation plan.
Bell PD	PD	Satisfactory	Paint/repair of sobering cell. No evacuation plan in jail area. Old facility.
Bellflower Court	LASD	Satisfactory	Generally good condition. Minor graffiti and peeling paint.
Beverly Hills PD	PD	Satisfactory	Minor repairs being addressed.
Beverly Hills Court	LASD	Satisfactory	Clean and well run.
Burbank PD	PD	Satisfactory	Well run facility.
Burbank Superior Court	LASD	Satisfactory	Very clean.
Carson LASD	LASD	Satisfactory	Very clean and well run.
Central Area LAPD	PD	Unsatisfactory	Staph-infected facility. Personnel need to be better informed on administrative procedures.
Central Arraignment Courts	LASD	Satisfactory	Excellent sally port. Elevator light fixtures need repair. Needs paint and graffiti

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			removal.
Century Regional I Detention Center, Lynwood	LASD	Satisfactory	Clean and well run facility in spite of overcrowding. Need better lighting in food storage area.
Compton Courthouse	LASD	Unsatisfactory	More deputies are needed for better security. Too much graffiti in cells. Overcrowded.
Covina PD	PD	Satisfactory	In good condition.
Crescenta Valley	LASD	Unsatisfactory	Dim lighting. Needs padding in sobering area. Sally port area not secure.
Criminal Courts	LASD	Satisfactory	Could use more computers for more efficiency and production.
Culver City PD	PD	Satisfactory	Well run facility.
Devonshire PD	PD	Satisfactory	Clean, well run facility.
Downey Courts	LASD	Satisfactory.	Food carts should be clutter free, clean at all times. Jail area needs to be kept clean.
Downey PD	PD	Satisfactory	Well maintained.
East Los Angeles Courts	LASD	Satisfactory	Clean, well run facility.
East Los Angeles Sheriff	LASD	Satisfactory	Clean.
El Monte Courts	LASD	Satisfactory	Well maintained.
El Monte PD	PD	Satisfactory	Clean and well run.
Foothill PD	LAPD	Unsatisfactory	Sobering cells are double-decked, thus unsafe. Dim lighting. Fenced area serves as a sally port.
Gardena PD	PD	Satisfactory	Old facility in need of repair but clean and well run. Need air conditioning
Glendale PD	PD	Satisfactory	Well run facility.
Glendale Superior Court	LASD	Unsatisfactory	Facility needs paint and repair of earthquake damage. Unsafe sally port needs to be made secure. Juvenile area unsecured. Plastic trash bags hanging in cells.
Glendora PD	PD	Satisfactory	Well run facility.
Harbor Area PD	LAPD	Satisfactory	Clean facility.
Hawthorne PD	PD	Satisfactory	Very clean and well run.

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Hermosa Beach PD	PD	Satisfactory	Old facility very clean.
Hollywood PD	LAPD	Satisfactory	New floors needed.
Huntington Park PD	PD	Satisfactory	Well kept facility. Fire extinguishers need to be relocated
Industry	LASD	Satisfactory	Generally clean. In process of refurbishing station. Jail is last to be done.
Inglewood PD	PD	Satisfactory	Well maintained.
Irwindale PD	PD	Satisfactory	Facility needs upgrading.
La Verne PD	PD	Satisfactory	Very clean facility.
LAC/USC Jail Ward	LASD	Satisfactory	Facility in good condition. Moving to a new location.
Lakewood	LASD	Unsatisfactory	Manuals need to be updated. Lower level needs to be refurbished. No sally port.
LAX Courthouse	LASD	Satisfactory	Very clean facility.
Lennox LASD	LASD	Satisfactory	Needs air conditioning. No sally port for unloading and loading of inmates. Excellent system for maintaining policy and procedures manuals.
Lomita LASD	LASD	Satisfactory	Better system of control over excess food.
Long Beach PD Long Beach PD (<i>continued</i>)	PD	Satisfactory	Valve to control water pressure and flow installed to prevent flooding in cells and showers.
Long Beach Superior Courts	LASD	Unsatisfactory	Not a well kept facility. In need of paint and graffiti removal.
Lost Hills	LASD	Satisfactory	Clean and well run.
Manhattan Beach PD	PD	Satisfactory	Very clean.
Maywood PD	PD	Satisfactory	Facility is currently being updated.
Men's Central Jail	LASD	Unsatisfactory	Facility should be shut down. Dirty and in disrepair.
Monrovia PD	PD	Satisfactory	Clean facility. In need of padding in sobering cell.
Mira Loma Detention	Fed / LASD	Satisfactory	Well run facility.
Montebello PD	PD	Satisfactory	Very good condition.

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Monterey Park PD	PD	Satisfactory	Very clean. No infractions found.
North County Correction Center	LASD	Satisfactory	Maximum security facility. Provides laundry for entire jail system.
North Hollywood LAPD	LAPD	Satisfactory	Well run facility
Northeast LAPD	LAPD	Unsatisfactory	Needs to be inspected for contamination caused by prior tenant. Possible cause of high percentage of staff illness.
Norwalk Courts	LASD	Satisfactory	Efficiently run.
Norwalk LASD	LASD	Satisfactory	Well run.
Pacific Area LAPD	LAPD	Satisfactory	Very clean. Well organized procedure manual system.
Pacoima LAPD/Foothill Community)	LAPD	Satisfactory	Exceptionally clean facility.
Palmdale LASD	LASD	Satisfactory	Very clean and well run.
Palos Verdes Estates PD	PD	Satisfactory	Very clean facility. No sobering cell.
Parker Center LAPD	LAPD	Satisfactory	Well run facility. Building being replaced due to earthquake damage. Staff well informed on procedures. Sally port should be used as an example for other LAPD facilities.
Pasadena PD	PD	Satisfactory	New mattresses, proper inspection of fire extinguisher. Fire suppression plan needs to be revamped.
Pasadena Superior Court	LASD	Unsatisfactory	Building has earthquake damage. Visible cracks in walls. Elevators aren't working properly. Not enough holding cells to contain detainees awaiting hearings.
Pico Rivera LASD	LASD	Satisfactory	Needs paint and graffiti removal.
Pomona Courts North	LASD	Satisfactory	Clean and well run.
Pomona Courts South	LASD	Satisfactory	Clean and well run.
Pomona PD	PD	Satisfactory	Good condition. Staff needs to be better informed on CSA reports.
Rampart Area LAPD	LAPD	Satisfactory	Fire extinguishers need to be inspected, refilled and date stamped.
Redondo Beach PD	PD	Satisfactory	Old, but very clean facility. New flooring and metal storage shelves for dry food storage needed
San Dimas LASD	LASD	Satisfactory	More staff needed
San Fernando PD	PD	Satisfactory	Clean and well run facility
San Fernando Superior Court	LASD	Satisfactory	Overcrowded at time of inspection.

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San Gabriel PD	PD	Satisfactory	No fire suppression plan. Some graffiti.
San Marino PD	PD	Satisfactory	Manuals need upgrading
Santa Clarita Courts	LASD	Satisfactory	Well run facility
Santa Clarita LASD	LASD	Unsatisfactory.	In general disrepair and dirty.
Santa Monica PD	PD	Satisfactory	Clean facility.
Sierra Madre PD	PD	Satisfactory	Well run facility.
South Gate Courts	LASD	Satisfactory	In need of paint, new lighting and graffiti removal.
South Gate PD	PD	Satisfactory	Needs to be painted. Graffiti on walls and floors.
South Pasadena PD	PD	Satisfactory	Clean facility.
Southwest Area LAPD	LAPD	Satisfactory	Clean facility. Food handling is exemplary.
Temple City LASD	LASD	Satisfactory	Needs more staff and better lighting.
Torrance PD	PD	Satisfactory	Well run facility.
Torrance Superior Court	LASD	Satisfactory	Holding cells need to be painted.
Twin Towers (one) LASD	LASD	Satisfactory	Generally well run facility. Well staffed medical facility. However, medication not being properly monitored. Refrigeration out of compliance. Food storage area excellent.
Twin Towers (two) LASD	LASD	Satisfactory	Area clean. Medication carts clean. Inmates need to be escorted to clinic in a timely manner. More personnel needed.
Van Nuys Courts	LASD	Satisfactory	Clean facility. Staff needs to be informed of location of procedure manuals.
Vans Nuys LAPD	LAPD	Satisfactory	Well run facility.
Vernon PD	PD	Satisfactory	Clean and well run facility.
Walnut LASD	LASD	Satisfactory	Facility in very good condition.
West Covina PD	PD	Satisfactory	Needs paint & graffiti removal.
West Hollywood LASD	LASD	Satisfactory	Needs more staff.
West LA LAPD	LAPD	Satisfactory	Well run. In need of more staff.
West Valley LASD	LASD	Satisfactory	Clean and well maintained.
Whittier Courts	LASD	Satisfactory	Vent covers needed.
Whittier PD	PD	Satisfactory	Clean facility.
Wilshire Area LAPD	LAPD	Satisfactory	Well organized facility. Knowledgeable staff.

**2007-2008 CIVIL GRAND JURY
JUVENILE DETENTION PROBATION FACILITIES INSPECTIONS**

(Listed alphabetically by facility name)

Facility Name	Condition	Comments
Camp Afferbaugh	Satisfactory	Refrigerator/freezer has been broken for three months. An outdoor freezer is currently being used. Need more outdoor lighting. Maintenance department needs to be decentralized. Facility lacks automatic sprinkler system since it was not required at the time the building was constructed. There is a need for more intramural/after school programs. Current manuals dated 1990 and are under revision. Basketball court needs to be resurfaced. Fire extinguisher certification is not current.
Camp Dorothy Kirby M.H. (Treatment Facility)	Satisfactory	Well run special needs facility. Male and female. No automatic sprinkler system throughout facility. Laundry room floors need repair. Kitchen clean and orderly. Impressive educational operation.
Camp Gonzales	Satisfactory	Cracks in walk-in refrigerator & freezer floors needs major repair, freezer door needs repair, rusting metal window frames in dining hall, peeling paint on overhang in some buildings. Special handling building is mostly unused & empty.
Camp Holton	Satisfactory	Well run. Needs paint in dormitories

Camp Kilpatrick	Satisfactory	Food preparation services shared with Camp Miller. Gym has been red tagged since 1993. Needs to be replaced. Special unit ward needs refurbishing. Needs paint and graffiti removal. Staff must keep a log of times oxygen administered in order to monitor capacity. Mold observed in restrooms and shower area. Laundry facility needs to be updated or contracted out. Transportation of youth to medical facilities requires an inordinate amount of staff time.
Camp Mendenhall	Satisfactory	Gym door needs repair or replacement. Dorm fire extinguishers certification must be updated. Nursing services should be 16 hours per day. Emergency generator needs to be replaced. Student computers need to be upgraded. Staff resides on site.
Camp Miller	Satisfactory	Food preparation facilities shared with Kilpatrick. Droppings observed in food storage areas. Need better laundry facilities and fire sprinkler system in office area.
Camp Munz	Satisfactory.	Well run facility. Need to replace very old emergency generator.
Camp Paige	Satisfactory	Excellent conditions in kitchen and dining area. Forestry camp used on a limited basis for older detainees (18 years). As a safety precaution, a fence should be built on hillside next to the dining area above the recreation field.
Camp Rocky	Unsatisfactory	Need fire extinguishers in dormitories. Increase staffing related to high risk and safety of everyone. Ensure that all food that is prepared be dated and stamped. 24/7 nursing staff in 12 hour shifts. Remove

		cleaning solution from outside to a locked safe area. Needs paint.
Camp Routh	Satisfactory	Fire camp serving males 17 years old and older. Well run minimum security facility.
Camp Scott (female)	Satisfactory	Clean and well run. Minor graffiti.
Camp Scudder (female)	Satisfactory	Clean and well run. Track in dire need of repair. Need improved laundry equipment. Mental Health professionals counsel minors being processed out of the system.
Challenger Camp Included: Camp Jarvis, Camp McNair, [Camp Onizuka-closed], Camp Resnick, Camp Scobee, and Camp Smith	Satisfactory	Well run facility with coordinated interagency staff. Kitchen run by contractors currently being remodeled. Nurses available 24/7. MD on duty five days a week. Staff resides on site.
Eastlake Detention Center	Satisfactory	Well maintained. Kitchen well organized. Repair tiles in medical building. Need new medical facility.
Eastlake Juvenile Courts	Satisfactory	Well run. Need additional mental health court facilities.
Eastlake Juvenile Facility.	Satisfactory	Overcrowded conditions.
Edelman Children's Court	Satisfactory	Very well kept facility. Holding cells for detained adults awaiting appearance in Children's Court.
Los Padrinos Juvenile Hall	Satisfactory	Well run facility with adequate medical staffing. Out of compliance with labeling and dating of medication. No crash cart or defibrillator. Currently undergoing defibrillator training.
Sylmar Juvenile Courts/Barry Nidorf Juvenile Hall	Satisfactory	Clean facility serving males and females in separate quarters. No sprinklers in dorms.

JAIL / DETENTION FACILITY RECOMMENDATIONS

Recommendation 1: The Sheriff's Department, Probation Department and police agencies should utilize non-sworn personnel to perform clerical and routine duties.

Recommendation 2: Crescenta Valley LASD, Glendale Courthouse, Lakewood LASD, Lennox LASD. There is a need to construct secure facilities to transport inmates to or from buses to holding areas in order to protect staff, inmates and the public.

Recommendation 3: All LASD and LAPD detention facilities should be well lit.

Recommendation 4: Pasadena and Glendale Courthouses with LASD holding facilities need earthquake repair and retrofitting.

Recommendation 5: LASD and LAPD policy and procedure manuals need to be kept in a central location and reviewed annually and updated as necessary. These manuals should be available to the public on demand.

Recommendation 6: It is strongly recommended that the number of deputies at the Compton Courthouse be increased and that an additional high security floor be added. Escorting inmates from detention to courtroom lock ups with too few escorts endangers the safety of the public, court employees and Sheriff's deputies.

Recommendation 7: Boxed / dry and refrigerated foods in LASD jails and detention facilities must observe first in first out rotation of products. Food containers must be labeled to indicate contents and expiration date. All food products must be disposed of by the expiration date.

Recommendation 8: All medications in LASD jails and detention facilities must be adequately secured and dispensed only by licensed personnel or trained non-licensed personnel. Inmates receiving medication should be properly identified by wrist bands.

Recommendation 9: An inspection by EPA and/or Cal OSHA to ensure staff safety and determine if the LAPD Northeast facility should remain in use.

CAMP RECOMMENDATIONS

Recommendation 1: Kitchen equipment should be repaired or replaced in most camps.

Recommendation 2: All camps should be retrofitted with adequate fire suppression systems.

Recommendation 3: Refurbish outdoor recreation areas in poor or unsafe condition so that intramural sports could be instituted at male and female camps.

Recommendation 4: In lieu of Probation Officers, more Detention Service Officers should be hired to perform clerical and routine duties in camps.

Recommendation 5: Maintenance concerns in Probation Camps should be performed in a more efficient and timely manner.

Recommendation 6: All camps should have 12 hour licensed nursing coverage 7 days a week.

Recommendation 7: Non-functioning generators should be repaired or replaced in a timely manner.

Recommendation 8: All camp staff should have current CPR and First Aid certification.

Recommendation 9: The gym at Camp Kilpatrick needs to be replaced.

Recommendation 10: All medication must be adequately secured and dispensed only by licensed personnel or trained non-licensed personnel. Juveniles receiving medication should be properly identified by wrist bands.



REPORT OF THE CONTINUITY COMMITTEE

2007-2008 Los Angeles County Civil Grand Jury Standing Committee

Nicolina Friedman, Chair

**John Gleiter
Lionel S. Martinez
Ernest Oestreich**

REPORT OF THE CONTINUITY COMMITTEE

INTRODUCTION

The Continuity Committee is a standing committee which serves as a bridge between all Civil Grand Juries, prior, current and future. It is responsible for informing the current jury of investigations done by its predecessors and maintaining a record of those investigations as well as studies by other agencies i.e. the County Auditor/Controller. It reinforces the role of the Civil Grand Jury by ensuring that last year's recommendations made to governmental entities are responded to properly.

To fulfill its responsibility, the 2007-2008 Continuity Committee reviewed prior reports, looked at areas of duplication, reviewed responses to recommendations, communicated with non-responders, and updated the summary of investigations. The committee also maintained a list of topics with background materials that represented issues of interest to the current jury but were not investigated due to budget and time constraints. This list will be passed on to the foreperson of the 2008-2009 Civil Grand Jury for possible consideration.

METHOD

According to the Penal Code 933 (c), the Civil Grand Jury may investigate and make findings and recommendations to Los Angeles County governing bodies, elective officers, or agency heads. The governing body of the public agency addressed shall comment to the presiding judge of the Superior Court on the findings and recommendations pertaining to matters under its control. Every elected county officer or agency head for which the grand jury has responsibility pursuant to Section 914.1 shall comment within 60 days to the presiding judge of the Superior Court. The code specifically states that elected county officers or agency heads must respond to the presiding judge within 60 days and governing bodies are required to respond within 90 days.

Section 933.5 states:

“a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is

disputed and shall include an explanation of the reasons therefore.”

For each grand jury recommendation, the responding person or entity shall report one of the following actions:

- (1) “The recommendation has been implemented, with a summary regarding the implemented action.
- (2) “The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation. The recommendations require further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame from the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.
- (3) “The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.”

Written responses to Civil Grand Jury Final Report recommendations should be sent to:

Presiding Judge of the
Los Angeles County Superior Court,
111 North Hill Street, Room 204
Los Angeles, California 90012

It is the responsibility of the Continuity Committee to follow up on all recommendations made to cities, county department heads, redevelopment agencies, and the Board of Supervisors. This means to verify that responses were received from the appropriate agencies in accord with the statutes. The process began as soon as the committee was established by identifying all recommendations made by the 2006-2007 Civil Grand Jury. We developed methods for reporting the existence of all responses made to those recommendations.

It is essential that the recommendations made by the jury be clear, concise, and have actual merit. It is also necessary that responses made to recommendations

demonstrate an understanding of the content of the recommendation and provide a clear blueprint for implementation, or a clear reason why it would not work. In some cases a city/agency indicated that they agreed with a recommendation and would implement it on a particular date.

Responses to recommendations, dating back five years, can be found online at www.lasuperiorcourt.org

(See following page for Summary of Recommendations and Responses)

SUMMARY OF RECOMMENDATIONS AND RESPONSES

The 2006-2007 Civil Grand Jury studied ten subjects, made ninety-three recommendations, and made no recommendations on one subject. The recommendations, responding agencies and number of responses are summarized in the following table. A designation of satisfactory indicates that the response to the recommendation demonstrated an understanding of the content and provided a clear blueprint for implementation, or a clear reason why it would not work.

SUBJECT OF INVESTIGATIONS	NO. OF RECOMMENDATIONS	AGENCY RESPONDING	SATISFACTORY RESPONSES
Avoiding Code Blue	16	DHS	16
Juvenile Custodies Are We Paying Twice?	5	DPSS, PROBATION , DCFS	5
Crisis in Communication. Preventing Child Fatality and Maltreatment.	32	CEO, DCFS, DPH	32
Disaster Preparedness	1	OEM, CEO	1
Emergency Rooms and Clinics	4	DHS, BD. OF SUPERVISORS	4
Group Homes	11	DCFS, CEO, AC, PROBATION, BD. SUPERVISORS	11
Hybrid Vehicles	1	ISD, FSD	1
LAHSA	11	L.A. Cnty, L.A. City	11
Solar Energy	0	Survey of 88 Municipalities	0

ABBREVIATIONS:

AC	Auditor Controller, Los Angeles County
CEO	Chief Executive Officer, Los Angeles County
DCFS	Department of Children and Family Services, Los Angeles County
DHS	Department of Health Services, Los Angeles County
DMH	Department of Mental Health, Los Angeles County
DPH	Department of Public Health, Los Angeles County
DPSS	Department of Public Social Services, Los Angeles County
FSD	Fleet Services Department, Los Angeles City
ISD	Internal Services Department, Los Angeles County
OEM	Office of Emergency Management, Los Angeles County



REPORT OF THE AUDIT COMMITTEE

2007-2008 Los Angeles County Civil Grand Jury Standing Committee

Arnie L. Spears, Chair

**James Kaiser
Claire Stone**

REPORT OF THE AUDIT COMMITTEE

INTRODUCTION

The Audit Committee was charged with selecting the consulting or auditing organizations that the Civil Grand Jury might use in conducting its investigations of the fiscal and operational performance of Los Angeles County government and other local public entities. The committee also monitored negotiation of contracts and the progress of contracted audits.

BACKGROUND

Under California Penal Code §§ 925, 925(A), 933.1 and 933.5, the Los Angeles County Civil Grand Jury is empowered to investigate local government agencies in the County of Los Angeles. To assist the Civil Grand Jury, the Los Angeles County Board of Supervisors provided an operating budget which includes monies to engage independent consultants and/or auditors, as needed.

METHOD

The Audit Committee reviewed the county's list of approved vendors and established an initial list of firms that met the committee criteria. An invitation to make a general presentation to the Grand Jury was extended to the vendors. Following the presentations, several vendors were invited to respond to a Request for Proposal (RFP). The Audit Committee reviewed all of the proposals submitted, and recommended specific firms for approval by the full Civil Grand Jury. Upon selection of the firms, an Audit Committee liaison was assigned to as a resource to each of the investigative committees involved. The liaisons attended meetings with the auditors, committees, and representatives of governmental agencies. The Audit Committee monitored project progress, interim report requests, and billing invoices submitted by the audit / consulting firms.

SUMMARY

During the 2007-2008 Civil Grand Jury term, two audit / consulting firms were engaged to assist with three investigations.



REPORT OF THE EDIT AND PUBLICATION COMMITTEE

2007-2008 Los Angeles County Civil Grand Jury Standing Committee

Ernest Oestreich, Chair

**John Gleiter
Lionel S. Martinez
Richard Niederberg
Dorothy M. Schneider**

REPORT OF THE EDIT AND PUBLICATION COMMITTEE

BACKGROUND

The Civil Grand Jury's final report fulfills the California Penal Code Section 933(a) requirement to provide the Presiding Judge of the Los Angeles Superior Court with a final report at the conclusion of the jury's one year term of office. This report summarizes the result of the activities, inquiries, audits and investigations conducted by the various committees of the Civil Grand Jury.

METHOD

Each committee of the Civil Grand Jury was responsible for determining its topics of concern, conducting studies, gathering pertinent data and supervising investigations within its field of interest. At least fourteen members of the entire Civil Grand Jury are required to approve any investigations recommended by the committee. The Civil Grand Jury can engage a professional auditing firm to assist a committee in a major investigation. Upon completion of investigations, written reports were submitted to the edit committee for editing and publication. The Edit and Publication Committee has no authority to make substantive changes, alter facts or delete materials in a contract audit report or committee report. Suggested changes must be reviewed by the appropriate committee and the Civil Grand Jury. The Final Report was reviewed and approved by the entire Civil Grand Jury as well as County Counsel for consistency with the law. After review, the Supervising Judge of the Criminal Division of the Los Angeles Superior Court gave final approval.

The Edit and Publication Committee was responsible for choosing a printer, selecting layout, format, photographs, graphics, stylization, presentation and overall project management. After all approvals were made, the report was then presented to a private sector printer, which made copies for public distribution. A number of compact disks were also produced.

The Final Report can be accessed on the Grand Jury website:

http://www.lasuperiorcourt.org/jury/grand_jury.htm.

FINALITY OF REPORTS

All reports issued by the Civil Grand Jury are final. Once issued, they cannot be changed. The Civil Grand Jury speaks with one voice through the report of its findings and recommendations. The law does not permit minority reports or other expressions of opinions. The Final Report is the only document through which the Civil Grand Jury communicates with the public.