

## **APPENDIX I: FORMAL RESPONSES AND ACTION PLANS**

As part of our protocol, we requested the CAO, General Services, and Building and Safety to provide an action plan to recommendations contained in this Review. Their respective action plans are presented in this Appendix. We thank City staff and management for their time and cooperation during this Review.

**CITY OF LOS ANGELES  
INTER-DEPARTMENTAL CORRESPONDENCE**

DATE: February 19, 2019

TO: Ron Galperin  
City Controller

Attn: Bob Wingenroth, Director of Auditing

FROM: Frank M. Bush, General Manager  
Department of Building and Safety



SUBJECT: **DEPARTMENT OF BUILDING AND SAFETY'S RESPONSE TO THE  
CONTROLLER'S "DRAFT REPORT ON ACTIONS TAKEN TO ADDRESS  
RECOMMENDATIONS"**

The Department appreciates the time and effort the Controller's Audit team has put into its "special review" and subsequent draft report titled: Preventing Fraud and Abuse in Information Technology Contracts. The Report was submitted to the Department on February 8, 2019, we have reviewed it and concur with the overall recommendations contained in the Controller's draft review.

Additional information and requested clarification relative to the draft report for the Special Review is included in the attachment titled "Status of Draft Audit Recommendations." Should you have any questions or if additional information is needed please contact Steve Ongele, Chief of Resource Management Bureau, at (213) 482-6703.

Attachment:  
Status of Draft Review Recommendations

FMB:oy:so:amy:zd

**LIST OF RECOMMENDATIONS AND CURRENT IMPLEMENTATION STATUS**

Report Title:  
 Department responsible for Implementation:  
 Reported Status Date:

Preventing Fraud and Abuse in Information Technology Contracts  
 Building and Safety  
 2/19/2019

Summary Description of Finding	Rec. No.	Recommendation	Current Status Code	DEPARTMENT REPORTED INFORMATION		
				Basis for Status	% of Implementation	Target Date for Implementation
<b>I. Enhancing Management Oversight and Control</b>	<b>1</b>	<b>To enhance management oversight and control, Building and Safety:</b>				
		a) Include explicit language in its newly developed policies and procedures that professional services (i.e., general consulting, application development, and programing services) are not permitted to be procured through the City's IT commodity contracts, to correspond with the Los Angeles City Charter and Administrative Code and the related IT commodity contracts.	Implemented	N/A	100%	Implemented
		b) Require the use of budgets and work orders for defined IT projects. The work orders should be used to track all employee time (costs), product costs, and any professional service costs incurred for these IT projects.	Implemented	N/A	100%	Implemented
		c) Implement a process in which its General Manager reviews and approves for all transfers or repurposing of Technology Services' approved Systems Development Budget line items (over an established dollar threshold) with written justification to support the rationale for the transfer or repurposing request.	Implemented	N/A	100%	Implemented
		d) Establish formal performance metrics to monitor the implementation (including associated costs) of defined, large-scale IT projects.	Not Yet Implemented	Will work with the Controller to implement the recommendation.		May 2019
		e) Require a short narrative to be included in Technology Services overtime reports to justify the operational need for overtime and monitor trends in overtime usage.	Implemented	N/A	100%	Implemented
		f) Send an annual reminder to all Building and Safety employees to report any outside business activities. Any reported outside business activities should be reviewed, approved, and acknowledged by management, ensuring that the activities do not represent a potential conflict of interest.	Implemented	N/A	100%	Implemented
		g) Establish a IT contracted staff selection committee comprised of the new Assistant General Manager at Technology Services, the Resource Management Assistant General Manager at Resource Management, and Building and Safety's Personnel Director (or their designees) to ensure new requests for Technology Services' contracted staff are justified; and resume reviews, interviews, and selections are conducted in a fair and objective manner, with the most qualified contracted staff selected. The resumes and interview evaluation sheets completed by this selection committee should be retained and filed by Resource Management to ensure supporting documentation is retained in a centralized location.	Implemented	We agree with the concept of independent panelists, we will ensure the independence of the panel by including Personnel and an independent expert panel member to be designated by the Executive Office in addition to the subject matter expert(s) from the Technology Services Bureau.	100%	Implemented
		h) Require IT contracted staff who have access to confidential or sensitive information to undergo a background check.	Not Yet Implemented	Department is working with the Personnel to implement by April 2019. The Department will offer Conditional job offers to candidates but will rescind the offer if the result does not meet Personnel standards for security clearance.		April 2019
<b>III. Increasing Building and Safety's Budget and Fee Transparency</b>	<b>4</b>	<b>To increase budget and fee transparency, Building and Safety:</b>				
		a) Re-evaluate Technology Services' System Development Budget line items to ensure planned expenditures are justified and based upon operational needs.	Implemented	N/A	100%	Implemented
		b) Complete a detailed study of all fees resulting in revenues deposited into the Building Permit Enterprise Trust Fund, to ensure the fees, including the Building Valuation Table, are properly supported and based upon estimated reasonable costs of providing the services rendered.	In Progress	Vendor has been selected - SOW Development in process	5%	June 2020
		c) Submit updated fees, including any updates to the Building Valuation Table, to the City Council for review and approval.	Not Yet Implemented	Awaiting fee study	0%	June 2020
		d) With the assistance of the CAO, dedicate the Special Fund's entire Departmental appropriation to the Building and Safety budget, and present all detailed expense categories as part of Building and Safety's budget.	Not Yet Implemented	LADBS will work with CAO to implement in the next budget cycle FY 2020-21	N/A	November 2019

**Current Status Code**

- I - Implemented
- PI - Partially Implemented or In Progress
- NYI - Not Yet Implemented
- D - Disagree

**LIST OF RECOMMENDATIONS AND CURRENT IMPLEMENTATION STATUS**

Report Title:  
 Department responsible for Implementation:  
 Reported Status Date:

**Preventing Fraud and Abuse in Information Technology Contracts  
 General Services Department (GSD)  
 2/19/2019**

Summary Description of Finding	Rec. No.	Recommendation	Current Status	DEPARTMENT REPORTED INFORMATION		
				Basis for Status	% of Implementation	Target Date for Implementation
II. Strengthening Citywide Policies and Controls	2	<b>To strengthen Citywide policies and controls, General Services Department:</b>				
		a) Provide periodic reminders to all City employees responsible for procuring, receiving, or processing payments for IT commodities on what is permitted and not permitted to be purchased through the City's IT commodity contracts.	GSD will provide periodic reminders to City employees for procurement specific to IT commodities.	I		
		b) Work with the City Attorney to include a limit within the City's IT commodity contracts for the maximum percentage of installation and maintenance services (if any) that can be associated with IT product purchases.	GSD will discuss the recommendation with the City Attorney's office to determine if including a limit on the maximum percentage of installation and maintenance services on commodity contracts is in the best interest of the City.	NYI		
		c) Submit an annual information report to City management, including both the Information Technology and General Services Sub-Committee and the Budget and Finance Sub-Committee of City Council, listing amounts expended by departments through the City's IT commodity contracts.	GSD will develop and submit a report to the Information, Tehcnology, and General Services (ITGS) Committee in the first quarter for prior fiscal year IT contract expenditures. The ITGS Committee can refer questions to the Budget and Finance Committee for appropriate disposition. Each Department is responsible for specific details related to expenditures listed on the report if requested by Council.	NYI		
		d) Institute a policy requiring City departments to upload supporting documents into FMS related to the receipt of products, installation services, or software and hardware maintenance being paid through any IT commodity contract, further verifying that the items are authorized by the underlying IT commodity contract.	GSD will review system capabilities and role attributes within the FMS Procurement module to determine feasibility. GSD will develop procedures and conduct system testing, and will coordinate implementation through the Information Technology Policy Committee working group, with a target implementation date of January 1, 2020. Once implemented, Departments are responsible for monitoring, compliance and validation of supporting documentation.	NYI		1-Jan-20
	e) Work with the City Attorney to ensure all IT commodity contracts to contain consistent emphasis language that: 1) explicitly states professional services, such as general consulting and all forms of IT application development and programing services are not allowed to be procured through IT commodity contracts; and, 2) the City, including the Controller's Office, have the right to complete audits to verify contract compliance and that the contractor will provide the necessary information to complete these audits.	2.e.1 GSD will work with the City Attorney to review contract terms and conditions and strengthen if appropriate.  2.e.2 GSD will work with the City Attorney to review current terms and conditions including amending terms and conditions to require vendors to retain records at no cost to the City for the Contract term plus 5 years.				

I - Implemented  
 PI - Partially Implemented or In  
 NYI - Not Yet Implemented  
 D - Disagree

**LIST OF RECOMMENDATION(S)**

**Report Title:**  
**Department responsible for Implementation:**  
**Reported Status Date:**

**Preventing Fraud and Abuse in Information Technology Contracts**  
**CAO**  
**2/20/2019**

Summary Description of Finding	Rec. No.	Recommendation	Current Status Code	DEPARTMENT REPORTED INFORMATION		
				Basis for Status	% of Implementation	Target Date for Implementation
<b>III. Increasing Building and Safety's Budget and Fee Transparency Detail in the Budget for Building Permit Enterprise Fund</b>	5	<b>To increase Building and Safety's budget and fee transparency, the CAO should:</b>				
		a) Monitor and review Building and Safety's fee process to ensure that the fees are adjusted based upon the consumer price index annually, and that fee studies (including the Building Valuation Table) are conducted every three years, reviewed for appropriateness, and submitted to Council for approval.	NYI	Building and Safety's fee study is currently in progress.		
		b) Determine the best option for Building and Safety to delineate its contracts, including professional service contracts, and anticipated contract expenditures in the budget.	PI	This Office has begun examining options for providing additional detail on DBS contracts within the budget utilizing a new non-departmental page or including categorical contract information within the Building and Safety Building Permit Enterprise Fund	20%	Aug-19
		c) Review support for Building Permit Enterprise Fund Budget reserve line items to determine if the reserve amounts are required and properly supported and reported.	PI	This Office has begun reviewing the Building Permit Enterprise Fund reserves as part of the annual budget process and working to confirm the amount of reserves that are properly supported and required to support Building and Safety	30%	Aug-19

**Current Status Codes**

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