

CITY OF LOS ANGELES  
CALIFORNIA



ANTONIO R. VILLARAIGOSA  
MAYOR

FRANK T. MARTINEZ  
City Clerk

KAREN E. KALFAYAN  
Executive Officer

When making inquiries  
relative to this matter  
refer to File No.

Office of the  
CITY CLERK  
Council and Public Services  
Room 395, City Hall  
Los Angeles, CA 90012  
Council File Information - (213) 978-1043  
General Information - (213) 978-1133  
Fax: (213) 978-1040

CLAUDIA M. DUNN  
Chief, Council and Public Services Division  
[www.cityclerk.lacity.org](http://www.cityclerk.lacity.org)

04-2415

December 20, 2006

Controller, Room 300  
Accounting Division, F&A  
Disbursement Division

RE: NOTE AND FILE THE CONTROLLER REPORT RELATIVE TO THE FRAUD, WASTE AND  
ABUSE UNIT ACTIVITY FOR THE QUARTER ENDING JUNE 30, 2006

At the meeting of the Council held DECEMBER 19, 2006, the following action  
was taken:

Attached report adopted.....	<u>          X          </u>
Attached motion (-) adopted.....	<u>                          </u>
Attached resolution adopted.....	<u>                          </u>
FORTHWITH.....	<u>                          X          </u>
Mayor concurred .....	<u>                          </u>
Motion adopted to approve communication recommendation(s).....	<u>                          </u>
Motion adopted to approve committee report recommendation(s)...	<u>                          </u>
Ordinance adopted.....	<u>                          </u>
Ordinance number.....	<u>                          </u>
Publication date.....	<u>                          </u>
Effective date.....	<u>                          </u>
Mayor approved.....	<u>                          </u>

*Frank T. Martinez*  
City Clerk  
vdw

PLACE IN FILES  
JAN - 4 2007  
DEPUTY

*AA* *es 1/3/07*



49

TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your AUDITS AND GOVERNMENTAL EFFICIENCY Committee

reports as follows

Public Comments: YES NO  
XX

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE REPORT relative to the Fraud, Waste and Abuse Unit activity for the quarter ending June 30, 2006.

Recommendation for Council action:

NOTE and FILE the City Controller report, dated August 9, 2006, relative to the Fraud, Waste and Abuse Unit activity for quarter ending June 30, 2006, inasmuch as the report is for information only and no Council action is necessary.

Fiscal Impact Statement: Not applicable.

Summary:

At a special meeting on November 22, 2006, the Audits and Governmental Efficiency Committee considered a report from the City Controller relative to the Fraud, Waste and Abuse Unit Activity for quarter ending June 30, 2006. The Controller reports during this period the Unit has continued to become more operational, resulting in more time being devoted to investigating and evaluating allegations. The Unit has also continued its efforts in finalizing the Unit's policy and procedure guidelines. In addition, the Unit began developing a fraud awareness training program for presentation to appropriate City personnel. The program is being established to educate City employees about common schemes used to perpetrate fraud and promote awareness of specific indicators to look for and, if appropriate, report to the Unit. The training will be presented first to Controller staff then to other departments.

After some discussion, the Audits and Governmental Efficiency Committee recommended to note and file this report, inasmuch as the report is for information only and no Council action is necessary. This matter is now forwarded to Council for its consideration.

Respectfully submitted,

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE

Report  
**ADOPTED**  
DEC 19 2006  
LOS ANGELES CITY COUNCIL  
**FORTHWITH**

MEMBER VOTE  
HUIZAR YES  
ZINE YES  
GREUEL ABSENT

COUNCIL VOTE

Dec 19, 2006 10:19:20 AM, #1

Items for Which Public Hearings Have Been Held - Items 18-65

Voting on Item(s): 21-57,59-65

Roll Call

CARDENAS	Yes
GREUEL	Yes
HAHN	Yes
HUIZAR	Yes
LABONGE	Absent
VACANT	Absent
PARKS	Yes
PERRY	Absent
REYES	Absent
ROSENDAHL	Yes
SMITH	Yes
WEISS	Yes
WESSON	Yes
ZINE	Yes
*GARCETTI	Yes

Present: 11, Yes: 11 No: 0

**AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE  
SUGGESTED NOTIFICATION OF COUNCIL ACTION**

Council File No. 04-2415

- Council Member(s) \_\_\_\_\_
- Interested Department \_\_\_\_\_
- Mayor (with/without file) \_\_\_\_\_
- Chief Legislative Analyst \_\_\_\_\_
- City Administrative Officer \_\_\_\_\_
- Controller \_\_\_\_\_
- City Attorney (with blue sheet/ without blue sheet) \_\_\_\_\_
- Treasurer \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_



OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

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

August 9, 2006

Audits and Governmental Efficiency Committee  
c/o Office of the City Clerk  
Room 395, City Hall

Dear Honorable Members:

**SUBJECT: FRAUD, WASTE AND ABUSE UNIT ACTIVITY REPORT  
QUARTER ENDING JUNE 30, 2006**

This report summarizes the activity of the Fraud, Waste and Abuse Unit (Unit) for the quarter ending June 30, 2006. During this period the Unit has continued to become more operational, resulting in more time being devoted to investigating and evaluating allegations. The Unit has also continued its efforts in finalizing the Unit's policy and procedure guidelines.

A task order was issued to engage the services of an outside consultant to evaluate and make recommendations of the Unit's draft policy and procedures and to comment on overall operations of the Unit. Many of the recommendations made by the consultant have been incorporated within the guidelines.

Citizens, employees, and vendors continue to contact me directly to report wrongdoing by City employees, to complain about services, waste and abuse, and to offer suggestions regarding improvements to City operations. During this last quarter, my office has received an additional 51 allegations and complaints involving City activities or resources. Below is a summary of actions taken on these issues:

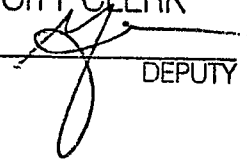
- Seventeen allegations have been referred to City departments for their investigation and resolution.
- Five allegations are being considered as potential areas for future audits.
- Unit staff initiated two investigations.
- Three allegations are pending disposition.

**AUDITS & GOVERNMENTAL  
EFFICIENCY**

**AUG 22 2006**

RECEIVED  
CITY CLERK'S OFFICE

2014 AUG 22 AM 8: 50

CITY CLERK  
BY  \_\_\_\_\_  
DEPUTY

For the remaining 24 allegations, a determination was made that no further action was required or the matter was resolved. This determination is usually a result of insufficient information being provided, or a general complaint with no specific allegations.

The Unit also investigated and substantiated five allegations that resulted in the following actions:

**Case Number: 2006-081**

The Los Angeles District Attorney's Office filed a felony complaint against a Department of Recreation and Parks employee on a charge of Misappropriation of Public Funds. The employee resigned from her position.

**Case Number: 2006-089**

An investigation conducted by the Unit resulted in the filing of a 310-count criminal complaint by the City Attorney against a Los Angeles parking lot company and its owner for conspiring to remit hundreds of thousands of dollars of parking taxes to the City and operating the lots without required permits.

**Case Number: 2006-100**

A Los Angeles Fire Department mechanic was directed to work on an office renovation project outside the scope of his duties. Corrective action resulted in the admonishment of management and personnel to discontinue using Department employees to do work of this type.

**Case Number: 2006-119**

A Department of Recreation and Parks (RAP) supervisor falsified payment vouchers in order to compensate a non-employee for work performed at a RAP facility. The supervisor received a 20-day suspension by the Department.

**Case Number: 2006-121**

An anonymous complaint stated that employees' full social security numbers were routinely included on Department of General Services (GSD) forms, compromising confidentiality. GSD implemented new procedures and amended various personnel forms to use an alternate identifier.

In addition, the Unit began developing a fraud awareness training program for presentation to appropriate City personnel. The program is being established to educate City employees about common schemes used to perpetrate fraud and promote awareness of specific indicators to look for and if appropriate report to

Audits and Governmental Efficiency Committee  
August 9, 2006  
Page 3

the Unit. The training will be presented first to Controller staff, then rolled out to other departments anticipated in October, 2006.

If you have any questions about the Unit, please call Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive style with a large initial "L".

LAURA N. CHICK  
City Controller



FRANK T. MARTINEZ  
City Clerk

KAREN E. KALFAYAN  
Executive Officer

When making inquiries  
relative to this matter  
refer to File No.

CITY OF LOS ANGELES  
CALIFORNIA



ANTONIO R. VILLARAIGOSA  
MAYOR

Office of the  
CITY CLERK  
Council and Public Services  
Room 395, City Hall  
Los Angeles, CA 90012  
Council File Information - (213) 978-1044  
General Information - (213) 978-1133  
Fax: (213) 978-1040

CLAUDIA M. DUNN  
Chief, Council and Public Services Division

04-2415

June 21, 2006

Controller, Room 300  
Accounting Division, F&A  
Disbursement Division

RE: NOTING AND FILING THE CONTROLLER'S REPORT DATED APRIL 26, 2006  
RELATIVE TO THE FRAUD, WASTE AND ABUSE UNIT ACTIVITY REPORT FOR THE  
QUARTER ENDING MARCH 31, 2006

At the meeting of the Council held June 20, 2006, the following action  
was taken:

Attached report adopted.....	_____ X _____
Attached motion ( ) adopted.....	_____
Attached resolution adopted.....	_____
FORTHWITH.....	_____
Ordinance adopted.....	_____
Motion adopted to approve communication recommendation(s).....	_____

*Frank T. Martinez*

City Clerk  
jr

PLACE IN FILES  
JUN 30 2006  
DEPUTY  
CA



*6/21/06  
PJK*



19

TO THE COUNCIL OF THE CITY OF LOS ANGELES

Your AUDITS AND GOVERNMENTAL EFFICIENCY Committee

reports as follows:

Public Comments: Yes No  
XX    

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE REPORT relative to the Fraud, Waste and Abuse Unit activity report for the quarter ending March 31, 2006.

Recommendation for Council action:

NOTE and FILE the City Controller report, dated April 26, 2006, relative to the Fraud, Waste and Abuse Unit activity report for the quarter ending March 31, 2006, inasmuch as the report is for information only and no Council action is necessary.

Fiscal Impact Statement: Not applicable

Summary:

At a special meeting held on May 31, 2006, the Audits and Governmental Efficiency Committee considered a City Controller report, dated April 26, 2006, relative to the Fraud, Waste and Abuse Unit activity report for the quarter ending March 31, 2006. The Controller reports that for the quarter ending March 31, 2006, the Unit has received 29 allegations and complaints involving City activities or resources. Of the 29 allegations, 8 have been referred to City departments for their investigation and resolution, 9 are being considered as potential areas for future audits, 2 are currently under investigation by Unit staff, 1 is pending disposition and 9 were determined to need no further action.

During the discussion of this matter, representatives of the Controller's Office addressed related questions from the Committee. After some discussion, the Committee recommended to note and file the Controller's report, dated April 26, 2006, inasmuch as the report is for information only and no Council action is necessary. This matter is now forwarded to Council for its consideration.

Respectfully submitted,

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE

MEMBER VOTE  
HUIZAR YES  
ZINE YES  
GREUEL YES

PYL  
6/1/06  
#042415c.wpd

Rept  
**ADOPTED**  
JUN 20 2006

**LOS ANGELES CITY COUNCIL**

COUNCIL VOTE

Jun 20, 2006 10:33:58 AM, #2

Items for Which Public Hearings Have Been Held - Items 14-41  
Voting on Item(s): 16-32,34,36-41  
Roll Call

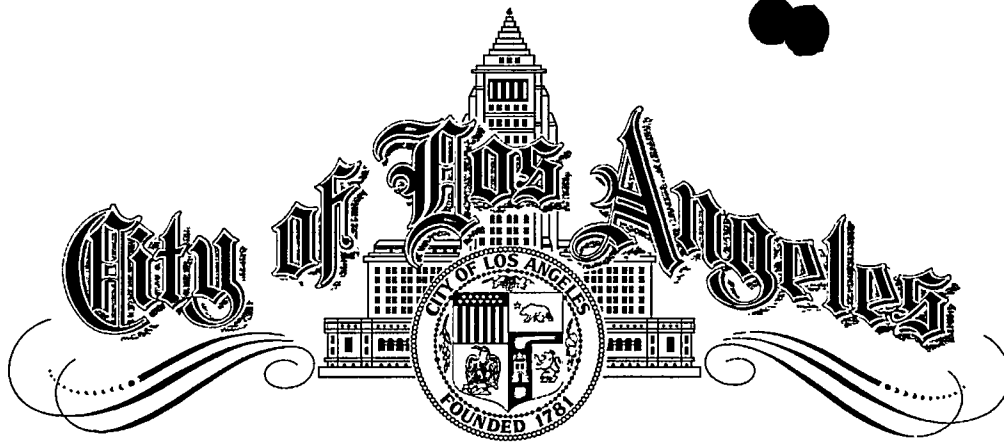
CARDENAS	Yes
GREUEL	Absent
HAHN	Yes
HUIZAR	Yes
LABONGE	Yes
PADILLA	Yes
PARKS	Yes
PERRY	Yes
REYES	Absent
ROSENDAHL	Yes
SMITH	Absent
WEISS	Yes
WESSON	Yes
ZINE	Yes
*GARCETTI	Yes

Present: 12, Yes: 12 No: 0

**AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE  
SUGGESTED NOTIFICATION OF COUNCIL ACTION**

Council File No. 04-2415

- Council Member(s) \_\_\_\_\_
- Interested Department \_\_\_\_\_
- Mayor (with/without file) \_\_\_\_\_
- Chief Legislative Analyst \_\_\_\_\_
- City Administrative Officer \_\_\_\_\_
- Controller \_\_\_\_\_
- City Attorney (with blue sheet/ without blue sheet) \_\_\_\_\_
- Treasurer \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_



OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

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

April 26, 2006

Audits and Governmental Efficiency Committee  
c/o Office of the City Clerk  
Room 395, City Hall

Dear Honorable Members:

**SUBJECT: FRAUD, WASTE AND ABUSE UNIT ACTIVITY REPORT  
QUARTER ENDING MARCH 31, 2006**

This report summarizes the activity of the Fraud, Waste and Abuse Unit for the quarter ending March 31, 2006. The primary emphasis over this period has been the continued development of the appropriate infrastructure, the review and selection of items for investigation, and the recruitment of key personnel.

Citizens, employees, and vendors continue to contact me directly to report wrongdoing by City employees, to complain about services, waste and abuse, and to offer suggestions regarding improvements to City operations. During this last quarter, my office has received an additional 29 allegations and complaints involving City activities or resources. Below is a summary of actions taken on these issues:

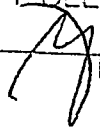
- Eight allegations have been referred to City departments for their investigation and resolution.
- Nine allegations are being considered as potential areas for future audits.
- Two allegations of potential criminal activity are currently under investigation by Unit staff.
- One allegation is pending disposition.

For the remaining nine allegations, a determination was made that no further action is required. This determination is usually a result of insufficient information being provided, or a general complaint with no specific allegations.



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1 APR 28 PM 1:22

CITY CLERK  
BY  DEPUTY



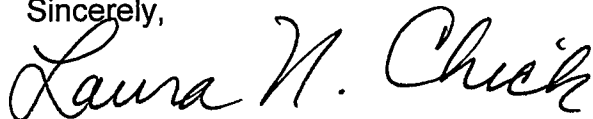
As stated above, two investigations have been initiated and are in progress. One investigation was a direct result of specific information provided by an anonymous source. Direct loss to the City as a result of this alleged criminal activity may be as high as \$10,000. Had this activity not been stopped, the loss would have continued to increase. A second investigation was also authorized based on information from another, unrelated, anonymous source. In this instance, my Office has partnered with the City Attorney to pursue possible criminal sanctions. We are investigating potential losses that may exceed \$100,000. We anticipate that a deterrent effect will result in significantly increased City revenues.

Also during this quarter, the Unit hired one Senior Clerk Typist and interviewed 10 qualified candidates for the Investigator I position. A selection was made and the new Investigator will start sometime in early May, 2006. The Unit will then be fully staffed based on its authorized positions.

Over the coming months, the Unit will continue to refine its procedures to ensure protocols are consistent with other governmental investigative agencies and professional organizations. We also plan to fully implement a system to track, monitor, and report on allegations and complaints received by my office.

If you have any questions about my plans, please call DeWitt Roberts, Chief Deputy Controller, at (213) 978-7323.

Sincerely,

A handwritten signature in cursive script that reads "Laura N. Chick". The signature is written in black ink and is positioned below the word "Sincerely,".

LAURA N. CHICK  
City Controller

FRANK T. MARTINEZ  
City Clerk

KAREN E. KALFAYAN  
Executive Officer

When making inquiries  
relative to this matter  
refer to File No.

CITY OF LOS ANGELES  
CALIFORNIA



ANTONIO R. VILLARAIGOSA  
MAYOR

Office of the  
CITY CLERK  
Council and Public Services  
Room 395, City Hall  
Los Angeles, CA 90012  
Council File Information - (213) 978-1043  
General Information - (213) 978-1133  
Fax: (213) 978-1040

HELEN GINSBURG  
Chief, Council and Public Services Division

04-2415  
04-2368

October 4, 2005

City Administrative Officer  
Chief Legislative Analyst  
City Attorney (with blue sheet)  
Controller: Room 300  
Accounting Division F&A  
Disbursement Division  
Personnel Department  
Police Commission  
Police Department  
City Ethics Commission

RE: ESTABLISHMENT OF A GOVERNMENT EFFICIENCY UNIT TO SCREEN, MONITOR, AND INVESTIGATE ALLEGATIONS INVOLVING FRAUD, WASTE, AND ABUSE OF CITY RESOURCES

At the meeting of the Council held September 13, 2005, the following action was taken:

Attached report adopted.....	_____X_____
Attached motion (-) adopted.....	_____
Attached resolution adopted.....	_____
FORTHWITH.....	_____
Mayor concurred .....	_____9-23-05_____
To the Mayor FORTHWITH .....	_____X_____
Motion adopted to approve communication recommendation(s).....	_____
Motion adopted to approve committee report recommendation(s)...	_____
Ordinance adopted.....	_____

*Frank T. Martinez*

City Clerk  
crm

PLACE IN FILES  
OCT 11 2005  
DEPUTY  
*OK*

*10/7/05*





OFFICE OF THE MAYOR  
Mayor's Time Stamp

2005 SEP 15 AM 11:07

CITY OF LOS ANGELES

FORTHWITH

RECEIVED  
CITY CLERK'S OFFICE  
City Clerk's Time Stamp

2005 SEP 15 AM 10:57

CITY CLERK

DEPUTY

SUBJECT TO MAYOR'S APPROVAL

COUNCIL FILE NO. 04-2415 & 04-2368

COUNCIL DISTRICT NO. \_\_\_\_\_

COUNCIL APPROVAL DATE September 13, 2005

RE: ESTABLISHMENT OF A GOVERNMENT EFFICIENCY UNIT TO SCREEN, MONITOR, AND INVESTIGATE ALLEGATIONS INVOLVING FRAUD, WASTE, AND ABUSE OF CITY RESOURCES

**SEP 26 2005**

LAST DAY FOR MAYOR TO ACT \_\_\_\_\_  
(10 Day Charter requirement as per Charter Section 341)

DO NOT WRITE BELOW THIS LINE - FOR MAYOR OFFICE USE ONLY

APPROVED

\*DISAPPROVED

\*Transmit objections in writing pursuant to Charter Section 341

DATE OF MAYOR APPROVAL OR DISAPPROVAL SEP 23 2005



MAYOR

RECEIVED  
CITY CLERK'S OFFICE  
2005 SEP 26 AM 11:49  
BY \_\_\_\_\_  
CITY CLERK  
DEPUTY  
SEP 30 2005

TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your **BUDGET AND FINANCE** Committee

reports as follows:

Public Comments: Yes No  
X     

BUDGET AND FINANCE COMMITTEE REPORT relative to establishment of a Government Efficiency Unit to screen, monitor, and investigate allegations involving fraud, waste, and abuse of City resources.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

- RESOLVE that Employment Authority, that the following additional positions in the Office of the Controller for the Governmental Efficiency Unit, for the period of August 15, 2005 through June 30, 2006, subject to paygrade determination by the City Administrative Officer (CAO) Employee Relations Division, is APPROVED:

<u>No.</u>	<u>Class Title</u>	<u>Class Code</u>
1.	Special Investigator I	0602-1
1	Special Investigator II	0602-2
1	Senior Clerk Typist	1368

- TRANSFER \$240,000 from the Fund 100/Department 58, Unappropriated Balance, Governmental Efficiency Unit Line Item 0173, to the Office of the Controller, Fund 100/26 as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
1010	Salaries General	\$182,810
3040	Contractual Services	50,000
6010	Office and Administrative Expense	3,590
7300	Furniture, Office and Technical Equipment	3,600
	<b>Total</b>	<b>\$240,000</b>

- REQUEST the City Attorney to determine whether it is permissible for the proprietary departments to reimburse the General Fund for costs associated with the investigation of complaints of fraud, waste and abuse occurring within those departments.
- REQUEST the Controller to report back to the Council on a quarterly basis with a summary of the investigative and financial results achieved by the implementation of the Fraud, Waste and Abuse Investigation Unit.
- INSTRUCT the Chief Legislative Analyst to work with the City Attorney to draft a resolution that protects whistleblowers from retaliation even if they use a City computer during work hours to make the report.
- NOTE and FILE the Controller's reports, dated January 4, 2005 and May 25, 2005, relative to the Fraud, Waste and Abuse Investigation Unit and proposed criteria for referring whistleblower cases to other agencies, inasmuch as the reports are submitted for information, and no Council action is necessary.

Fiscal Impact Statement: The 2005-06 General Fund cost of the proposed Governmental Efficiency Unit will total \$240,000. The cost to the General Fund of the new Unit will be reduced by any permissible reimbursement for investigation of complaints pertaining to the proprietary departments and any recovery of funds resulting from the discovery of irregularities, fraud, collusion, conflict of interest or improprieties through investigations conducted by the new Unit.

## SUMMARY

At its meeting of August 9, 2005, the Budget and Finance Committee considered a Budget and Finance Committee report and a joint report of the Audits and Governmental Efficiency Committee and Communication from Member of the Personnel Committee relative to the proposed Government Efficiency Unit. On February 8, 2005, during consideration of this matter, the Council referred the matter back to the Budget and Finance Committee for further review.

During the Committee's discussion, the Controller reported that over the past year the Controller's Office has received 137 whistleblower complaints, trips and allegations involving waste and fraud. Several dozen have already been referred to appropriate law enforcement, the Ethics Commission and various City departments. There are at least 60 complaints/tips/allegations that have been determined to need additional investigation by the Office of the Controller. The Controller, however, reported that there is currently no funding for these investigations.

The CAO expressed overall support for the Government Efficiency Unit and submitted a revision to its recommendations contained in the CAO report dated January 4, 2005. In its January 4, 2005 report, the CAO recommended approval of three resolution authorities for the Government Efficiency Unit and the transfer of \$108,294 from the Reserve Fund to the Unappropriated Balance and appropriation to the Office of the Controller for salaries, contractual services, equipment, etc., for the Unit. During the Budget and Finance Committee, the CAO submitted a revision to its previous recommendations. In addition to the recommended resolution authorities, the CAO recommended a transfer of \$240,000 from the Unappropriated Balance, Governmental Efficiency Unit to the Office of the Controller for salaries, equipment, etc., for the Government Efficiency Unit.

The Controller reported that many of the complaints received are about the proprietary departments, and that during informal discussions during the past fiscal year with General Managers of those departments, they expressed support for reimbursing the Controller for fraud investigations. The Controller additionally reported that proprietary departments have in the past partially reimbursed the General Fund for some of the audits performed. The CAO reported that reimbursement by the proprietary departments for investigations performed by the Government Efficiency Unit would be sought. The Executive Director of the Ethics Commission also expressed support for reimbursement by proprietary departments for investigations performed not only by the Government Efficiency Unit but by any investigative agency in the City, including the Ethics Commission. The CAO reported that if the City Attorney opines that the proprietary department investigation costs are reimbursable, the CAO will bill the departments through the CAO's annual billing process.

The Controller reported that the Controller, City Attorney, Los Angeles Police Department, City Ethics Commission, the Personnel Department, as well as all City Departments, depending on what the complaint is, will be working together in partnership and meeting regularly to ensure that complaints are being referred and/or handled correctly. The Committee additionally suggested that when reports of the Unit activities are brought forward to the Council, that they be handled as personnel matters and discussed in Executive Session.

The Budget and Finance Committee, at its meeting of August 9, 2005, recommended approval of the CAO recommendations as amended in Committee and to note and file the Controller reports dated January 4, 2005 and May 25, 2005, as the reports are submitted for information, and no Council action is necessary. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

*Samuel C. Parks*  
*[Signature]*  
*Bob Riebold*  
*[Signature]*

MEMBER      VOTE  
PARKS:        YES  
CARDENAS:   YES  
SMITH:        YES  
GREUEL:       YES  
ROSENDAHL: YES

LB  
#042415B  
8/29/05

*RPT.*

**ADOPTED**

SEP 13 2005

**LOS ANGELES CITY COUNCIL**

**TO THE MAYOR FOR FORTHWITH**

**MAYOR WITH FILE**

COUNCIL VOTE

Sep 13, 2005 12:37:59 PM, #17

ITEM NO. (17)

Voting on Item(s): 17

Roll Call

CARDENAS	Yes
GARCETTI	Yes
GREUEL	Yes
HAHN	Yes
LABONGE	Yes
PARKS	Yes
PERRY	Yes
REYES	Yes
ROSENDAHL	Yes
SMITH	Yes
WEISS	Absent
ZINE	Yes
*PADILLA	Yes
VACANT	Absent
VACANT	Absent

Present: 12, Yes: 12 No: 0

# CITY OF LOS ANGELES SPEAKER CARD

Date

Council File No., Agenda Item, or Case No.

*H 17*

I wish to speak before the \_\_\_\_\_  
Name of City Agency, Department, Committee or Council

Do you wish to provide general public comment, or to speak for or against a proposal on the agenda? ( ) For proposal  
( ) Against proposal  
Name: \_\_\_\_\_ *Carole A. Mayer* ( ) General comments

Business or Organization Affiliation: \_\_\_\_\_

Address: \_\_\_\_\_  
Street City State Zip

Business phone: \_\_\_\_\_ Representing: \_\_\_\_\_

**CHECK HERE IF YOU ARE A PAID SPEAKER AND PROVIDE CLIENT INFORMATION BELOW:**

Client Name: \_\_\_\_\_ Phone #: \_\_\_\_\_

Client Address: \_\_\_\_\_  
Street City State Zip

Please see reverse of card for important information and submit this entire card to the presiding officer or chairperson.

# BUDGET AND FINANCE COMMITTEE NOTIFICATION SHEET

Council File No. 04-2415 / 04-2368

<input type="checkbox"/>	Council Districts:	
<input checked="" type="checkbox"/>	Mayor (with file/without)	(Mail Stop 370)
<input checked="" type="checkbox"/>	City Administrative Officer	(Mail Stop 130)
<input checked="" type="checkbox"/>	Chief Legislative Analyst	(Mail Stop 136)
<input checked="" type="checkbox"/>	City Attorney (with blue slip/without)	(Mail Stop 140)
<input checked="" type="checkbox"/>	Controller	(Mail Stop 183)
<input type="checkbox"/>	Treasurer	(Mail Stop 750)
<input type="checkbox"/>	Information Technology Agency	(Mail Stop 232)
<input type="checkbox"/>	Department of Building and Safety	(Mail Stop 115)
<input type="checkbox"/>	Office of Finance - Attn: Robert Lee	(Mail Stop 170)
<input type="checkbox"/>	Fire Commission / Department	(Mail Stop 250)
<input type="checkbox"/>	Department of General Services	(Mail Stop 508)
<input checked="" type="checkbox"/>	Personnel Department	(Mail Stop 391)
<input type="checkbox"/>	City Clerk -	
<input checked="" type="checkbox"/>	Police Commission / Department	(Mail Stop 400)
<input type="checkbox"/>	Board of Public Works	(Mail Stop 465)
<input type="checkbox"/>	Public Works - Bureau of Engineering	(Mail Stop 490)
<input type="checkbox"/>	Department of Transportation	(Mail Stop 725)
<input type="checkbox"/>	Department of Recreation and Parks	(Mail Stop 625)
<input checked="" type="checkbox"/>	<i>City Ethics Commission</i>	

**REVISED RECOMMENDATION #1:**

That the Council:

1. Subject to the approval of the Mayor:
  - a. Authorize by resolution, the following additional positions in the Office of the Controller for the Governmental Efficiency Unit, for the period of August 15, 2005 through June 30, 2006, subject to paygrade determination by the CAO Employee Relations Division:

No.	Class Title	Class Code
1	Special Investigator I	0602-1
1	Special Investigator II	0602-2
1	Senior Clerk Typist	1368

- b. Transfer \$240,000 from the Fund 100/Department 58, Unappropriated Balance, Governmental Efficiency Unit Line Item 0173, to the Office of the Controller, Fund 100/26 as follows:

Account No.	Account Name	Amount
1010	Salaries General	\$182,810
3040	Contractual Services	50,000
6010	Office & Administrative Expense	3,590
7300	Furniture, Office & Technical Equipment	<u>3,600</u>
	<b>Total</b>	<b>\$240,000</b>

**REVISED FISCAL IMPACT STATEMENT:**

The 2005-06 General Fund cost of the proposed Governmental Efficiency Unit will total \$240,000. The cost to the General Fund of the new unit will be reduced by any permissible reimbursement for investigation of complaints pertaining to the proprietary departments and any recovery of funds resulting from the discovery of irregularities, fraud, collusion, conflict of interest or improprieties through investigations conducted by the new Unit.

#12. Amended CAO  
Recommendation.  
8/9/05 - Submitted in Committee



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

**DATE:** August 9, 2005

**TO:** Budget and Finance Committee  
C/o City Clerk

**FROM:** Laura N. Chick, City Controller

*Laura N. Chick*

**SUBJECT: Resubmission of Government Efficiency Unit Protocols**

The attached memo was transmitted to the Budget and Finance Committee on May 5<sup>th</sup>, in response to a request by the Committee. This transmittal was not added to the Council File, as was intended. I am resubmitting this memo to be considered as part of CF 04-2368.

If you have any questions or need further information please contact Deputy Controller Ruben Gonzalez at 213-978-7241.

AUG 10 2005

BUDGET AND FINANCE

CITY OF LOS ANGELES  
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: May 5, 2005

TO: Budget & Finance Committee

FROM: Laura N. Chick, *Laura N. Chick*  
City Controller

SUBJECT: **REQUESTED INFORMATION**

As requested during the Controller's budget hearing, attached is a report submitted by my Office to the Governmental Efficiency Committee regarding criteria (protocols) for the Controller's Fraud, Waste and Abuse Unit (Governmental Efficiency Unit).

Please call my Chief Deputy Controller, Marcus Allen at (213) 978-7323 if you have any questions regarding this information.

## CRITERIA FOR REFERRING WHISTLEBLOWER CASES TO OTHER AGENCIES

### Background

This document provides guidelines for making referrals to other agencies. Auditor judgment must be exercised in deciding whether a referral should be made. For example, the guidelines indicate that time abuse will generally be referred to the employee's department. However, the Controller may determine that an investigation is warranted if the allegation relates to several employees (e.g., an entire unit), the alleged employee is a high level manager, or numerous independent complaints about the employee, unit, section or department have been received.

The number of referrals/tips received (workload demand) will also dictate whether to refer the case to another agency. For example, if the number of referrals/tips received is low (which may be the case at the beginning of the Fraud/Waste and Abuse Program), the Fraud Unit may decide to investigate a case that normally would be referred to another agency.

### Types of Referrals/Tips Received

The following are examples of the types of allegations that we expect the Fraud Unit to receive:

- a) Theft of funds or other assets. This would also include submitting falsified documents to obtain money, such as submitting falsified receipts to obtain petty cash reimbursement.
- b) Use of City property/assets for personal use:
  - City Vehicles
  - Cell Phones
  - Credit/purchasing cards
  - Personal computers (e.g., operating a business, or accessing inappropriate internet sites, using the internet for a long time for non-business purposes etc.)
- c) Time abuse, such as consistently reporting late to work, leaving early, or taking extended lunches. This also includes claiming unworked overtime or claiming hours worked when the employee did not report to work.
- d) Selling confidential or proprietary information
- e) Destroying City property (e.g., erasing computer files, destroying management reports, etc.)
- f) Management improprieties, such as manipulation of accounting records, or misuse of position

- g) Accepting bribes or kickbacks
- h) Conflicts of interest (e.g., hiring a consultant who is a relative, outside employment, etc.)
- i) Fraud by contractors, such as overbillings
- j) Personnel issues (e.g., sexual harassment, unfair hiring or promotion practices, discrimination, nepotism, etc.)
- k) Service complaints (poor and/or untimely service).

### **Referrals to Other Agencies**

Some cases will be immediately referred to another agency. In other cases, upon approval from the Controller, the Fraud Unit will conduct a preliminary investigation before making a referral. There may be other instances where we conduct a joint investigation with another agency at the request of Controller management or the other agency's management.

To the extent possible, when a referral has been made to another agency, we will request the agency to report the results of its investigation to the Fraud Unit.

### **Personnel Department**

Matters involving personnel issues will generally be referred immediately to the Personnel Department.

Allegations of managers retaliating against employees for reporting improper behavior or practice.

### **Department Management**

Depending on the nature of the complaint, allegations related to use of City property/assets for personal use, time abuse, or destroying City property may be referred to the employee's department. If the allegation is referred to the department, we will offer to provide technical assistance to the department.

Service complaints (e.g., taxpayers complaining of rude service or the inability to receive answers to questions after repeated attempts) will normally be referred directly to the department.

### **Attorney Offices (U.S., State, District, or City)**

We will continue to work closely with the City Attorney's Office before making any criminal referrals to external agencies. To date, our practice has been to discuss criminal referrals with the City Attorney before they are submitted to other investigatory agencies (e.g., U.S. Attorney, State Attorney General, etc.). Attached is a letter from

the City Attorney's staff that lists some of the formal procedures we will follow regarding criminal referrals.

### **LAPD**

We will consult with the LAPD to determine whether it has any criteria for receiving referrals. Any allegations meeting the criteria will be referred to the LAPD for investigation.

### **City Administrative Office**

We will refer any allegations that have budget implications (e.g., a department buying computer equipment because of available budgeted funds, but the computers are not placed into service because there is no demand for the computers) to the City Administrative Office. We will also send the CAO the result of investigations that have budget implications.

### **The Ethics Commission**

The Ethics Commission is responsible for investigating alleged violations of State and City laws relating to campaign financing, lobbying, conflicts of interest and governmental ethics. Any alleged violations of the following codes will be reported to the City Ethics Commission.

- The Governmental Ethics Ordinance, Los Angeles Code section 49.5.1 et seq., prohibits the use of City position or resources for private benefit; or governs the disclosure of economic interests by specified City employees.
- The Municipal Lobbying Ordinance, Los Angeles Municipal Code section 48.01 et seq., regulates the registration and reporting requirements for lobbyists and lobbying firms that are hired by private interests to influence City decisions.
- The City's Campaign Laws define the requirements imposed upon candidates for elective City office and their contributors. These requirements include limits on contributions, when contributions can be received and administration of the public matching funds program.
- The Conflict of Interest Laws, Government Code section 87100 et seq. and section 1090, cover disclosure and disqualification requirements for public officials.
- Using City employees to campaign or solicit fundraising for elected officers.



OFFICE OF THE CITY ATTORNEY  
ROCKARD J. DELGADILLO  
CITY ATTORNEY

January 3, 2005

Marcus Allen  
Chief Deputy Controller  
200 North Main Street  
300 City Hall East  
Los Angeles, California 90012

Dear Marcus,

Thank you for meeting with us to discuss the Controller's Office's Fraud, Waste and Abuse Investigation Program ("FWAIP"). Terree and I felt that it was a very productive meeting.

I believe the main issues we identified are the following: (1) ensuring that no FWAIP investigation causes inadvertent harm to an ongoing or potential investigation by a law enforcement agency; (2) determining the appropriate and timely assignment of jurisdiction; and (3) creating the appropriate documentation of any jurisdictional assignment.

We believe the following protocol would address these concerns:

1. The Controller's Office's Fraud Waste and Abuse Investigation Program (FWAIP) will conduct weekly meetings with City Attorney's Office and/or refer potential investigations to City Attorney's Office Program Fraud Unit.
2. The City Attorney's Office Program Fraud Unit will evaluate a FWAIP referral within one week to determine whether a criminal investigation should proceed.
3. The City Attorney's Office's Civil Branch will evaluate a FWAIP referral within one week to determine whether the referral is related to any ongoing or potential civil suit involving the City.
4. The City Attorney's Office will inform the FWAIP immediately of its decisions.



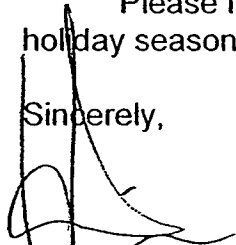
2005 JAN -3 PM 4:05  
OFFICE OF THE CONTROLLER

Marcus Allen  
January 3, 2005  
Page 2

5. If a referral for possible criminal prosecution is warranted, the City Attorney's Office will then refer any case to the appropriate law enforcement agency or investigate the matter with City Attorney personnel.
6. If a matter already is the subject of an outside agency's investigation, the City Attorney's Office will inform the Controller in writing that "another agency is reviewing this matter."
7. If the City Attorney's Office is investigating the matter, it will inform the relevant agencies in writing that it is investigating the matter and that the other agencies should contact the City Attorney's Office if our actions would interfere in their review of the matter.
8. If the City Attorney's Office refers the matter to another law enforcement agency, the referral letter will be copied to the Controller.
9. Should the City Attorney's Office file charges, it will copy the filing to the Controller and inform the Controller in a timely fashion of any disposition of such a case.

Please feel free to call us to discuss this matter further. Have a happy holiday season.

Sincerely,



LUIS LI, Chief  
Criminal Division

LL:gl

[Back](#)[Edit](#)**File Number**

04-2368

**Last Changed Date**

08/09/2005

**Title**

FRAUD - WASTE AND ABUSE PROGRAM

**Initiated by**

Controller

**Subject**

Communication from the Controller relative to six month's funding of \$175,000 to establish a Fraud - Waste and Abuse Program.  
REFER TO COUNCIL FILE 04-2415

**Council District****Date Received**

11/16/2004

**File History**

11-16-04 - For ref  
11-17-04 - Ref to Personnel and Budget and Finance Committees  
11-17-04 - File to Personnel and Budget and Finance Committee Clerk  
12-1-04 - Communication from the Mayor relative to the creation of a new Waste, Fraud, and Abuse Investigation Unit in the City Controller's Office - to Audits and Governmental Efficiency Committee Clerk.  
1-20-05 - File to Budget and Finance Committee Clerk  
2-4-05 - Council Action - CONTINUED TO February 8, 2005  
2-8-05 - Council Action - REFERRED BACK TO Budget and Finance Committee  
2-8-05 - File to Budget and Finance Committee Clerk  
6-10-05 - For ref - Communication from the City Controller, dated May 25, 2005, relative to the Fraud, Waste, and Abuse Investigation Unit, an update on the current volume of complaints/allegations received by the City Controller's Office and the steps planned to develop the Unit during the coming fiscal year.  
6-13-05 - Ref to Budget and Finance Committee  
6-14-05 - File to Budget and Finance Committee Clerk  
8-9-05 - For ref - Communication from the Controller, dated August 9, 2005, relative to the resubmission of Government Efficiency Unit Protocols.

[Back](#)[Edit](#)





04-2415  
②

OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

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

May 25, 2005

Budget and Finance Committee  
c/o City Clerk  
200 N. Spring Street, Room 360  
Los Angeles, CA 90012

**SUBJECT: FRAUD, WASTE AND ABUSE UNIT**

As you know, the approved FY06 budget includes funding for staff positions to establish a Governmental Efficiency Unit (Unit) within the Office of the Controller. The new Unit will screen, monitor and investigate allegations involving fraud and abuse of City resources received by my Office. Unit staff will also work with other City agencies to coordinate activities and ensure an appropriate and effective response to each complaint. In planning for the Unit, my staff met with other City agencies including the Department of Personnel, City Attorney, the Ethics Commission, and CAO to discuss the scope of the new Unit and to establish referral criteria that will help facilitate communication and effective follow-up of any resulting investigation. The resulting "Criteria for Referring Whistleblower Cases" was provided to both the Budget and Finance and Audit Government Efficiency Committees prior to the final budget action.

The purpose of this memo is to provide you with an update on the current volume of complaints/allegations received by my Office and the steps planned to develop the Unit during the coming fiscal year.

Since July of 2004, my Office has received over 120 complaints involving City activities or resources. Many of these contain specific allegations that warrant further investigation, either by my staff or other agencies. We are currently following all recommended protocols and have begun to implement standard procedures with regard to these complaints. For example:

1. Receipt of complaint/allegation via letter, fax, email or phone. The item is assigned a case number and entered into an automated tracking system.

**BUDGET AND FINANCE**



AN EQUAL EMPLOYMENT OPPORTUNITY - AFFIRMATIVE ACTION EMPLOYER

JUN 10 2005



RECEIVED  
CITY CLERK'S OFFICE

2005 JUN 10 AM 9:47

CITY CLERK  
BY vm DEPUTY

2. If the informant has provided his/her name and contact information, an acknowledgement letter is sent that includes the assigned case number. The informant is notified that my Office cannot provide updates or comments on any pending investigation, and that the issue may be referred to another agency, if appropriate. (An example "Acknowledgement Letter" is provided as Attachment 1)
3. Unit staff will determine a preliminary course of action, based on the nature of the complaint and established referral protocols. These are discussed and approved by my executive staff. This may include the following:
  - a) Referral to other Department for their investigation and response. (An example "Referral Letter" and "Case Disposition Summary" is provided as Attachment 2).
  - b) Retained by Unit for internal investigation. Issues that are considered significant as determined by Controller executive management.  
*Note: All cases that involve pending litigation with the City or that may result in potential criminal indictment will be immediately referred to the City Attorney. In addition, issues related to campaign financing, lobbying, and related ethics violations will be referred to the City Ethics Commission. In some instances, a joint investigation with Controller staff may be conducted at the request of Controller management or City management.*
  - c) Recommend as potential audit area. Some issues relating to broad management practices, such as an alleged "waste of public resources," may be not be easily substantiated. In these cases, a cost analysis or performance audit by the Controller's Auditing Division may be warranted.
  - d) No Further Action. This may be an appropriate disposition for complaints when no specific allegation or potential evidence is presented. In addition, it may also be appropriate for complaints in cases whereby an informant is simply presenting their dissatisfaction with the outcome of an established public process, such as a formal Council action.

In all cases, the Unit will track the progress of each item until it has been resolved and closed. Unit staff will have a close reporting relationship with my Chief Deputy to ensure appropriate priority and resolution of all issues.

The next steps in the development of the Unit include:

Budget and Finance Committee  
May 25, 2005  
Page 3

- Development of a case tracking database. A functional system built on an Access platform is currently under construction. Interrelated data tables will be used to enter information and monitor progress on all allegations/complaints received. The first phase of the system will be in place by July 1<sup>st</sup>.
- Identification and priority for acquiring additional (non-staff) resources for the Unit, such as equipment, supplies, etc. As the approved budget did not include an amount for non-staff resources, these items will initially be absorbed within my overall departmental budget.
- Recruitment of qualified staff (3 FTE) will commence soon after the City Council provides funding.
- A review and recommendation of options regarding the establishment of a hotline (both via phone and email/intranet) that can be used to report suspected fraud and abuse within the City. Based on available resources, the hotline would become functional within the first half of the fiscal year.
- Continued efforts to strengthen working relationships and respective roles with other investigatory agencies, both within and outside of the City family.

We all share the goal of making City government more accountable to the citizens and taxpayers of Los Angeles. By creating a Unit to investigate allegations of fraud, waste and abuse, my Office can be responsive to complaints, identify and stop losses of public resources, and help prevent future abuse.

If you have any questions about my plans for the Unit, please call Marcus Allen, Chief Deputy Controller, at (213) 978-7323.

Sincerely,



LAURA N. CHICK  
City Controller

Attachments

cc: Honorable Councilmember, Antonio Villaraigosa  
Honorable Councilmember, Wendy Gruel  
Honorable Councilmember, Jack Weiss

Example: Acknowledgement Letter

Date

Informant Name

Address

City, State, zip

Dear Mr./Ms. XXXX

**SUBJECT: ALLEGATION/COMPLAINT NO. 2005XXX**

This letter acknowledges receipt of your complaint dated (DATE), and entry into our tracking system. Due to the large volume of complaints received by this office, our review of the issues you have raised may take some time. However, please be assured that they will be looked into, and if warranted, the appropriate action will be taken.

In order to ensure the integrity and confidentiality of the investigative process, the Controller's Office does not provide updates regarding the status of complaints or of any resulting enforcement action. However, because you provided your contact information with the complaint, you may receive notice of final disposition, which could take one of three forms:

- Letter notifying you that our office is closing the complaint due to insufficient evidence;
- Letter notifying you that the complaint has been referred to the proper agency or authority for further investigation and resolution; or
- Public notice concerning our findings through an enforcement action.

Thank you for taking the time to put your complaint in writing. The City Controller is committed to ensuring the ongoing integrity of City government. Our efforts toward that end are helped through citizen alerts such as yours.

Sincerely,

LAURA N. CHICK  
Controller

**Example: Referral Letter**

**CONFIDENTIAL**

DATE

To: Name, General Manager  
Department of xxxx

From: Laura N. Chick, City Controller

Subject: Allegations of (Describe Related) Improprieties

An allegation was reported to my office regarding (describe matters) at the xxx Department. The nature of these allegations can be most effectively and efficiently handled by your department. Accordingly, we are referring this matter to you for investigation.

Enclosed is a copy of the original complaint, and follow-up email by the informant.

Also, please find enclosed a blank Case Disposition form that should be completed along with your final report by (date; 60 days hence). This form may also be used to file for an extension for an additional 30 days, with a status report, if needed. All correspondence related to this case should be forwarded to:

City Controller  
Fraud, Waste and Abuse Unit  
200 N. Main Street, Suite 370, Mail Stop 183  
Los Angeles, CA 90012  
Fax (213) 978-7213

Please secure this and all confidential correspondence. If you have any questions, please contact DeWitt Roberts at (213) 978-7203 or Siri Khalsa at (213) 978-7325.

Case no.xxxxxx  
Attachment



OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

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

**CASE DISPOSITION**

Please use this form as a cover sheet to indicate findings of your investigation or to file for an extension. *Attach a detailed investigation report for completed cases or a memo explaining any requests for an extension.* Please use a separate form for each case submitted.

Case # \_\_\_\_\_

**A. EXTENSION REQUESTED**

Target Date of Completion: \_\_\_\_\_

**B. INVESTIGATION COMPLETED**

Substantiated (Please indicate the type of corrective action taken)

- Counseled
- Dismissed
- Oral Warning
- Procedures Changed
- Resigned
- Restitution Required
- Suspended
- Transferred
- Written Warning
- Other

Unsubstantiated

Prepared by: \_\_\_\_\_

Name

Date

Title

Department



FRANK T. MARTINEZ  
City Clerk

KAREN E. KALFAYAN  
Executive Officer

When making inquiries  
relative to this matter  
refer to File No.

CITY OF LOS ANGELES  
CALIFORNIA



JAMES K. HAHN  
MAYOR

Office of the  
CITY CLERK  
Council and Public Services  
Room 395, City Hall  
Los Angeles, CA 90012  
Council File Information - (213) 978-1043  
General Information - (213) 978-1133  
Fax: (213) 978-1040

HELEN GINSBURG  
Chief, Council and Public Services Division

04-2415  
04-2368

February 9, 2005

BUDGET AND FINANCE COMMITTEE

RE: CREATION OF A FRAUD, WASTE AND ABUSE INVESTIGATION UNIT IN THE  
OFFICE OF THE CONTROLLER

At the meeting of the City Council held on February 8, 2005, the  
attached Committee reports and communication were referred back to  
the BUDGET AND FINANCE COMMITTEE.

City Clerk  
jr

steno/042415a





*Reports on file*

*CEL 1/19/05*

File No. 04-2415  
04-2368

TO THE COUNCIL OF THE  
CITY OF LOS ANGELES

Your **BUDGET AND FINANCE** Committee

reports as follows:

Public Comments:	<u>Yes</u>	<u>No</u>
	<u>X</u>	<u>    </u>

BUDGET AND FINANCE COMMITTEE REPORT relative to creation of a Fraud, Waste and Abuse Investigation Unit in the Office of the Controller.

Recommendations for Council action, as initiated by Motion (Villaraigosa - Weiss - Greuel), SUBJECT TO THE APPROVAL OF THE MAYOR:

1. CONCUR with the recommendations of the Audits and Governmental Efficiency Committee and Member, Personnel Committee, relative to the creation of a Fraud, Waste and Abuse Investigation Unit in the Office of the Controller.
2. REQUEST the Controller, working with the City Attorney, the City Ethics Commission, Personnel Department and the City Administrative Officer (CAO), to report back to the Budget and Finance Committee relative to the development of expanded protocols for the handling of fraud, waste and abuse complaints that may fall under the jurisdiction of other City departments for follow up, to ensure a coordinated effort in addressing complaints.

Fiscal Impact Statement: The CAO reports that the additional 2004-05 General Fund cost for the proposed Fraud, Waste and Abuse Investigation Unit will be \$146,424, \$108,294 in direct and \$38,130 in related costs. The 2005-06 General Fund cost of the new unit will total \$307,092, \$253,680 in direct and \$53,412 in related costs. The cost to the General Fund of the new unit will be reduced by any permissible reimbursement for investigation of complaints pertaining to the proprietary departments and any recovery of funds resulting from the discovery of irregularities, fraud, collusion, conflict of interest or improprieties through investigations conducted by the new unit.

SUMMARY

At its meeting of February 1, 2005, the Budget and Finance Committee considered CAO and Controller reports relative to a funding request for a new Fraud, Waste and Abuse Investigation Unit in the Office of the Controller, and criteria for referring whistleblower cases, as initiated by Motion (Villaraigosa - Weiss - Greuel). The CAO reports that on November 12, 2004, the Controller forwarded four separate requests to the Mayor and the Council for increased staffing and budgetary authority to address several specific program areas. On November 30, 2004, the Mayor requested the CAO to evaluate these requests and provide an analysis to the Mayor and the Council. The CAO report considered by the Budget and Finance Committee specifically addresses the request to create a Fraud, Waste and Abuse Investigation Unit.

The CAO reports that the proposed Fraud, Waste and Abuse Investigation Unit would investigate and examine allegations of irregularities, fraud, collusion, conflict of interest, abuse of City assets and improprieties on the part of City employees and others. The request is comprised of salaries for three positions, contractual services, administrative and equipment expenses at an estimated six-month cost of \$173,175 and an annual direct cost of \$336,348.

The CAO has reviewed the request and recommends funding and resolution authority for three positions for five months (from February 1 to June 30, 2005) and reduced amounts for contractual services, administrative, and equipment expenses. The additional direct funding required for the remainder of this Fiscal Year is \$108,294. The 2005-06 direct and related costs as recommended would be \$307,092.

The Controller reports having received 33 allegations of abuse, fraud and/or waste in the past six months. Some of these communications contain specific allegations ranging from vendor kickbacks and fraudulent vendor claims to personal use and abuse of City assets. More than half of the 33 allegations received related to alleged improprieties in the proprietary departments. The remaining 15 complaints relate to other City departments. The CAO reports that an opinion from the City Attorney is required to determine whether the costs associated with investigating allegations of improprieties in the proprietary departments can be reimbursed by the respective proprietary department. If reimbursement is found to be appropriate, only the remaining complaints related to other City departments would have to be funded from the General or Reserve Fund.

The CAO reports that the Controller anticipates that a substantial increase in the number of complaints/tips may occur once the new Unit is advertised. Conversely, advertising the program could also serve as a deterrent factor to waste and abuse. Because it is difficult to predict at this time what the increased workload will be and which departments will be affected, the CAO recommends that the Controller be requested to provide quarterly status reports outlining accomplishments, investigative highlights and summary statistics.

During the Committee's discussion, Councilmember Miscikowski stated that she wants to expand, with the Controller's guidance and the City Attorney and the CAO, protocols for handling different kinds of complaints that may fall under the jurisdiction of other City departments for followup. The Councilmember suggested that there be a type of checklist protocol to determine if any other entity or City department is aware of a complaint, investigating the complaint, and to ensure that whoever is conducting the investigation has all relevant information pertaining to the complainant and the complaint. The Committee asked that the Controller, report back to the Committee, after having sought further advice from other departments, i.e., City Ethics Commission and Personnel Department, on the development of protocols for handling whistleblower complaints that might fall under the jurisdiction of other departments for followup.

Councilmember Smith questioned the efficiency of creating yet another unit to handle intake and referral of whistleblower complaints, as opposed to having the intake and investigative functions consolidated in one central location that would investigate all complaints. Both the

Controller and the City Ethics Commission agreed that because of Charter constraints, it would be very difficult for any one group to investigate civil matters, criminal matters, auditing matters, performance audit matters, violations of the Ethics Code, etc. With the creation of the Fraud, Waste and Abuse Unit in the Office of the Controller, the Controller becomes the central intake location, with complaints then referred to the appropriate investigative entity, whether that be the Controller, Ethics Commission, Personnel Department, the City Attorney, or a specific City department.

The Budget and Finance Committee concurred with the actions of the Audits and Governmental Efficiency Committee and Member of the Personnel Committee relative to creation of a Fraud, Waste and Abuse Investigation Unit in the Office of the Controller. The Committee added a recommendation that the Controller, working with the City Attorney, the City Ethics Commission, Personnel Department and the CAO, to report back to the Budget and Finance Committee relative to the development of expanded protocols for the handling of fraud, waste and abuse complaints that may fall under the jurisdiction of other City departments for follow up, to ensure a coordinated effort in addressing complaints.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

*Bernard C. Park*  
*Andy Misalame*  
*Tony Cardenas*  
*Quinn Smith*

<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
MISCIKOWSKI:	YES
CARDENAS:	YES
SMITH:	YES
GARCETTI:	YES

LB  
#042415A  
2/3/05

FEB 04 2005 - CONTINUED TO Feb 8, 2005  
FEB 08 2005 - REFERRED TO BUDGET & FINANCE COMMITTEE

Friday,  
 (10)  
 2-4-05

TO THE COUNCIL OF THE  
 CITY OF LOS ANGELES

Your **AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE**  
 and  
**COMMUNICATION FROM MEMBER, PERSONNEL COMMITTEE**  
 report as follows:

Public Comments      Yes    No  
                                      XX    —

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE REPORT and COMMUNICATION FROM MEMBER, PERSONNEL COMMITTEE relative to creation of a Fraud, Waste and Abuse Investigation Unit in the Office of the Controller (Controller).

Recommendations for Council action, as initiated by Motion (Villaraigosa - Weiss - Greuel), SUBJECT TO THE APPROVAL OF THE MAYOR:

1. RESOLVE that Employment Authority, for the following additional positions in the Controller for the Fraud, Waste and Abuse Investigation Unit, from February 1, 2005 through June 30, 2005, subject to allocation by the Personnel Department and paygrade determination by the City Administrative Officer (CAO), is APPROVED:

<u>No.</u>	<u>Code</u>	<u>Title</u>
1	0602-1	Special Investigator I
1	0602-2	Special Investigator II
1	1368	Senior Clerk Typist

2. TRANSFER \$108,294 from the Reserve Fund to the Unappropriated Balance, and APPROPRIATE therefrom to the Controller, Fund 100/26, as follows:

<u>No.</u>	<u>Account Title</u>	<u>Amount</u>
1010	Salaries General	\$ 76,104
3040	Contractual Services Expense	25,000
6010	Office & Administrative Expense	3,590
7300	Furniture, Office & Technical Equipment	<u>3,600</u>
Total		\$108,294

3. REQUEST the City Attorney to determine whether it is permissible for the proprietary departments to reimburse the General Fund for costs associated with the investigation of complaints of fraud, waste and abuse occurring within those departments.
4. REQUEST the Controller to report back to the Council on a quarterly basis with a summary of the investigative and financial results achieved by the implementation of the Fraud, Waste and Abuse Investigation Unit.

5. INSTRUCT the Chief Legislative Analyst to work with the City Attorney to draft a resolution that protects whistleblowers from retaliation even if they use a City computer during work hours to make the report.
6. NOTE and FILE the Controller's report, dated January 4, 2005, relative to proposed criteria for referring whistleblower cases to other agencies, inasmuch as the report is submitted for information, and no Council action is necessary.

**Fiscal Impact Statement:** The CAO reports that the additional 2004-05 General Fund cost for the proposed Fraud, Waste and Abuse Investigation Unit will be \$146,424; \$108,294 in direct and \$38,130 in related costs. The 2005-06 General Fund cost of the proposed unit will total \$307,092; \$253,680 in direct and \$53,412 in related costs. The cost to the General Fund of the proposed unit will be reduced by any permissible reimbursement for investigation of complaints pertaining to the proprietary departments and any recovery of funds resulting from the discovery of irregularities, fraud, collusion, conflict of interest or improprieties through investigations conducted by the proposed unit.

**(Budget and Finance Committee report to be submitted in Council. If public hearing is not held in Committee, an opportunity for public comments will be provided.)**

Summary:

The Motion (Villaraigosa - Weiss - Greuel), dated November 19, 2004, attached to Council File Number 04-2415, supports the creation of a Fraud, Waste and Abuse Investigation Unit, within the Controller's Office, with the necessary staffing and resources.

In its report, dated January 4, 2005, attached to the Council file, the CAO states that on November 12, 2004 the Controller forwarded four separate requests to the Mayor and the Council for increased staffing and budgetary authority to address several specific program areas, Council File Nos. 04-2368, 04-2369, 04-2370, and 04-2371. On November 30, 2004, the Mayor requested the CAO to evaluate these requests and provide an analysis to the Mayor and the Council. On December 1, 2004, the Audits and Governmental Efficiency Committee requested a report on one of these requests (Council File No 04-2368) which involves the creation of a Fraud, Waste and Abuse Investigation Unit within the Audit Division of the Controller's Office.

The CAO's report specifically addresses the request to create a Fraud, Waste and Abuse Investigation Unit. The proposed unit would investigate and examine allegations of irregularities, fraud, collusion, conflict of interest, abuse of City assets and improprieties on the part of City employees and others. The Controller's request includes salaries for three positions, contractual services, administrative and equipment expenses, at an estimated six-month cost of \$173,175 and an annual direct cost of \$336,348.

In its report, the Controller states that the number of whistleblower notices received by the Controller has increased. The Controller states that from July through September 2004, the Controller received 33 credible letters and e-mails from concerned employees and citizens. Of the 33 notifications, 9 are allegations concerning the Department of Water and Power, 4 relate to the Los Angeles World Airports, 5 relate to the Port Authority, and 15 relate to other departments. Attachment 1 to the Controller's report provides the breakdown of the referrals received.

CITY OF LOS ANGELES SPEAKER BOARD

9

Date  
2-1-05

Council File No., Agenda Item, or Case No.  
04-2415; 04-2368

I wish to speak before the Budget & Finance Comm. Tee  
Name of City Agency, Department, Committee or Council

Do you wish to provide general public comment, or to speak for or against a proposal on the agenda?  For proposal

Name: Daniel P. Carvin  Against proposal  
 General comments

Business or Organization Affiliation: Self

Address: 16615 Apple St. Fountain Valley CA 92708  
Street City State Zip

Business phone: (714) 775-7918 Representing: \_\_\_\_\_

CHECK HERE IF YOU ARE A PAID SPEAKER AND PROVIDE CLIENT INFORMATION BELOW:

Client Name: \_\_\_\_\_ Phone #: \_\_\_\_\_

Client Address: \_\_\_\_\_  
Street City State Zip

Please see reverse of card for important information and submit this entire card to the presiding officer or chairperson.

The Controller states that some of the notifications received contain specific allegations that warrant the Controller's investigation. The following are examples of common allegations: vendor kickbacks, fraudulent vendor claims, management improprieties, abuse of work hours, conflict of interests and personal use and abuse of City assets.

The CAO recommends funding and Employment Authority for three positions for five months (from February 1 to June 30, 2005) and reduced amounts for contractual services, administrative, and equipment expenses. The additional direct funding required for the remainder of this fiscal year is \$108,294. The 2005-06 direct and related costs as recommended would be \$307,092 (see Attachment A to the CAO's report). The CAO recommendations are discussed further in the CAO's report.

On December 1, 2004, the Audits and Governmental Efficiency (AGE) Committee considered this matter and requested: (a) the Controller to provide an addendum to its report, dated November 12, 2004, explaining how the proposed unit will coordinate with the City Ethics Commission and the Office of the City Attorney (City Attorney); (b) the report back from the CAO described above; and (c) the Chief Legislative Analyst to work with the City Attorney to draft a resolution that protects whistleblowers from retaliation even if they use a City computer during work hours to make the report.

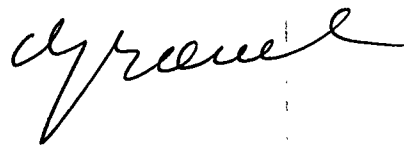
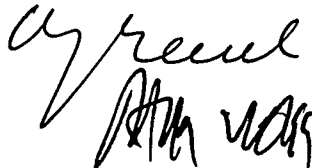
The Controller's report, dated January 4, 2005, attached to the Council file, shows the proposed criteria for referring whistleblower cases to other agencies. The Controller states that her office has met with representatives from the Personnel Department, City Attorney, CAO, and the Ethics Commission, and they are in general agreement with the criteria. The Controller states that once funding is provided for the proposed unit, her staff will arrange additional meetings with other agencies. As appropriate, the Controller will incorporate their comments into the final document and forward a copy of the AGE Committee.

On January 5, 2005, the AGE Committee recommended approval of the CAO's recommendations and Noted and Filed the Controller's report, dated January 4, 2005. On January 19, 2005, Councilmember Greuel, the "member" of the Personnel Committee, concurred with the AGE Committee recommendations of December 1, 2004 and January 5, 2005. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

AUDITS AND GOVERNMENTAL  
EFFICIENCY COMMITTEE

Councilmember Wendy Greuel, Member  
PERSONNEL COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
GREUEL:	YES
WEISS:	YES
HAHN:	YES

<u>MEMBER</u>	<u>VOTE</u>
ZINE:	ABSENT
VILLARAIGOSA:	ABSENT
GREUEL:	YES

IS  
1/28/05

FEB 0 4 2005 - CONTINUED TO Feb 8, 2005

#042415.wpd FEB 0 8 2005 - REFERRED TO BUDGET & FINANCE CMTE





Notify when scheduled for Cont/Council

Dan Carvin (714) 775-7918  
or

prefer e-mail dpcarvin@aol.com

see below e-mails

04-2415/  
04-2368

ITEM NOS. 2 AND 3

THESE ITEMS WERE CONTINUED FROM MEETING  
HELD 12/1/04. IF YOU NEED ANOTHER COPY OF  
THE REPORTS, PLEASE OBTAIN A COPY FROM THE  
CITY CLERK'S VAULT, ROOM 395 CITY HALL.  
THANK YOU.

**From:** Ilene Shapiro  
**To:** dpcarvin@aol.com  
**Date:** 01/14/2005 6:39:18 PM  
**Subject:** Notification of Item #7 on Personnel Committee Agenda for 1/19/05

As we discussed by phone, attached is the agenda for the 1/19/05 Personnel Committee meeting. (You had requested to be notified of the date when Personnel Committee is scheduled to consider this item.) Also, attached is the letter showing the actions taken by the Audits and Governmental Efficiency Committee.

**From:** Ilene Shapiro  
**To:** Dpcarvin@aol.com  
**Date:** 01/20/2005 2:59:20 PM  
**Subject:** Re: Notification of Item #7 on Personnel Committee Agenda for 1/19/05

The only item attached to the previous e-mail was the Personnel Committee agenda for the meeting you missed so I am not attaching the agenda. I am sending a copy of this e-mail to the Lauraine Braithwaite, Legislative Assistant for the Budget and Finance Committee, so that she can notify you once the item is scheduled for Budget and Finance Committee. I am transferring the Council file #s 04-2415 and 04-2368 to Lauraine now, so if you want to see the files, please contact Lauraine at [lbraithwaite@clerk.lacity.org](mailto:lbraithwaite@clerk.lacity.org).

>>> <Dpcarvin@aol.com> 01/19/2005 11:43:23 PM >>>

Thank you for remember me and sending the information. Unfortunately, I cannot access it. Is it possible to send it in Word form?

Also, I could not attend today. Hopefully, I will be able to attend the next hearing.

Dan Carvin

PS. Would I contact you to see the complete file of all documents concerning this motion?

**CC:** Braithwaite, Lauraine

# 9

Date: February 1, 2005

To: Budget and Finance Committee  
Attention: Council Member Bernard Parks, Chairman  
Council Member Cindy Miscikowski, Vice Chair  
Council Member Tony Cardenas  
Council Member Greig Smith  
Council Member Eric Garcetti

Re: Motion to Establish Waste Fraud and Abuse Investigation  
Unit in the Controller's Office  
Council File No. 04-2415

Thank you for the opportunity to submit for your consideration my input on the creation of a Waste, Fraud and Abuse Investigation Unit in the Controller's Office.

SUMMARY

I support the City Council's Motion to establish an investigative unit in the City of Los Angeles (City) to specifically investigate allegations of Waste, Fraud and Abuse related to City departments and programs.

I STRONGLY URGE THE CITY COUNCIL TO ESTABLISH THIS INVESTIGATIVE UNIT AS AN INDEPENDENT UNIT REPORTING DIRECTLY TO THE CITY COUNCIL AND NOT TO THE CONTROLLER.

1. City has no financial investigative unit to: independently investigate allegations of fraud, waste and abuse or employee misconduct; make recommendations for criminal or civil enforcement, including, recoveries, sanctions, and debarment; and assist federal or state prosecuting agencies, under current Federal and State False Claims Statutes and Acts.
2. The Controller has demonstrated an unwillingness to investigate private law firms and officials at the City Attorney's office who monitor these law firms. These outside law firms' fees have doubled in four years, totaling \$29.6 million dollars last year. The Controller has a conflict of interest when the Controller is required to audit or investigate allegations of misconduct by the City Attorney's office, or the private law firms they supervise. Specifically, in 2002, I raised questions about law firm billings. The Controller failed to investigate information concerning potential false billings for legal services. Instead, the Controller terminated the Special Investigator and took no further action.
3. The Controller's Office is primarily an audit agency. It is

concerned with accounting standards, not rules of evidence or other standards as set by the legal system. An Investigative Unit should be independent so that it is not subject to retaliatory action.

I am uniquely qualified to comment on the City Council's motion because of my career experiences as a financial investigator of waste, fraud, and abuse on the Federal, County and City levels.

I was the first Special Investigator II hired by the Controller's Office to identify and investigate waste, fraud and abuse. In addition, I recently testified before a committee of the California State Legislature concerning the need to audit outside counsel hired by the City of Los Angeles.

In my capacity as a Special Investigator, I reported suspected waste, fraud and abuse and potential attorney overbilling in May 2002. Two weeks later I was fired. The Controller's Office and the City Attorney's Office did not pursue my reported information against a major law firm, Brown, Winfield and Canzoneri. This law firm makes major campaign contributions to the Controller, Mayor and City Attorney. The award of multi-million dollar legal contracts, which have never been audited or investigated by the Controller or any agency, followed these contributions.

The City must take decisive action to combat waste, fraud and abuse within its departments and agencies. Establishing the Waste Fraud and Abuse Investigative Unit reporting directly to the City Council and not the Controller, is the most effective way to deter fraud, encourage whistleblowers and avoid retaliation against those who disclose these practices.

I invite any comments or questions the Committee members may have concerning my remarks.

# CITY OF LOS ANGELES

CALIFORNIA



JAMES K. HAHN  
MAYOR

FRANK T. MARTINEZ  
City Clerk

KAREN E. KALFAYAN  
Executive Officer

When making inquiries  
relative to this matter  
refer to File No.

Office of the  
CITY CLERK  
Council and Public Services  
Room 395, City Hall  
Los Angeles, CA 90012  
Council File Information - (213) 978-1043  
General Information - (213) 978-1133  
Fax: (213) 978-1040

HELEN GINSBURG  
Chief, Council and Public Services Division

Council Files 04-2415 and 04-2368

January 14, 2005

Councilmember Dennis P. Zine, Chair  
Personnel Committee  
Attn: Ilene Shapiro

Greetings:

On December 1, 2004, the Audits and Governmental Efficiency (AGE) Committee considered the Controller's and City Administrative Officer (CAO) reports and Motion (Villaraigosa - Weiss - Greuel) relative to the creation of a Waste, Fraud, and Abuse Investigation Unit (Investigation Unit), in the Controller's Office, to investigate allegations and complaints in all City departments and agencies. The AGE Committee requested: (a) the Controller to provide an addendum to its report, dated November 12, 2004, explaining how the new Investigation Unit will coordinate with the City Ethics Commission and the Office of the City Attorney (City Attorney); (b) the CAO to report back identifying funding for the Investigation Unit; and (c) the Chief Legislative Analyst (CLA) to work with the City Attorney to draft a resolution that protects whistleblowers from retaliation even if they use a City computer during work hours to make the report. On January 5, 2005, the AGE Committee recommended approval of the CAO's recommendations and Noted and Filed the Controller's report, dated January 4, 2005.

Inasmuch as this matter is referred to the AGE, Personnel, and Budget and Finance Committees, I have transmitted Council File Nos. 04-2415 and 04-2368 to your Committee for consideration.

Very truly yours,

/s/

Ilene Shapiro  
Legislative Assistant  
Audits and Governmental Efficiency Committee

c: Wendy Greuel, Chair  
Audits and Governmental Efficiency Committee  
Attn: Leslie Pollner

Chief Legislative Analyst, Attn: Louisa Lund

City Administrative Officer, Attn: Madeleine Rackley

**PERSONNEL COMMITTEE**  
 Report/Communication for Signature

Council File Number: 04-2415 & 04-2368

Committee Meeting Date: 1-19-05

Council Date: \_\_\_\_\_

COMMITTEE MEMBER	YES	NO	ABSENT
Councilmember Dennis Zine, Chair			✓
Councilmember Villaraigosa			✓
Councilmember Greuel	✓		

Remarks Concurred w/AGF Committee. (Recommendations are underlined on attached 1-14-05 letter.)



CITY OF LOS ANGELES SPEAKERS BUREAU

Date 01/19/05

Council File No., Agenda Item, or Case No. #7

Elected to not speak at Personnel Committee meeting.

I wish to speak before the Personnel Name of City Agency, Department, Committee or Council

Do you wish to provide general public comment, or to speak for or against a proposal on the agenda? ( ) For proposal (X) Against proposal ( ) General comments

Name: Julie Butcher

Business or Organization Affiliation: SEIU Local 347

Address: Street City State Zip

Business phone: Representing:

CHECK HERE IF YOU ARE A PAID SPEAKER AND PROVIDE CLIENT INFORMATION BELOW: [ ]

Client Name: Phone #:

Client Address: Street City State Zip

Please see reverse of card for important information and submit this entire card to the presiding officer or chairperson.

**AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE**

**Report Communication for Signature**

Council File Number: 04-2415 & 04-2368

Committee Meeting Date: 12-1-04 & 1-5-05

Council Date: \_\_\_\_\_

COMMITTEE MEMBER	YES	NO	ABSENT
Councilmember Wendy Greuel, Chair	✓		
Councilmember Jack Weiss	✓		
Councilmember Janice Hahn	✓	(Hahn was absent from 12-1-04 meeting.)	

Remarks See letter dated 1-14-05, attached to the Council file.

# CITY OF LOS ANGELES

CALIFORNIA



JAMES K. HAHN  
MAYOR

FRANK T. MARTINEZ  
City Clerk

KAREN E. KALFAYAN  
Executive Officer

When making inquiries  
relative to this matter  
refer to File No.

Office of the  
CITY CLERK  
Council and Public Services  
Room 395, City Hall  
Los Angeles, CA 90012  
Council File Information - (213) 978-1043  
General Information - (213) 978-1133  
Fax: (213) 978-1040

HELEN GINSBURG  
Chief, Council and Public Services Division

Council Files 04-2415 and 04-2368

January 14, 2005

Councilmember Dennis P. Zine, Chair  
Personnel Committee  
Attn: Ilene Shapiro

Greetings:

On December 1, 2004, the Audits and Governmental Efficiency (AGE) Committee considered the Controller's and City Administrative Officer (CAO) reports and Motion (Villaraigosa - Weiss - Greuel) relative to the creation of a Waste, Fraud, and Abuse Investigation Unit (Investigation Unit), in the Controller's Office, to investigate allegations and complaints in all City departments and agencies. The AGE Committee requested: (a) the Controller to provide an addendum to its report, dated November 12, 2004, explaining how the new Investigation Unit will coordinate with the City Ethics Commission and the Office of the City Attorney (City Attorney); (b) the CAO to report back identifying funding for the Investigation Unit; and (c) the Chief Legislative Analyst (CLA) to work with the City Attorney to draft a resolution that protects whistleblowers from retaliation even if they use a City computer during work hours to make the report. On January 5, 2005, the AGE Committee recommended approval of the CAO's recommendations and Noted and Filed the Controller's report, dated January 4, 2005.

Inasmuch as this matter is referred to the AGE, Personnel, and Budget and Finance Committees, I have transmitted Council File Nos. 04-2415 and 04-2368 to your Committee for consideration.

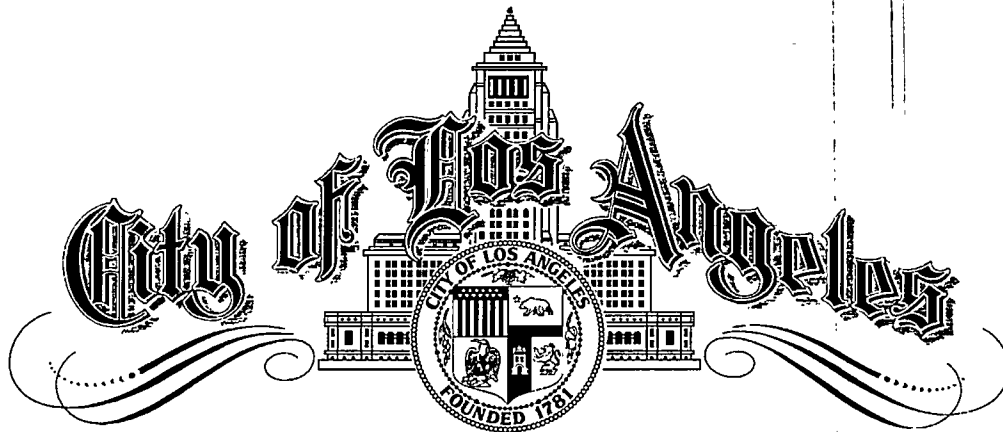
Very truly yours,

Ilene Shapiro  
Legislative Assistant  
Audits and Governmental Efficiency Committee

c: Wendy Greuel, Chair  
Audits and Governmental Efficiency Committee  
Attn: Leslie Pollner

Chief Legislative Analyst, Attn: Louisa Lund

City Administrative Officer, Attn: Madeleine Rackley



OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

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

January 4, 2005

Councilmember Wendy Greuel  
Hon. Members of the Audit Government Efficiency Committee

**SUBJECT: CRITERIA FOR REFERRING WHISTLEBLOWER CASES**

As requested, attached is my proposed criteria for referring whistleblower cases to other agencies. My office has met with representatives from the Personnel Department, City Attorney, City Administrative Office, and the Ethics Commission, and they are in general agreement with the criteria.

Once funding is provided for the Whistleblower Program, my staff will arrange additional meetings with other agencies. As appropriate, we will incorporate their comments into the final document and forward a copy to your committee.

If you have any questions, please contact Marcus Allen, Chief Deputy Controller, at (213) 978-7323.

Sincerely,

LAURA N. CHICK  
City Controller

Attachment

**AUDITS & GOVERNMENTAL  
EFFICIENCY  
PERSONNEL  
BUDGET AND FINANCE**

JAN 11 2005



## CRITERIA FOR REFERRING WHISTLEBLOWER CASES TO OTHER AGENCIES

### Background

This document provides guidelines for making referrals to other agencies. Auditor judgment must be exercised in deciding whether a referral should be made. For example, the guidelines indicate that time abuse will generally be referred to the employee's department. However, the Controller may determine that an investigation is warranted if the allegation relates to several employees (e.g., an entire unit), the alleged employee is a high level manager, or numerous independent complaints about the employee, unit, section or department have been received.

The number of referrals/tips received (workload demand) will also dictate whether to refer the case to another agency. For example, if the number of referrals/tips received is low (which may be the case at the beginning of the Fraud/Waste and Abuse Program), the Fraud Unit may decide to investigate a case that normally would be referred to another agency.

### Types of Referrals/Tips Received

The following are examples of the types of allegations that we expect the Fraud Unit to receive:

- a) Theft of funds or other assets. This would also include submitting falsified documents to obtain money, such as submitting falsified receipts to obtain petty cash reimbursement.
- b) Use of City property/assets for personal use:
  - City Vehicles
  - Cell Phones
  - Credit/purchasing cards
  - Personal computers (e.g., operating a business, or accessing inappropriate internet sites, using the internet for a long time for non-business purposes etc.)
- c) Time abuse, such as consistently reporting late to work, leaving early, or taking extended lunches. This also includes claiming unworked overtime or claiming hours worked when the employee did not report to work.
- d) Selling confidential or proprietary information
- e) Destroying City property (e.g., erasing computer files, destroying management reports, etc.)
- f) Management improprieties, such as manipulation of accounting records, or misuse of position

- g) Accepting bribes or kickbacks
- h) Conflicts of interest (e.g., hiring a consultant who is a relative, outside employment, etc.)
- i) Fraud by contractors, such as overbillings
- j) Personnel issues (e.g., sexual harassment, unfair hiring or promotion practices, discrimination, nepotism, etc.)
- k) Service complaints (poor and/or untimely service).

### **Referrals to Other Agencies**

Some cases will be immediately referred to another agency. In other cases, upon approval from the Controller, the Fraud Unit will conduct a preliminary investigation before making a referral. There may be other instances where we conduct a joint investigation with another agency at the request of Controller management or the other agency's management.

To the extent possible, when a referral has been made to another agency, we will request the agency to report the results of its investigation to the Fraud Unit.

### **Personnel Department**

Matters involving personnel issues will generally be referred immediately to the Personnel Department.

Allegations of managers retaliating against employees for reporting improper behavior or practice.

### **Department Management**

Depending on the nature of the complaint, allegations related to use of City property/assets for personal use, time abuse, or destroying City property may be referred to the employee's department. If the allegation is referred to the department, we will offer to provide technical assistance to the department.

Service complaints (e.g., taxpayers complaining of rude service or the inability to receive answers to questions after repeated attempts) will normally be referred directly to the department.

### **Attorney Offices (U.S., State, District, or City)**

We will continue to work closely with the City Attorney's Office before making any criminal referrals to external agencies. To date, our practice has been to discuss criminal referrals with the City Attorney before they are submitted to other investigatory agencies (e.g., U.S. Attorney, State Attorney General, etc.). Attached is a letter from

the City Attorney's staff that lists some of the formal procedures we will follow regarding criminal referrals.

### **LAPD**

We will consult with the LAPD to determine whether it has any criteria for receiving referrals. Any allegations meeting the criteria will be referred to the LAPD for investigation.

### **City Administrative Office**

We will refer any allegations that have budget implications (e.g., a department buying computer equipment because of available budgeted funds, but the computers are not placed into service because there is no demand for the computers) to the City Administrative Office. We will also send the CAO the result of investigations that have budget implications.

### **The Ethics Commission**

The Ethics Commission is responsible for investigating alleged violations of State and City laws relating to campaign financing, lobbying, conflicts of interest and governmental ethics. Any alleged violations of the following codes will be reported to the City Ethics Commission.

- The Governmental Ethics Ordinance, Los Angeles Code section 49.5.1 et seq., prohibits the use of City position or resources for private benefit; or governs the disclosure of economic interests by specified City employees.
- The Municipal Lobbying Ordinance, Los Angeles Municipal Code section 48.01 et seq., regulates the registration and reporting requirements for lobbyists and lobbying firms that are hired by private interests to influence City decisions.
- The City's Campaign Laws define the requirements imposed upon candidates for elective City office and their contributors. These requirements include limits on contributions, when contributions can be received and administration of the public matching funds program.
- The Conflict of Interest Laws, Government Code section 87100 et seq. and section 1090, cover disclosure and disqualification requirements for public officials.
- Using City employees to campaign or solicit fundraising for elected officers.





OFFICE OF THE CITY ATTORNEY  
ROCKARD J. DELGADILLO  
CITY ATTORNEY

January 3, 2005

Marcus Allen  
Chief Deputy Controller  
200 North Main Street  
300 City Hall East  
Los Angeles, California 90012

Dear Marcus,

Thank you for meeting with us to discuss the Controller's Office's Fraud, Waste and Abuse Investigation Program ("FWAIP"). Terree and I felt that it was a very productive meeting.

I believe the main issues we identified are the following: (1) ensuring that no FWAIP investigation causes inadvertent harm to an ongoing or potential investigation by a law enforcement agency; (2) determining the appropriate and timely assignment of jurisdiction; and (3) creating the appropriate documentation of any jurisdictional assignment.

We believe the following protocol would address these concerns:

1. The Controller's Office's Fraud Waste and Abuse Investigation Program (FWAIP) will conduct weekly meetings with City Attorney's Office and/or refer potential investigations to City Attorney's Office Program Fraud Unit.
2. The City Attorney's Office Program Fraud Unit will evaluate a FWAIP referral within one week to determine whether a criminal investigation should proceed.
3. The City Attorney's Office's Civil Branch will evaluate a FWAIP referral within one week to determine whether the referral is related to any ongoing or potential civil suit involving the City.
4. The City Attorney's Office will inform the FWAIP immediately of its decisions.



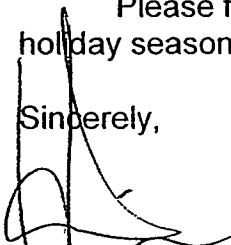
LOS ANGELES CITY CONTROLLER  
2005 JAN -3 PM 4:05

Marcus Allen  
January 3, 2005  
Page 2

5. If a referral for possible criminal prosecution is warranted, the City Attorney's Office will then refer any case to the appropriate law enforcement agency or investigate the matter with City Attorney personnel.
6. If a matter already is the subject of an outside agency's investigation, the City Attorney's Office will inform the Controller in writing that "another agency is reviewing this matter."
7. If the City Attorney's Office is investigating the matter, it will inform the relevant agencies in writing that it is investigating the matter and that the other agencies should contact the City Attorney's Office if our actions would interfere in their review of the matter.
8. If the City Attorney's Office refers the matter to another law enforcement agency, the referral letter will be copied to the Controller.
9. Should the City Attorney's Office file charges, it will copy the filing to the Controller and inform the Controller in a timely fashion of any disposition of such a case.

Please feel free to call us to discuss this matter further. Have a happy holiday season.

Sincerely,



LUIS LI, Chief  
Criminal Division

LL:gl

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

---

Date: *January 4, 2005*

CAO File No. 0220-03965-0000

Council File No. 04-2415

Council District: All

To: The Mayor  
The Audits & Governmental Efficiency Committee

From: William T Fujioka, City Administrative Officer 

Reference: Audits & Governmental Efficiency Committee Request of December 1, 2004  
Memorandum from the Mayor dated November 30, 2004

Subject: **FRAUD, WASTE AND ABUSE INVESTIGATION UNIT FUNDING REQUEST**

---

### SUMMARY

On November 12, 2004 the Controller forwarded four separate requests to the Mayor and Council for increased staffing and budgetary authority to address several specific program areas. On November 30, 2004 the Mayor requested the City Administrative Officer to evaluate these requests and provide an analysis to the Mayor and Council. On December 1, 2004, the Audits and Governmental Efficiency Committee requested a report on one of the requests, which involves the creation of a Fraud, Waste and Abuse Investigation Unit within the Audit Division of the Controller's Office (C.F. 04-2415).

This report specifically addresses the request to create a Fraud, Waste and Abuse Investigation Unit. The proposed Unit would investigate and examine allegations of irregularities, fraud, collusion, conflict of interest, abuse of City assets and improprieties on the part of City employees and others. The request is comprised of salaries for three positions, contractual services, administrative and equipment expenses at an estimated six-month cost of \$173,175 and an annual direct cost of \$336,348.

This Office has reviewed the request and recommends funding and resolution authority for three positions for five months (from February 1 to June 30, 2005) and reduced amounts for contractual services, administrative, and equipment expenses. The additional direct funding required for the remainder of this Fiscal Year is \$108,294. The 2005-06 direct and related costs as recommended would be \$307,092 (See Attachment A). These recommendations are discussed further below.

### Discussion

The Controller reports having received 33 allegations of abuse, fraud and/or waste in the past six months. The Controller indicates that some of the communications received contain specific allegations ranging from vendor kickbacks and fraudulent vendor claims to personal use and abuse

AUDITS & GOVERNMENTAL  
EFFICIENCY

BUDGET AND FINANCE

PERSONNEL

JAN 5 - 2005

RECEIVED  
CITY CLERK'S OFFICE

2005 JAN -4 PM 1:39

CITY CLERK

BY *Jc* DEPUTY

of City assets.

More than half of the 33 allegations received relate to alleged improprieties in the proprietary departments. The remaining 15 complaints relate to other City departments. An opinion from the City Attorney is required to determine whether the costs associated with investigating allegations of improprieties in the proprietary departments can be reimbursed by the respective proprietary department. If reimbursement is found to be appropriate, only the remaining complaints related to other City departments would have to be funded from the General or Reserve Fund.

The Controller anticipates that a substantial increase in the number of complaints/tips may occur once the new Fraud, Waste and Abuse Investigation Unit is advertised. Conversely, advertising the program could also serve as a deterrent factor to waste and abuse. It is difficult to predict at this time what the increased workload will be and which departments will be affected. It is recommended that the Controller be requested to provide quarterly status reports outlining accomplishments, investigative highlights and summary statistics.

The 2000 Charter Reform provided the Controller with responsibility for conducting performance audits of all City departments, and the Mayor and Council authorized 13 new positions, contractual services and computer and office equipment in the 2000-01 Budget for performance auditing purposes. Furthermore, the Controller acknowledges an obligation to independently investigate and report activities of employee, manager and contractor waste, fraud and abuse, in addition to a fiduciary responsibility to the City taxpayers. However, the Controller reports an insufficient amount of resources and/or expertise to pursue the necessary investigations.

### **Additional Resources Required**

The Controller requests interim authority for one Special Investigator II, one Special Investigator I and a Senior Clerk Typist to form the new Unit. The Controller also requests interim contractual services funding of \$50,000 for expert witnesses or assistance in highly technical areas such as engineering or technical computer issues. Office and administrative expense and equipment funds totaling \$12,500 are requested for a new workstation and two laptops, as well as for a facsimile machine, software and training.

Although the Controller absorbed the costs of nine positions for which funding was eliminated in the 2004-05 Budget, salary expenditures to date have remained within budget. Further, as of October 31, 2004, the Controller had 30 regular authority vacant positions out of 180 regularly authorized positions. Upon reviewing the Office of the Controller salary projections for the remainder of this fiscal year, and in light of proposed mid-year budget reductions in 2004-05, it is not anticipated that sufficient salary savings to fund the additional positions for the remainder of this Fiscal Year will be available.

A reduced amount of \$25,000 is recommended for contractual services. The Controller has a Contractual Services Account line item for "Auditing Outside Consulting Services" in the amount of

\$500,000 which could be accessed if necessary.

Because of the number of vacancies in the Controller's Office, a workstation with the necessary software license and a fax machine should already exist and additional funding would not be required. A reduced amount of \$7,190 is recommended for two laptops, software and training.

As detailed on Attachment A, an appropriation of \$108,294 to finance resolution authority for three positions, two laptops, software and training is recommended for 2004-05. Ongoing costs for 2005-06 would total \$307,092, \$253,680 in direct and \$53,412 in related costs.

**RECOMMENDATIONS**

That the Council:

1. Subject to approval of the Mayor:
  - a. Authorize by resolution, the following additional positions in the Office of the Controller for the Fraud, Waste and Abuse Investigation Unit, for the period February 1, 2005 through June 30, 2005, subject to review of classification by the Personnel Department and paygrade determination by the CAO Employee Relations Division:

<b>No.</b>	<b>Class Title</b>	<b>Class Code</b>
1	Special Investigator I	0602-1
1	Special Investigator II	0602-2
1	Senior Clerk Typist	1368

- b. Transfer \$108,294 from the Reserve Fund to the Unappropriated Balance and appropriate therefrom to the Office of the Controller, Fund 100/26, as follows:

<b>No.</b>	<b>Account Title</b>	<b>Amount</b>
1010	Salaries General	\$ 76,104
3040	Contractual Services Expense	25,000
6010	Office & Administrative Expense	3,590
7300	Furniture, Office & Technical Equipment	<u>3,600</u>
		<u>\$108,294</u>

2. Request the City Attorney to determine whether it is permissible for the proprietary departments to reimburse the General Fund for costs associated with the investigation of complaints of fraud, waste and abuse occurring within those departments; and,
3. Request the Controller to report back to the Council on a quarterly basis with a summary

of the investigative and financial results achieved by the implementation of the new Unit.

## **FISCAL IMPACT STATEMENT**

The additional 2004-05 General Fund cost for the proposed Fraud, Waste and Abuse Investigation Unit will be \$146,424, \$108,294 in direct and \$38,130 in related costs. The 2005-06 General Fund cost of the new unit will total \$307,092, \$253,680 in direct and \$53,412 in related costs. The cost to the General Fund of the new unit will be reduced by any permissible reimbursement for investigation of complaints pertaining to the proprietary departments and any recovery of funds resulting from the discovery of irregularities, fraud, collusion, conflict of interest or improprieties through investigations conducted by the new Unit.

*WTF:RNC:05110023c*

Attachment

## ATTACHMENT A

### Start Up (Interim) and Full Year Cost for Fraud, Waste and Abuse Investigation Unit

#### Controller's Request

Account No.	Account Name	Class Code	Classification	Interim (6-Month) Cost	Annual Cost
1010	Salaries General	0602-1	Special Investigator I	\$ 36,008	\$ 72,015
1010	Salaries General	0602-2	Special Investigator II	46,448	92,895
1010	Salaries General	1368	Sr. Clerk Typist	28,219	56,438
3040	Contractual Services - 1,000 hrs @ \$100/hr			50,000	100,000
6010	Office & Administrative Expense - Software & Training			6,500	9,000
7300	Equipment - 2 laptops, 1 workstation and 1 facsimile machine			6,000	6,000
<b>Total Cost</b>				<b>\$ 173,175</b>	<b>\$ 336,348</b>

#### CAO Recommendation

Account No.	Account Name	Class Code	Classification	2004-05 (5-Month) Cost	2005-06 Annual Cost
1010	Salaries General	0602-1	Special Investigator I	\$ 28,656	\$ 68,774
1010	Salaries General	0602-2	Special Investigator II*	28,656	88,715
1010	Salaries General	1368	Sr. Clerk Typist	18,792	45,101
3040	Contractual Services - \$100/hr			25,000	50,000
6010	Office & Administrative Expense - Software & Training			3,590	1,090
7300	Equipment - 2 laptops			3,600	
<b>Total Cost</b>				<b>\$ 108,294</b>	<b>\$ 253,680</b>
<b>Related Costs</b>				<b>\$ 38,130</b>	<b>\$ 53,412</b>
<b>Total Direct/Related Costs</b>				<b>\$ 146,424</b>	<b>\$ 307,092</b>

\*As standard practice, positions are funded at the lowest paygrade until a determination is made by the Classification Division of the Personnel Department as to classification and by the Employee Relations Division of the City Administrative Officer as to paygrade assignment. On an interim basis, the difference in cost is funded with salary savings. Upon determination of appropriate classification and paygrade assignment, the annual cost will be adjusted accordingly.

WTF:RNC:05110023





OFFICE OF  
CONTROLLER

LAURA N. CHICK  
CONTROLLER

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

November 12, 2004

Honorable James K. Hahn, Mayor  
Honorable Members of the City Council  
of the City of Los Angeles

**SUBJECT: FRAUD/WASTE AND ABUSE INVESTIGATION PROGRAM  
FUNDING REQUEST**

The Controller's Office is requesting six month's funding of \$175,000 to establish a Fraud/Waste and Abuse Program. The City Charter requires the Controller to conduct audits of the City's accounts and operations. In the course of conducting those audits, issues are often identified or referred to the Controller that warrant investigation separate and apart from the audits.

In recent months, the number of whistleblower notices received by my Office has increased. Since July, I have received 33 credible letters and e-mails from concerned employees and citizens. Of the 33 letters, nine (27%) are allegations concerning the Department of Water and Power (LADWP), four (12%) relate to the Los Angeles World Airport (LAWA), five (15%) relate to the Port Authority, and 15 (46%) relate to other departments. Charts 1, 2 & 3 on Attachment I provide the breakdown of the referrals received.

Some of the letters we received contain specific allegations that warrant the Controller's investigation. The following are examples of common allegations reported:

- Vendor kickbacks
- Fraudulent vendor claims
- Management improprieties
- Abuse of work hours
- Conflict of interests
- Personal use and abuse of City assets



Honorable James K. Hahn, Mayor  
Honorable Members of the City Council  
November 10, 2004  
Page 2

Current procedures require that we forward the e-mails and letters we receive to the affected departments' management for investigation. This may not be the most effective method since some of the allegations involve the managers themselves. The Controller has an obligation to independently investigate and report on activities of employees, managers or contractors that are fraudulent, wasteful or abusive. Investigating these allegations is not only in accordance with the Controller's mission to save taxpayers' money, it is a fiduciary duty that we owe to the City taxpayers.

Currently, my Auditing Division does not have the resources or the expertise to pursue these investigations. Therefore, we propose that a Fraud Investigation Unit be established within the Auditing Division.

#### **Proposed Actions**

The new Unit will be responsible for screening, monitoring and investigating the allegations reported.

#### **Staffing**

I am requesting three positions to establish this Fraud Investigation Unit, one Senior Clerical Typist and two Special Investigators. The Senior Typist Clerk will screen and log all calls, letters and e-mail received, and assist in preparing various management reports. The Special Investigator I will be responsible for much of the investigative work. The Special Investigator II will lead all investigations and coordinate with Auditing Division management a tentative appropriate response to each referral.

My staff estimated the cost to establish the Unit to be \$340,000 annually and \$175,000 for the remainder of the FY 04-05. This cost includes salaries, equipment, software, training, and a \$100,000 yearly budget to pay for expert consultants when specific expertise is needed to complete investigations (Attachment II). The individuals to fill the Special Investigator positions will be qualified individuals with experience in fraud investigations. Since the proprietary departments account for 55% of the workload, I recommend that the LADWP, LAWA and the Ports reimburse the General Fund for the cost of the Fraud Investigation Unit.

#### **Reporting Results**

The Unit will report the results of investigative activities as follows:

Honorable James K. Hahn, Mayor  
Honorable Members of the City Council  
November 12, 2004  
Page 3

- An investigative report of actions taken and information uncovered. In the event that an investigation reveals serious improprieties, the City Controller may direct reporting to appropriate authorities.
- A quarterly accomplishments report, including investigative highlights and summary statistics.
- The results of investigations will be forwarded to the appropriate City Council Committee for consideration, as appropriate.

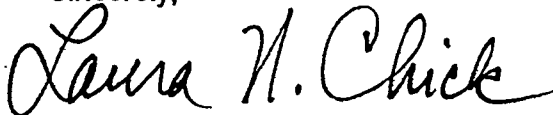
### **Implementation**

If approved, I plan to pursue recruitment of qualified candidates to fill the Special Investigator I and II positions. I also plan to work with my staff to establish a Fraud/Waste and Abuse Hotline Program and advertise it on the Controller's Internet and Intranet sites by fiscal year end. For specific allegations that can better be handled by other authorities, we will work with other City/County agencies (e.g. Ethics, Department, Personnel, LAPD, DA, etc.) to create specific protocols for referring the allegations to the appropriate agency for investigation.

In addition, I will track the Unit's workload and accomplishments and will submit a status report to you at the end of the current fiscal year. Finally, I will also work with the proprietary departments to set up a process for billing the departments for the cost of the Fraud Investigation Unit.

If you have any questions regarding this proposal, your staff may contact Farid Saffar, Director of Auditing, at (213) 978-7392 or DeWitt Roberts, Deputy Director of Auditing, at (213) 978-7391.

Sincerely,



LAURA N. CHICK  
City Controller

Attachments

Chart 1

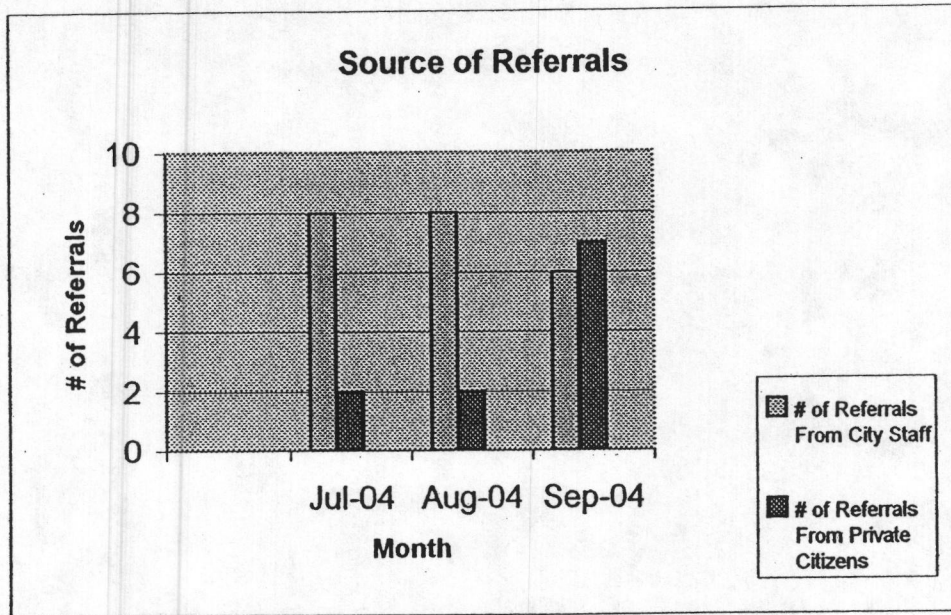


Chart 2

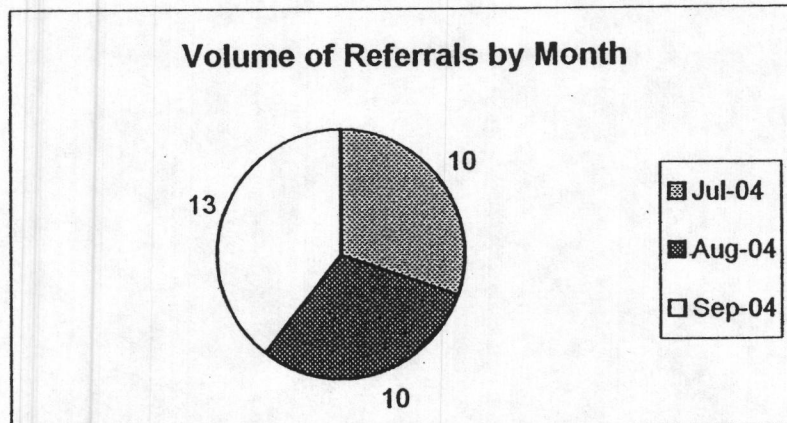
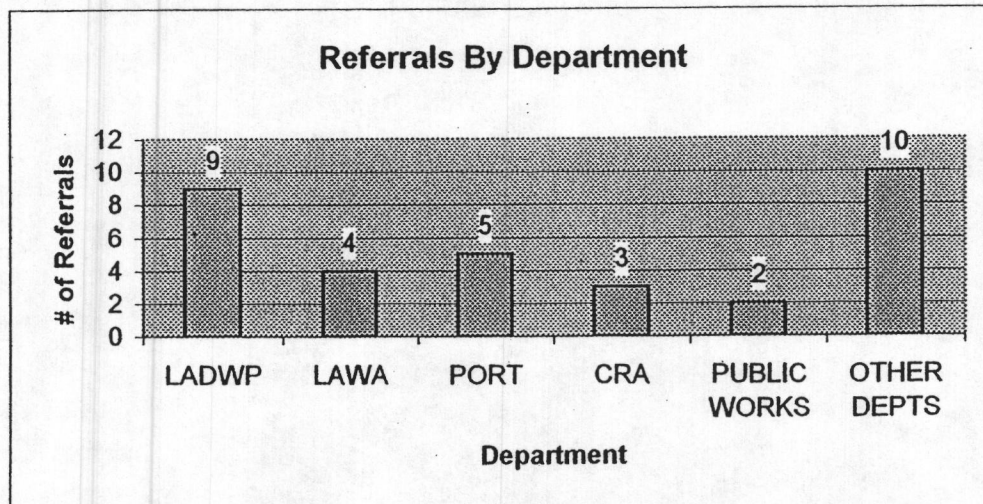


Chart 3



**Fraud/Waste and Abuse Program  
Staffing Request**

Direct Salaries	Full-Time Equivalent	Monthly Rate	Annual Cost	Six-Month Cost For the Remainder of FY 04-05
Special Investigator II	1	\$ 7,741.26	\$ 92,895.12	\$ 46,447.56
Special Investigator I	1	\$ 6,001.26	\$ 72,015.12	\$ 36,007.56
Senior Clerical Typist	1	\$ 4,703.22	\$ 56,438.64	\$ 28,219.32
	<u>3</u>		<u>\$ 221,348.88</u>	<u>\$ 110,674.44</u>
Outside Consultant, 1,000 hrs @ \$100/hr			<u>\$ 100,000.00</u>	<u>\$ 50,000.00</u>
<b>Total Salaries</b>			<b>\$ 321,348.88</b>	<b>\$ 160,674.44</b>
<b>Other Expenses</b>				
Equipment (1)			\$ 6,000.00	\$ 6,000.00
Software			\$ 4,000.00	\$ 4,000.00
Training			<u>\$ 5,000.00</u>	<u>\$ 2,500.00</u>
<b>Total Other Expenses</b>			<b>\$ 15,000.00</b>	<b>\$ 12,500.00</b>
<b>Total Estimated Start-up Cost</b>			<b><u>\$ 336,348.88</u></b>	<b><u>\$ 173,174.44</u></b>

(1) - Equipment for the three staff includes two laptop computers, one desktop computer and a fax machine.

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE, SPECIAL MEETING

WEDNESDAY, DECEMBER 1, 2004

ROOM 1060, CITY HALL - 10:00 AM  
200 NORTH SPRING STREET, LOS ANGELES, CA 90012

\*\*\* NOTE START TIME CHANGE FOR THIS MEETING \*\*\*

MEMBERS: COUNCILMEMBER WENDY GREUEL, CHAIR *Present*  
COUNCILMEMBER JACK WEISS  
COUNCILMEMBER JANICE HAHN *Absent*

(Ilene Shapiro - Legislative Assistant - 213-978-1077 or ishapiro@clerk.lacity.org)

Note: For information regarding the Committee and its operations, please contact the Committee Legislative Assistant at the phone number and/or e-mail address listed above. The Legislative Assistant may answer questions, provide materials, and provide notice of matters scheduled before the City Council. Assistive listening devices are available at the meeting; upon 24 hour advance notice, other accommodations, such as sign language interpretation, and translation services will be provided. Contact the Legislative Assistant listed above for the needed services. TDD available at (213) 978-1055.

FILE NO.

SUBJECT

04-2380 (1)  
Controller's report relative to audit of the Department of Water and Power's (DWP) contract with Fleishman - Hillard for public relations services. (Also referred to the Commerce, Energy, and Natural Resources Committee.)

Fiscal Impact Statement Submitted: No

DISPOSITION \_\_\_\_\_

04-2415

L

04-2368

(2)  
Motion (Weiss - Villaraigosa - Greuel) requesting that the City Controller report relative to the creation of a Waste, Fraud, and Abuse Investigation Unit to investigate allegations and complaints in all City departments and agencies.

Fiscal Impact Statement Submitted: No

DISPOSITION *Continued, report back given*

04-2416

(3)

Motion (Weiss - Villaraigosa - Greuel) requesting that DWP, the Harbor Department, Los Angeles World Airports, and the Community Redevelopment Agency report relative to the current internal auditing structures of their respective departments, and related matters.

Fiscal Impact Statement Submitted: No

DISPOSITION \_\_\_\_\_

ag1201sp.wpd



CITY HALL  
LOS ANGELES, CALIFORNIA 90012

JAMES K. HAHN  
MAYOR

December 1, 2004

The Honorable Wendy Greuel  
Audits and Governmental Efficiency Committee  
200 N. Spring St., Room 475  
Los Angeles, CA 90012

Dear Councilmember Greuel:

This morning, your committee will consider a motion regarding the creation of a new Waste, Fraud, and Abuse Investigation Unit in the City Controller's Office.

The City Charter already requires the Controller to review all of the city's bills and withhold payment if there are any concerns. The Controller's website states that that she is the taxpayers' watchdog and that her job is to investigate and publicly report problems with city departments. Perhaps the Controller could consider reallocating existing resources to provide more focus on these efforts. Clearly, it would be better for the city to withhold payment of bills that are questionable instead of paying them and then having to try to get our money back later.

I share your goal of eliminating waste and fraud in government. Already, I have canceled all public relations contracts, urged the City Attorney to seek the toughest possible legal action against Fleishman-Hillard, and proposed a comprehensive ethics reform package that Bob Stern of the Center for Governmental Studies says would make Los Angeles a national leader on ethics laws.

I believe we can achieve our shared goal of a more efficient city government without simply creating duplicative bureaucracies that are costly to taxpayers. A waste, fraud, and abuse unit in the Controller's Office seems about as redundant as creating an anti-crime unit within the Police Department.

I urge you to carefully consider this motion. If you have any comments or questions, please do not hesitate to contact me.

Very truly yours,

JAMES K. HAHN  
Mayor

JKH:mo

cc: The Honorable Jack Weiss, Councilmember 5<sup>th</sup> District  
The Honorable Janice Hahn, Councilmember 15<sup>th</sup> District





**From:** "Daniel N. Shrader" <dshrad@cox.net>  
**To:** "Wendy Greuel" <greuel@council.lacity.org>, "Jack Weiss" <weiss@council.lacity.org>, "Janice Hahn" <hahn@council.lacity.org>, "Ilene Shapiro" <ishapiro@clerk.lacity.org>  
**Date:** 11/28/2004 7:07:07 PM  
**Subject:** Root Cause Analysis?

COUNCILMEMBER WENDY GREUEL, CHAIR <greuel@council.lacity.org>  
COUNCILMEMBER JACK WEISS <weiss@council.lacity.org>  
COUNCILMEMBER JANICE HAHN <hahn@council.lacity.org>  
LEGISLATIVE ASSISTANT ILENE SHAPIRO <ishapiro@clerk.lacity.org>  
Room 1060, City Hall  
200 North Spring Street, Los Angeles, CA 90012

November 27, 2004

Re: AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE  
Special Meeting, 10:00 a.m., Wednesday, December 1, 2004

Honorable Council Members:

No amount of rules and enforcement can be as effective in changing a culture as having leadership that is relentless in its pursuit of the greater long-term public good. The methods used by the DWP, Airports, and Harbor departments should be as straight-forward as the services themselves. The methods should be simple, consistent, predictable, and easily understood throughout the organization. They are not. This is a management problem and should not be blamed on individuals. These systemic problems are management's responsibility. Without doubt, the duplicitous nature of management's influence on the methods of doing business has degraded the products and services provided, as well as creating personnel issues within these departments.

My letter published in the August 13, 2004 issue of LA Weekly entitled "Whistleblowing," continues to express my concerns:

"Without exposure and widespread public support, the culture at the LADWP will not change. Sure, laws protect individual employees, but individuals do not stand a chance against the juggernaut of attorney-trained bureaucrats, unlimited time and access to the City Attorney's Office, PR spin masters, contracted legal services, fact-finding committees, and union stalwarts - all accomplished defenders of the status quo. Consequently, employees are highly motivated to compromise their responsibility to act in the public's best interest to avoid repercussion and loss of promotional opportunity."

Addressing waste, fraud, and abuse looks like a good start. But these are merely symptoms and do not address the fundamental issue, which is mismanagement. The mismanagement is due to the influence of outside interests and secret agendas which overshadows delivering the services in a manner consistent with the public's best interests.

Bogus internal investigations and the use of rubber-stamp committees to reframe the spin on management's methods are savvy political tools to maintain the status quo and to protect incumbents steeped in cronyism. The leaders at the DWP are purported experienced professionals; many of them, such as Thomas Hokinson and Hal D. Lindsey, are accomplished attorneys. To suggest retraining as a remedy to mismanagement is a diversion. Management knows the laws, and they know their responsibilities. They have chosen to use their high-level positions, talents and influence to skirt them. Their

leadership has reflected negatively in the merit systems established, on the culture within the department, and on the actions of some 8,000 employees preoccupied with intimidation and retaliation for whistle-blowing. Further, the Commerce, Energy and Natural Resources Committee, made up of Tony Cardenas, Janice Hahn, and Cindy Miscikowski, made it very clear to acting General Manager Henry Martinez that management behavior reflected poorly on and threatened the integrity of the Department, its employees, and the entire city.

These managers need to be held accountable. Not to take definitive action ensnares this committee in the same mire of complacency that surrounds the offices of the City Controller and the City Attorney.

Many employees have found it necessary to bring their first-hand experiences to the attention of boards and committees outside the influence of DWP management. This, too, is symptomatic of the same problem. The fact that the union is not representing these individuals and that employees are not using traditional in-house resolution avenues is alarming. It means that the union has found it can better influence the terms and conditions of labor through appointments and political and managerial maneuvering than through the traditional representation of employees. The employees have realized that in-house resolution processes are no longer effective.

Union influence on boards and in management can be seen in the union's recent entry and control of safety administration, retirement system administration, engineers and architects, exempt employees, and healthcare, etc. In each of these areas, ask, "Can the union be held accountable for a failed or substandard performance?" The resounding answer is "no." Legitimate management should know that accountability for these areas cannot be transferred. Under the current law, if an employee is hurt or killed on the job, management is culpable. Consequently, in each of these instances, management has given the union a risk-free benefit.

Career employees that have voiced their concerns at various city boards and council meetings have found themselves facing the Civil Service Commission and/or the Employee Relations Board. These management-orchestrated personnel actions illustrate dysfunctional management behavior, and intimidation of the workforce and result in degraded services and the waste of city time, resources, and talent.

The nexus of management methods, personnel actions, and union influence falls clearly under management control. Therefore, management is solely responsible and should be held accountable.

I am a 20-year career DWP employee familiar with the culture, politics, and players; a professor of management at CSULA; and a motivated change agent. I have a vested interest in seeking long-lasting reform and improvement. I have plenty to contribute to this committee and to the city of Los Angeles, and I have a vision for a successful reformation plan. If you are interested in system and process improvement, I would welcome the opportunity to participate in your efforts.

I am unable to attend this particular meeting as it is in conflict with a pending case of alleged management-orchestrated retaliation being heard at the Employee Relations Board. However, I would be extremely happy to meet with you at your convenience.

Please let me know how I can best participate. I would like to post your reply at <http://www.civilactionpress.blogspot.com>. I hope to hear from you soon.

Sincerely,  
Daniel N. Shrader, M.B.A.

Attachment:

Shrader, Daniel N. August 13, 2004. Letters: WHISTLEBLOWING. LA Weekly.

<http://www.laweekly.com/ink/04/38/letters.php>.

#### WHISTLEBLOWING

Jeffrey Anderson's article "The Black Avenger"

<<http://www.laweekly.com/ink/04/35/features-anderson.php>> [July 23-29]

cites the City Attorney's Office's use of secret settlements and confidentiality clauses to hide systemic discrimination, harassment and retaliation as an alternative to management reform at the Los Angeles Department of Water and Power (LADWP). LADWP Assistant General Manager Thomas Hokinson was unable to recall burying mismanagement allegations while he was chief assistant city attorney - no surprise considering workplace bullying has gotten sophisticated and management retaliation is the leading claim at the utility.

The LADWP plays musical chairs to mask these increasing claims. Although responsibility over Human Resources and Labor Relations passed from Raman Raj to Thomas Hokinson, and then to Hal D. Lindsey (retired from Edison) - all of whom were eventually promoted to assistant general managers - tactics to thwart employee claims remain paramount.

Without exposure and widespread public support, the culture at the LADWP will not change. Sure, laws protect individual employees, but individuals do not stand a chance against the juggernaut of attorney-trained bureaucrats, unlimited time and access to the City Attorney's Office, PR spin masters, contracted legal services, fact-finding committees, and union stalwarts - all accomplished defenders of the status quo. Consequently, employees are highly motivated to compromise their responsibility to act in the public's best interest to avoid repercussion and loss of promotional opportunity. Since 1981, every grievance, arbitration, lawsuit and contract for legal services, including every one of the high-dollar settlements covered in "The Black Avenger," has crossed the Board of Water and Power Commissioners for approval. The Board, having recently mandated "Mutual Respect" and "Workplace Violence" seminars for each employee, cannot claim to be unaware of the rift between enlisted cronies and career civil servants. The real question is: Did they turn a blind eye to it or did they mandate these seminars in an effort to re-frame executive-orchestrated retaliation and bullying as a supervisory issue?

Charter reform and manipulation of civil-service classification and selection processes have exacerbated the problem by increasing the latitude and number of non-civil-service employees serving at the pleasure of management and beholden to their closely held personal and political agendas.

Is the situation out of control? Civil service is characterized by low turnover designed to prevent spoils-system graft and corruption. A monopoly, too, is characterized by low turnover. The LADWP is both a civil-service organization and a monopoly. But the high turnover at the management level indicates that the organizational focus has shifted from public service to opportunists jockeying for personal power. Strife in the workplace, reduced output and higher costs are a result of a preoccupied, self-serving leadership.

By their rhetoric, city administrators lay blame on contractors and understudies. City leaders and their blindly following minions seem to have forgotten that they are charged with a higher standard of behavior, embodied in the city oath, to provide and ensure continuous, ethical, uncompromised, cost-effective service to the citizens of Los Angeles. For their public service, Angelinos entrust them with uncompromised authority, good salaries, benefits and civic honors.

There is a consequence to violating and spinning away the public trust. Therein lies the crux of the problem. The regulatory agencies of this

administration - the Board, Controller's Office, Ethics Commission, Civil Service Commission, City Attorney's Office and Mayor's Office - continue to support the status quo, a derelict and dysfunctional culture. Consequently, these internal policing agencies must be the first priority for reform. I hope that the recent exposure and awareness of widespread city mismanagement, specifically at the LADWP, will result in a recall of the public's trust.

**CC:** "Tony Cardenas" <cardenas@council.lacity.org>, "Cindy Miscikowski" <miscikow@council.lacity.org>

**From:** <EsotericDS@aol.com>  
**To:** <greuel@council.lacity.org>, <weiss@council.lacity.org>, <ishapiro@clerk.lacity.org>  
**Date:** 11/28/2004 10:08:38 AM  
**Subject:** DWP-ideas for improvement

Fundamentally, DWP has lost vision, lost supporting core values, is apparently bogged down in political expediency, and corruption. Seems to have virtually no independence to be run as a business. In house promotions to General Manager are long since history, to DWP's detriment.

DWP is being drained dry by direct and indirect transfers to City Hall. The Bank of DWP makes grants and loans that will never be repaid. No one will help DWP when it nears bankruptcy in the next three to five years. Except maybe fire sale deals to So Calif. Edison.

And DWP gets charged wherever possible for real and imagined services as well. And unfunded social programs. And contracting policies that cost DWP perhaps \$200M/year in extra costs, in the name of "good faith efforts." Really a shakedown of ratepayers? Campaign contributions anyone? Have you read a simple recent DWP bid notice? Maybe 30 pages or more. The legal mumbo jumbo and minority hiring, child care, living wage ordinance, etc., is enough to give any bidder a headache. Need a lawyer just to figure it out. And maybe just have to hire an insider consultant to do the paper work, just like on formal contracts (PMI anyone?).

Promotions of loyalists, cronies, union buddies and shop stewards. Political decisions more important than fundamental business decisions. Seemingly global lack of integrity, in legal, in labor relations, in management, in unions.

Historically, DWP was run by engineers. (currently a four letter word in many circles).

Engineers tend to take a conservative approach. To overbuild. To over design. Maybe less "cooperative." Maybe not as good at BS. And not as good at snow jobs while being publicly "beat up" at city hall public meetings. Engineers have been the key to DWP success. Vision, planning, objectivity, drive to fulfill core business. They are now history, as far as managing DWP.

Non engineers/attorneys/administrative types/bureaucrats seem to be willing to bend the rules, to rationalize, to push the envelope. To give away the store. DWP is a monopoly after all, and rate payers are always on the hook. Take a risk on reliable water and power? Nonsense?

More Thoughts for improvement:

Eliminate all DWP Exempt manager positions. No rocket science needed to figure out who the first to go should be. Some female exempt heads may roll as well. Politically dynamite. But do they, or others, add value? Base positions on business necessity, not political necessity. Way too many Assistant General Managers. And a biased selection process at that?

Neutralize/isolate problem civil service managers who cannot otherwise be encouraged to leave (for example, retire, transfer, quit).

Get rid of long term consultants. Do work in house.

Unscramble civil service classifications. New classifications and class

consolidations have done great damage, especially Electrical Services Manager. Electrical Services Managers are not equivalent to Power Engineering Managers.

Promote carefully employees based on dedication to DWP, ability to do the job. Especially emphasize integrity.

Eliminate, or transfer to City Hall, any DWP function not a core business, or business that generates actual revenue. Keep fiber optics, or anything else generating revenue closely connected with DWP. Eliminate any group giving away money, goods, or services. Like business development. If it is really important, let City hall do the work, do the social programs, and pay for it, outside of DWP.

Improve the job City Personnel does. More funding. Get rid of all exempt positions in City Personnel. Need honesty, integrity, and independence from city hall and DWP influence.

Put IBEW's feet to the fire. Audit the Trust Funds. Make sure all Trust Fund meetings are publicized public meetings. Audit the Joint Safety Institute, Joint Training Institute, IBEW health plans, and anything else taking DWP money. See where the money goes, and who benefits. Federal audit of IBEW management income tax returns?? Investigation of bank accounts? Audit of IBEW financial records? Audit of all contracts IBEW has, paid for using DWP moneys? IBEW campaign contributions audit?

Review and revise the process for election of employee representatives to the DWP Retirement Board of Administration. IBEW currently backs "favorite" candidates. Such as shop stewards, and other loyalists. This allows them better control of DWP, DWP management, \$6B fund, pursuit of political and social agendas using retirement fund clout, risks lower return on investment (at great cost to ratepayers?), and potential for questionable, if not unlawful actions. <http://retirement.ladwp.com/>

Try employee focus groups/lunches. The truth will out very quickly.

Replace the Director of Corporate Health and Safety with a real safety person (not a high paid IBEW "favorite"). Recommend a Safety Administrator (civil service classification)

Stop giveaway's to the Bureau of Street Lighting, and Department of Transportation, and Recreation and Parks, including free power. Change the Electric Rate Ordinance so everyone who gets power pays fairly. No more free lunches.

Audit all confidential contracts with large power users. Great potential for funny business, kickbacks, and campaign donations at the expense of DWP.

Get ALL exempt managers and consultants out of Finance and Accounting. Too easy to cook the books, or "spin" the facts.

Customers with special discounts/benefits must be verified US citizens.

Only hire new employees, including exempt employees, and contractors, who are verified US citizens (DWP is a national security issue).

Serious background checks for all new DWP employees.

Stop giveaways to the public, and private, via council influence.

Audit and annually track all moneys provided to other city departments. Free services, fees, fines, street resurfacing fees, pressure vessel fees, lot cleanup fees, lighting in city parks, streetlight installations, Christmas lights, etc. DWP is not Santa Claus, or the tooth fairy.

Audit all sales of DWP real estate since 1997. Prosecute any funny business, no matter where the cards fall.

Restart on-campus recruiting for engineers. Start hiring engineers to get them up to speed before existing engineers retire. Feb 1, 2006 may be a popular retirement date.

Reduce annual transfers to city hall to 5 percent. NO supplemental one time only transfers.

Lay down criteria that DWP is a business, and is to be operated as a business. Have a hotline to someone with clout for anonymous watchdog reporting, faxing, e-mailing.

Create an authority that can respond to claims of violations of civil service rules. Things seem to be out of control at present. No rules. No accountability. No rocket science here either. Five minutes of asking questions anywhere will yield answers. Tape record and preserve tape recording of all new hire, transfer, and promotional interviews held at DWP. May need to hold interviews at City Personnel Dept. Maybe include an exempt "Interview Specialist" in such interviews? Cannot trust DWP on this.

Without a fair and objective hiring, promotion, and transfer process, DWP will continue to be domed.

Prosecute criminally and civilly any manager who behaves inappropriately, unlawfully, or unethically. Send a clear message to everyone that there are rules, and no one is exempt. That DWP is to be run as a business.

Revise the selection process for DWP commissioners. Seek a balance of left wing and right wing. Maybe have them selected by neighborhood councils?? Or by city council (instead of the Mayor?) Or by election? How about one member being a retired DWP manager, selected by DWP retirees? With a defined term?

Reinstate rules that all managers over technical areas must have a current, valid engineering license. (Frank Salas's license and Henry Martinez's licenses apparently expired years ago.)

Reinstate selecting General Managers from ENGINEERS within DWP. Choose long term civil service employees with proven integrity and performance. Can also cut the pay of General Manager. Civil service employees will work for less as General Manager, and may be expected to perform better in improving the bottom line.

FBI investigation of IBEW Local 18 for possible racketeering (RICO)?

County grand jury investigations as appropriate?

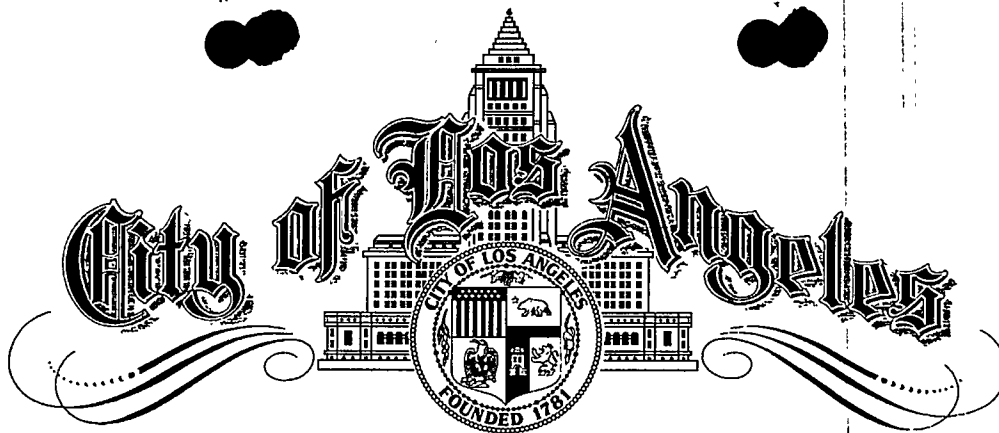
Make DWP far more independent of City Hall and the Mayor, and all the

political micromanaging, such as green power taking priority over cheap, clean reliable coal power from Intermountain Power Plant. Get realistic. Get pragmatic. Need to be run as a business, not as a political campaign. Stop the spin. And hope for a miracle or two.

Regards

CC: <james.nash@dailynews.com>, <janderson@laweekly.com>, <dshrad@cox.net>





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November 12, 2004

Honorable James K. Hahn, Mayor  
Honorable Members of the City Council  
of the City of Los Angeles

**SUBJECT: FRAUD/WASTE AND ABUSE INVESTIGATION PROGRAM  
FUNDING REQUEST**

The Controller's Office is requesting six month's funding of \$175,000 to establish a Fraud/Waste and Abuse Program. The City Charter requires the Controller to conduct audits of the City's accounts and operations. In the course of conducting those audits, issues are often identified or referred to the Controller that warrant investigation separate and apart from the audits.

In recent months, the number of whistleblower notices received by my Office has increased. Since July, I have received 33 credible letters and e-mails from concerned employees and citizens. Of the 33 letters, nine (27%) are allegations concerning the Department of Water and Power (LADWP), four (12%) relate to the Los Angeles World Airport (LAWA), five (15%) relate to the Port Authority, and 15 (46%) relate to other departments. Charts 1, 2 & 3 on Attachment I provide the breakdown of the referrals received.

Some of the letters we received contain specific allegations that warrant the Controller's investigation. The following are examples of common allegations reported:

- Vendor kickbacks
- Fraudulent vendor claims
- Management improprieties
- Abuse of work hours
- Conflict of interests
- Personal use and abuse of City assets

**PERSONNEL**

**BUDGET AND FINANCE**

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Honorable James K. Hahn, Mayor  
Honorable Members of the City Council  
November 10, 2004  
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Current procedures require that we forward the e-mails and letters we receive to the affected departments' management for investigation. This may not be the most effective method since some of the allegations involve the managers themselves. The Controller has an obligation to independently investigate and report on activities of employees, managers or contractors that are fraudulent, wasteful or abusive. Investigating these allegations is not only in accordance with the Controller's mission to save taxpayers' money, it is a fiduciary duty that we owe to the City taxpayers.

Currently, my Auditing Division does not have the resources or the expertise to pursue these investigations. Therefore, we propose that a Fraud Investigation Unit be established within the Auditing Division.

### **Proposed Actions**

The new Unit will be responsible for screening, monitoring and investigating the allegations reported.

### **Staffing**

I am requesting three positions to establish this Fraud Investigation Unit, one Senior Clerical Typist and two Special Investigators. The Senior Typist Clerk will screen and log all calls, letters and e-mail received, and assist in preparing various management reports. The Special Investigator I will be responsible for much of the investigative work. The Special Investigator II will lead all investigations and coordinate with Auditing Division management a tentative appropriate response to each referral.

My staff estimated the cost to establish the Unit to be \$340,000 annually and \$175,000 for the remainder of the FY 04-05. This cost includes salaries, equipment, software, training, and a \$100,000 yearly budget to pay for expert consultants when specific expertise is needed to complete investigations (Attachment II). The individuals to fill the Special Investigator positions will be qualified individuals with experience in fraud investigations. Since the proprietary departments account for 55% of the workload, I recommend that the LADWP, LAWA and the Ports reimburse the General Fund for the cost of the Fraud Investigation Unit.

### **Reporting Results**

The Unit will report the results of investigative activities as follows:

Honorable James K. Hahn, Mayor  
Honorable Members of the City Council  
November 12, 2004  
Page 3

- An investigative report of actions taken and information uncovered. In the event that an investigation reveals serious improprieties, the City Controller may direct reporting to appropriate authorities.
- A quarterly accomplishments report, including investigative highlights and summary statistics.
- The results of investigations will be forwarded to the appropriate City Council Committee for consideration, as appropriate.

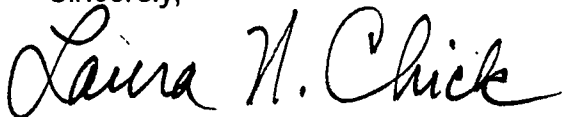
### **Implementation**

If approved, I plan to pursue recruitment of qualified candidates to fill the Special Investigator I and II positions. I also plan to work with my staff to establish a Fraud/Waste and Abuse Hotline Program and advertise it on the Controller's Internet and Intranet sites by fiscal year end. For specific allegations that can better be handled by other authorities, we will work with other City/County agencies (e.g. Ethics, Department, Personnel, LAPD, DA, etc.) to create specific protocols for referring the allegations to the appropriate agency for investigation.

In addition, I will track the Unit's workload and accomplishments and will submit a status report to you at the end of the current fiscal year. Finally, I will also work with the proprietary departments to set up a process for billing the departments for the cost of the Fraud Investigation Unit.

If you have any questions regarding this proposal, your staff may contact Farid Saffar, Director of Auditing, at (213) 978-7392 or DeWitt Roberts, Deputy Director of Auditing, at (213) 978-7391.

Sincerely,



LAURA N. CHICK  
City Controller

Attachments

Chart 1

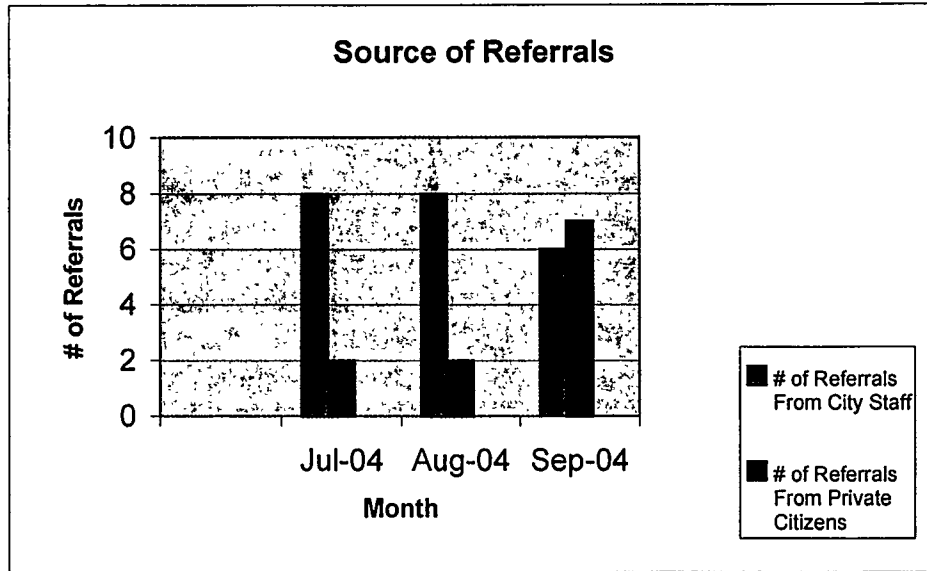


Chart 2

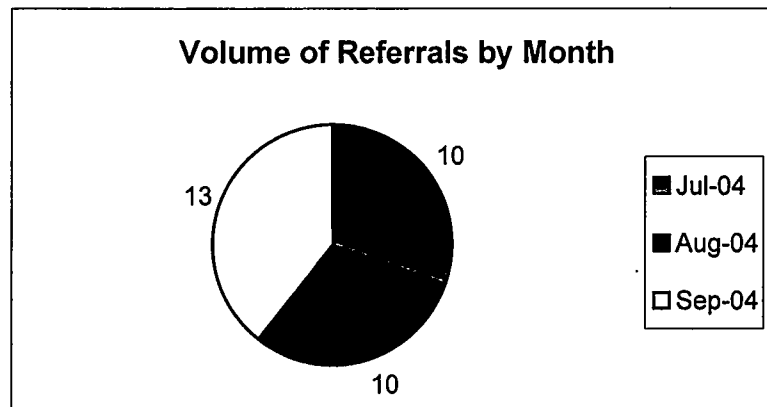
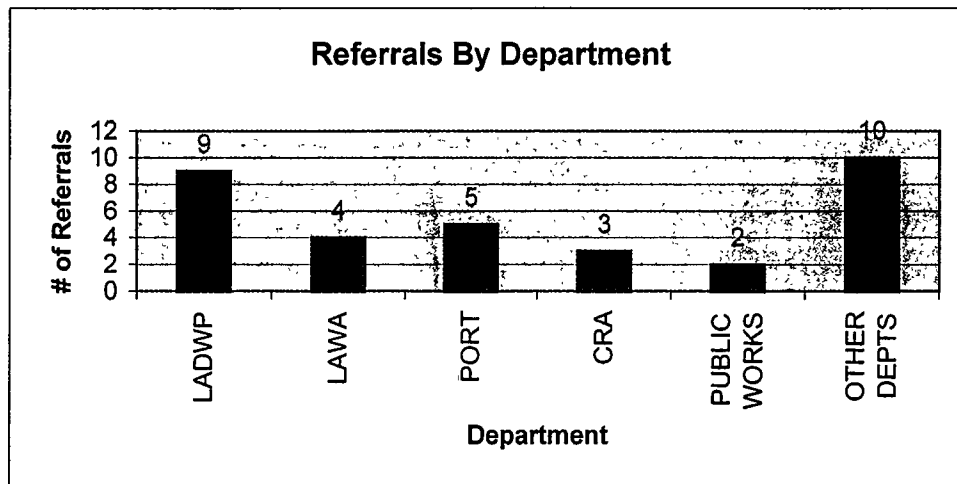


Chart 3



### Fraud/Waste and Abuse Program Staffing Request

Direct Salaries	Full-Time Equivalent	Monthly Rate	Annual Cost	Six-Month Cost For the Remainder of FY 04-05
Special Investigator II	1	\$ 7,741.26	\$ 92,895.12	\$ 46,447.56
Special Investigator I	1	\$ 6,001.26	\$ 72,015.12	\$ 36,007.56
Senior Clerical Typist	1	\$ 4,703.22	\$ 56,438.64	\$ 28,219.32
	<u>3</u>		<u>\$ 221,348.88</u>	<u>\$ 110,674.44</u>
Outside Consultant, 1,000 hrs @ \$100/hr			<u>\$ 100,000.00</u>	<u>\$ 50,000.00</u>
<b>Total Salaries</b>			<b>\$ 321,348.88</b>	<b>\$ 160,674.44</b>
<b>Other Expenses</b>				
Equipment (1)			\$ 6,000.00	\$ 6,000.00
Software			\$ 4,000.00	\$ 4,000.00
Training			<u>\$ 5,000.00</u>	<u>\$ 2,500.00</u>
<b>Total Other Expenses</b>			<b>\$ 15,000.00</b>	<b>\$ 12,500.00</b>
<b>Total Estimated Start-up Cost</b>			<b><u>\$ 336,348.88</u></b>	<b><u>\$ 173,174.44</u></b>

(1) - Equipment for the three staff includes two laptop computers, one desktop computer and a fax machine.

**MOTION**

A number of troubling allegations have been made in recent months regarding instances of waste, fraud and abuse in various City departments and agencies. These occurrences have highlighted a structural gap that exists in the oversight processes for these entities.

The City Controller serves as an aggressive "watchdog" of City departments and entities through management and financial audits that have uncovered a myriad of systemic and episodic problems. However, this office is not expressly assigned responsibility or resources for investigating specific allegations of waste, fraud and abuse. To remedy this shortcoming, especially in light of recent allegations, the City of Los Angeles should create a new Waste, Fraud and Abuse Investigation Unit within the Controller's Office with the necessary staffing and resources.

Current City procedures require these allegations to be referred to the management of the responsible department. Unfortunately, these internal investigations create an inherent conflict of interest and lack specialized personnel. An independent, specialized team of investigators, with relevant training and experience, would be able to conduct far more comprehensive inquiries into these claims.

To be truly meaningful, the Waste, Fraud and Abuse Investigation Unit must be endowed with the necessary authority, including the ability to issue subpoenas, compel testimony and administer oaths. By establishing this unit within the Controller's Office, its staff will have access to these legal tools by utilizing the authority granted to the Controller in Section 217 of the City Charter. When coupled with the necessary resources, this office will provide a powerful means of rooting out wrongdoing and deterring future instances.

The City of Los Angeles must take decisive action to combat waste, fraud and abuse within its departments and agencies. The establishment of a Waste, Fraud and Abuse Investigation Unit would be a monumental step in the right direction. With the creation of an office to investigate mismanagement or wrongdoing, the City Council can ensure that it better fulfills its duty to oversee the executive branch and the residents of Los Angeles can begin to rebuild and renew their trust in government.

*am* NOV 19 2004

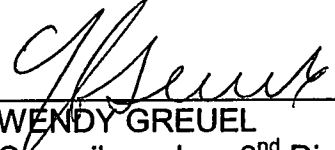
I THEREFORE MOVE that the City Controller be requested to report to the Audits and Governmental Efficiency Committee within 30 days relative to the creation of a Waste, Fraud and Abuse Investigation Unit to investigate allegations and complaints in all City departments and agencies.

PRESENTED BY:

  
ANTONIO VILLARAIGOSA  
Councilmember, 14<sup>th</sup> District

  
JACK WEISS  
Councilmember, 5<sup>th</sup> District

SECONDED BY:

  
WENDY GREUEL  
Councilmember, 2<sup>nd</sup> District

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