



OFFICE OF
CONTROLLER

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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.

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