



WENDY GREUEL
CONTROLLER

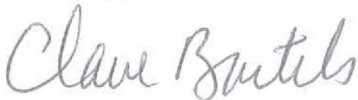
June 4, 2012

City Council
c/o City Clerk
Room 395, City Hall

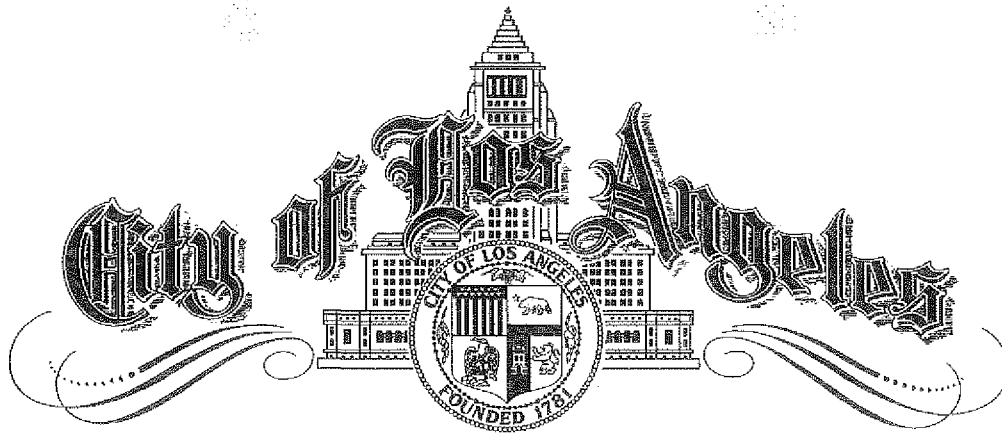
Dear Honorable Members of the City Council:

Attached, please find follow up correspondence to the Controller's report entitled "Audit of Controls Over the City's Fuel Usage," released earlier this year (C.F. 12-0473).

Sincerely,

A handwritten signature in cursive script, appearing to read 'Wendy Greuel', is written in blue ink.

WENDY GREUEL
City Controller



WENDY GREUEL
CONTROLLER

May 29, 2012

Tony M. Royster, General Manager
Department of General Services
111 East First Street, Room 701
Los Angeles, CA 90012

Dear Mr. Royster:

**SUBJECT: EVALUATION OF ACTION PLAN RE: AUDIT OF CONTROLS OVER
THE CITY'S FUEL USAGE**

My Audit Division evaluated your April 30, 2012 Action Plan for the Audit of Controls Over the City's Fuel Usage, issued on March 30, 2012. I am pleased that the Department is committed to making the necessary improvements to address the areas identified in the audit.

Your letter provides comments for 10 recommendations that were addressed to GSD. Based on your comments, we consider five recommendations (#4, #9, #10, #13, and #16) to be Implemented and five (#1, #3, #7, #8, and #15) to be In Progress. Your letter did not include an action plan for three additional recommendations (#5, #6, and #11) that were addressed to GSD and other departments who manage fuel sites and maintain fuel cards for their fleet. It is imperative that all user departments, especially those that manage fuel sites, strengthen controls to prevent unauthorized use and theft such as the one recently reported in the media. Therefore, we expect GSD to proactively implement these recommendations. These will be considered as "Not Yet Implemented."

In your comments regarding recommendation #15, the Department indicates that System errors account for only about .1 percent of transactions. This percentage appears to include only the duplicate transactions and the transactions with non-existent vehicle numbers. It does not include an unknown number of negative mile and unreasonable odometer transactions that should have been prevented, or, at a

Tony M. Royster, General Manager
May 29, 2012
Page 2 of 2

minimum, alerted the user to the anomalies. The system should produce management reports of any irregular or questionable transactions.

Our evaluation was solely based on assertions made by your Department. The results of our evaluation may have been different, if we had applied more extensive procedures, such as detailed audit tests. As part of my Office's follow-up program, we may request periodic status reports to ensure that the audit's recommendations are being properly addressed.

In conclusion, I am pleased that GSD is fully committed to use the recommendations in the report to move the Department in the right direction. If you have any questions, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,



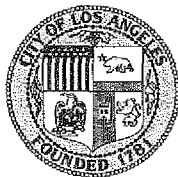
WENDY GREUEL
City Controller

cc: Angela Sherick-Bright, GSD

CITY OF LOS ANGELES

CALIFORNIA

TONY M. ROYSTER
GENERAL MANAGER
AND
CITY PURCHASING AGENT



ANTONIO R. VILLARAIGOSA
MAYOR

DEPARTMENT OF
GENERAL SERVICES
ROOM 701
CITY HALL SOUTH
111 EAST FIRST STREET
LOS ANGELES, CA 90012
(213) 928-9555
FAX No. (213) 928-9515

April 30, 2012

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Honorable Wendy J. Greuel
City Controller
Room 300, City Hall East
200 N. Main Street
Los Angeles, CA 90012

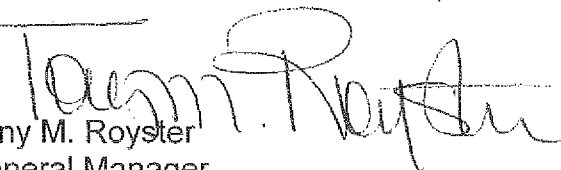
Attention: Farid Saffar, Director of Auditing

RESPONSE TO AUDIT OF CONTROLS OVER THE CITY'S FUEL USE

I am in receipt of the Audit of Controls over the City's Fuel Use. I am writing this letter to transmit The Department of General Service's (GSD) responses to your final audit with regards to the recommendations documented. I am pleased that the Controller has acknowledged that GSD has shown foresight in the development of automated fuel transaction reports to augment the Fuel Automation Report Center. While GSD has no authority over other departments' fleet operations and fuel usage, GSD remains committed to providing the resources to the departments in their efforts to control and monitor their fuel usage.

In reviewing the audit, in many cases GSD agrees with the findings as presented since it recommends better documentation and monitoring by the user departments which will ultimately strengthen and improve oversight of fuel use Citywide.

If you have questions, please contact Rene Villa-Agustin, Acting Director of Fuel Services and Environmental Compliance Division at (213) 978-3795.


Tony M. Royster
General Manager

Attachment



Attachment

Response to Auditor's Recommendations

➤ **Recommendation 1**

GSD should convene regular meetings with departmental representatives of fuel/fleet managers to work towards cooperative solutions to better manage the City's fuel use (i.e. a "Fuel Task Force"). This could include developing general guidelines controlling and monitoring fuel use, and assisting departments in using automated tools that are available, such guidelines and other information that could support departments in these efforts should be made available on GSD's website.

Agree

GSD already convenes biweekly meetings with departmental representatives and the Fuel Automation contractor to discuss these fuel issues. Auditors were aware of these meetings and have acknowledged that these meetings met the intent of the recommendation. Since the meetings have already been established, the recommendation should have been to encourage or require better participation by the user departments.

General guidelines for controlling and monitoring fuel have already been developed and are disseminated periodically through a memorandum to the Departments. The most recent memorandum dated March 6, 2012 highlighted the guidelines and included the announcement of the biweekly meetings. In order to provide better accessibility to these guidelines, GSD will post all memorandums associated with controlling and monitoring fuel in its website.

➤ **Recommendation 3**

LAPD and GSD should work with the fuel system vendor to restrict the use of the keypad function to emergency vehicles and by requiring employee/badge numbers to be entered when fueling these vehicles.

Agree

The fuel system vendor has already provided a price quotation to modify the system to accommodate this restriction on the keypad function. LAPD just needs to provide the approval and the funding to initiate the work.

➤ **Recommendation 4**

The Mayor should direct management of user departments to implement adequate monitoring procedures over fuel use. This should include monitoring the following high-risk transactions:

- a) Bypass
- b) Keypad Entry (for LAPD)
- c) Master Card
- d) Negative Odometer
- e) High Mileage
- f) After Hour and Weekend
- g) High Volume

Agree

Although this recommendation is not directed toward GSD, GSD agrees with the intent of this recommendation, which will ultimately strengthen and improve oversight of fuel use Citywide. GSD remains committed to providing the resources to the Departments in their efforts to control and monitor their fuel usage. GSD has been proactive and has developed automated Bypass, Keypad Entry, and Master card reports which are sent automatically via email to the user departments to facilitate their monitoring. In addition to the reports provided to the user departments by GSD, the user departments also have access to the Fuel Automation Report Center. With the Fuel Automation Report Center, user departments can check fuel usage information for their vehicles at any time.

In addition, GSD wants to emphasize with the table below that with the exception of the bypass method, the vehicle numbers are recorded and inputted into the system with the keypad entry and master card methods.

Transaction Type	Number of Transactions	Gallons Dispensed	Cost of Fuel
Keypad Entry	242,110	1,866,303	\$3.9 million
Master card	56,018	1,100,112	\$2 million
<i>Bypass</i> ¹	<i>132,213</i> ²	<i>877,015</i> ³	\$1.2 million
Total	430,341	3,843,430	\$7 million

1. Reviewed under audit, 11,699 bypass transactions did not include vehicle numbers out of 2.1 million total transactions, which translates to 99.5% of the fuel transactions reviewed by the audit were accounted where vehicle numbers were inputted into the system.
2. 83,513 out of the 132,213 Bypass transactions were 0 gallons dispensed.
3. 79% (694,263 gals) of the total gallons (877,015 gallons) under bypass was from Sanitation. Out of the total gallons Sanitation dispensed under bypass (694,263), 70% was LNG fuel.

As a result, \$5.9 million out \$7 million cost of fuel included vehicle numbers, indicating where the fuel was dispensed. Even with the bypass method, 79% (694,263 gals) of the total gallons (877,015 gals) dispensed under bypass was from Sanitation. Out of the total gallons Sanitation dispensed under bypass, 70% (482,621 gals) was Liquefied Natural Gas (LNG) fuel.

LNG is exclusively used by Sanitation for its refuse collection fleet. LNG is cryogenic fuel (-270°F) that must be dispensed using specially trained fueling staff and is for a specific type of vehicle. Similarly, 96,768 gallons dispensed under bypass was Compressed Natural Gas (CNG) fuel. Combining LNG and CNG dispensed under bypass account for 66% (579,389 gals) of the total gallons dispensed under bypass (877,015 gals). Due to the specialized nature of these fuels, it can be deduced that the fuel is dispensed to City vehicles and its use cannot be assumed to be unauthorized.

In addition, when GSD assigns and issues Master card and Bypass keys, user departments must sign acknowledging receipt of the items and proper usage. At this point, user departments are responsible for their proper use. This recommendation would provide additional accountability and assurance of appropriate management oversight through user department monitoring and usage documentation.

➤ **Recommendation 7**

GSD should explore the feasibility of programming the EJ Ward System so that master cards can only be used at sites they are assigned to.

Agree

GSD has already explored this with EJ WARD and was determined to be unfeasible due to system constraints. GSD will revisit this again with EJ Ward.

➤ **Recommendation 8**

GSD, in coordination with user department, should determine why a high number of negative odometer and high mileage transactions are occurring.

Agree

While GSD is in agreement of this recommendation, it should be acknowledged that majority of the transactions occurred as result of user inputs caused by users overriding the System through keypad entry or other means, which were not standard to the original programming. GSD has already determined why a high number of negative and high mileage transactions are occurring and all instances took the necessary steps to address them. To facilitate this recommendation, GSD will develop and provide a negative odometer and high mileage transaction report to each user department for appropriate action.

➤ **Recommendation 9**

GSD should provide City departments with Voyager statements or electronic files of Voyager Card transactions for their review, along with the directive and suggested guidelines for departmental management to monitor purchase transactions to ensure appropriate use.

Agree

GSD already provides automated Voyager Card transaction reports to Departments on a monthly basis. Each report contains an automated message that includes guidelines on appropriate use and a link to the GSD intranet site where fuel site locations, hours of operations and maps can be accessed.

➤ **Recommendation 10**

GSD should remind City departments that utilize Voyager cards of the City's policy regarding refueling at City sites, and how to locate maps and hours of operation of the City fuel sites. Suggestions for how best to strengthen internal departmental procedures regarding this issue is an example of item to be discussed at regular Fuel Task Force meetings, referred to in Recommendation #1.

Agree

GSD provides automated Voyager Card transaction reports to Departments on a monthly basis. These reports provide automatic monthly reminders to the City departments that utilize Voyager cards since each report contains an automated

message that includes guidelines on appropriate use and a link to the GSD intranet site where fuel site locations, hours of operations and maps can be accessed.

➤ **Recommendation 12**

LACC management should request GSD to transfer all cards used by security staff physically located at LACC to GSD's fuel card inventory.

Agree

GSD will work with LACC management to transfer the fuel cards.

➤ **Recommendation 13**

In future fuel card reports, GSD management should annotate the reports to indicate that LAFD and LAPD administer their own Voyager programs and that the reported figures on GSD's report only include cards used for helicopters.

Agree

GSD has already annotated the reports.

➤ **Recommendation 15**

GSD management should develop solutions to resolve continuing system problems which could include penalizing the vendor for inaccurate data that was accepted and processed by the System, exploring the feasibility of replacing the current system, and ensuring that proper tests conducted prior to purchasing/implementing a system.

Agree

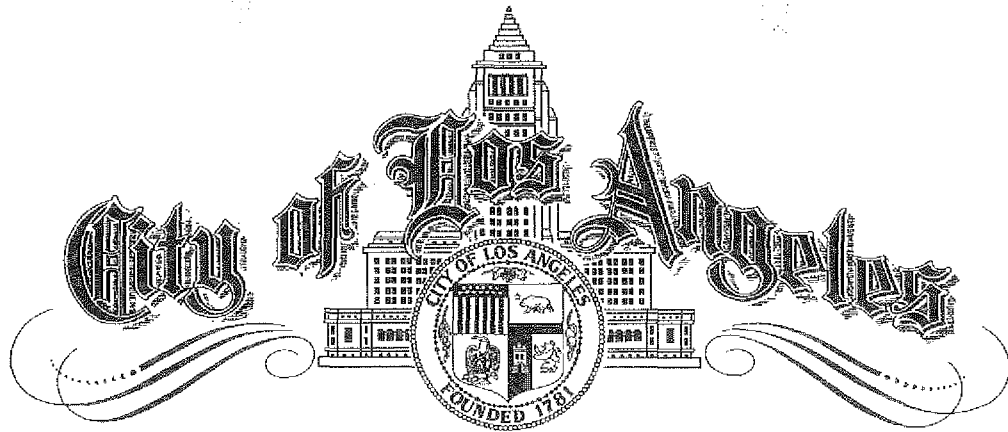
Corrective actions have been taken when errors occurred. System issues are discussed with the vendor and the vendor provides updates at the bimonthly Fuel Automation meetings on all systems problems through a progress report. However, even taking into account all the errors reported in the audit, these errors account for 0.1 percent of all yearly transactions, taking into consideration that the City's average yearly transactions are nearly 1 million. GSD has explored the feasibility of replacing the current system with EJ Ward or its competitors. The cost to replace the current system is upwards in the cost of \$7 million.

➤ **Recommendation 16**

GSD management should regularly monitor fuel transactions to identify instances where pre-established transaction limits do not appear to be functioning correctly.

Agree

GSD regularly monitors fuel transactions and will continue to do so.



WENDY GREUEL
CONTROLLER

May 29, 2012

Charlie Beck, Chief of Police
Los Angeles Police Department
100 West First Street
Los Angeles, CA 90012

Dear Chief Beck:

**SUBJECT: EVALUATION OF ACTION PLAN RE: AUDIT OF CONTROLS OVER
THE CITY'S FUEL USAGE**

My Audit Division evaluated your April 26, 2012 Action Plan for the Audit of Controls Over the City's Fuel Usage, issued on March 30, 2012. It is imperative that all user departments, especially those that manage fuel sites, strengthen controls to prevent unauthorized use and theft, such as the one recently reported in the media.

There were seven recommendations specifically addressed to LAPD. Based on the Department's response we consider four (#4, #6, #18, and #19) to be Implemented and three (#3, #5, and #11) to be In Progress.

Our evaluation was solely based on assertions made by your Department. The results of our evaluation may have been different, if we had applied more extensive procedures, such as detailed audit tests. As part of my Office's follow-up program, we may request periodic status reports to ensure that the audit's recommendations are being properly addressed.

In conclusion, I am pleased that LAPD is fully committed to use the recommendations in the report to move the Department in the right direction. If you have any questions, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Charlie Beck, Chief of Police
May 29, 2012
Page 2 of 2

Sincerely,

A handwritten signature in black ink, appearing to read "Wendy Greuel". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

WENDY GREUEL
City Controller

cc: Rhonda L. Sims-Lewis, LAPD

LOS ANGELES POLICE DEPARTMENT



CHARLIE BECK
Chief of Police

P. O. Box 30158
Los Angeles, Calif. 90030
Telephone: (213) 486-0150
TDD: (877) 275-5273
Ref #: 1.10

ANTONIO R. VILLARAIGOSA
Mayor

April 26, 2012

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The Honorable Wendy Greuel
City Controller, City of Los Angeles
200 North Main Street, Room 300
Los Angeles, California 90012

Attention: Mr. Farid Saffar, Director of Auditing

Dear Ms. Greuel:

Enclosed are the Los Angeles Police Department's (LAPD) responses to the recommendations contained in the Citywide Fuel Audit. Motor Transport Division is committed to improving the efficiencies regarding the tracking of fuel usage by LAPD employees. The LAPD will continue to work closely with the Department of General Services in implementing the audit recommendations.

Should you have any questions or require additional information, please contact Police Administrator Rhonda Sims-Lewis, Commanding Officer, Administrative Services Bureau, at (213) 486-7060.

Very truly yours,

A handwritten signature in black ink, appearing to be "C. Beck", written over the printed name of Charlie Beck.

CHARLIE BECK
Chief of Police

Enclosure

Controller's Fuel Audit Recommendations

Recommendations	Response	Follow-up Action Items
<p>1. GSD should convene regular meetings with departmental representatives of fuel/fleet managers to work towards cooperative solutions to better manage the City's fuel use (i.e., a "Fuel Task Force"). This could include developing general guidelines for controlling and monitoring fuel use, and assisting departments in using automated tools that are available, such as developing exception reports. Such guidelines and other information that could support departments in these efforts should be made available on GSD's website.</p>	<p>LAPD is currently represented at the bi-weekly Fuel Management meetings coordinated by GSD. Issues regarding the EJ Ward System and the special needs of LAPD fuel usage are discussed in detail.</p>	<p>If a new "Fuel Task Force" Committee is initiated, LAPD will participate and work with our City partners in the development of fuel management and monitoring enhancements.</p>
<p>2. The Mayor should direct Departmental management to establish policies and procedures for controlling and monitoring their fuel use, based on GSD-developed guidelines.</p>	<p>LAPD currently has policies governing fuel site dispensing and monitoring, review and investigation of error reports, bypass, site card (master card) and Voyager card monitoring procedures.</p>	<p>LAPD will review GSD developed guidelines and implement and ensure consistency where applicable.</p>
<p>3. LAPD and GSD should work with the fuel system vendor to restrict the use of the keypad function to emergency vehicles and by requiring employee/badge numbers to be entered when fueling these vehicles.</p>	<p>LAPD is currently working with GSD and EJ Ward to implement the addition of employee serial numbers as an entry requirement when using the manual (override) option.</p>	<p>LAPD will continue to work with EJ Ward and GSD in implementing this security enhancement. If funding is available, LAPD hopes to implement this enhancement within the next 90 days.</p>

Controller's Fuel Audit Recommendations

Recommendations	Response	Follow-up Action Items
<p>4. The Mayor should direct management of user departments to implement adequate monitoring procedures over fuel use. This should include monitoring the following high-risk transactions:</p> <ul style="list-style-type: none"> a) Bypass b) Keypad Entry (for LAPD) c) Master Card d) Negative Odometer e) High Mileage f) After Hour and Weekend g) High Volume 	<p>LAPD is currently monitoring each of the high-risk transactions. The only transaction that has little value for our Department is "after hours and weekends," in light of the fact that LAPD is a 24/7 operation. LAPD monitors the negative odometer transactions in the Fleet Management System as zero meter advancement.</p>	<p>LAPD will continue to monitor all applicable high-risk transactions with the assistance of MTD's internal Fuel Management System, reports generated by the EJ Ward Fuel Management System and the Voyager Monthly Account Summary and Invoice Report.</p>
<p>5. The Mayor should direct management of user departments with responsibility over fuel sites to ensure that each fuel site maintain logs to record fuel dispensed using the bypass mode and master cards. These logs should be reconciled, at least on a sample basis, to data from the Fuel Automation Report Center, and departmental managers should review these logs to identify any potential problems.</p>	<p>LAPD has had a long-standing practice of documenting these kinds of unusual occurrences involving fuel usage on logs which we refer to as "Fuel Sheets." In the past, MTD's staff only recorded bypass or master card transactions at our fuel sites that were initiated by our staff. However, because the system has often been placed in bypass mode by vendors contracted to repair our fuel sites, we agree that we should also record outside party instances of unusual occurrences that we become aware of.</p>	<p>MTD has requested that GSD give prior notice when they or a contractor acting on their behalf is assigned to repair or service an LAPD fuel site. Upon prior notice, MTD will document bypass or master card use and ensure that the fuel sites are restored to normal operating mode as soon as practical.</p>
<p>6. The Mayor should direct management of user departments with responsibility over fuel sites to establish procedures prohibiting the use of master cards at sites other than their assigned sites.</p>	<p>LAPD employees in general, are <u>not</u> assigned master cards. LAPD has a total of 22 master cards that are assigned only to MTD fuel site supervisors, to be used only when the EJ Ward, VIT and manual systems are offline or malfunctioning.</p>	<p>MTD will continue to monitor EJ Ward reports to ensure that the policy is being adhered to.</p>

Controller's Fuel Audit Recommendations

Recommendations	Response	Follow-up Action Items
<p>7. GSD should explore the feasibility of programming the EJ Ward System so that master cards can only be used at sites they are assigned to.</p>	<p>LAPD agrees with this recommendation.</p>	<p>No action required</p>
<p>8. GSD, in coordination with user departments, should determine why a high number of negative odometer and high mileage transactions are occurring.</p>	<p>LAPD monitors these high risk transactions via our internal Fuel Management System's Error Reports. When unusual occurrences are identified an investigation is required.</p>	<p>No further action</p>
<p>9. GSD should provide City departments with Voyager statements or electronic files of Voyager Card transactions for their review, along with the directive and suggested guidelines for departmental management to monitor purchase transactions to ensure appropriate use.</p>	<p>LAPD currently receives monthly reports and has direct access to the daily Voyager Transactions through the electronic billing system. We are currently monitoring our employee usage and are investigating and documenting any unusual occurrences.</p>	<p>No further action</p>
<p>10. GSD should remind City departments that utilize Voyager cards of the City's policy regarding refueling at City sites, and how to locate maps and hours of operation of the City fuel sites. Suggestions for how best to strengthen internal departmental procedures regarding this issue is an example of an item to be discussed at regular Fuel Task Force meetings, referred to in Recommendation #1.</p>	<p>Currently, LAPD employees are provided Voyager card guidelines each time they check out a card as they are included on the Fuel Credit Expenditure Report required to be completed as documentation for each Voyager card use. The report requires Commanding Officer approval.</p>	<p>No further action</p>

Controller's Fuel Audit Recommendations

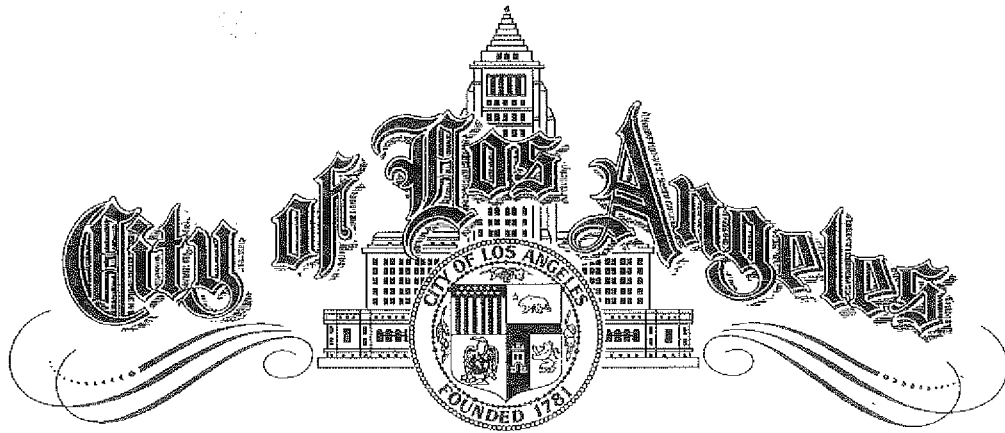
Recommendations	Response	Follow-up Action Items
SECTION II. FUEL CARD CONTROLS		
11. The Mayor should direct departments to conduct regular department-wide physical inventories of fuel cards and to reconcile the inventories to GSD's records. Both the physical inventory and reconciliation should be documented.	LAPD agrees with this recommendation. Annual audits will be conducted and formally documented.	Entities holding Voyager cards for distribution to department employees will be audited annually. The formal documentation resulting from the first annual audits will be available for review as of May 2012.
12. LACC management should request GSD to transfer all cards used by security staff physically located at LACC to GSD's fuel card inventory.	Not applicable	No action required
13. In future fuel card reports, GSD management should annotate the reports to indicate that LAFD and LAPD administer their own Voyager programs and that the reported figures on GSD's report only include cards used for helicopters.	Not applicable	No action required
14. RAP and LAFD management should ensure that master cards are maintained in secure locations, with access restricted to only authorized individuals.	LAPD master cards assigned to MTD fuel site managers are stored in locked locations and only accessible by the fuel site manager.	LAPD will ensure compliance with this policy via the annual audit.

Controller's Fuel Audit Recommendations

Recommendations	Response	Follow-up Action Items
SECTION III. SYSTEM RELIABILITY		
<p>15. GSD management should develop solutions to resolve continuing system problems, which could include penalizing the vendor for inaccurate data that was accepted and processed by the System, exploring the feasibility of replacing the current system, and ensuring that proper tests are conducted prior to purchasing/implementing a system.</p>	<p>LAPD is currently working with GSD and vendors to identify new Fuel Management System requirements and specifications. MTD staff will continue to work with our City partners via the Fuel Task Force.</p>	<p>MTD staff will participate as a member of GSD's Fuel Task Force.</p>
<p>16. GSD management should regularly monitor fuel transactions to identify instances where pre-established transaction limits do not appear to be functioning correctly.</p>	<p>Not applicable</p>	<p>No action required</p>
<p>17. The Mayor should direct departments with tankers and above ground tanks to maintain logs to record fuel dispensed from the tankers. Information recorded should include the date, quantity dispensed, and the vehicle ID or equipment number. Management at departments should periodically review the logs to determine whether they are being completed properly and that the fuel is being used for appropriate City purposes.</p>	<p>LAPD has one above-ground tank at the EVOC Training Facility in the San Fernando Valley. Fuel transactions are currently being manually logged.</p>	<p>MTD's monitoring of the above-ground tank logs will be reviewed and documented via the annual audit.</p>

Controller's Fuel Audit Recommendations

Recommendations	Response	Follow-up Action Items
SECTION IV. VEHICLE USE MONITORING		
<p>18. The Mayor should direct departments who have pool vehicles to establish formal policies and procedures related to checking-out vehicles and maintaining trip logs. These policies and procedures should address the types of vehicles covered by the policies/procedures.</p>	<p>LAPD currently has a formal policy, procedures and required documentation in place as it relates to checking-out pool vehicles.</p>	<p>No further action</p>
<p>19. The Mayor should direct departmental management to regularly monitor for compliance with the department's vehicle check-out and trip log maintenance procedures.</p>	<p>LAPD's MTD, in addition to every area/entity Commanding Officer, is responsible for ensuring that documentation is properly completed, authorized and maintained.</p>	<p>Review of the Department's compliance with pool vehicle check-out procedures will be monitored and documented via annual audits.</p>



WENDY GREUEL
CONTROLLER

May 29, 2012

Rushmore D. Cervantes, Interim General Manager
Los Angeles Housing Department
1200 West 7th Street, 9th Floor
Los Angeles, CA 90017

Dear Mr. Cervantes:

**SUBJECT: EVALUATION OF ACTION PLAN RE: AUDIT OF CONTROLS OVER
THE CITY'S FUEL USAGE**

My Audit Division evaluated your April 26, 2012 Action Plan for the Audit of Controls Over the City's Fuel Usage, issued on March 30, 2012. I am pleased that the Department is committed to making the necessary improvements to address the areas identified in the audit.

There were four recommendations specifically addressed to LAHD. Based on the Department's comments, we consider two (#4 and #11) to be Implemented and two (#18 and #19) to be In Progress. These two recommendations will be considered Implemented once the Department reports that its fleet vehicle procedures have been amended to ensure that fuel consumption and vehicle log book entries have been established for relevant vehicles, and that a review of trip logs has been completed and found to be in compliance with the Department's vehicle check-out and trip log maintenance procedures.

Our evaluation was solely based on assertions made by your Department. The results of our evaluation may have been different, if we had applied more extensive procedures, such as detailed audit tests. As part of my Office's follow-up program, we may request periodic status reports to ensure that the audit's recommendations are being properly addressed.

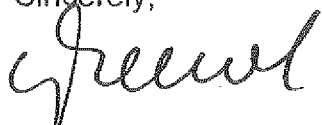
Rushmore D. Cervantes, Interim General Manager

May 29, 2012

Page 2 of 2

In conclusion, I am pleased that LAHD is fully committed to use the recommendations in the report to move the Department in the right direction. If you have any questions, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,

A handwritten signature in cursive script, appearing to read "Wendy Greuel".

WENDY GREUEL

City Controller

cc: Jack Reef, CLA
Renne Gardner, LAHD



Los Angeles Housing Department

LAHD



Antonio R. Villaraigosa, Mayor
Rushmore D. Cervantes, Interim General Manager


RECEIVED
CITY CONTROLLER

2012 MAY -2 AM 8:58

INTER-DEPARTMENTAL MEMORANDUM

TO: WENDY GREUEL, CONTROLLER

ATTN: FARID SAFFAR, CPA
DIRECTOR OF AUDITING

FROM: RUSHMORE D. CERVANTES, INTERIM GENERAL MANAGER 
HOUSING DEPARTMENT

DATE: APRIL 26, 2012

REGARDING: CITY'S FUEL USE AUDIT

The Los Angeles Housing Department (LAHD) has reviewed the audit report entitled "Controls Over Fuel Usage" dated March 29, 2012. The department has moved forward to implement recommendations for all applicable findings including the establishment of policies and procedures for regular review of fuel use via GSD Fuel Automation reports, enhanced controls over vehicle check-outs and maintenance of trip logs. (Findings 3, 4, 5 and 6 regarding Master Cards and system reliability are not applicable to LAHD.) A brief description of department actions regarding applicable findings follows:

Finding No. 1

LAHD fleet vehicle procedures have been revised to include a quarterly review of GSD fuel Automation Report Center reports for each vehicle to determine if any discrepancies exist between reported fueling of vehicles and fuel usage information contained in vehicle use logs. Such reviews and discrepancies such as unreported fueling, non-working fuel pumps or negative mileage entries or odometer readings will be reported to LAHD's Director of Budget and Management Services (or designee). As applicable, this information will, in turn, be reported to GSD.

Finding No. 2

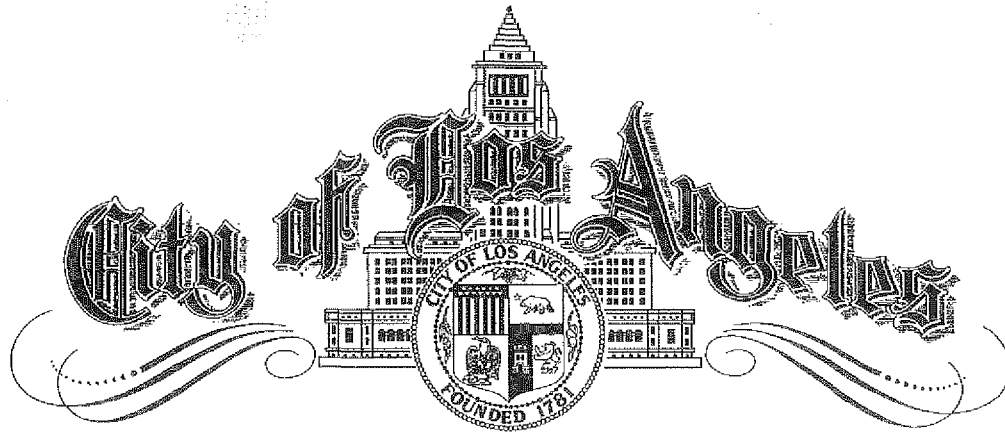
Because ten (10) of the department's eleven (11) fleet/assigned/emergency response vehicles are equipped with the automated fuel tracking device [Vehicle Information Transmitter (VIT)], LAHD has no vehicle Voyager cards or Master Cards. The department retains possession of just one (1) assigned fuel card (#HPP00004) for its one vehicle not equipped with a VIT device, a 2001 Chevrolet Tahoe truck (emergency response vehicle). LAHD fleet vehicle procedures will be amended to insure that fuel consumption and vehicle log book entries for this vehicle, as well as the physical location of the fuel card will be reviewed each month.

Finding No. 7

LAHD fleet vehicle procedures will be revised to include a quarterly review of each department vehicle trip log to insure full compliance with the department's vehicle check-out and trip log maintenance procedures.

If you have any questions about LAHD's implementation of the recommendations, please contact Renne Gardner of my staff at (213) 808-8462.

cc: Jack Reef, CLA



WENDY GREUEL
CONTROLLER

May 29, 2012

Pouria Abbassi, General Manager
Los Angeles Convention Center
1201 S. Figueroa Street
Los Angeles, CA 90015

Dear Mr. Abbassi:

SUBJECT: EVALUATION OF ACTION PLAN RE: RESPONSE TO THE AUDIT OF CONTROLS OVER THE CITY'S FUEL USAGE

My Audit Division evaluated your April 30, 2012 Action Plan for the Audit of Controls Over the City's Fuel Usage, issued on March 30, 2012. I am pleased that the Department is committed to making the necessary improvements to address the areas identified in the audit.

There were seven recommendations specifically addressed to LACC. Based on the Department's response we consider five (#5, #6, #11, #18, and #19) to be Implemented and the remaining two to be In Progress. We will consider recommendation #4 to be implemented once the Department provides employees who have fueling responsibilities with refresher training on pumping procedures and keying information. Recommendation #12 can be considered Implemented once LACC works with GSD to have the fuel cards, which are used by security staff, transferred to GSD's inventory.

Our evaluation was solely based on assertions made by your Department. The results of our evaluation may have been different, if we had applied more extensive procedures, such as detailed audit tests. As part of my Office's follow-up program, we may request periodic status reports to ensure that the audit's recommendations are being properly addressed.

Pouria Abbassi, General Manager
May 29, 2012
Page 2 of 2

In conclusion, I am pleased that LACC is fully committed to use the recommendations in the report to move the Department in the right direction. If you have any questions, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,



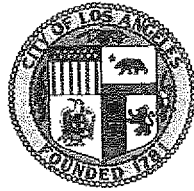
WENDY GREUEL
City Controller

cc: Mary Jane Aquino, LACC
Phillip C. Hill, LACC
Steve Potik, LACC
Tae Hoon Lee, LACC

CITY OF LOS ANGELES
CALIFORNIA

LOS ANGELES
CONVENTION CENTER
COMMISSION

LOS ANGELES
CONVENTION CENTER



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DIANA TORRES

ANTONIO R. VILLARAIGOSA
MAYOR

POURIA ABBASSI, P.E.
GENERAL MANAGER & CEO

1201 S. FIGUEROA STREET
LOS ANGELES, CA 90015
(213) 741-1151
FAX (213) 765-4441
TTY (213) 763-5077

April 30, 2012

Honorable Wendy Greuel
City Controller
200 North Main Street
Room 300, City Hall East
Los Angeles, CA 90012

Dear Ms. Greuel:

**SUBJECT: STATUS OF RECOMMENDATIONS REGARDING THE AUDIT OF THE
LOS ANGELES CONVENTION CENTER CONTROLS OVER FUEL USE**

In response to your letter dated March 29, 2012 relating to the subject audit, attached please find the Los Angeles Convention Center (LACC) progress status report.

The LACC has already implemented procedures in accordance to the audit recommendations. Additionally, we have issued written policies and procedures to serve as the LACC's official guidelines for fuel and vehicle use. Out of the 19 audit recommendations from various findings, 9 pertain and affect the LACC.

The LACC appreciates the time and recommendations provided by the Controller's audit staff. If you have further questions or concerns regarding this progress report, please do not hesitate to contact me at (213) 741-1151, Ext 5384.

Sincerely,


Mary Jane Aquino
Acting Assistant General Manager & CFO

MJA:mv
REF. EXEC 12-134

Attachments

cc: Farid Saffar, Office of the Controller
Ricky Deguchi, Office of the Controller
Pouria Abbassi, P.E, LACC
Phillip C. Hill, LACC
Steve Potik, LACC
Tae Hoon Lee, LACC

2012 MAY -1 AM 11:30

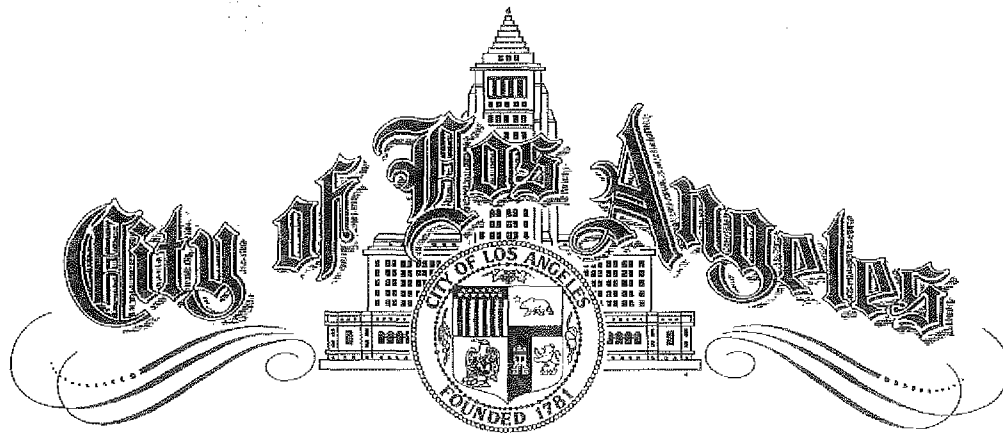
FINDING #1	RECOMMENDATIONS	LA CONVENTION'S MANAGEMENT VIEW & CORRECTIVE ACTION PLAN	STATUS
<p>With the exception of LAPD, departments do not utilize the data available through the Fuel Automation Report Center to monitor fuel use for potential problems or abuse. Thus, inappropriate fueling transactions could occur without being detected and fuel costs may not be minimized.</p>	<p>2. The Mayor should direct Departmental management to establish policies and procedures for controlling and monitoring their fuel use, based on the GSD-issued specific guidelines.</p>	<p>The LA Convention Center has established written procedures for implementation. GSD guidelines were taken into consideration.</p>	<p>Written Policies established. Most procedures were implemented even before written policies were issued. LACC Fuel Card Coordinator attends GSD meetings.</p>
	<p>4. The Mayor should direct management of user departments to implement adequate monitoring procedures over fuel use. This should include monitoring the following high-risk transactions: a) Bypass b) Keypad Entry (for LAPD) c) Master Card d) Negative Odometer e) High Mileage f) After Hour and Weekend g) High Volume</p>	<p>a) Mechanism for Bypass fueling was taken out and therefore, no longer possible. b) Keypad Entry finding is for LAPD only. c) Master Card transactions are now logged and monitored. d & e) Fuel pump users will be trained to input correct information to prevent negative readings. f) After hours and weekend fueling transactions are not unusual to LACC operations but will be monitored. g) High Volume transactions are monitored as part of monthly monitoring.</p>	<p>Written Procedures for monitoring fuel use and training users are part of the LACC Fueling Policies. Employees with fueling responsibilities will be provided refresher training on pumping procedures and keying information.</p>
	<p>5. The Mayor should direct management of user departments with responsibility over fuel sites to ensure that each</p>	<p>Mechanism for Bypass fueling has been removed by GSD.</p>	<p>Written Procedures and controls are in place.</p>

FINDING #1	RECOMMENDATIONS	LA CONVENTION'S MANAGEMENT VIEW & CORRECTIVE ACTION PLAN	STATUS
	fuel site maintain logs to record fuel dispensed using the bypass mode and master cards. These logs should be reconciled, at least on a sample basis, to data from the Fuel Automation Report Center, and departmental managers should review these logs to identify any potential problems.	Master Card fueling transactions are being logged and monitored. Master Card is under lock and key.	
	6. The Mayor should direct management of user departments with responsibility over fuel sites to establish procedures prohibiting the use of master cards at sites other than their assigned sites.	LACC maintains only one (1) Master Card. This is under lock and key. Transactions using the Master Card are being logged, monitored and reconciled to the GSD fuel automation report. Master Card key is exclusively used only at the LACC site.	Monitoring and logging of Master Card fueling transactions are part of LACC fuel usage policies. Other controls are in place to monitor fuel transactions.

FINDING #2	RECOMMENDATIONS	LA CONVENTION'S MANAGEMENT VIEW & CORRECTIVE ACTION PLAN	STATUS
Departments do not conduct regular and documented physical inventories of fuel cards, which increases the risk of inappropriate fuel transactions.	11. The Mayor should direct departments to conduct regular department-wide physical inventories of fuel cards and to reconcile the inventories to GSD's records. Both the physical inventory and reconciliation should be documented.	LACC conducted department wide physical inventories of fuel cards. The inventory and reconciliation will be periodically conducted and documented.	Physical inventory of cards completed, and part of LACC's fuel transaction policies and vehicle use procedures.
	12. LACC management should request GSD to transfer all cards used by security staff physically located at LACC to GSD's fuel card inventory.	All GSD fuel cards were duly noted and separated from LACC's card inventory.	Done/Completed.

FINDING #6	RECOMMENDATIONS	LA CONVENTION'S MANAGEMENT VIEW & CORRECTIVE ACTION PLAN	STATUS
<p>Not all fueling transactions are recorded in the database.</p>	<p>17. The Mayor should direct departments with tankers and above ground tanks to maintain logs to record fuel dispensed from the tankers. Information recorded should include the date, quantity dispensed, and the vehicle ID or equipment number. Management at departments should periodically review the logs to determine whether they are being completed properly and that the fuel is being used for appropriate City purposes.</p>	<p>LACC does not utilize tankers. LACC maintains a 240-gallon above ground diesel-fuel pump to service light equipment, e.g. cleaners/scrubbers</p>	<p>LACC fuel usage policies include procedures for monitoring diesel fueling transactions.</p> <p>Diesel fueling transactions are being monitored by designated staff.</p>

FINDING #7	RECOMMENDATIONS	LA CONVENTION'S MANAGEMENT VIEW & CORRECTIVE ACTION PLAN	STATUS
<p>Departments have not established adequate policies and procedures for checking-out vehicles and for maintaining trip logs.</p>	<p>18. The Mayor should direct departments who have pool vehicles to establish formal policies and procedures related to checking-out vehicles and maintaining trip logs. These policies and procedures should address the types of vehicles covered by the policies/procedures.</p>	<p>LACC established written policies and improved procedures related to checking-out vehicles and maintaining trip logs.</p>	<p>Written policies and improved procedures are in place.</p>
	<p>19. The Mayor should direct departmental management to regularly monitor for compliance with the department's vehicle check-out and trip log maintenance procedures.</p>	<p>LACC established written policies and improved procedures related to checking-out vehicles and maintaining trip logs.</p>	<p>Written policies and improved procedures are in place.</p>



WENDY GREUEL
CONTROLLER

May 29, 2012

Brian L. Cummings, Fire Chief
Los Angeles Fire Department
200 North Main Street
Los Angeles, CA 90012

Dear Chief Cummings:

**SUBJECT: EVALUATION OF ACTION PLAN RE: AUDIT OF CONTROLS OVER
THE CITY'S FUEL USAGE**

My Audit Division evaluated your April 30, 2012 Action Plan for the Audit of Controls Over the City's Fuel Usage, issued on March 30, 2012. I am pleased that the Department is committed to making the necessary improvements to address the areas identified in the audit.

There were eight recommendations specifically addressed to LAFD. The Department reports six recommendations (#4, #5, #11, #17, #18, and #19) as In Progress and one (#14) as Not Yet Implemented. We accept these statuses.

However, one issue requires clarification. The Department reports disagreement with recommendation #6 to establish procedures prohibiting the use of a master card, which is intended to provide an allowable override at a designated fuel site, at other sites.

Master cards assigned to specific LAFD sites should only be used at those sites, and employees should not be allowed to use them at other sites. We acknowledge that, in emergency situations, LAFD vehicles may need to fill-up a vehicle at a non-LAFD site. In these instances, VIT or assigned fuel cards should be used to dispense fuel. If an override must be used, the master card assigned to that non-LAFD site should be used, to provide the fuel site manager with appropriate accountability.

Brian L. Cummings, Fire Chief
May 29, 2012
Page 2 of 2

Our evaluation was solely based on assertions made by your Department. The results of our evaluation may have been different, if we had applied more extensive procedures, such as detailed audit tests. As part of my Office's follow-up program, we may request periodic status reports to ensure that the audit's recommendations are being properly addressed.

In conclusion, I am pleased that LAFD is fully committed to use the recommendations in the report to move the Department in the right direction. If you have any questions, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,



WENDY GREUEL
City Controller

cc: Wade White, LAFD

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BRIAN L. CUMMINGS
FIRE CHIEF

200 NORTH MAIN STREET
LOS ANGELES, CA 90012

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FAX: (213) 978-3815

<http://www.lafd.org>

April 30, 2012

Honorable Wendy Greuel
Controller, City of Los Angeles
Room 300, City Hall East

Attention: Claire Bartels, Chief Deputy Controller

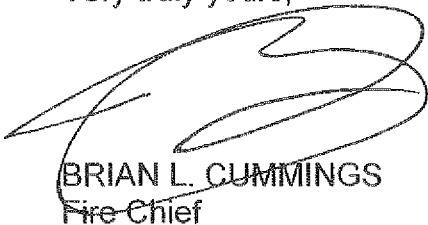
Dear Ms. Greuel:

Controls over the City's Fuel Use

The Fire Department (LAFD) is in receipt of your audit report entitled "Controls over the City's Fuel Use," dated March 29, 2012. The Department is generally in agreement with your findings and recommendations. Attached is the LAFD's response to the findings and the recommendations as they apply to the Department.

The LAFD wishes to thank you for the review of our controls over fuel usage. It is the intent of this Department to be compliant with the policies and procedures regarding fuel use. The Department will cooperate fully with the implementation of the recommendations.

Very truly yours,



BRIAN L. CUMMINGS
Fire Chief

Attachment

2012 APR 25 AM 9:00

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

Audit of Controls Over The City's Fuel Use
 March 29, 2012
 Mayor, GSD, LAPD, LAFD, RAP, LA Housing, Convention Ctr.

				DEPARTMENT REPORTED INFORMATION		
Finding Number	Summary Description of Finding	Rec. No.	Recommendation	Current Status	Basis for Status	Target Date for Implementation
Section I	Section I. Fuel Use Monitoring					
1	With the exception of LAPD, departments do not utilize the data available through the Fuel Automation Report Center to monitor fuel use for potential problems or abuse. Thus, inappropriate fueling transactions could occur without being detected and fuel costs may not be minimized.	4	The Mayor should direct management of user departments to implement adequate monitoring procedures over fuel use. This should include monitoring the following high-risk transactions: (a) Bypass, (b) Keypad Entry for (LAPD), (c) Master Card (d) Negative Odometer (e) High Mileage (f) After hour & weekend (g) High Volume	PI	The Department has procedures to monitor fuel use to avoid high risk transactions. These procedures will be strengthened by developing and implementing the following procedures - (1) Install VIT in all Department 's vehicles over a two-year period, (2) Create log sheets for tracking and monitoring high risk transactions using the Fuel Automation Report, (3) Perform monthly/quarterly reviews of the logs for compliance, (4) Procure and install combination lock boxes in all Department's Stations to secure master cards and logs.	JUNE 2014
		5	The Mayor should direct management of user departments with responsibility over fuel sites to ensure that each fuel site maintain logs to record fuel dispensed using the bypass mode and master cards. These logs should be reconciled, at least on a sample basis, to data from the Fuel Automation Report Center, and departmental managers should review these logs to identify any potential problems.	PI	The Department has developed and will implement log sheets for recording fuel dispensed using the bypass mode. The logs will be monitored and reconciled to the Fuel Automation Report on sample basis monthly to ensure compliance.	DECEMBER 2012
		6	The Mayor should direct management of user departments with responsibility over fuel sites to establish procedures prohibiting the use of master cards at sites other than their assigned sites.	D	LAFD disagrees with this recommendation. Implementing this policy will impede the Department's ability to protect the public during emergencies. In emergency situations, the Department should be able to obtain fuel at any City fuel site assigned or not assigned.	

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

Audit of Controls Over The City's Fuel Use
 March 29, 2012
 Mayor, GSD, LAPD, LAFD, RAP, LA Housing, Convention Ctr.

				DEPARTMENT REPORTED INFORMATION		
Finding Number	Summary Description of Finding	Rec. No.	Recommendation	Current Status	Basis for Status	Target Date for Implementation
Section II Fuel Card Controls						
2	Departments do not conduct regular and documented physical inventories of fuel cards, which increases the risk of inappropriate fuel transactions.	11	The Mayor should direct departments to conduct regular department-wide physical inventories of fuel cards and to reconcile the inventories to GSD's records. Both the physical inventory and reconciliation should be documented.	PI	The Department is in the process of conducting an annual Department-wide physical inventory of all fuel cards. The results will be reconciled with GSD's records.	DECEMBER 2012
3	Master cards at RAP and LAFD should be better secured.	14	RAP and LAFD management should ensure that master cards are maintained in secure locations, with access restricted to only authorized individuals	NI	LAFD will procure and install combination lock boxes in all Department's Stations. The lock boxes will house master cards and logs for recording high risk transactions.	DECEMBER 2012
Section III System Reliability						
6	Not all fueling transactions are recorded in the database	17	The Mayor should direct departments with tankers and above ground tanks to maintain logs to record fuel dispensed. Information recorded should include the date, quantity dispensed, and the vehicle ID or equipment number. Management at departments should periodically review the logs to determine whether they are being completed properly and that the fuel is being used for appropriate City purposes.	PI	The Department has developed and will implement log sheets for recording fuel dispensed from Point Of Distribution (POD). The logs will be monitored on sample basis semi annually.	SEPTEMBER 2012
Section IV Vehicle Use Monitoring						
7	Departments have not established adequate policies and procedures for checking-out vehicles and for maintaining trip logs.	18	The Mayor should direct departments who have pool vehicles to establish formal policies and procedures related to checking-out vehicles and maintaining trip logs. These policies and procedures should address the types of vehicles covered by the policies/procedures.	PI	LAFD will develop and implement authorization policies and procedures for checking out pooled vehicles. Current trip logs will be standardized and modified to increase adequate monitoring.	DECEMBER 2012

Report Title: Audit of Controls Over The City's Fuel Use
 Report Issuance Date: March 29, 2012
 Department responsible for Implementation: Mayor, GSD, LAPD, LAFD, RAP, LA Housing, Convention Ctr.
 Reported Status Date:

				DEPARTMENT REPORTED INFORMATION		
Finding Number	Summary Description of Finding	Rec. No.	Recommendation	Current Status	Basis for Status	Target Date for Implementation
		19	The Mayor should direct departmental management to regularly monitor for compliance with the department's vehicle check-out and trip log maintenance procedures.	PI	The trip logs will be monitored quarterly to ensure compliance.	

I - Implemented
 PI - Partially Implemented or In Progress
 NI - Not Implemented
 D - Disagree