



RON GALPERIN
CONTROLLER

December 7, 2017

MEMBERS: COUNCILMEMBER GILBERT A. CEDILLO, CHAIR
COUNCILMEMBER FELIPE FUENTES
COUNCILMEMBER JOSE HUIZAR
COUNCILMEMBER CURREN D. PRICE, JR.
COUNCILMEMBER MARQUEECE HARRIS-DAWSON

Housing Committee
Room 1060, City Hall
200 North Spring Street
Los Angeles, CA 90012

Attention: John A. White, Legislative Assistant

COMMITTEE INFORMATIVE: CONTROLLER'S OFFICE AUDIT OF THE SYSTEMATIC
CODE ENFORCEMENT PROGRAM (SCEP)

SUMMARY

This memo is to advise the members of the committee that the City Controller's Office recently initiated an audit of the Systematic Code Enforcement Program (SCEP). We understand that the committee is considering matters directly related to SCEP as part of its December 7, 2016 meeting agenda, so we wanted to notify you about the current audit in the interest of full disclosure, and to inform you about the work the Controller's Office plans to do. We believe that the audit work being done by our Office is timely, relevant, and will help facilitate constructive change to SCEP in the future.

As you may know, the SCEP was audited by the Controller's Office in 2001 with a follow-up audit performed in 2007. In its October 13, 2016 communication to the Mayor and shared with the Committee, the Housing and Community Investment Department (HCID) references these audits, and notes that the audits observed that the SCEP was challenged in achieving the three year inspection cycle of all residential units in Los Angeles that is currently required by Sections 161.353 and 161.602 of Article I of Chapter 16 of the Los Angeles Municipal Code (Housing Code). Noting that the Department had not met the 3-year mandated cycle, the Controller's



MEMBERS: COUNCILMEMBER GILBERT A. CEDILLO, CHAIR
COUNCILMEMBER FELIPE FUENTES
COUNCILMEMBER JOSE HUIZAR
COUNCILMEMBER CURREN D. PRICE, JR.
COUNCILMEMBER MARQUEECE HARRIS-DAWSON

December 7, 2016
Page 2 of 3

prior audits included a recommendation that the SCEP should consider, while keeping the goal of habitability in mind and based on its experience, modifying the current inspection cycle process. The current HCID proposal appears to have done just that.

More recently, SCEP was the subject of an inquiry made by the Los Angeles County Civil Grand Jury which issued its report on June 30, 2016 and the subject of recent Council inquiries, resulting in HCID implementing pilot programs within SCEP aimed at strengthening its effectiveness. Two recently-launched pilot programs provide for more interaction between inspectors and complainants, and with property owners, to provide guidance on quality repairs.

The Controller's Office has a continued interest in the SCEP operating with utmost effectiveness and efficiency. In light of prospective changes, our current SCEP audit is being performed in a collaborative manner with HCID management.

FOCUS OF CURRENT AUDIT

Our current audit was initiated in late October, in response (in part) to a request by the Los Angeles County Civil Grand Jury that the Controller audit the SCEP Trust Fund; however, the audit's focus will also assess the effectiveness of the program overall, and review both financial and programmatic processes. Specific areas of focus include:

- how HCID uses technology and data to improve the efficiency and reporting of the SCEP program,
- the sufficiency of resources dedicated to the program to meet its goals,
- the metrics used to evaluate the success of SCEP, including overall outcomes based on inspection and enforcement activities;
- HCID's progress towards evaluation of its pilot programs;
- the interrelationship between proactive SCEP activities and the reactive Complaint-based inspection program;
- if the fees are sufficient to ensure cost recovery, and HCID correctly bills, collects, and follows up on all relevant properties;
- the reasonableness of the SCEP Trust Fund balance relative to the historical and projected inspection activities, including ensuring that the SCEP Trust Fund appropriately reimburses the City's General Fund

MEMBERS: COUNCILMEMBER GILBERT A. CEDILLO, CHAIR
COUNCILMEMBER FELIPE FUENTES
COUNCILMEMBER JOSE HUIZAR
COUNCILMEMBER CURREN D. PRICE, JR.
COUNCILMEMBER MARQUEECE HARRIS-DAWSON

December 7, 2016
Page 3 of 3

CONCLUSION

Our goal is to provide HCID management with independent and objective analysis for the areas discussed above so that this information can be considered and leveraged as appropriate as the HCID pursues process enhancements. Barring unforeseen limitations, we anticipate concluding our work and providing a draft report to HCID for their review and comment by Spring. After consideration of the Department's comments and perspectives, the Controller's Office will formally transmit the final report to the Mayor and Council, and make it available to the public

Cc:

Honorable Eric Garcetti, Mayor

Honorable Michael Feuer, City Attorney

Honorable Members of the Los Angeles City Council

Rushmore Cervantes, General Manager, Housing Community Investment Department

Respectfully submitted,


Ron Galperin
CITY CONTROLLER