

CITY OF LOS ANGELES
CALIFORNIA

JUNE LAGMAY
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When making inquiries relative to
this matter, please refer to the
Council File No.

January 23, 2013

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council File No. 11-0595
at its meeting held January 16, 2013.


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TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your **AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE**

reports as follows:

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE REPORT relative to the Controller's audit of collection and audit procedures for the Parking Occupancy Tax.

Recommendations for Council action:

1. NOTE and FILE the August 9, 2012, October 22, 2012, and November 27, 2012 Controller reports and November 7, 2012 Office of Finance report relative to the Controller's audit of collection and audit procedures for the Parking Occupancy Tax.
2. CREATE a Parking Occupancy Tax Task Force to be led by the Office of Finance with the assistance of the Los Angeles Police Department (LAPD), City Attorney, and City Administrative Officer (CAO) that will look for ways to improve the Parking Occupancy Tax (POT) process in order to ensure that the City received all of the its POT revenue; and further DIRECT that said Parking Occupancy Tax Task Force look at best practices to include implementing the Controller's audit recommendations, as detailed in the August 9, 2012, October 22, 2012, and November 27, 2012 Controller reports and attached to the Council file and report in 180 days on the status of the bonding requirements and their effectiveness.
3. INSTRUCT the LAPD to require all auto park operators to post the appropriate Police Permit number on the parking lot signs.

Fiscal Impact Statement: Neither the CAO or the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

SUMMARY

On December 11, 2012, your Committee considered August 9, 2012, October 22, 2012, and November 27, 2012 Controller reports and a November 7, 2012 Office of Finance report relative to the Controller's audit of collection and audit procedures for the Parking Occupancy Tax. According to the Controller, the Parking Occupancy Tax accounts for about 2% of the City's General Fund revenue, worth approximately \$85 million a year. Improvements to the collection process can be made by hastening the discovery and collection of additional tax revenue. Due to the Office of Finance's contract structure and processes, the contractor has only been able to assign between two and four staff to handle the discovery efforts for the entire City, whereas the City of Chicago has six full-time auditors spending 85% of their time working on parking occupancy tax. The more resources dedicated to the collection of this tax, the more revenue that can be collected. The Office of Finance should improve its processes to review parking lot audit results and work with the contractor to develop a staffing model to enhance discovery and collection efforts.

The Controller further stated that the audit revealed that the Office of Finance lacks a complete inventory of parking lots in the City, creating uncertainty about whether the City is actually receiving all of the Parking Occupancy Tax it is owed. Through improved monitoring of the City's parking lots as well as the implementation of stronger controls and program enhancements, the City could significantly increase tax revenues. Additionally, the Controller emphasized that it is unacceptable to let this program continue without implementing the Controller's recommendations. The tax, which is being collected by parking lot operators from people who park their automobiles, belongs to the City and must be recovered to help provide essential services for its residents and businesses in the City. Without a complete inventory of the City's parking lots, there is no assurance that the Office of Finance is using its resources effectively to maximize revenues owed to the City.

Representatives from the Controller's Office, Office of Finance, and the Board of Police Commissioners gave an overview of the audit findings and associated follow-up and responded to questions from the Committee members. After consideration and having provided an opportunity for public comment, the Committee moved to note and file the Controller reports. Additionally, the Committee moved to recommend the creation of a Parking Occupancy Tax Task Force as detailed above in Recommendation No. 2. Finally, the Committee recommended instructing the LAPD to require all auto park operators to post the appropriate Police Permit number on the parking lot signs. This matter is now submitted to Council for its consideration.

Respectfully submitted,

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
ZINE:	YES
ROSENDAHL:	YES
LABONGE:	ABSENT

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Not Official Until Council Acts

ADOPTED

JAN 16 2013

LOS ANGELES CITY COUNCIL