



RON GALPERIN  
CONTROLLER

April 23, 2019

Honorable Members of the  
Budget and Finance Committee  
c/o Office of the City Clerk  
200 N. Spring Street, Room 395  
Los Angeles, CA 90012

**RE: CONTROLLER – MAYOR’S PROPOSED BUDGET FY 2019-2020**

Dear Honorable Committee Members:

Thank you for the opportunity to submit a budget letter to your Committee regarding our assessment of the Mayor’s Proposed Budget for the Controller’s Office. We are pleased that the Proposed Budget contains positions and funding for the replacement of the City’s aged payroll system (PaySR) as well as funding for the banking transition in the Unappropriated Balance. However, I would like to bring to the attention of the Committee that for the second year, the Controller’s salaries account has been cut an additional \$500,000, thereby reducing the ability of this Office to recruit and hire positions needed to provide City-wide accounting support. In addition, the Proposed Budget provides positions for the implementation of the new payroll system but funding is provided at the entry level versus the higher senior level. However, this Office will continue to work to delay filling certain positions to ensure that we do not exceed our budget authority as well as work with the CAO to properly determine the appropriate paygrade level for staff assigned to the new payroll replacement project.

We do however, wish to bring to the Committee’s attention two items that we see as critical to ensuring the protection of the City’s assets, as follows:

**1. Internal Auditor IV – Dedicated to the Department of Building and Safety (LADBS):**

The Proposed Budget includes an Internal Auditor position dedicated to support LADBS. The Controller's Office appreciates and supports the inclusion of this position to our budget and we are fully dedicated to providing additional fraud, transaction, and internal control oversight of LADBS. Because there has been evidence that fraud has occurred in this department, we plan to house this position in our Fraud, Waste, and Abuse Unit (FWA). We believe that leveraging FWA tools and techniques will put the City in the best position to detect and deter further fraud as well as build strong fiscal controls. To be successful, this Internal Auditor must have the sufficient skills and experience to hit the ground running. We believe an Internal Auditor IV is the appropriate level for this position. This individual will work independently, completing risk assessments, monitoring procurement transactions, performing audit fieldwork, and exercising sound judgement, at times with minimal oversight. The person performing this important work must be well versed in City policies and procedures and have the ability to readily identify solutions to complex problems and fiscal control weaknesses.

This Internal Auditor will also perform oversight of all fiscal areas of LADBS, including expenditures, accounts payable, accounts receivable, revenue collection, inventory, and payroll. Finally, this Internal Auditor will monitor the eight recommendations associated with enhancing management oversight and control, as well as the four recommendations made to increase Budget and Fee transparency at LADBS.

We will work with the CAO to determine the proper paygrade as well as report on the activities and results of this position on an annual basis as part of our FWA Annual Report.

**2. Special Investigator II – Controller's Fraud, Waste and Abuse Unit**

The City's Proposed Budget totals over \$10 billion and has a total budgeted employee count of over 50,000 – the Controller's Office has only one Special Investigator position to staff the entire Fraud Waste and Abuse Unit (FWA).

In the last quarter, calls to the FWA hotline were up by nearly 60%. The current backlog of open cases is 78. While there are some cases that are small dollar in nature, others include issues such as alleged grand theft, contractor fraud, conflict of interest, money laundering, and computer fraud.

The results of an independent global survey of fraud show that for organizations with more than 10,000 employees, the average loss per fraud case is \$132,000, while the average government fraud is \$125,000. That same survey found that organizations with dedicated fraud units reduced fraud loss by 33% and the duration of a fraud by 40%.

We are requesting one Special Investigator II authority which would provide two positions solely dedicated to focusing on FWA in the City. While we would remain lean when

Honorable Members of the Budget and Finance Committee

April 23, 2019

Page 3 of 3

compared to other comparable cities such as New York (8 staff), Philadelphia (7 staff) and Chicago (6 staff), having this additional staff resource will help to increase the number of cases investigated, perform data monitoring and analysis, and begin to build a fraud awareness in the City through our website, video and in-person training, and active interactions with department fraud liaisons. We believe the return on investment for this position will be far greater than the cost, even in the first year.

This Office looks forward to continued collaboration with the Committee and Council during this budget process and beyond

Sincerely,

A handwritten signature in cursive script that reads "Georgia Mattera". The signature is written in black ink and is positioned above the printed name and title.

Georgia Mattera

Chief Deputy Controller

cc: Office of the Mayor  
Office of the Chief Legislative Analyst  
Office of the City Administrative Officer