

**INTRADEPARTMENTAL CORRESPONDENCE**

December 3, 2009  
14.1

**TO:** The Honorable Board of Police Commissioners

**FROM:** Chief of Police

**SUBJECT:** SUPPLY PROCUREMENT AND DISBURSEMENT AUDIT  
(IAID NO. 08-097)

**RECOMMENDED ACTIONS**

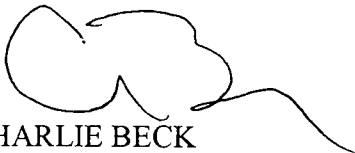
1. It is recommended that the Board of Police Commissioners REVIEW and APPROVE the attached Supply Procurement and Disbursement Audit.
2. It is recommended that the Board of Police Commissioners REVIEW and APPROVE the attached Executive Summary thereto.

**DISCUSSION**

Pursuant to the Annual Audit Plan, Fiscal Year 2009/10, Internal Audits and Inspections Division conducted the Supply Procurement and Disbursement Audit.

If there are questions regarding this matter, please contact Police Administrator Gerald Chaleff, Commanding Officer, Risk Management Bureau, at (213) 486-8730.

Respectfully,



CHARLIE BECK  
Chief of Police

Attachment

LOS ANGELES POLICE DEPARTMENT

*Supply Procurement and  
Disbursement Audit*



Conducted by  
INTERNAL AUDITS AND INSPECTIONS DIVISION

CHARLIE BECK  
Chief of Police

Fiscal Year 2009/10  
Internal Audits and Inspections Division No. 08-097

# SUPPLY PROCUREMENT AND DISBURSEMENT AUDIT

Fiscal Year 2009/10

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**EXECUTIVE SUMMARY**  
**SUPPLY PROCUREMENT AND DISBURSEMENT AUDIT**  
**Conducted by Internal Audits and Inspections Division**  
**Fiscal Year 2009/10**

**PURPOSE**

Internal Audits and Inspections Division (IAID) conducted a Supply Procurement and Disbursement Audit to determine whether the Los Angeles Police Department's (Department) purchasing and vendor payment controls were adequate and adhered to the City of Los Angeles (City) and Department policies.

**AUDIT SCOPE AND METHODOLOGY**

Internal Audits and Inspections Division reviewed 102 purchase transactions randomly selected from the Fiscal Year 2007/08 Detailed Expenditure Report for adherence to City and Department policies.

**SUMMARY OF FINDINGS**

The objectives of this audit and the findings for these objectives are reflected in the table below:

<b>Objectives</b>		<b>Met Standards</b>
<b>Objective No. 1 – Authorization</b>		
1a.	Purchase Requisitions were Approved	89%
1b.	Purchase Requisitions were Reviewed for Budget Authorization	99%
1c.	Purchase Orders were Approved	81%
<b>Objective No. 2 – Vendor Selection</b>		
2a.	Competitive Bids were Obtained	16%
<b>Objective No. 3 – Accuracy</b>		
3a.	Ordered Products were Received and Confirmed	44%
3b.	Payments were Supported and Accurate	44%
3c.	Expenditures were Accurately Classified to the Correct Accounts	100%
<b>Objective No. 4 – Segregation of Duties</b>		No
<b>Objective No. 5 – Departmental Procurement Policies and Procedures</b>		No

**DISCUSSION**

There were breakdowns of necessary controls throughout the procurement and disbursement cycle as follows:

1. **Approval of purchase requisitions and purchase orders:** Department policies require multiple levels of approval to ensure purchases are authorized and necessary. Over ten percent of purchases

were processed without the required authorizations. For one purchase, the entire purchasing process was bypassed, and goods were ordered directly from the vendor by the division. The required documents and approvals were completed afterwards to process payment for the purchase.

2. **Competitive bidding:** City policies require solicitation of three competitive bids for certain purchases to ensure the Department obtains the best possible value. Eighty-four percent of purchases did not have the required competitive bids. It appears that some Supply Section personnel, who were responsible for obtaining the bids, were unaware of this requirement.
3. **Receipt confirmation of products:** City policies require documented verification of deliveries to ensure the items received were in accordance with specifications of the purchase authority. Fifty-six percent of purchases totaling \$2.6 million did not have the required receipt confirmation, which raises the potential for inaccurate or unauthorized billings. The Administrative and Technical Services Bureau issued a notice on September 15, 2009, to remind employees of these policies.
4. **Segregation of duties:** City policies require separation of purchasing and receiving functions to reduce the risk of fraud. Scientific Investigation Division, Information Technology Division, Motor Transport Division, and Emergency Command Control Communications System Division each had the authorization to both order and receive specialized goods and services, contrary to City policies.

The Department does not have a comprehensive procurement and disbursement manual that establishes and formalizes a well-structured purchasing process. Existing policies and procedures are fragmented and consist of an in-cohesive assortment of Departmental and City policies that contributed to a lack of user understanding and compliance, including that of Supply Section personnel who have primary responsibility over purchasing. Policies were inconsistently followed, loosely enforced, and, in one instance, bypassed altogether. Additionally, the Department is under-utilizing the Supply Management System by not optimizing the system's automated requisitioning, purchase ordering, and purchase order dispatch capabilities. Automation of such functions would improve efficiency while enhancing controls that need improvement.

## **CONCLUSION**

The overall purchasing control environment is inadequate. The purchasing process and controls, which handles approximately \$60 million in Department purchases annually, must be improved, formalized, and enforced.

**MANAGEMENT'S RESPONSE**

On August 5, 2009, IAID met with the Commanding Officer, Administrative and Technical Services Bureau and the Commanding Officer, Fiscal Operations Division, to discuss audit findings, recommendations, and conclusions. On September 22, 2009, IAID received management's response that is attached as the Addendum to this audit.

**SUPPLY PROCUREMENT AND DISBURSEMENT AUDIT**  
**Conducted by Internal Audits and Inspections Division**  
**Fiscal Year 2009/10**

**PURPOSE**

Internal Audits and Inspections Division (IAID) conducted a Supply Procurement and Disbursement Audit to determine whether the Los Angeles Police Department's (Department) purchasing and vendor payment controls were adequate and adhered to the Department and the City of Los Angeles (City) policies.

**BACKGROUND**

The Department's operating expenditure for Fiscal Year (FY) 2007/08 was \$61.2 million dollars. Table No. 1 summarizes the actual expenditures in FY 2007/08 by account.

**TABLE NO. 1 – OPERATING EXPENDITURES**

Acct #	Expenditure Account	Actual
2120	Printing and Binding	\$ 1,191,791
2130	Travel	790,116
3010	Ammunition and Tear Bombs	2,381,091
3040	Contractual Services	22,314,973
3090	Field Equipment Expense	6,569,656
3110	Institutional Supplies	980,581
3290	Traffic and Signal	66,383
3310	Transportation	114,520
4310	Secret Service	698,060
4430	Uniforms	4,620,218
4440	Reserve Officer Expense	300,000
6010	Office and Administrative	18,576,994
6020	Operating Supplies	2,561,004
<b>TOTAL</b>		<b>\$ 61,165,387</b>

Fiscal Operations Division (FOD) administers the procurement of the Department's supply, equipment, and service needs and is responsible for generating purchase orders, reviewing budgetary authorization, and, in some cases, selecting vendors. The Department utilizes the City's enterprise application, Supply Management System (SMS), to create purchase orders, confirm receipt, and authorize payment of orders.<sup>1</sup>

<sup>1</sup> The General Services Department processes and authorizes payment of vendor invoices through SMS.

**AUDIT SCOPE AND METHODOLOGY**

Internal Audits and Inspections Division reviewed 102 purchase transactions randomly selected from the Fiscal Year 2007/08 Detailed Expenditure Report for adherence to City and Department policies.<sup>2</sup>

**SUMMARY OF FINDINGS**

The objectives of this audit and the findings for these objectives are reflected in Table No. 2.

**TABLE NO. 2 – AUDIT OBJECTIVES AND SUMMARY OF FINDINGS**

<b>Objectives</b>		<b>Met the Standards</b>
<b>Objective No. 1 – Authorization</b>		
1a.	Purchase Requisitions were Approved	89%
1b.	Purchase Requisitions were Reviewed for Budget Authorization	99%
1c.	Purchase Orders were Approved	81%
<b>Objective No. 2 – Vendor Selection</b>		
2a.	Competitive Bids were Obtained	16%
<b>Objective No. 3 – Accuracy</b>		
3a.	Ordered Products were Received and Confirmed	44%
3b.	Payments were Supported and Accurate	44%
3c.	Expenditures were Accurately Classified to the Correct Accounts	100%
<b>Objective No. 4 – Segregation of Duties</b>		No
<b>Objective No. 5 – Departmental Procurement Policies and Procedures</b>		No

**MANAGEMENT’S RESPONSE**

On August 5, 2009, IAID met with the Commanding Officer, Administrative and Technical Services Bureau and the Commanding Officer, FOD, to discuss audit findings, recommendations, and conclusions. On September 22, 2009, IAID received management’s response that is attached as the Addendum to this audit.

<sup>2</sup> Expenditures recorded to the Contractual Service, Secret Service, and Travel accounts were excluded and will be separately examined in other scheduled audits.



**DETAILED FINDINGS**

**Objective No. 1 – Authorization**

**Overview**

The Department’s policies require the following purchase authorizations:

- Supply Order Form, Form 15.11.00 shall be signed by the division, Area, or bureau commanding officer (CO) to requisition supply, equipment, or services (Objective No. 1a).<sup>3</sup>
- Fiscal Operations Division shall approve the requisition for budgetary authorization and limits (Objective No. 1b).<sup>4</sup>
- Fiscal Operations Division shall approve all purchase orders prior to dispatching to the vendor (Objective No. 1c).

**Objective No. 1a – Purchase Requisitions were Approved**

**Audit Procedures**

Internal Audits and Inspections Division examined Form 15.11 for each of the 102 purchase transaction records to determine whether it was signed in advance by the division, Area, or bureau CO.

**Findings**

Ninety-one (89%) of the 102 purchase transaction records had a CO approved Form 15.11. See Table No. 3 for detailed findings.

**TABLE NO. 3 – DETAILED FINDINGS FOR FORM 15.11 APPROVAL**

<b>Description of Discrepancy</b>	<b>Area/Division</b>	<b>Amount</b>	<b>No.</b>
Form 15.11 was not Signed by CO	Metropolitan Division	\$6,649	1
	Information Technology Division	89,306	1
	Southeast	8,614	1
	FOD Supply Section	603,837	6
A Blank Form 15.11 was Approved by CO (The approved Form 15.11 had no item and price listed on it. “See Attached” was indicated on the Form 15.11, no attachment was available for review at the time of the audit.)	Emergency Command Control Communications Systems Division (ECCCS)	2,419,910	1
Form 15.11 was not Used and Order was Placed Directly with the Vendor	Training Division	474	1
<b>TOTAL</b>		<b>\$3,128,790</b>	<b>11</b>

<sup>3</sup> See Department Manual Section 3/508.

<sup>4</sup> See Department Manual Section 2/355.05

Authorizations for requisitions by CO's are necessary to ensure purchases are legitimate, needed, and meet required specifications. Additionally, the lack of enforcement and bypassing of procurement procedures identified above weakens the control environment and renders controls meaningless. Supply Orders were placed despite the lack of appropriate signatures, and procedures bypassed altogether, for example, when one division ordered products directly from the vendor without a Form 15.11. Rather than enforcing the procedures, Supply Section permitted the unauthorized purchase by generating a purchase order after receipt of the products.

### **Recommendation**

It is recommended Supply Section enforce procurement procedures and develop a reporting mechanism to report policy violations up the chain of command.

### **Objective No. 1b – Purchase Requisitions were Reviewed for Budget Authorization**

#### **Audit Procedures**

Internal Audits and Inspections Division examined Form 15.11 for each of the 102 purchase transaction records for evidence it was reviewed by FOD for budgetary authorization and limits prior to the procurement.

#### **Findings**

One hundred and one (99%) of the 102 purchase transaction records were reviewed by FOD for budgetary authorization and limits prior to the purchase.<sup>5</sup> The remaining one was submitted to FOD for review after the purchase order was processed and dispatched to the vendor.

### **Objective No. 1c – Purchase Orders were Approved**

#### **Audit Procedures**

Internal Audits and Inspections Division reviewed the 102 purchase transaction records to determine whether the purchase order was approved by authorized personnel from the Supply Section of FOD.<sup>6</sup>

#### **Findings**

Eighty-three (81%) of the 102 purchase transaction records were approved by authorized personnel. The remaining 19 purchase orders that were not approved totaled \$748,000.

### **Recommendation**

See Objective No. 5 – Departmental Procurement Policies and Procedures.

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<sup>5</sup> The Department's actual expenditures did not exceed budgeted amounts.

<sup>6</sup> Authorized positions are the Officer-in-Charge, Principal Storekeeper, and Management Analyst.

## **Objective No. 2 – Vendor Selection**

### **Overview**

The City issues blanket purchase orders (BPO) for small purchases of less than \$1,000 to reduce administrative expenses and to more effectively meet Departmental needs. City policy requires three competitive bids to be obtained and documented for BPOs in the purchase records.<sup>7</sup> Exceptions to this policy are: only one source is available due to unique and specialized nature of the product; there is a logical follow-on to an original purchase order; or, an urgent and compelling need exists, and following the ordering procedures would result in an unacceptable delay.

### **Objective No. 2a – Competitive Bids were Obtained**

#### **Audit Procedures**

Internal Audits and Inspections Division reviewed purchase orders for each of the 102 purchase transaction records to determine whether they were BPOs. For BPOs, IAID reviewed either for evidence that competitive bids from three different vendors were obtained, or that justification for not obtaining the required competitive bids was documented.

#### **Findings**

Of the 102 purchase transaction records, 19 were BPOs that required competitive bids. Three (16%) of the 19 BPOs provided evidence that the vendor was a single source. The remaining 16 BPOs, for purchases totaling \$15,347, contained neither documented evidence of competitive bids obtained nor justification for not obtaining bids. It appears that some Supply Section personnel who were responsible for obtaining the bids were unaware of this requirement.

#### **Recommendation**

See Objective No. 5 – Departmental Procurement Policies and Procedures.

## **Objective No. 3 – Accuracy**

The following objectives were evaluated to assess the accuracy of supply procurement and disbursement processing:

- Ordered products were received and confirmed by the Area/division (Objective No. 3a);
- Payments were supported and verified (Objective No. 3b); and,
- Expenditures were accurately classified to the correct accounts (Objective No. 3c).

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<sup>7</sup> See City Administrative Code Division 9, Section 9.4.

## **Objective No. 3a – Ordered Products were Received and Confirmed**

### **Overview**

Section 1.5.17 of the City Controller's User Department Manual requires that for goods and services received "the Supply Stores or other responsible individual verifies and certifies that goods or services covered by the invoice have actually been received and are in accordance with the specifications of the original authority. Staff certifying such receipt must have documentation, which may be in the form of:

- Packing slip or delivery receipt;
- Way-bill or bill of lading;
- Shipping label; and,
- Copy of the Purchase order with items received encircled, when applicable."

Upon physical verification of the shipment, an electronic receipt confirmation in SMS is necessary to process payment to the vendor. The receipt confirmation is either entered by the division, Area, or bureau, if SMS access is available, or by Supply Section upon telephonic or written confirmation from the division, Area, or bureau.

### **Audit Procedures**

Internal Audits and Inspections Division reviewed the 102 purchase transaction records for evidence of receipt verification.<sup>8</sup>

### **Findings**

Forty-five (44%) of the 102 purchase transaction records had documented receipt verifications and the remaining 57 purchase transaction records, which totaled \$2.6 million, did not.

Most divisions, Areas, and bureaus do not have SMS access to confirm receipt of shipments. Receipt confirmations were entered into SMS by Supply Section. In many cases, however, there was no evidence that Supply Section received confirmation from the divisions, Areas, or bureaus prior to entering the electronic receipt confirmation.

### **Recommendations**

It is recommended that:

- See Objective No. 5 – Departmental Procurement Policies and Procedures.
- Supply Section provide SMS receiving access to division, Area, and bureau personnel responsible for confirming receipt of ordered products.

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<sup>8</sup> The accuracy of the items received, quantity, and unit price were evaluated in Objective No. 3b.

### **Objective No. 3b – Payments were Accurate and Supported**

#### **Audit Procedures**

Internal Audits and Inspections Division performed a five way match of the purchase requisition, purchase order, receipt confirmation, vendor invoice, and payment voucher for each of the 102 purchase transactions to compare and verify the accuracy of the item, quantity, and unit price.

#### **Findings**

Forty-five (44%) of 102 payments were consistent with the related procurement documents. The remaining 57 (56%) payments did not have documented receipt verifications (see Objective No. 3a), and IAID was unable to determine whether the goods and services paid for were in fact received.

#### **Recommendations**

See recommendations for Objective No. 3a – Ordered Products were Received and Confirmed.

### **Objective No. 3c – Expenditures were Accurately Classified to the Correct Accounts**

#### **Audit Procedures**

Internal Audits and Inspections Division reviewed Form 15.11s for each of the 102 purchase transaction records to determine whether the purchase order was coded to the appropriate expenditure account.

#### **Findings**

Each (100%) of the 102 purchase transaction records was coded to the appropriate expenditure account.

### **Objective No. 4 – Segregation of Duties**

#### **Overview**

Section 1.4.2 of the City Controller's User Department Manual requires that "persons involved in the purchasing function are *not concurrently directly involved* with more than one of the following activities:

- Receiving and controlling goods/services;
- Making disbursements for goods and services from revolving fund monies; and,
- Accounting for purchases."

#### **Procedures**

Internal Audits and Inspections Division interviewed the employees in the Supply Section to determine whether the Department separates the purchasing, receiving, and payment functions.

## **Findings**

The Department did not consistently separate the purchasing, receiving, and payment functions. Scientific Investigation Division (SID), Information Technology Division (ITD), Motor Transport Division (MTD), and ECCCS each have order placement authorities on the SMS system. The order placement authorities, granted in the early 1990s, allow these divisions to order directly from vendors to facilitate procurement of specialized goods and services. The lack of separation of controls provides opportunities for fraud because the purchasing and receiving functions are incompatible. Similar opportunities exist when requisitioning and receiving functions are combined, as with the case for many divisions, Areas, and bureaus.

## **Recommendations**

- See Objective No. 5 – Departmental Procurement Policies and Procedures.
- The Department should re-evaluate the need to grant order placement authorities to SID, ITD, MTD, and ECCCS balancing sound internal controls with efficient procurement of needed goods/services.

## **Objective No. 5 – Departmental Procurement Policies and Procedures**

### **Procedures**

Internal Audits and Inspections Division requested Supply Section to provide policies, procedures, and/or a Department or Supply Section Procurement Manual for review.

### **Findings**

The Department lacks a comprehensive procurement manual that codifies the procurement process, procedures, and critical controls. The current policies are based on fragmented Departmental approval requirements and City Controller policies, that this audit found were inconsistently followed, loosely enforced, and, in one instance, bypassed altogether. A comprehensive Department procurement manual would:

- Provide users a single source overview and understanding of the procurement process; and,
- Formalize and codify policies and procedures.

### **Recommendation**

It is recommended that the Department develop a supply procurement and disbursement manual. The manual should (minimally) address the following areas:

- Requisition, ordering, change order, receipt confirmation, vendor payment procedures;
- Approval requirements;
- Competitive bidding requirements; and,
- Segregation of duties.

## **OTHER RELATED MATTERS**

The SMS is a comprehensive system designed to automate and control many processes within the procurement and disbursement cycle, including requisition, approval, and dispatch of purchase orders, all of which are currently performed manually. The Department appears to be underutilizing the SMS' many capabilities and not carrying out procurement functions as efficiently as is possible. In addition to efficiency, the system offers enhanced controls to address the issues identified in this audit.

### **Recommendation**

It is recommended that the Department review SMS system capabilities and consider feasibility of implementing relevant functional applications to improve efficiency and control over the procurement process.

## **SUMMARY OF RECOMMENDATIONS**

It is recommended that:

1. The Department develop a supply procurement and disbursement manual. The manual should (minimally) address the following areas:
  - Requisition, ordering, change order, receipt confirmation, vendor payment procedures;
  - Approval requirements;
  - Competitive bidding requirements; and,
  - Segregation of duties.
2. The Department re-evaluate the need to grant order placement authorities to SID, ITD, MTD, and ECCCS balancing sound internal controls with efficient procurement of needed goods/services.
3. Supply Section enforce procurement procedures and develop a reporting mechanism to report violations up the chain of command.
4. Supply Section provide SMS receiving access to all division, Area, and bureau personnel responsible for confirming receipt of ordered products.
5. Department review SMS system capabilities and consider feasibility of implementing relevant functional applications to improve efficiency and control over the procurement process.

# **ADDENDUM**



## OFFICIAL CORRESPONDENCE REVIEW

INITIATED BY: (NAME, BUREAU OR DIVISION, ETC.) Police Administrator Laura Filatoff	DATE August 27, 2009
Commanding Officer, Fiscal Operations Division	
STAFF OFFICER ASSIGNED: (NAME, BUREAU OR DIVISION, PHONE EXTENSION, ETC.) Police Administrator Laura Filatoff, Administrative Section, Fiscal Operations Division, (213) 485-5296	
SUBJECT: SUPPLY PROCUREMENT AND DISBURSEMENT AUDIT – MANAGEMENT RESPONSE	

ATTN	Reviewed By:	ATTN	Reviewed By:
	OFFICE OF THE CHIEF OF POLICE		RECRUITMENT SECTION
	CHIEF OF STAFF		HIRING AND EVALUATION SECTION
	OFFICE OF OPERATIONS		FACILITIES MANAGEMENT DIVISION
	OFFICE OF SUPPORT SERVICES	1	FISCAL OPERATIONS DIVISION
	BOARD OF POLICE COMMISSIONERS	4	INTERNAL AUDITS AND INSPECTIONS DIVISION
RBS	ADMINISTRATIVE AND TECHNICAL SERVICES BUREAU		PROPERTY DIVISION
2	ASSISTANT COMMANDING OFFICER, ADMINISTRATIVE AND TECHNICAL SERVICES BUREAU		SCIENTIFIC INVESTIGATION DIVISION
	PERSONNEL GROUP		CONSENT DECREE BUREAU
	PERSONNEL DIVISION		MAIL ROOM FOR DISTRIBUTION

15.75.0 (5/93)

**ATSB Project No.: P09-107**

**RECEIVED**

SEP 22 2009

Internal Audits & Inspections Division

*John Young*

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AUG 27 2009

INTERNAL AUDITS

8-28-09 KB to FOD,  
DVE 8-2-09

## INTRADEPARTMENTAL CORRESPONDENCE

September 15, 2009  
10.2

**TO:** Commanding Officer, Internal Audits and Inspections Division

**FROM:** Commanding Officer, Fiscal Operations Division

**SUBJECT:** SUPPLY PROCUREMENT AND DISBURSEMENT AUDIT –  
MANAGEMENT RESPONSE

On August 5, 2009, Fiscal Operations Division (FOD) met with Internal Audits and Inspections Division to discuss its supply procurement and disbursement audit findings and conclusions.

The audit identified three areas within the Los Angeles Police Department's (Department's) procurement and disbursement cycle that need improvement. The following procurement processes will be implemented in accordance with the Objectives and Recommendations of the audit:

### **Objective No. 1 – Authorization**

### **Objective No. 2 – Vendor Selection**

To ensure proper procedures and effective controls, FOD, Supply Section is developing a formal Supply Manual for the Department's end-users and Supply Section employees. The Supply Manual is expected to be completed and published in December 2009. Training classes will continue to be offered to all Department employees to train the end-users in purchasing and procurement process of the City of Los Angeles. Supply Section has implemented procedures to ensure that storekeepers solicit and document three competitive bids for blanket order purchases.

### **Objective No. 3 – Accuracy**

The audit determined that documentation of receipts, such as packing slips or delivery receipts, were not received by Supply Section personnel. A memorandum will be generated to all commanding officers stating that the responsibility of receiving items and forwarding the packing slip to Supply Section will be placed on the commanding officer or his/her designee. Once the packing slips are received by Supply Section, the storekeeper will enter the information into Supply Management System (SMS) and attach the documents to the purchase order. In circumstances where a packing slip is not available, the commanding officer will ensure that Supply Section is notified via electronic mail or telephonically that items were received. Receipts of products will be attached and documented on the purchase order.

The Department has a published policy to address the lack of adherence to procurement procedures (Attachment No. 1 – Administrative and Technical Services Bureau Notice, dated September 15, 2009, Employee's Responsibility – Acquiring Goods and Services.) When items are purchased outside of the procurement process prescribed by City Charter and Department guidelines, the commanding officer is required to complete an Intradepartmental Correspondence,

Form 15.02.00, addressed to the Commanding Officer, Fiscal Operations Division, through the chain of command. The Form 15.02.00 shall include justification as to why the expenditure was necessary and why the proper procurement process was not adhered to. On occasions, it has been decided that the unauthorized purchase must be paid for by the employee that financially obligated the Department to pay for goods or services outside of the procurement process.

This policy is part of the training curriculum that is expected to be re-implemented quarterly begin January 2010.

#### **Objective No. 4 – Segregation of Duties**

Due to the lack of personnel resources, FOD has granted order placement authority to Scientific Identification Division, Information and Technology Division, Motor Transport Division and Emergency Command Control Communication System Division. The same procurement procedures and effective controls are implemented within these entities. Fiscal Operations Division will continue to train these entities on the proper controls for procurement. Once the Supply Manual is complete it will be made available to all entities to ensure adherence to City and Department procurement policies. Additional training to these entities will also be conducted.

#### **Recommendation to provide Supply Management System receiving access to all personnel responsible for confirming receipt of ordered products.**

With the initiation of SMS in 2003, Supply Section granted receiving access to all Department end-users. Due to the high turnover and transfer rate of Department personnel, end-user receiving has never been successful. Due to the limited personnel resources at Supply Section maintaining the end-user access is still unmanageable at this time. To assist end-users in communicating with Supply Section a new electronic mail (email) address has been implemented – SUPPLY@lapd.lacity.org, to allow end-users to contact Supply Section directly through GroupWise. Department personnel can utilize the email address to discuss concerns and confirm receipt of ordered products. A designated person will review all emails on a daily basis and respond accordingly. The new email address is referred to in the Administrative and Technical Services Bureau Notice, dated September 15, 2009, Employee's Responsibility – Acquiring Goods and Services.

#### **Recommendation to review SMS system capabilities and consider feasibility of implementing relevant functional applications.**

In reviewing the SMS system capabilities with the Director of Systems for the Department of General Services, it was concluded that the SMS system does not have all the capabilities that were suggested in the audit. Although SMS has an automated requisition process there are currently no intermediary approvals. Once the end-user prepares the automated requisition using

SMS, the system automatically directs the first approval to the Chief Accounting Employee. The SMS system does not have intermediary approvals set up for the divisional commanding officer or Supply Section review. Other large City Departments have purchased stand alone systems that can communicate with the SMS system to enhance their procurement operations.

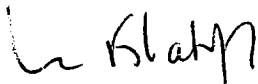
Supply Section will continue to work with SMS to determine the feasibility of upgrading the SMS system to implement relevant functional applications so that it can be used effectively to enhance the procurement operations of the Department.

Finally, it was indicated in the audit that the Department's operating cost were \$61.2 million in Fiscal Year (FY) 2007/08. While that is true, the amount that is procured through SMS is \$35.7 million and was therefore subject to this audit. The table below summarizes the actual expenditures in FY 2007/08 by account.

SUPPLY PROCUREMENT – OPERATING EXPENDITURES		
Acct . No.	Expenditure Account	Actual
3010	Ammunitions and Tear Bombs	\$ 2,381,091
3090	Field Equipment Expense	6,569,656
3110	Institutional Supplies	980,581
3290	Traffic and Signal	66,383
4430	Uniforms	4,620,218
6010	Office and Administrative	18,576,994
6020	Operating Supplies	2,561,004
<b>Total</b>		\$ 35,755,927

If you have questions or require further information, please contact Police Administrator Laura Filatoff, Fiscal Operations Division at (213) 485-5296.

APPROVED:



LAURA FILATOFF, Police Administrator  
Commanding Officer  
Fiscal Operations Division



RHONDA L. SIMS-LEWIS, Police Administrator  
Commanding Office  
Administrative and Technical Services Bureau

Attachment(s)

## ADMINISTRATIVE AND TECHNICAL SERVICES BUREAU

September 15, 2009

### NOTICE 10.2

**TO:** All Department Personnel

**FROM:** Commanding Officer, Administrative and Technical Services Bureau

**SUBJECT:** EMPLOYEE'S RESPONSIBILITY – ACQUIRING GOODS AND SERVICES

All employees procuring goods and services for the Department or work-related use, with the intent of using Department funds to pay for the purchase, shall initiate this process by using a Supply Order Form, Form 15.11.00, currently available on the LAPD Forms Repository. Employees shall not obligate the Department to pay for goods and services outside of the procurement process prescribed by the City Charter.

When a Department employee presents a vendor's invoice or other evidence that the employee acted independently and financially obligated the Department to pay for goods or services outside of the procurement process, this is known as a "confirming order." Confirming orders should not occur. Individual employees, even with verbal or written approval from their commanding officers, do not have the legal authority to obligate the City to pay a vendor.

All acquisition of goods or services that require Departmental financial obligations shall be processed through Fiscal Operations Division (FOD). If there is an unusual transaction or exigent circumstance, FOD shall be contacted prior to making any commitment to a vendor. The Budget Section and Supply Section, FOD, will determine if funds are available on a case-by-case basis, and further instructions will be given at that time.

Confirming orders shall not be used as a means of conducting routine business or to circumvent the City's procurement process. Any and all confirming orders shall require a written explanation to the City Controller through the chain of command. **Employees will be held personally liable and subject to discipline if they fail to adhere to Department policy by inappropriately committing to financial obligations with vendors.** The continued abuse of confirming orders by Department personnel may lead to removal of the Department's ability to purchase goods and services.

Additionally, it will be the responsibility of the commanding officer or his/her designee to ensure that documentation of receipts, such as packing slips or delivery receipts, are received by Supply Section Personnel.

ATTACHMENT 1

All Department Personnel

10.2

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The receipt shall include the signature and serial number of the person receiving the item(s), the date the item(s) was received, the Divisional Order Number and/or the Purchase Order Number.

In circumstances where a receipt is not available, the commanding officer will ensure that Supply Section is notified via electronic mail (e-mail) at [SUPPLY@LAPD.LACITY.ORG](mailto:SUPPLY@LAPD.LACITY.ORG). The e-mail shall include the name and serial number of the person that received the item(s), the date the item(s) was received, the Divisional Order Number and/or the Purchase Order Number.

Questions concerning this matter may be referred to Departmental Chief Accountant Betty Jai, at (213) 978-6688, or Senior Management Analyst Elena Nihoa-Asucan, at (213) 473-7838.

APPROVED:

RHONDA L. SIMS-LEWIS, Police Administrator  
Commanding Officer  
Administrative and Technical Services Bureau

JIM McDONNELL, First Assistant Chief  
Chief of Staff

DISTRIBUTION "D"