



OFFICE OF
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September 2, 2008

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

Dear Honorable Members of the City Council,

In reference to the Follow-Up Audit of GSD's Asset Management Division that was released by my Office on March 5, 2008, please find the Department's response and my evaluation of that response.

Most sincerely,

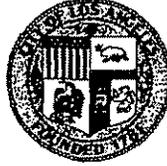
A handwritten signature in black ink that reads 'Laura N. Chick'. The signature is written in a cursive, flowing style.

Laura N. Chick
City Controller

SEP 03 2008
AUDITS & GOVERNMENTAL
EFFICIENCY

CITY OF LOS ANGELES
CALIFORNIA

TONY M. ROYSTER
INTERIM GENERAL MANAGER
AND
CITY PURCHASING AGENT



ANTONIO R. VILLARAIGOSA
MAYOR

DEPARTMENT OF
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April 8, 2008

Laura N. Chick
Office of the Controller
200 North Main Street, Room 300
Los Angeles, California 90012

Controller's Office 2008 Follow-Up Audit of the Asset Management Division

The Department of General Services (GSD) values the comments made by the Controller's Follow-Up Audit of GSD's Asset Management Division. I believe both staffs have worked collaboratively to address all of the concerns outlined in this audit. In most cases where the Controller has indicated "Partially Implemented", the Controller indicates that full implementation requires certain actions by the Mayor and City Council to be taken.

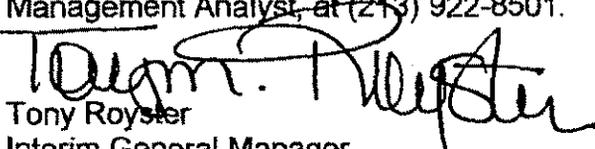
GSD agrees with the City Controller that the department has made tremendous strides in implementing all the recommendations in the three previous audits and we look forward to the next 20-years of successfully managing the city real estate assets.

GSD disagrees with the contention by the Controller's Office that is stated throughout the audits in 2003 and this follow-up audit that the City of Los Angeles did not have a strategic vision and guiding principles for City real estate. GSD developed a 20-year Office Facilities Master Plan, issued in 1996, which included a strategic vision and guiding principles for City real estate. The Mayor and City Council was guided by this 20-year strategic plan to make decisions on well over one billion dollars worth of City real estate assets. GSD is presently updating this 20-year strategic plan for the Mayor and City Council's approval.

GSD has determined that of the 18 recommendations, GSD has fully implemented 15. GSD has also determined that the remaining 3 recommendations were partially implemented.

Again as pointed out in the City Controller's audit, a major barrier to full implementation of the recommendations "all depend on the political will and action of the Mayor and Council."

If you have any questions, please contact Reginald Byron Jones-Sawyer, Sr., Chief Management Analyst, at (213) 922-8501.


Tony Royster
Interim General Manager

Attachments



EXECUTIVE SUMMARY

The Department of General Services' Asset Management Division (GSD) has developed a plethora of recommendations, reports, policies and plans for the effective and efficient management of City real estate. These plans covered the following areas of concern:

- 1996 Office Facilities Master Plan
- Comprehensive Policy on Real Estate Acquisitions, Leasing and Disposition of City Property
- Non-Profit Policy
- Lease versus Buy Plan and Policy
- Los Angeles Mall Marketing and Operations Plan
- Surplus Property Disposition Policy and Plan
- Own a Piece of Los Angeles (Disposition of Sliver and Remnants)
- Monthly Leasing Account Report

Each of these documents addressed all of the recommendations outlined in the three audits related to GSD's asset management activities.

- The Performance Audit of the Asset Management Division, General Services Department issued August 20, 2003, examined the Asset Management Division's activities in managing the City's real properties. The audit contained 14 recommendations.
- The Financial and Compliance Audit of the Department of General Services Sale of Surplus Properties issued October 22, 2003, examined AMD's compliance with the City's rules for the sale of surplus properties. The audit contained nine recommendations.
- The Financial and Compliance Audit of the Department of General Services Lease Expenditures issued November 7, 2003, reported on GSD's actions in response to a Council motion regarding a parking lot lease. The audit contained two recommendations.

While the 2003 audits were extremely helpful in assisting the Department to better manage its vast portfolio, the Controller's contention that there was no overarching strategy and guiding principles was misunderstood. A strategic plan has been in place since 1996 and will be updated in 2008. Approval by the Mayor and City Council of the Department's strategic plan and policies are the final steps for full implementation of the audit's findings.

In addition, unless the Mayor and City Council wants to change City, State and Federal regulations for Proprietary departments, a citywide database of all properties cannot include the Proprietary departments because the City Charter, State and Federal regulations restricts the City's authority over these assets.

The City has not established an agreed-upon comprehensive strategy for determining how its real estate portfolio should be managed so that real property assets are optimized for the City's use and to benefit residents.

GSD agrees with the Controller's findings that if the Mayor and City Council can come to an agreed upon comprehensive strategy for determining how its real estate portfolio should be managed, then city-owned real property assets can be optimized for the City's use and benefit for residents. GSD has had a 20-year vision and strategic plan for the City real estate since March 1996. This plan should be used as the cornerstone for developing policies and guiding decision-makers in the City of Los Angeles. The Office Facilities Master Plan developed by the Asset Management Division (AMD) provides an overall and direction on how to optimize the City's real estate assets. The following major policy points in that plan are:

- Real Estate Strategy for the City of Los Angeles
- Departmental Headcount Summaries
- Creating and Developing Workspace Standards
- Consolidation Opportunities
- Creating and Developing an AMD Database
 - o Database Facts
 - o Vacant Space
 - o Occupied Space
 - o Opportunities
- 5, 10, and 20-year Space Projections
- Van Nuys Civic Center Revitalization Project
- Civic Center Consolidation Requirements
- Lease versus Ownership Strategy
- Short Term Plan/Optimization of Status Quo
- Long Term Alternatives:
 - o Alternative I: Building a New Building
 - o Alternative II: Occupy Newer Existing Building(s)
 - o Alternative III: Occupy Historic Core Building(s)
- Regional Service Center Plan
- Redesign of the Los Angeles Mall

Based on the Office Facilities Master Plan as developed by AMD, the overall strategic framework for decision-making including planning and prioritizing efforts to manage the City's real estate assets for the past decade have been the following 12 principles:

1. Operating issues and needs (i.e., the municipal governance mission) take precedence over real estate issues. Professional asset management must support municipal services.
2. Consolidation of office functions in fewer locations leads to occupancy cost savings and operational efficiencies.
3. In addition to operating priorities, modern real estate and facilities decisions should be made in support of human resources, customer satisfaction and information technology. Care must be taken so that real estate savings do not result in higher technology and human resource costs.
4. Faithful application of the City's Adopted Workspace Standards will, over time, reduce occupancy costs per employee.

5. Long-term office needs should be satisfied via flexible leases.
6. High quality workspace and neighborhood amenities enhance employee productivity and support long-term real estate value in the area.
7. The City should be pro-active in supporting the intrinsic value of its real estate holdings, including support of the local real estate market.
8. In terms of asset management, a balance should be maintained between owned and leased facilities, so that the City can benefit as market conditions and space requirements change.
9. Highly specialized, single purpose office configurations should be avoided.
10. Agencies, which directly serve the public should, first and foremost, be located and situated with a priority to customer satisfaction.
11. Owned assets, which are deemed to have historic or traditional significance should, consistent with sound economics, be preserved and enhanced with a pro-active long-term building maintenance program.
12. The City should adopt a simple, clear approach to consolidating its facilities in the Civic Center and several regional service centers.

The real estate vision and strategy in the 1996 Office Facilities Master Plan were the driving citywide policies, which led to the following major successes:

- Revitalization of the historic Joan Milkes Flores San Pedro Neighborhood City Hall
- Revitalization of the old Van Nuys City Hall
- Revitalization of the Hollywood Neighborhood City Hall
- Revitalization of the Sunland Tujunga Neighborhood City Hall
- Revitalization of the West Valley Neighborhood City Hall
- Building a new Marvin Braude San Fernando Valley Neighborhood City Hall
- Purchase of the Figueroa Plaza Building
- Purchase of the Public Works Building
- Major reduction in private sector leases
- Development and Implementation of the Neighborhood City Hall's Plan
- Institution of citywide space standards
- Creation of a real property database
- Creation of a leasing database
- New upscale retail LA Mall tenants (Quiznos, Robeks, California Pita)
- Development of a Non-Profit Policy
- Development of a surplus property strategy and three-year marketing/sales Plan
- Development of a Leasing versus Buy Policy

The City is well past the halfway point of AMD's original 20-year strategic plan. AMD is developing an updated 20-year plan, which addresses all of the new exciting development in the Civic Center. This new updated plan is being finalized and will be ready for the Municipal Facilities Committee's review and approval in 2008. The plan will specifically address the

following short and long-term issues in addition to updating the items in the current 20-year strategic plan:

- New Civic Center Master Plan
- New Major Office Building Plan
- Updated Los Angeles Mall Marketing and Operations Plan
- Updated Non-Profit Policy
- Updated Surplus Property Disposition Policy and Plan
- Updated Neighborhood City Hall's Policy
- Updated Lease versus Purchase Policy

Also, in this report will be the "City's NEW Strategic Vision and Guiding Principles for City Real Estate." They are:

1. Owning property for long-term space needs is always preferable to leasing (Taxpayer's Dollars should be used for equity investment)
2. Non-Profits in City facilities must be profitable either through services or rent
3. Dispose of surplus property immediately (sell, reuse, land bank or develop)
4. Maximize all retail revenue generating opportunities utilizing public/private partnerships
5. Joint-use facilities are more cost effective and efficient
6. Replace and/or revitalize facilities that are 50-years old
7. Make every City facility a "Green Facility"

For the updated strategic plan to be more effective, the plan will need the City's leaders review and approval of these policies to ensure consistency in managing the City's vast real estate portfolio for the next 20-years.

Surplus property sales have not increased. The process is cumbersome, and since decisions are not driven by an overall Citywide vision, individual Council Offices can object to potential sales without full Council consideration.

AMD has developed a database on surplus property that categorized each parcel and prioritized potential salable parcels. AMD now knows which parcels are candidates for affordable housing, open space, parks, commercial development, slivers and remnants, and blocker lots.

Once approved by the Mayor and City Council, the AMD Surplus Property Disposition Plan will aggressively sell all marketable properties in the City's database within three years. AMD has marketed and sold its properties through auctions. AMD has a 100% sales success rate and sold property above the appraised value. Of course, with the real estate market in a slump, AMD will improve our already successful marketing strategy to maintain our 100% sales rate.

AMD has reduced the number of steps in its surplus property sales procedures with follow up procedures for City departments who do not respond in a timely manner; however, AMD cannot compel another City department to meet established timelines for completing surplus property assignments.

A Citywide database of all properties does not exist.

AMD does have a database for all 2,400 properties under their purview and will continue to improve on what they have. A few errors were made and quickly corrected.

GSD has no authority over the Proprietary Departments; however, GSD working closely with the previous Mayor had the Mayor's Office request real property information. Because of GSD and the Mayor's efforts, the Proprietary Departments (Harbor, DWP and Airports) have been investigating developing a database that will interface with AMD's database. These new systems would be compatible with AMD's system and lead to one database. Harbor and DWP have contacted the consultant AMD used to create our surplus property database and they have not been successful in finalizing their efforts to create a workable database.

Because of City, State and Federal regulations for Proprietary departments, a citywide database of all properties cannot include the Proprietary Departments' properties since the City Charter, Public Utilities Commissions, State Tidelands and Beaches, and Federal Aviation Administration restricts authority over these assets to the respective Proprietary Departments.

In addition, the Controller noted incomplete and inaccurate information for City Council-controlled surplus property. AMD has corrected these minor errors and omissions and will continue to monitor, review and update the database on a monthly basis.

Section 1: Asset Management Division Performance

The 2003 audit and Follow-Up Audit misstates that the City lacks an overall strategy for managing the City real estate assets.

The March 1996 Office Facilities Master Plan is the City's 20-year real estate strategy. The Master Plan sets the guiding principles for ensuring the City occupies space that supports providing municipal services and houses City employees effectively to the benefit of the City's constituents. The Master Plan also identified the need for a property database to track the City's vacant and occupied office space; provided a methodology for defining the City's office space needs; established the basis for lease versus ownership analysis; and recommended short and long-term solutions for meeting space requirements. The Master Plan helps guide GSD and the City's decisions for managing municipal facilities valued at over \$1 billion.

GSD took the lead in creating a City strategy that would facilitate decision-making by City leadership for leasing, property management, acquisitions, and disposal of city real estate.

Prior Recommendation #1: AMD should develop option papers addressing financial, operational and policy implications for MFC, Mayoral and City Council consideration that facilitate coherent, planned decisions.

- a. **These papers should address, as a start, overall City Real Property Portfolio Composition, Mall Marketing and Operations, and a strategy for Surplus Property disposal.**
- b. **AMD should with the MFC, Mayor and the City Council seek to generate consensus on the overall strategies or policy directions, and use them as guidance for planning and prioritizing its work.**

Implemented

GSD has developed a plethora of recommendations, reports, policies and plans for the effective and efficient management of city real estate. These plans covered the following areas of concern:

- 1996 Office Facilities Master Plan
- Comprehensive Policy on Real Estate Acquisitions, Leasing and Disposition of City Property
- Non-Profit Policy
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- Surplus Property Disposition Policy and Plan
- Own a Piece of Los Angeles (Disposition of Sliver and Remnants)
- Monthly Leasing Account Report

GSD has taken the lead in creating a City strategy since 1996, which includes the Los Angeles Mall. The LA Mall is one example of what could be done if the decision makers had both the political will and funding to develop any one of GSD plans. The LA Mall was originally designed as a food court and convenience for city employees. The LA Mall has limited parking; it is below ground retail, and needs major upgrades and renovations.

GSD has two options for managing the Mall more effectively:

1. Improve its as a food court by upgrading the retail tenants and providing more amenities with the existing infrastructure (Minimal Cost: less than \$100,000)
2. Redevelop it into a major shopping and destination center by moving the shops above ground and linking it to El Pueblo (Minimal Cost: \$140 million)

At this time, the most efficient way to manage the Mall is to continue to upgrade the existing tenant mix.

GSD submitted these and other reports to the appropriate decision-makers for approval and direction. Once adopted by Mayor and City Council, these reports will ensure that the four key areas of concern by the Controller's Office are addressed:

1. Establish guiding principles for property decisions supported by the Mayor and City Council
2. Implement a strategic property management approach to City-owned real property
3. Focus elected City decision makers on real property strategic and policy issues; and
4. Maximize financial value of or return on properties

Barriers to Implementation

The Department does agree with the findings of the Controller that complete implementation of this recommendation requires City leadership to reach a consensus on the proposed strategies for managing the City real estate portfolio proposed by GSD.

Prior Recommendation #6: AMD should prepare annual and quarterly reports of the status of real property management for submission to the MFC.

Partially Implemented

GSD does provide periodic reports to members of the Municipal Facilities Committee (MFC) as directed; however, GSD will assist the MFC by providing more comprehensive reports. The department will gather all the appropriate information, analyze the findings and make recommendations from those findings to the MFC.

GSD will provide the MFC with the following reports on an annual and quarterly basis:

1. Comprehensive Leasing Status Report (Status of Expiring Leases, Lease Concentration, Month-To-Month Leases and Estimated Net Cost to the City of Continuing the Leases)
2. Building Deferred Maintenance Status Report
3. Non-Profit Status Report
4. Comprehensive Surplus Property Status Reports

Prior Recommendation #8: AMD should set up a separate unit to handle planning and reporting functions.

Partially Implemented

GSD has created an alternative way to build on the suggestions made in the Vision and Strategy report to provide the City with a comprehensive plan for asset management and regularly report on the status of its efforts. While funding was not approved to set up a dedicated Planning Group, the GSD/AMD continued to effectively plan and report on major real estate planning and strategic management initiatives by utilizing top management staff and private sector real estate experts. This work around planning group, which includes the Studley Group (City's private sector real estate consultants), is developing an updated strategic plan that will be completed in April 2008.

Prior Recommendation #9: AMD should seek broader transaction authority in conjunction with a redesign of its processes, starting with surplus property disposal.

Implemented

GSD has made attempts to implement this recommendation, however, implementation is contingent on City leadership giving more authority to GSD to proceed with certain real property transactions, such as surplus property disposal. As noted in the audit, sales of surplus property can take one to two years to complete because the City's surplus property process has a number of required time-consuming reviews and clearances from various agencies, as well as, several city departments.

Barriers to Implementation

As noted by the Controller's Office, AMD has made attempts to implement this recommendation. However, implementation is contingent on City leadership giving more authority to GSD to proceed with certain real property transactions, such as surplus property disposal. According to the Controller, until the City allows GSD more discretion in carrying out its responsibilities, this recommendation will not be fully implemented.

Prior Recommendation #10: AMD should continue to work with other GSD units and the Proprietary departments to establish a citywide database of properties.

Implemented

AMD does have a database for all 2,400 properties under their purview and will continue to improve on what they have. A few errors were made and quickly corrected.

GSD has no authority over the Proprietary Departments. According to Sections 602, 631, 651, and 672 which specifically states that the Proprietary departments exclusively own, operate, manage and control all assets, including all land, GSD has no jurisdiction over the Proprietary departments.

GSD working closely with the previous Mayor had the Mayor's Office request real property information. Because of GSD and the Mayor's efforts, the Proprietary Departments (Harbor, DWP and Airports) have been investigating developing a database that is comparable to the one AMD has created. These new systems would be compatible with AMD's system and lead to one database. Harbor and DWP have contacted the consultant AMD used to create our surplus property database and they have not been successful in finalizing their efforts to create a workable database.

Barriers to Implementation

In addition to GSD not having authority over the Proprietary Departments, meeting the intent of the recommendation requires the Proprietary Departments to have compatible information systems with GSD so that data can be readily transferred. An alternate solution requires staff time of GSD and the Proprietary Departments to resolve data problems with previously provided information.

Prior Recommendation #11: AMD supervisory staff should monitor security of the Lease Information System (LIS) by designing and reviewing a chronological report or log of all changes to the system that affect payments to landlords.

Partially Implemented

GSD agrees with the Controller's findings and has addressed this recommendation. GSD working with its Management Information Systems Division will develop monthly logs to have AMD management monitor changes to LIS and determine its appropriateness.

Non-profit leases should not be in the LIS. These leases have specialized terms and conditions that cannot be managed like a commercial lease agreement.

Prior Recommendation #12: AMD should develop additional outcome-based and process-time measurements to improve workload management and staff productivity.

Implemented

GSD agrees with the Controller's findings. Based on GSD's real estate expertise, outcome-based and process-time measurements already developed and implemented is all that AMD

needs to help improve workload management and staff productivity. However, outcome measures need to be driven by an agreed upon Citywide vision and strategy.

Section II: Sale Of Surplus Properties

Prior Recommendation #1: GSD should identify and prioritize the City's vacant properties that are marketable and aggressively initiate a program to pursue their sale.

Implemented

GSD agrees with the Controller's findings. AMD has developed a database on surplus property that categorized each parcel and prioritized potential salable parcels. AMD now knows which parcels are candidates for affordable housing, open space, parks, commercial development, slivers and remnants, and blocker lots.

Once approved by the Mayor and City Council, the AMD Surplus Property Disposition Plan will aggressively sell all marketable properties in the City's database within three years. AMD has marketed and sold its properties through auctions. AMD has a 100% sales success rate with sales exceeding the appraised value by 30% or more.

The primary challenge with selling surplus city properties is obtaining the approval of the resident Council member. A Council member makes the final decision on the disposition of properties in their district.

Barriers to Implementation

Complete implementation of this recommendation requires City leadership to reach a consensus on the strategy for managing the City's real estate portfolio and formal approval of various items proposed to assist in expediting the disposition of surplus property, such as GSD's Surplus Property Disposition Program and "Own A Piece Of L.A." Program.

Prior Recommendation #2: GSD should maintain complete and accurate information in its Surplus Property Inventory List, in order to manage said properties properly.

Partially Implemented

GSD agrees with the Controller's findings that minor errors were made or information missing on the Comprehensive Updated Surplus Property List. These error and omissions were immediately rectified and a monitoring system is in place to ensure that this does not occur again.

Prior Recommendation #4b: GSD should review and evaluate the required process on the sale of surplus properties. If necessary, streamline processes so that the sale of surplus properties can be completed more efficiently and in a timely manner.

Implemented

GSD does not agree with the Controller's findings. The Surplus Property Procedures Checklist has been streamlined from 64 steps to 32 steps to 18 steps. The Surplus Property Procedures

Checklist is periodically being reviewed for possible additional streamlining opportunities and AMD found no new changes necessary.

The most important step in the process is Council Office approval. GSD could have two steps in the process to sell the property and Council approval. If the Council member holds up the sale then GSD cannot move forward.

Prior Recommendation #4c: GSD should increase its efforts to coordinate and follow-up on the clearance processes with involved City departments, such as the Bureau of Engineering and Planning Department, to minimize delays on the sale of surplus properties.

Implemented

GSD does not agree with the Controller's findings. GSD does monitor and follow-up on the clearance processes with involved City departments, however, GSD has no operational control over other City departments in the clearance process and cannot dictate when they will clear parcels for sale. GSD cannot compel a department to comply with the deadlines in the surplus property procedures checklist.

As far as specific sales mentioned in the audit, all were delayed because GSD needed Bureau of Engineering and Department of Transportation Board approval and clearance. Either City property needed a future street dedication, which required a street vacation by the adjoining property owner or approval from the DOT Board to sell the land was required, each case had made the sale more time-consuming.

Prior Recommendation #4d: GSD should attempt to process and complete the sale of surplus properties in a timely manner. This would ensure timely availability of additional revenues for city programs and projects.

Implemented

GSD does not agree with the Controller's findings. GSD does not have control over how soon City departments will follow-up on requests for additional information and sign offs on the disposal of property. Staff in GSD does process and complete its responsibility in a timely manner however it is hamstrung by other entities it does not have any authority over.

Prior Recommendation #4e: Develop formal written policies and procedures on the sale of surplus properties, which would serve as a guideline and provide consistency in processing the sale of surplus properties.

Implemented

GSD agrees with the Controller's findings. AMD has developed formal written policies and procedures on the sale of surplus properties. The Mayor has approved the plan and submitted to the City Council for approval. The City Council has not approved the plan, which would serve as a guideline and provide consistency in processing the sale of surplus property.

Barriers to Implementation

According to the Controller's audit, complete implementation of this recommendation requires consensus with and approval of the MFC, Mayor and City Council with the City's overall vision and strategy for real property asset management.

ASSET MANAGEMENT DIVISION PERFORMANCE IMPLEMENTATION STATUS

RECO	RECOMMENDATION	STATUS	GSD EVALUATION
1	<p>AMD should develop option papers addressing financial, operational and policy implications for MFC, Mayoral and City Council consideration that facilitate coherent, planned decisions.</p> <p>These papers should address, as a start, overall City Real Property Portfolio Composition, Mall Marketing and Operations, and a strategy for Surplus Property disposal.</p> <p>AMD should with the MFC, Mayor and the City Council seek to generate consensus on the overall strategies or policy directions, and use them as guidance for planning and prioritizing its work.</p>	Implemented	Controller's Office concurs that option papers were written. AMD did seek to generate consensus on the updated strategic plan.
3	AMD should propose an extension of the reach of the policy regarding leasing to non-profit organizations to cover all non-profit tenants in the City.	Implemented	Controller concurs it was implemented.
6	AMD should prepare annual and quarterly reports of the status of real property management for submission to the MFC.	Implemented	Controller's Audit acknowledges that AMD does prepare annual and quarterly reports to the MFC. These reports do indicate the status of real property management. AMD will increase the number of comprehensive reports to the MFC.
8	AMD should set up a separate unit to handle planning and reporting functions.	Partially Implemented	AMD created a Committee of real estate professionals and city staff to help develop the overall strategy for the City. Funding is needed to set up a separate unit.
9	AMD should seek broader transaction authority in conjunction with a redesign of its processes, starting with surplus property disposal.	Implemented	Controller's Audit concurs that GSD did seek broader transaction authority, but the authority was not approved.

10	AMD should continue to work with other GSD units and the Proprietary departments to establish a citywide database of properties.	Implemented	GSD did attempt to voluntarily bring the Proprietary departments into its database; however, the City Charter prohibits GSD from managing their assets.
11	AMD supervisory staff should monitor security of LIS by designing and reviewing a chronological report or log of all changes to the system that affect payments to landlords.	Partially Implemented	AMD has chronological report logs for any changes to the system. AMD will establish a monthly monitoring system for management of LIS.
12	AMD should develop additional outcome-based and process time measurements to improve workload management and staff productivity.	Implemented	AMD does have outcome-based and process time measurements.

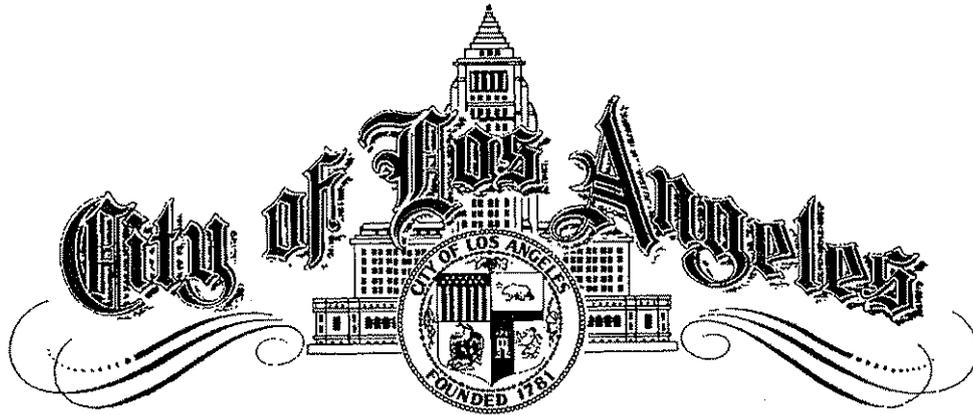
SALE OF SURPLUS PROPERTIES IMPLEMENTATION STATUS

Reco	RECOMMENDATION	Status	GSD Evaluation
1	Identify and prioritize the City's vacant properties that are marketable and aggressively initiate a program to pursue their sale.	Implemented	Controller's audit acknowledges that GSD does have a plan for surplus property sales. It is an aggressive plan. The plan has not been approved by the City Council. Approval of implementation is with the City Council.
2	GSD should maintain complete and accurate information in its Surplus Property Inventory List in order to manage said properties properly.	Partially Implemented	Controller wants GSD to manage Proprietary departments, which is not in compliance with the City Charter or State and Federal regulations. GSD has a database for all properties under their purview.
3	GSD should provide adequate oversight to ensure compliance with provisions of Administrative Code 7.22(d), the requirement to obtain CAO's review and recommendation on the propriety of the direct sale of surplus properties.	Implemented	Controller concurs it was implemented.
4a	GSD should provide adequate oversight to ensure that current and/or updated appraisal reports are obtained prior to the sale of surplus properties to protect the City's best interests.	Implemented	Controller concurs it was implemented.
4b	GSD should review and evaluate the required processes on the sale of surplus properties. If necessary, streamline processes so that the sale of surplus properties can be completed more efficiently and in a timely manner.	Implemented	Based on the Controller's audit, GSD has streamlined the process for 32 steps to 18 steps.
4c	GSD should increase its efforts to coordinate and follow-up on the clearance processes with involved City departments, such as Bureau of Engineering and Planning Department, to minimize delays on the sale of surplus properties.	Implemented	GSD does complete the surplus property sales requirement under their purview in a timely manner. GSD has no jurisdiction over other department's ability to

			meet deadlines.
4d	GSD should attempt to process and complete the sale of surplus properties in a timely manner. This would ensure timely availability of additional revenues for city programs and projects.	Implemented	GSD does complete the surplus property sales requirement under their purview in a timely manner. GSD has no jurisdiction over other department's ability to meet deadlines.
4e	GSD should develop formal written policies and procedures on the sale of surplus properties, which would serve as a guideline and provide consistency in processing the sale of surplus properties.	Implemented	Based on the Controller's audit, written policies and procedures were developed. The policies and procedures were approved by the General Manager and implemented.

LEASE EXPENDITURES IMPLEMENTATION STATUS

RECO	RECOMMENDATION	STATUS	GSD EVALUATION
1a	GSD should conduct a survey of possible alternate locations for the parking lot that would meet the parking needs of the Asphalt I operations and negotiate a lease for another location.	Implemented	Controller concurs it was implemented.
1b	GSD should conduct feasibility studies on leases that have been on-going for the last ten years, to determine if it would be more advantageous for the City to purchase suitable properties.	Implemented	Controller concurs it was implemented.



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June 2, 2008

Tony Royster, Interim General Manager
Department of General Services
Room 701 City Hall South
111 East First Street
Los Angeles, CA 90012

Dear Mr. Royster:

**SUBJECT: EVALUATION OF GSD'S RESPONSE TO THE FOLLOW-UP AUDIT OF
GSD'S ASSET MANAGEMENT DIVISION**

My Audit Division received your April 8, 2008, response to the "Follow-Up Audit of GSD's Asset Management Division". Your response indicates that GSD disagrees with the auditors' assessment of the implementation status of the prior audits' recommendations. You also state that GSD disagrees with the original audits' conclusion that the City lacked a strategic approach to asset management, pointing to the 1996 "Office Facilities Master Plan", considered to be a 20-year strategic plan.

The 1996 plan focuses primarily on the City's need for office space and not an overall strategy for asset management, and had already been in existence a good seven years at the time of the original performance audit. The primary finding of the 2003 audit was that GSD and City policymakers focused on individual real estate transactions, rather than through a consistent and effective asset management strategy. The audit recommended that GSD become a catalyst to change that approach, by proposing policies and generating consensus on overall strategies and policy directions, which would simplify the transactions and the process for their review and approval. Our current assessment indicates this issue remains "in progress", as the City continues to focus primarily on individual transactions.

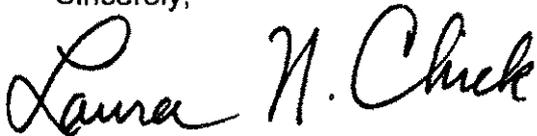
Your correspondence also presents GSD's own evaluation of the progress it has made, though acknowledges the audit's statement that "full implementation of the recommendations depend on the political will and action of the Mayor and Council".

Mr. Tony Royster, Interim General Manager
June 2, 2008
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The purpose of the Controller's audits, and subsequent follow-up reviews, is to present an independent assessment of City operations. Therefore, GSD's position on its own self-assessment is not relevant to the Follow-Up Audit process. As explained to your staff, auditors reviewed not only the steps taken by GSD, but assessed current operations to determine if a condition that was noted in the original audit still exists. Therefore, while we acknowledge that GSD has taken some action in several areas (such as developing policy papers, seeking broader transaction authority, attempting to coordinate data with Proprietary departments), the recommendation was not rated as "fully implemented" because of issues that may be outside of GSD's direct control.

However, as the entity responsible for managing the City's diverse real estate portfolio, I continue to challenge your Department to become the policy leader in this area. While formal decision-making ultimately resides with the Mayor and Council, elected officials should be guided by the City's capable appointed leadership who provide sound reasoning and focused direction towards the continual improvement of the operations under their purview.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

LAURA N. CHICK
City Controller