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DEPARTMENT OF AUDITOR-CONTROLLER

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TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **LOS ANGELES UNIFIED SCHOOL DISTRICT CONTRACT REVIEW**

We have completed a contract compliance review of the Los Angeles Unified School District (LAUSD), a Refugee Immigrant Training and Employment Program (RITE) service provider. The review was conducted as part of the Auditor-Controller's Centralized Contract Monitoring Pilot Project.

Background

The Department of Community and Senior Services (DCSS) contracts with LAUSD to provide job training services to non-English and non-Spanish speaking CalWORKS recipients who have resided in the United States over five years. The types of services provided by LAUSD include job readiness training, career planning services and job placement. LAUSD has offices located in each Supervisorial District.

DCSS pays LAUSD a fixed fee for each type of service based on budgeted program costs and anticipated service levels. For Fiscal Year 2002-03, DCSS paid LAUSD approximately $665,000.

Purpose/Methodology

The purpose of the review was to determine whether LAUSD was providing the services outlined in their County contract and maintaining proposed staffing levels. Our monitoring visit included a review of LAUSD's billing statements, participant case files, personnel and payroll records, and interviews with LAUSD staff, program participants and participant employers.

Results of Review

LAUSD overstated 2 (18%) of the 11 employment outcomes and 11 (100%) of the 11 job training outcomes sampled, which resulted in LAUSD overbilling DCSS $4,050 (50%) out of the $8,150 sampled. Examples of overbillings include the following:

- Billing for placing participants in full-time jobs, when the participants were already employed with the same employers.

- Billing for the completion of Job Club trainings when the participants did not complete the required hours of participation or receive the required services.

In addition, for five (45%) of the 11 program participants with reported employment outcomes, LAUSD did not receive an itemized statement from the participants that reported the number of hours worked or rate of pay, as required by the County contract.

LAUSD's eight Case Managers currently possess the work experience required by DCSS' contract. However, six of the eight Case Managers did not possess the required work experience and/or educational requirements at the time they were hired by LAUSD approximately two to five years ago. As a result, during the period November 1999 – March 2004, LAUSD billed DCSS for services provided by these individuals who did not have sufficient GAIN work experience.

Review of Report

On June 30, 2004, we discussed our report with LAUSD. LAUSD plans to submit a written response to us within the next 30 days which we will forward to your Board. We also notified DCSS of the results of our review. DCSS will work with LAUSD and monitor them to ensure that areas of non-compliance disclosed in this report are resolved and will report to your Board within 60 days of this report.

We thank LAUSD for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:DR:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Department of Community and Senior Services
Cynthia Banks, Chief Deputy Director
Josie Marquez, Program Director
Tai Vo, Director, Refugee Employment Training Project, Los Angeles Unified School District
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

CENTRALIZED CONTRACT MONITORING PILOT PROJECT
REFUGEE IMMIGRANT TRAINING AND EMPLOYMENT PROGRAM
FISCAL YEAR 2003-04
LOS ANGELES UNIFIED SCHOOL DISTRICT

BILLED SERVICES

Objective

Determine whether the Los Angeles Unified School District (LAUSD) accurately billed the Department of Community and Senior Services (DCSS) for valid and authorized contract services.

Verification

We selected a sample of 11 program participants for which LAUSD billed employment outcomes and 11 program participants for which LAUSD billed job training outcomes and reviewed their case files for documentation to support the billings that LAUSD reported in November and December 2003. The outcomes represent $8,150 (10%) of the $81,895 that LAUSD billed the County for November and December 2003.

In addition, we interviewed 19 program participants and 9 employers to confirm the outcomes that LAUSD reported were actually achieved. We also reviewed the eligibility status of the 22 program participants on the GAIN Employment Activity and Reporting System (GEARS).

Results

Employment Outcomes

LAUSD overstated two (18%) of the 11 employment outcomes (part-time and full-time employment), which resulted in LAUSD overbilling DCSS $750 out of the total $8,150 sampled. Specifically, we noted the following:

- One program participant that LAUSD reported receiving part-time employment in December 2003 was already employed with the same employer for approximately two years. Both the participant and the employer stated that the participant began working for the employer in 2001.

- For one program participant, LAUSD incorrectly billed DCSS in November 2003, as a full-time placement after Orientation ($500). However, the participant was also already employed with the same employer when the case was assigned to LAUSD in October 2003. In addition, copies of the participant's paycheck stubs indicated that the participant worked an average of 25 hours per week which

does not qualify for a full-time placement. LAUSD was entitled to bill DCSS for a pre-Orientation, part-time employment ($50).

Job Training Outcomes

LAUSD overstated all 11 job training outcomes sampled, which resulted in LAUSD overbilling DCSS $3,300 out of $8,150 sampled. LAUSD billed DCSS for providing the Job Club training program to 11 program participants. Job Club is a four week, 128 hour training program designed to increase the participant's marketability, job skills, and exposure to the job market with the purpose of placing the participant into full-time or part-time employment. Specifically, we noted the following:

- Two program participants did not attend the required number of hours to complete Job Club. One program participant stated that he attended Job Club for only two days. The second participant could not remember the exact number of days that she attended Job Club, but stated that she attended less than two weeks. The documentation used to support the completion of Job Club for the two program participants, and used by LAUSD as the basis for billing DCSS reported that each participant attended Job Club for only one day. It should be noted that in March 2004, DCSS disallowed LAUSD's billing for the two participants.

- Nine program participants did not receive a supervised Job Search component of the Job Club curriculum, as required by the County contract. After we informed LAUSD of this issue, LAUSD claimed that the section of the contract that describes the Job Search requirements of the Job Club training program was not in effect during the time of our review. LAUSD also claimed that the Job Search requirements were not established until Administrative Directive (AD) #4477 was issued in March 2004. We reviewed AD #4477 and determined that it restates the Job Search requirements contained in the contract, and that the entire contract was in effect during the time of our review.

Participant Pay

California State Labor Code Section 226(a) requires that employers furnish each employee at the time of each payment an itemized statement in writing showing: (1) gross wages earned; (2) total hours worked for hourly wage earners; (3) all deductions; (4) net wages earned; (5) pay period; (6) the name of the employee and their Social Security number. In addition, the County contract requires LAUSD to review participants' paycheck stubs to confirm the hours worked prior to billing DCSS for job placements.

Five (45%) of the 11 program participants with reported employment outcomes did not receive an itemized statement with their paychecks that reported the number of hours worked or rate of pay. Three of the five employers also did not withhold a portion of the participants' pay for payroll taxes. LAUSD billed DCSS for the placements without

reviewing the participants' paycheck stubs to confirm their employment and hours worked.

GEARS Activity

According to GEARS, all of the 22 participants included in our sample were eligible to receive program services at the time of our review.

LAUSD management should ensure that DCSS is only charged for documented eligible services. LAUSD management should also inform the program participants, which earn an hourly wage, that they are required to obtain from their employer a statement with each paycheck that lists the hours worked and payroll deductions. .

Recommendations

LAUSD management:

1. **Only charge DCSS for documented eligible services.**

2. **Inform the program participants, that earn an hourly wage, that they are required to obtain from their employer a statement with each paycheck that lists the hours worked and payroll deductions.**

STAFFING/CASELOAD LEVELS

Objective

Determine whether LAUSD's Case Managers' caseloads did not exceed 115 program participants, as required by the County contract.

Verification

We interviewed LAUSD's staff and reviewed LAUSD's timekeeping records to determine actual staffing levels.

Results

The Agency's Case Managers' average caseload of 104 participants did not exceed the maximum allowed by the County contract.

Recommendations

There are no recommendations in this section.

STAFFING QUALIFICATIONS

Objective

Determine whether LAUSD's staff meets the qualifications required by the County contract.

Verification

We interviewed LAUSD's staff and reviewed their personnel files for documentation to confirm their qualifications. The contract requires that Case Managers either possess a four-year college degree, an AA degree and two years of caseload experience, an AA degree and two years of employment counseling experience, or two years of employment counseling experience in a GAIN environment. Achievement of Junior class standing in an accredited college may be substituted for an AA degree provided other training or experience requirements are met.

Results

LAUSD's eight Case Managers currently possess the work experience required by DCSS' contract. The Case Managers average between two to six years experience providing services in a GAIN environment. However, six of the eight Case Managers did not possess the required work experience and educational requirements at the time LAUSD hired them approximately two to five years ago. As a result, during the period November 1999 to March 2004, LAUSD billed DCSS for services provided by individuals who did not have sufficient GAIN work experience. LAUSD management needs to ensure that staff possess the required work experience prior to being hired to perform GAIN case management services.

Recommendation

3. LAUSD management ensure that staff possess the required work experience prior to being hired to perform GAIN case management services.

SERVICE LEVELS

Objectives

Determine whether LAUSD's reported services for Fiscal Year (FY) 2003-04 significantly varied from planned services levels.

Verification

Review DCSS' Annual Service Level Assessment report for FY 2003-04 and LAUSD's proposed services levels for the same period.

Results

We attempted to review LAUSD's ability to achieve planned service levels. However, DCSS was unable to provide the projected service levels used to allocate funding to LAUSD.

Recommendations

There are no recommendations in this section.