



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

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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: INTERNATIONAL INSTITUTE OF LOS ANGELES CONTRACT REVIEW

We have completed a contract compliance review of the International Institute of Los Angeles (IILA), 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 IILA, a private, non-profit, community-based organization, 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 IILA include job readiness training, career planning services and job placement. The population that IILA serves resides in the First, Second, Third and Fifth Districts.

DCSS pays IILA a fixed fee for each type of service based on budgeted program costs and anticipated service levels. For Fiscal Year 2002-03, DCSS paid IILA approximately \$725,000.

Purpose/Methodology

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

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Results of Review

IILA overstated 8 (33%) of the 24 employment outcomes and 3 (60%) of the 5 job training outcomes sampled, which resulted in IILA overbilling DCSS \$2,934 (31%) out of the total \$9,518 sampled. Examples of the overbillings include the following:

- Billing for Case Management and Job Club services when the services provided did not meet the requirements of the contract.
- Billing for placing a participant in new employment when the participant was returning to a job she had previously held.
- Billing for placing participants in employment, where they are paid a commission, without obtaining a copy of the commission agreement to ensure that the participants are properly compensated, as required by the contract.

IILA also billed for transportation expense reimbursements totaling approximately \$2,350 provided to five program participants that were not eligible to receive the reimbursements.

In addition, IILA did not ensure that nine program participants were paid in accordance with the State Labor Code. Also, 5 of the 8 Case Managers did not possess the required work experience or educational requirements at the time they were hired by IILA. As a result, during the period of July 1999 to September 2001, IILA billed DCSS for services provided by individuals that did not have the required GAIN work experience.

Review of Report

On July 13, 2004, we discussed our report with IILA. IILA plans to submit a written response to us within the next 30 days which we will forward to your Board. In addition, we notified DCSS of the results of our review. DCSS will work with IILA 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 IILA 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
Joy Hoffer, Vice President, International Institute of Los Angeles
Raymond G. Fortner, Interim County Counsel
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**CENTRALIZED CONTRACT MONITORING PILOT PROJECT
REFUGEE IMMIGRANT TRAINING AND EMPLOYMENT PROGRAM
FISCAL YEAR 2003-2004
INTERNATIONAL INSTITUTE OF LOS ANGELES**

BILLED SERVICES

Objective

Determine whether the International Institute of Los Angeles (IILA) accurately billed the Department of Community and Senior Services (DCSS) for valid and authorized contract services.

Verification

We selected a sample of 29 program participants and reviewed their case files for documentation to support the employment and job training outcomes that IILA billed DCSS. The outcomes represent \$9,518 (11%) of the \$88,265 that IILA billed the County for September and November 2003.

In addition, we interviewed 26 program participants and 13 employers to confirm the outcomes that IILA reported were actually achieved. We also reviewed the eligibility status of the 29 program participants on the GAIN Employment Activity and Reporting System (GEARS).

Results

Employment Outcomes

IILA overstated 8 (33%) of the 24 employment outcomes (part-time and full-time employment), which resulted in IILA overbilling DCSS \$2,550 (27%) out of the total \$9,518 sampled. Specifically, we noted the following:

- Two program participants that IILA reported receiving employment in November 2003 are both paid on a commission basis. However, IILA never obtained copies of the participants' commission contracts to confirm that they are being adequately compensated, as the contract requires.
- One program participant that IILA reported as beginning full-time self-employment in November 2003 has been self-employed on a part-time basis since 2002. IILA was entitled to bill DCSS for upgrading the participant to full-time employment (\$250). However, IILA billed DCSS for a full-time employment placement (\$500).

- One program participant that IILA reported as beginning part-time self-employment in November 2003 has been self-employed since 1999. According to the contract, IILA was entitled to bill DCSS for an employment placement (\$100) when they received the case in 2002. However, IILA billed DCSS for an employment placement in November 2003 (\$250).
- Two program participants that IILA reported as receiving employment in September 2003 were already employed prior to being referred to IILA. IILA was entitled to bill DCSS a total of \$150 for these participants. However, IILA improperly billed DCSS a total of \$750 for the two participants.
- One program participant that IILA reported as being self-employed on a part-time basis in November 2003 was not working the number of hours required to qualify for part-time employment. Participants are required to work an average of 20 hours per week to qualify for part-time employment. However, the Monthly Earnings Reports contained in the participant's case file documented that the participant worked an average of approximately 10 to 15 hours per week.
- One program participant that IILA reported receiving part-time employment in September 2003 was actually rehired at a job that she had previously held. The participant previously worked with the employer from May 2002 through April 2003. The contract states that, "In the case that the participant becomes unemployed after the initial placement, and the participant is re-hired by the same employer, then the Contractor will not be reimbursed."

Job Training Outcomes

IILA overstated 3 (60%) of the 5 job training outcomes sampled (Job Club, Case Management, etc.), which resulted in IILA overbilling DCSS \$384 (4%) out of the total \$9,518 sampled. IILA did not sufficiently document the services provided to the two program participants and did not refer the third participant to the Department of Public Social Services (DPSS) for non-compliance. Specifically:

- For one program participant that IILA billed DCSS for completing the Job Club training program, the Job Club log did not document the participant receiving the Job Search component, which the contract requires. After informing IILA of this reportable condition, IILA indicated that the participant's Case Manager determined that due to the participant's limited English skills, the participant would not benefit from participating in Job Search. However, IILA did not document the participant's language barrier as required. In addition, IILA indicated on GEARS that the participant does not have limited English skills and the results of the participant's Vocational Assessment does not indicate the participant had limited English skills.
- For one program participant that IILA billed DCSS for Case Management services in November 2003, the case file did not contain documentation

indicating that IILA had monthly contact with the participant, as required by the contract.

- For one program participant that IILA billed DCSS for Case Management services in November 2003, the case file documented the required monthly contact. However, the participant did not comply with her required hours of weekly program participation for over a year and IILA should have referred the participant to the DPSS for compliance proceedings.

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 IILA to review participants' paycheck stubs to confirm the hours worked prior to billing DCSS for job placements.

Nine (38%) of the 24 program participants with a reported employment outcome did not receive an itemized statement with their paycheck that reported the number of hours worked and/or any deductions for payroll taxes. IILA billed DCSS for the placement without reviewing a valid paycheck stub to confirm the participant's hours worked.

GEARS Activity

According to GEARS, 5 (17%) of the 29 participants sampled were not eligible to receive transportation expense reimbursement or IILA did not obtain the required documentation prior to issuing transportation expense reimbursement. Specifically:

- One program participant's case was closed on July 31, 2002, because her job earnings exceeded the maximum amount allowed to qualify for the RITE program services. Although the case was closed, the participant was still eligible to receive transportation benefits until July 31, 2003 provided she continued working a minimum of 32 hours per week. However, during the period of November 2002 to August 2003, the participant did not work a minimum of 32 hours per week. IILA overpaid the participant approximately \$1,412.
- One program participant was not complying with his required hours of weekly program participation during the period of November 2003 to March 2004 and should have been referred to DPSS for compliance proceedings. However, IILA did not refer the participant to DPSS and continued providing the participant transportation expense reimbursements totaling approximately \$240.
- One program participant did not attend school during the period of January 2001 to June 2001. The participant's scholastic progress report indicated that the participant did not attend classes during this period. However, IILA continued to

issue the participant approximately \$158 for transportation expense reimbursement.

- One program participant was issued transportation expense reimbursements totaling approximately \$351 during the periods of November 2002 to February 2003 and April 2003 to August 2003. However, IILA never obtained copies of the participant's scholastic progress reports to verify the participant's claim of being enrolled in school as required.
- One program participant has been self-employed since October 2002. During the first six months of self-employment, participants may earn less than the minimum wage and their hours of self-employment will be considered when determining if the participant is complying with their required hours of weekly GAIN program participation. If, after six months, the participant fails to have net earnings of at least the minimum wage, their hours of self-employment will no longer be considered when determining if the participant is complying with their required hours of weekly program participation. The participant is then required to fully participate in other GAIN activities. IILA issued the participant approximately \$188 for transportation expense reimbursement without ensuring the participant was earning minimum wage or participating in other GAIN activities.

Recommendations

IILA management:

- 1. Only charge DCSS for documented eligible services.**
- 2. Ensure that the program participants are receiving Case Management and Job Club services in compliance with the County contract.**
- 3. Only charge DCSS for services provided to individuals that qualify for program services.**
- 4. Ensure that the program participants receive from their employers an itemized statement with each paycheck listing their hours worked and payroll deductions.**
- 5. Refer program participants to DPSS for compliance proceedings when participants do not comply with the program requirements.**

STAFFING/CASELOAD LEVELS

Objective

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

Verification

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

Results

We determined that the Contractor's number of Case Managers during the period under review was sufficient and that their average caseload of approximately 105 participants did not exceed the maximum allowed by the County contract.

Recommendations

There are no recommendations in this section.

STAFFING QUALIFICATIONS

Objective

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

Verification

We interviewed IILA'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

During the period covered by our review, IILA employed eight Case Managers which possessed the work experience and/or educational requirements required by the County contract. However, 5 of the 8 Case Managers did not possess the required work experience or educational requirements at the time they were hired by IILA. As a result, during the period of July 1999 – December 2001, DCSS paid IILA for RITE services provided by these individuals that did not meet the contract requirements. IILA

management needs to ensure that staff possess the required work experience prior to being hired to perform case management in a GAIN environment.

Recommendation

6. IILA management ensure that the staff possess the required work experience prior to being hired to perform case management in a GAIN environment.

SERVICE LEVELS

Objectives

Determine whether IILA's reported services for Fiscal Year 2003-04 significantly varied from planned services levels.

Results

We attempted to review IILA's ability to achieve planned service levels. However, DCSS could not provide us with the projected service levels used to allocate funding to IILA. In the future, DCSS needs to maintain the documentation used to establish the planned service levels of their program contractors.

Recommendations

There are no recommendations in this section.