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DEPARTMENT OF AUDITOR-CONTROLLER**

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May 26, 2009

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **CITY OF PASADENA – FOOTHILL WORKFORCE INVESTMENT  
BOARD CONTRACT REVIEW – A COMMUNITY AND SENIOR  
SERVICES WORKFORCE INVESTMENT ACT PROGRAM PROVIDER –  
FISCAL YEAR 2008-09**

We completed a program, fiscal and administrative contract compliance review of the City of Pasadena - Foothill Workforce Investment Board (Foothill or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

**Background**

CSS contracts with Foothill, a government agency, to provide and operate the WIA Youth, Adult and Dislocated Worker Programs. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. The WIA Adult and Dislocated Worker Programs assist individuals in obtaining employment, retaining their jobs and increasing their earnings. Foothill's office is located in the Fifth District.

Foothill is compensated on a cost reimbursement basis and has a contract for \$235,981 for Fiscal Year (FY) 2008-09.

### **Purpose/Methodology**

The purpose of our review was to determine whether Foothill complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We interviewed Agency staff and evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

### **Results of Review**

Foothill provided the program services to eligible participants and maintained sufficient internal controls over its business operations. However, Foothill billed CSS \$9,673 in questioned costs. In addition, Foothill did not always comply with WIA and County contract requirements. For example, Foothill did not:

- Obtain criminal record clearances for four (80%) of the five employees sampled.
- Meet all the FY 2008-09 second quarter planned performance outcomes outlined in the County contract for the WIA Dislocated Worker Program.
- Provide or plan to provide the required leadership and/or mentoring services to all five WIA Youth participants sampled. A similar finding was also noted during the prior two years' monitoring reviews.
- Accurately report the participants' program activities on the Job Training Automation (JTA) system for three (60%) of the five WIA Youth participants sampled. A similar finding was also noted during the prior two years' monitoring reviews.
- Maintain appropriate documentation in the participants' case files to support the program activities reported on the JTA system for two (11%) of the 18 participants sampled.

Subsequent to our review, Foothill provided additional documentation to support \$9,179 of the \$9,673 in questioned costs.

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with Foothill and CSS on April 23, 2009. In their attached response, Foothill concurred with our findings and recommendations and agreed to repay the remaining questioned costs. CSS will follow up with the Agency to ensure the recommendations are implemented, including those we have reported similar findings in prior monitoring reviews.

Board of Supervisors  
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We thank Foothill for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Cynthia D. Banks, Director, Department of Community and Senior Services  
Phillip L. Dunn, Executive Director, City of Pasadena – Foothill Workforce  
Investment Board  
Anthony Tartaglia, Chairperson, City of Pasadena – Foothill Workforce  
Investment Board  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
CITY OF PASADENA – FOOTHILL WORKFORCE INVESTMENT BOARD  
FISCAL YEAR 2008-09**

**ELIGIBILITY**

**Objective**

Determine whether the City of Pasadena - Foothill Workforce Investment Board (Foothill or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We reviewed the case files for 23 (82%) (ten adults, eight dislocated workers and five youth) of the 28 participants that received services from July 2008 through January 2009 for documentation to confirm their eligibility for WIA services.

**Results**

Foothill maintained appropriate documentation to support the eligibility of the 23 participants sampled.

**Recommendation**

None.

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for 23 (82%) participants that received services during July 2008 through January 2009.

**Results**

**Youth**

Foothill did not provide or plan to provide the required leadership and/or mentoring services to all five participants sampled. According to WIA Directive LACOD-WIAD08-

13, all WIA Youth service providers are required to provide leadership and/or mentoring service to each participant. However, based on our review of the participants' case files, Foothill did not discuss their plans to provide leadership and/or mentoring services as required. A similar finding was also noted during the prior two years' monitoring reviews.

In addition, Foothill did not accurately report the participants' program activities on the Job Training Automation (JTA) system for three (60%) of the five participants sampled. Specifically, the Agency inappropriately used JTA codes restricted for the WIA Adult and Dislocated Worker programs. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participants' activities. A similar finding was also noted during the prior two years' monitoring reviews.

### Adult and Dislocated Worker

Generally, Foothill provided the services in accordance with the County contract and WIA guidelines for the WIA Adult and Dislocated Worker Programs. However, Foothill did not maintain appropriate documentation, such as signed receipts or certificates of completion in the participants' case files to support the program activities reported as completed on the JTA system for two (11%) of the 18 participants sampled. Subsequent to our review, Foothill provided additional documentation to support the program activities reported on the JTA system.

### Recommendations

#### **Foothill management:**

- 1. Ensure that each WIA Youth participant is provided with leadership and/or mentoring services as required by WIA guidelines.**
- 2. Ensure that staff accurately update the JTA system to reflect the participants' program activities.**
- 3. Ensure that staff maintain appropriate documentation in the participants' case files to support the program activities reported on the JTA system.**

### PERFORMANCE OUTCOME REVIEW

#### Objective

Determine whether Foothill met the planned performance outcomes as outlined in the County contract. The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

**Verification**

We compared Foothill’s Fiscal Year (FY) 2008-09 actual performance outcomes for the second quarter to the planned performance outcomes outlined in the County contract.

**Results**

Foothill met all the FY 2008-09 second quarter planned performance outcomes for the WIA Youth and Adult Programs. However, Foothill did not meet all the FY 2008-09 second quarter planned performance outcomes outlined in the County contract for the WIA Dislocated Worker Program. Specifically, Foothill planned to train one, exit two and place two WIA Dislocated Worker participants into employment as of December 31, 2008. However, the Agency did not train any WIA Dislocated Worker participant and exited one (50%) and placed one (50%) participant into employment as of December 31, 2008. Similar findings were also noted during the prior year’s monitoring review.

**Recommendation**

- 4. Foothill management ensure that planned performance outcomes are met as required by the County contract.**

**CASH/REVENUE**

**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency’s records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency’s bank activity for September, October and November 2008.

**Results**

Foothill maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

**Recommendation**

**None.**

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 18 non-payroll expenditure transactions billed by the Agency for July and November 2008, totaling \$14,189.

**Results**

Foothill billed Community and Senior Services (CSS) \$9,673 in questioned costs. Specifically, Foothill billed CSS:

- \$9,179 in unauthorized subcontractor expenditures. Specifically, Foothill did not obtain prior written authorization from CSS to subcontract program services as required by Part II, Section 66.1 of the County contract. Subsequent to our review, Foothill obtained written authorization from CSS to subcontract program services.
- \$494 in prior year's expenditures. According to Part C, Section 1.2 of the Auditor-Controller Contract Accounting and Administration Handbook, expenditures charged against program funds may not be incurred prior to the effective date of the agreement or subsequent to the agreement termination date.

**Recommendations****Foothill management:**

5. **Repay CSS \$494 (\$9,673 - \$9,179).**
6. **Ensure that prior written authorization from CSS is obtained for all future subcontractors.**
7. **Ensure that expenditures are billed in the correct program year.**

**ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as expenditures, payroll and personnel.

**Results**

Generally, Foothill maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

**Recommendation**

**None.**

**FIXED ASSETS AND EQUIPMENT**

**Objective**

Determine whether Foothill's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

**Verification**

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of all three items purchased with WIA funds, totaling \$1,677.

**Results**

Foothill used the items purchased with WIA funds for the WIA programs and the assets were safeguarded.

**Recommendation**

**None.**

**PAYROLL AND PERSONNEL**

**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA programs. In addition, determine whether the Agency obtained criminal record clearances, verified employability, and maintained current driver's licenses and proof of automobile insurances for the employees assigned to the WIA programs.

**Verification**

We traced the payroll expenditures invoiced for seven employees totaling \$6,641 for November 2008 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for five employees assigned to the WIA programs.

**Results**

Foothill appropriately charged payroll expenditures to the WIA programs. However, Foothill did not obtain criminal record clearances for four (80%) of the five employees sampled as required by Part II, Section 27.0 of the County contract.

**Recommendation**

- 8. Foothill management obtain criminal record clearances for all employees as required by the County contract.**

**COST ALLOCATION PLAN**

**Objective**

Determine whether Foothill's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July and November 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

**Results**

Foothill's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

**Recommendation**

**None.**

**CLOSE-OUT REVIEW**

**Objective**

Determine whether the Agency's FY 2007-08 final close-out invoices for the WIA Youth, Adult and Dislocated Worker Programs reconciled to the Agency's financial accounting records.

**Verification**

We traced Foothill's FY 2007-08 general ledgers to the Agency's final close-out invoices for FY 2007-08. We also reviewed a sample of expenditures incurred in April, May and June 2008.

**Results**

Foothill's FY 2007-08 final close-out invoices reconciled to the Agency's financial records for FY 2007-08. However, Foothill billed CSS for supportive services provided to a non-WIA participant and inappropriately charged the WIA Adult Program for expenditures incurred for the WIA Dislocated Worker Program. The total questioned cost was immaterial. However, Foothill management should ensure that the expenditures are allowable and accurately billed to the appropriate programs.

**Recommendation**

9. **Foothill management ensure that expenditures are allowable and accurately billed to the appropriate programs.**



**FOOTHILL WORKFORCE INVESTMENT BOARD**  
The Workforce Partnership of Arcadia, Duarte, Monrovia, Pasadena, Sierra Madre, and South Pasadena

1207 East Green Street, Pasadena, California 91106

(626) 796-JOBS

**WORKFORCE INVESTMENT BOARD**

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Michael Ten  
City of South Pasadena

May 8, 2009

Wendy L. Watanabe  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 S. Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

**Re: REVISED RESPONSE TO MONITORING REPORT**

This letter will respond to the draft monitoring report regarding the Foothill WIB's WIA programs with the County. We will provide a response to each of the report's recommendations.

**Recommendations 1-3 relative to Billed Services/Client Verification**

1. The Foothill WIB Youth Coordinator will review files to ensure that leadership and/or mentoring activities are included in the Individual Service Strategy.
2. Foothill Operations staff will be informed of the policy to not use JTA activity codes for youth that are only appropriate for adults and dislocated workers. The Youth Coordinator shall monitor youth files to ensure that appropriate codes are used.
3. A management staff member shall be assigned to review files to ensure that appropriate documentation is included in participant files to validate services provided as well as outcomes.

**Recommendation 4 relative to Participant Outcome Review**

4. Our overall performance has been very good. We have met or exceeded all adult and youth goals and dislocated worker enrollment goals. We only missed the dislocated worker exit, placement, and training goals by one participant. However, a management level staff person will be assigned to monitor actual performance as compared to contract enrollment, training, exit, and placement goals.

**Recommendation 5-7 relative to Expenditures/Procurement**

5. The Foothill WIB will send a check to CSS in the amount of \$494 by June 30, 2009.

6. Foothill WIB will ensure that prior written authorization from CSS is obtained for all future subcontracts. Starting with the 2009-10 program year, a letter requesting such authority will be submitted to CSS along with draft budgets prior to final contract execution.
7. In order to ensure that expenditures are billed in the correct program year, the Foothill WIB will review each expenditure to ensure that it is billed in the appropriate program year. Deadlines will be established for the submission of all contractor and vendor charges as well as individual participant support services so those costs will be charged to the year in which they were incurred. Requests for payment beyond the deadlines will not be approved.

**Recommendation 8 relative to Payroll and Personnel**

8. The monitoring report indicates that some employees did not have criminal record clearances. The Foothill WIB will require that all staff who work on County contracts have such clearances and that documentation that such clearances were completed will be maintained in personnel files.

**Recommendation 9 relative to Close-Out Review**

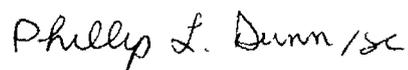
9. The report indicates that some participant support service charges were not charged to the appropriate program. City of Pasadena Finance Department staff will review each supportive services payment request to ensure that all such costs are charged to the program in which the participant is enrolled. They will have access to the JTA system to determine in which program each participant is enrolled.

We believe that our responses satisfactorily address the findings contained in your draft report.

We would like to thank your staff for the professional manner in which they conducted their review.

If you have any questions, please call Steve Chase at 626-584-8394.

Sincerely,



Phillip L. Dunn  
Executive Director

PLD:SLC