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March 4, 2013

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **WEST SAN GABRIEL VALLEY CONSORTIUM, DBA CAREER PARTNERS – A COMMUNITY AND SENIOR SERVICES' WORKFORCE INVESTMENT ACT PROGRAM CONTRACT SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW – FISCAL YEAR 2011-12**

We completed a review of West San Gabriel Valley Consortium, DBA Career Partners, (Career Partners or Agency), a Community and Senior Services' (CSS) Workforce Investment Act (WIA) Program provider, which covered a sample of transactions from Fiscal Year (FY) 2011-12. The purpose of our review was to determine whether Career Partners provided services in compliance with their County contracts and WIA requirements.

The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years. The WIA Adult and Dislocated Worker Programs assist individuals in obtaining employment, retaining their jobs, and increasing their earnings.

CSS paid Career Partners approximately $1.6 million on a cost-reimbursement basis for FY 2011-12. Career Partners serves participants residing in the First and Fifth Supervisorial Districts.

## Results of Review

Career Partners deposited cash receipts timely and recorded revenue properly. However, the Agency billed CSS $70,981 in questioned costs, and did not always comply with all WIA and County contract requirements. For example, Career Partners:

- Did not develop a Cost Allocation Plan in compliance with the County contracts, or maintain adequate documentation to support $50,164 ($24,033 + $26,131) billed to CSS. We noted similar findings in our three prior monitoring reviews of the Agency.

  *After our review, Career Partners provided documentation that $6,799 ($4,426 + $2,373) was appropriately allocated to the WIA Programs. However, the documentation provided by the Agency did not support the allocation percentages for the remaining $43,365 ($50,164 - $6,799) in questioned costs.*

- Billed CSS $20,817 ($8,989 + $11,828) for expenditures that were not supported by the Agency's accounting records. We noted a similar finding in our prior year's monitoring review.

  *Career Partners' attached response indicates that they provided documentation to support the expenditures. However, we have not received the documentation.*

- Did not document the Agency's efforts to obtain primary eligibility source documentation before using applicant statements, as required by WIA Directive LACOD-WIAD11-03, for two (7%) of the 30 participants reviewed.

  *After our review, Career Partners provided additional documentation to support the two participants' eligibility.*

- Did not accurately report participant activities on the Job Training Automation (JTA) System as required by WIA Directive LACOD-WIAD08-38 for two (7%) of the 30 participants reviewed.

  *After our review, Career Partners updated the JTA System to accurately reflect the two participants' activities.*

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

## Review of Report

We discussed our report with Career Partners and CSS. In their attached response, Career Partners generally disagreed with our findings and recommendations. As indicated above, the Agency provided additional documentation to support $6,799 of the $70,981 in questioned costs, but did not agree to repay the remaining $64,182 ($70,981

- $6,799). CSS management indicated they will resolve any disputed findings in accordance with their Resolution Procedures Directive.

We thank Career Partners for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may call Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Johnene Ornelas Leyba, Executive Director, Career Partners
Matthew Hawkesworth, Chairman, Career Partners
Public Information Office
Audit Committee

# WEST SAN GABRIEL VALLEY CONSORTIUM, DBA CAREER PARTNERS
# WORKFORCE INVESTMENT ACT PROGRAM
# CONTRACT COMPLIANCE REVIEW
# FISCAL YEAR 2011-12

## ELIGIBILITY

### Objective

Determine whether West San Gabriel Valley Consortium, DBA Career Partners (Career Partners or Agency), provided services to eligible individuals for the Workforce Investment Act (WIA) Programs.

### Verification

We reviewed the case files for 30 (20%) of 149 participants (ten Youths, ten Adults, and ten Dislocated Workers), who received services from July 2011 through February 2012, for documentation of their eligibility for WIA services.

### Results

Youth Program

Career Partners maintained documentation to support the eligibility of the ten youth participants reviewed.

Adult and Dislocated Worker Programs

Career Partners did not document their efforts to obtain documentation of eligibility for two (10%) of 20 participants reviewed, before using the applicants' statements, as required by WIA Directive LACOD-WIAD11-03. After our review, Career Partners provided additional documentation supporting the two participants' eligibility.

#### Recommendation

1. **Career Partners management ensure staff document the Agency's efforts to obtain documentation of applicants' eligibility before using applicants' statements.**

## BILLED SERVICES

### Objective

Determine whether the Agency provided services in accordance with the County contracts and WIA guidelines.

## Verification

We reviewed the case files for 30 (20%) participants who received services from July 2011 through February 2012.

## Results

Youth Program

Career Partners provided youth services in accordance with the County contract and WIA guidelines.

Adult and Dislocated Worker Programs

Career Partners did not accurately report participant activities, such as exits from the WIA Program, on the Job Training Automation (JTA) System as required by WIA Directive LACOD-WIAD08-38 for two (10%) of the 20 participants reviewed. The State of California Employment Development Department (EDD) and the United States Department of Labor use the JTA System to track WIA participant activities. After our review, the Agency updated the JTA System to accurately reflect the two participants' activities.

In addition, Career Partners did not register one (5%) of the 20 participants reviewed on the EDD's CalJOBS system as required. Specifically, the Agency registered the participant on the system after the participant exited the Program. According to WIA Directive D-DWA-04-003, registration "should take place at the beginning of a new customer's job search." CalJOBS is California's internet system linking employers with individuals seeking employment, and should be used to help participants obtain employment while enrolled in the WIA Program.

### Recommendations

**Career Partners management ensure staff:**

2. **Update the Job Training Automation System to accurately reflect participant activities within the established timeframes.**

3. **Register WIA Adults and Dislocated Workers on the EDD's CalJOBS system as required.**

## CASH/REVENUE

## Objective

Determine whether the Agency deposited cash receipts timely, and recorded revenue in the Agency's records properly.

**Verification**

We interviewed Agency personnel and reviewed the Agency's financial records. We also reviewed the Agency's bank activity for November and December 2011.

**Results**

Career Partners deposited cash timely, and recorded revenue properly.

**Recommendation**

**None.**

## COST ALLOCATION PLAN

**Objective**

Determine whether Career Partners' Cost Allocation Plan (Plan) was prepared in compliance with the County contracts, and used to allocate shared program expenditures appropriately.

**Verification**

We reviewed the Agency's Plan, and a sample of expenditures for September and October 2011, to ensure that the expenditures were allocated to the Agency's WIA Programs appropriately.

**Results**

Career Partners' Plan was not in compliance with the County contracts. The Plan did not properly identify direct and indirect costs. In addition, Career Partners did not maintain documentation to support the percentages used to allocate shared expenditures, totaling $24,033, to the WIA Programs. We noted similar findings in our three prior monitoring reviews of the Agency. After our review, the Agency provided additional documentation to support $4,426 of the questioned costs.

**Recommendations**

**Career Partners management:**

4. **Ensure that the Agency's Cost Allocation Plan complies with the County contract.**

5. **Reallocate the $19,607 ($24,033 - $4,426) and all other Fiscal Year (FY) 2011-12 shared expenditures appropriately, and repay Community and Senior Services (CSS) for any excess amounts billed to each WIA Program.**

6. **Ensure that expenditures are allocated appropriately.**

7. **Maintain adequate documentation to support expenditures and allocation percentages.**

## EXPENDITURES

### Objective

Determine whether expenditures charged to the WIA Programs were allowable under the County contracts, documented properly, and billed accurately.

### Verification

We interviewed Agency personnel, and reviewed the Agency's financial records and documentation for 20 non-payroll expenditure transactions, billed by the Agency for September and October 2011, totaling $24,337.

### Results

Career Partners' accounting records did not support $8,989 in billed expenditures, such as staff fringe benefits and conferences. We noted a similar finding in our prior year's monitoring review of the Agency.

#### Recommendations

**Career Partners management:**

8. **Repay CSS $8,989, or provide adequate documentation to support the expenditures.**

9. **Ensure invoices submitted to CSS reconcile to the Agency's accounting records.**

## ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

### Objective

Determine whether the Agency had adequate internal controls over its business operations. In addition, determine whether the Agency was in compliance with Program and administrative requirements.

## Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and reviewed their reported accruals for October 2011.

## Results

Career Partners reported accruals accurately for the month reviewed. However, the Agency's Single Audit Report for the year ended June 30, 2010 reported two material weaknesses related to a lack of proper training on the use of their general ledger system. Career Partners' Single Audit Report recommends the Agency's management "evaluate its financial reporting system to determine if it meets the needs of [Career Partners'] current operating environment and provide focused training to users as needed."

### Recommendation

**10. Career Partners management evaluate the Agency's financial reporting system, and provide focused training to users, as recommended in the Agency's Single Audit Report.**

## PAYROLL AND PERSONNEL

## Objective

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

## Verification

We traced the WIA payroll expenditures for five employees and five participants, totaling $17,695, for August and October 2011, to the Agency's payroll records and time reports. We also reviewed the personnel file for one new employee assigned to the WIA Programs.

## Results

Career Partners maintained the personnel file as required. However, five employees' actual payroll expenditures did not agree with the amounts billed to CSS. The questioned costs were immaterial. However, the Agency should ensure that payroll expenditures are billed based on actual hours worked.

### Recommendation

**11. Career Partners management ensure that payroll expenditures are billed based on actual hours worked.**

## CLOSE-OUT REVIEW

### Objective

Determine whether the Agency's FY 2010-11 final close-out invoices for the WIA Programs reconciled to the Agency's accounting records.

### Verification

We traced Career Partners' final close-out invoices for FY 2010-11 to the Agency's accounting records. We also reviewed a sample of expenditures incurred in April, May, and June 2011.

### Results

Career Partners billed CSS $37,959 in questioned costs. Specifically:

- Career Partners' accounting records did not support $11,828 in billed expenditures. We noted a similar finding in our prior year's monitoring review of the Agency.

- Career Partners did not maintain documentation to support the percentages used to allocate shared expenditures totaling $26,131. We noted similar findings in this year's and our prior year's monitoring review of the Agency. After our review, the Agency provided additional documentation to support $2,373 in questioned costs.

In addition, Career Partners did not accurately bill expenditures to CSS. For example, the Agency billed auto expenses as insurance, even though they were budgeted for travel and maintenance.

### Recommendations

**Career Partners management:**

**Refer to Recommendations 6, 7, and 9.**

**12. Repay CSS $35,586 ($37,959 - $2,373), or provide adequate documentation to support the expenditures.**

**Career Partners**

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July 17, 2012

WorkSource CALIFORNIA

Wendy L. Wantanabe
Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Div.
350 S. Figueroa Street 8th Floor
Los Angeles, CA 90071
Attn: Katherine Urbanski

Re: Contract Review for Fiscal year 2011/2012

Dear Ms. Wantanabe:

The following are responses to our recent contract review for 2011/2012.

*Eligibility*

Recommendation

1. Career Partners management ensure staff document the Agency's efforts to obtain primary source documentation before using applicant statement.

Response
Management did ensure that efforts were made. This information was documented in case file on case notes. We also added it to the bottom of the statement before review was over. Do not agree with this finding/recommendation.

*Billed Services/Client Verification*

Recommendations

2. Update the JTA system to accurately reflect participant activities.
3. Register WIA Adults and Dislocated Workers on the EDD's CalJobs system as required.

Response
Information was entered into the JTA system. Case Managers were aware of placements, but could not get placement information from participants. Once information was received/collected, staff entered information.

All participant's are required to enroll into CalJobs. This individual initially refused. It is not often that this occurs, but when it does we do not send individuals away or deny services per the instruction of the county staff.
We do not agree with this finding/recommendation.

*Cash/Revenue*

No recommendations in this area.

*Cost Allocation Plan*

Recommendations

4. Reallocate the $19,607 (24,033-4,426) and all other Fiscal Year 2011-2012 shared expenditures appropriately, and repay CSS for any excess amounts billed to each WIA Program.
5. Ensure that the Agency's Cost Allocation Plan is in with the County contracts.
6. Ensure that expenditures are allocated appropriately.
7. Maintain adequate documentation to support expenditures and allocation percentages.
8. ensure that expenditures are accurately billed.

Response
Management did submit the Cost Allocation Plan as required by contract and the cost allocation plan was in compliance and approved by county staff.
All expenditures were appropriately allocated along with documentation to support percentages. Expenditures were accurately billed to CSS.
Management does not agree with the above mentioned findings/questioned cost. Staff provided appropriate documentation to staff from the AC office. Management will work with CSS to resolve this issue before Closeout for FY 11/12 which is by August 2012. We will resubmit/provide all back up documentation to CSS staff.

*Expenditures/Procurement*

Recommendations

9. Repay CSS $8,989 or provide adequate documentation to support the expenditures.
10. Ensure invoices submitted to CSS reconcile to the Agency's accounting records.

Response
Invoice Line Item

- Staff Fringe Benefits for the amount of $5,673.44 charged to the WIA Youth invoice was charged incorrectly. The Agency included the amount of participant

wages and fringe benefits in staff benefits. This has since been charged to the correct cost category.

- Maintenance and repairs $51.59 is for equipment and includes an additional line item for lease/purchase expense included by the Agency in its billing.
- Dues & Subscriptions $40.00 is invoiced for $20.00 and recorded in the Agency ledger for $40.09.
- Staff Fringe Benefits for the amount of $14,148 charged to the WIA Adult invoice was charged correctly. The Agency's accounting recorded the expense incorrectly in the General Fund.
- Other amounts relating to office equipment, purchase/lease and maintenance are all correct when adding the pertinent line items.
- The credit in staff training/Seminar $1,786.52, was miscoded and corrected in subsequent invoicing.
- The Agency will provide the supporting documentation to the County with it's close-out report in August, 2012.

*Administrative Controls/Contract Compliance*

Recommendation

11. Career Partners management evaluate the Agency's financial reporting system, and provide focused training to users, as recommended in the Agency's Single Audit Report.

Response
The Agency has evaluated the current Financial Reporting System and determined that it no longer fits the needs of the Agency; and in consequence is in the process of implementing a new system. Extensive training will be provided to all pertinent Agency staff.

*Payroll and Personnel*

Recommendation

12. Career Partners management ensure that payroll expenditures are billed on actual hours worked.

Response
Management did ensure that payroll expenditures were billed on actual hours worked. All back up (ie. time cards, personnel cost allocation worksheet, payroll voucher and copy of pay checks.) was provided on several occasions both during and after the review. It appears that the AC staff may be referencing an incorrect employee.
We do not agree with the finding/recommendation. Management will once again provide back up to the CSS staff.

*Close-Out Review*

Recommendation

13. Repay CSS $35,586 (37,959 – 2,373), or provide adequate documentation to support the expenditures.

Response
Management does not agree with this finding and will once again submit all back up documentation to CSS staff to resolve questioned cost. Management will provide CSS with GL from FY 10/11 to support invoices.
With regards to Professional Services, all back up such as time cards were on file and provided to AC staff.
Auto Expenses and Insurance are separate line items on agency's GL, but are not separate line items on Budget or Invoice/DER. Management/staff are well aware of the difference but the invoice does not allow for separation. The same goes for Monitoring/Professional Services. These are both separate on agency GL but not on Budget/Invoice/DER.

If you have any questions, please do not hesitate to contact me at (626) 569-1106.

Sincerely,

Johnene Ornelas Leyba
Executive Director