COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

July 5, 2006

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

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **ARBOR EDUCATION AND TRAINING, LLC CONTRACT - WORKFORCE INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of Arbor Education and Training, LLC (Arbor or Agency), a Workforce Investment Act (WIA) Program service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with Arbor, a limited liability corporation, to provide and operate the WIA Adult Special Needs Program. The WIA Adult Special Needs Program is a comprehensive training and employment program limited to low-income adults 18 years or older, who face multiple barriers to employment. These individuals include recovering drug addicts, homeless individuals, and offenders. Arbor is compensated on a cost reimbursement basis. For Fiscal Year (FY) 2004-05, DCSS paid Arbor approximately $26,060, and for FY 2005-06, Arbor's contract is for approximately $73,000. Arbor's offices are located in the Third and Fifth Districts.

Purpose/Methodology

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

Results of Review

The program participants interviewed stated that the services they received met their expectations. In addition, Arbor's expenses were appropriate, properly classified, accurately billed to DCSS and supported by documentation as required.

Arbor did not update the Job Training Automation (JTA) system to report the program activity for two (25%) of the eight participants as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Arbor also did not name the County of Los Angeles as the additional insured on their liability insurance policy, as required by the County contract. In addition, Arbor's procurement policy requires price quotes for purchases over $5,000 and $2,000 for Construction Projects. WIA guidelines require that three price quotes be documented for purchases over $1,000.

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

Review of Report

We discussed our report with Arbor on May 16, 2006. In their attached response, Arbor concurred with our findings and recommendations. We also notified DCSS of the results of our review. We will follow-up on the recommendations during our next year's monitoring review.

We thank Arbor 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:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Gabriel Ross, Ph.D., President, Arbor Education and Training, LLC
Public Information Office
Audit Committee

WORKFORCE INVESTMENT ACT PROGRAM
ARBOR EDUCATION AND TRAINING, LLC
FISCAL YEAR 2005-06

ELIGIBILITY

Objective

Determine whether Arbor Education and Training, LLC (Arbor or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sample of all eight program participants that received services from July 2005 through February 2006. We reviewed the eight case files for documentation to confirm their eligibility for WIA services.

Results

All eight program participants met the eligibility requirements for the WIA Adult Special Needs Program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

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

Verification

We reviewed the documentation contained in the case files for eight (100%) program participants that received services during July 2005 through February 2006. We also interviewed two program participants. We were not able to locate the other six participants. However, we reviewed case file documentation that sufficiently documented that the participants received services.

Results

The two program participants interviewed stated that the services they received met their expectations. However, Arbor did not update the Job Training Automation (JTA) system to report the program activities completed for two (25%) of the eight participants as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Recommendation

1. **Arbor management ensure that staff update the JTA system to reflect the participants' activities.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. 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 cash reconciliations.

Results

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

Recommendation

There are no recommendations in this section.

EXPENDITURES/PROCUREMENT

Objective

Determine whether the 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 for five non-payroll expenditure transactions, totaling $840 (30%) of $2,826 billed by the Agency for July through December 2005.

Results

Arbor's expenses were allowable, accurately billed to DCSS and supported by documentation as required.

Recommendation

There are no recommendations in this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, to 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 non-cash areas such as expenditures, payroll and personnel.

Results

Arbor maintained sufficient internal controls over it business operations. However, Arbor's procurement policy requires price quotes for purchases over $5,000 and $2,000 for Construction Projects. WIA guidelines require that three price quotes be documented for purchases over $1,000.

Arbor also did not name the County of Los Angeles as the additional insured or have a fire inspection certification as required by the County contract.

Recommendations

Arbor management:

2. **Ensure that the Agency's procurement policies and procedures are in compliance with WIA guidelines.**

3. **Ensure that the County of Los Angeles is named on their insurance policy.**

4. **Ensure that a fire inspection is performed.**

FIXED ASSETS AND EQUIPMENT

The objective of this section is to determine whether Arbor's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as Arbor did not use WIA funds to purchased fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses for four employees totaling approximately $1,830 to the payroll records and time reports for November 2005. We also interviewed one staff and reviewed four employees' personnel files assigned to the WIA program.

Results

Arbor appropriately charged payroll expenses to the WIA program. However, Arbor did not maintain copies of the employees' driver's licenses or proof of car insurance in two (50%) of the four personnel files. In addition, the performance evaluation was not signed by either the employee or supervisor for one (25%) of the four employees. Subsequent to our review, Arbor provided a copy of the employees' driver's licenses and proof of insurance.

Recommendation

5. **Arbor management ensure that required documentation is maintained in the personnel files.**

COST ALLOCATION PLAN

Objective

Determine whether Arbor's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

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

Results

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

Recommendation

There are no recommendations in this section.

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June 23, 2006

Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unite 51#
Building A-9 East, First Floor
Alhambra, CA 91803
Attention: J Tyler McCauley, Auditor-Controller

Dear Mr. McCauley,

This letter is in response to the fiscal monitoring report dated June XX, 2006 regarding the WIA Adult Special Needs contract with the Department of Community and Senior Services (DCSS).

BIILED SERVICES/CLIENT VERIFICATION

Arbor agrees with this recommendation.

INTERNAL CONTROLS

Arbor agrees with these recommendations.

PAYROLL AND PERSONNEL

Arbor agrees to maintain required documentation in the personnel files.

Please contact me at 818-267-3233 with any questions regarding this response.

Thank you.

Maryann O'Brien
Accounting Manager

Enc.

cc: Karen Ramage