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DEPARTMENT OF AUDITOR-CONTROLLER

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AUDITOR-CONTROLLER

May 2, 2007

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

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **CITY OF HAWTHORNE SOUTH BAY WORKFORCE INVESTMENT BOARD CONTRACT - WORKFORCE INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of the City of Hawthorne South Bay Workforce Investment Board (South Bay WIB or Agency), a Workforce Investment Act (WIA) provider.

Background

The Department of Community and Senior Services (DCSS) contracts with South Bay WIB, a non-profit organization, to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. South Bay WIB's offices are located in the Second and Fourth Districts.

South Bay WIB is compensated on a cost reimbursement basis. South Bay WIB's contract was for $248,099 for Fiscal Year 2005-2006.

Purpose/Methodology

The purpose of the review was to determine whether South Bay WIB 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 sampled met the eligibility requirements for the WIA Adult and Dislocated Worker Programs. In addition, South Bay WIB's expenses were allowable, accurately billed to DCSS and supported by documentation as required.

South Bay WIB did not always comply with WIA and the County contract requirements. Specifically, South Bay WIB:

- Did not report the program activities for four (20%) of the 20 participants sampled on the Job Training Automation system.
- Did not obtain the participants' signatures for two (10%) of the 20 participants sampled on the required documents.
- Did not complete the Individual Employment Plans for two (10%) of the 20 participants sampled.

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

Review of Report

We discussed our report with South Bay WIB on January 10, 2007. In their attached response, South Bay WIB concurred with our findings and recommendations. We also notified DCSS of the results of our review and will follow-up our recommendations during next year's monitoring review.

We thank South Bay WIB 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
Jan Vogel, Executive Director, City of Hawthorne South Bay WIB
Public Information Office
Audit Committee

WORKFORCE INVESTMENT ACT PROGRAM
CITY OF HAWTHORNE SOUTH BAY WORKFORCE INVESTMENT BOARD
FISCAL YEAR 2005-06

ELIGIBILITY

Objective

Determine whether the City of Hawthorne South Bay Workforce Investment Board (South Bay WIB or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 20 (10 from the Adult program and 10 from the Dislocated Worker program) of the 42 participants that received services from July 2005 through May 2006 for documentation to confirm their eligibility for WIA services.

Results

All 20 participants met the eligibility requirements for the WIA programs.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether South Bay WIB 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 20 (48%) participants that received services during July 2005 through May 2006. We also interviewed seven program participants.

Results

The seven participants interviewed stated that the services they received met their expectations. However, South Bay WIB did not always comply with WIA requirements. Specifically, South Bay WIB:

- Did not complete the Individual Employment Plans (IEP) for two (10%) of the twenty participants sampled. The IEP is an on-going plan jointly developed by the participant and the case manager that identifies the participants' employment goals, achievement objectives and the services needed to achieve their employment goals.

- Did not report the program activities for four (20%) of the twenty participants on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

- Did not obtain the participants' signatures for two (10%) of the twenty participants sampled on the required documents, such as the Nepotism or Participant Information Release forms.

Subsequent to our review, South Bay WIB updated the program activities for two of the four participants into the JTA system as required.

Recommendations

South Bay WIB management:

1. **Ensure that staff complete the IEP for Adult and Dislocated Worker participants in accordance with the County contract.**

2. **Ensure that staff report the participants' program activities on the JTA system.**

3. **Ensure that staff obtain the participants' signatures on the required forms.**

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 South Bay WIB's bank reconciliation for February 2006.

Results

South Bay WIB commingled the revenues received from both the WIA Adult and Dislocated Worker programs into one fund account. The County contract requires separate accounts for each County program's expenses and revenues.

Recommendation

4. **South Bay WIB management establish separate fund accounts for each County program as required.**

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 to support all eighteen non-payroll expenditure transactions billed by the Agency for February 2006, totaling $5,428.

Results

South Bay WIB's expenditures were allowable, properly documented and accurately billed to DCSS. However, South Bay WIB exceeded the maximum allowed tuition for one Dislocated Worker participant without obtaining prior approval from the County Workforce Investment Board Director as required by WIA guidelines.

Subsequent to our review, South Bay WIB credited DCSS and reallocated the tuition expense in excess of the maximum.

Recommendation

5. **South Bay WIB management ensure that tuitions paid for participants do not exceed the WIA maximum tuition amounts or obtain prior approval from the County Workforce Investment Board Director for higher tuition amounts as required.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor 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 areas such as expenditures, payroll and personnel.

Results

South Bay WIB maintained adequate internal controls over its business operations.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Determine whether South Bay WIB'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 South Bay WIB did not use WIA funds to purchase 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 14 employees in February 2006, totaling approximately $2,785 to the payroll records and time reports. We also interviewed one staff and reviewed the employees' personnel files for five staff assigned to the WIA program.

Results

South Bay WIB's appropriately charged payroll expenses to the WIA Adult and Dislocated Worker Programs. In addition, personnel files were maintained as required.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

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

Verification

We reviewed South Bay WIB's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during February 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

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

Recommendation

There are no recommendations for this section.

SOUTH BAY WORKFORCE INVESTMENT BOARD

Formerly the South Bay Private Industry Council

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JAN VOGEL
EXECUTIVE DIRECTOR

February 13, 2007

J. Tyler McCauley
County of Los Angeles Department of Audit – Controller
500 W. Temple St., Room 525
Los Angeles, CA 90012

RE: CITY OF HAWTHORNE SOUTH BAY WORKFORCE INVESTMENT BOARD CONTRACT – WORKFORCE INVESTMENT ACT PROGRAMS

Dear McCauley:

The following information is in response to the City of Hawthorne /South Bay Workforce Investment Board Contract- Workforce Investment Act Programs Final Draft Monitoring Report.

Results

Subsequent to our review, South Bay WIB updated the program activities for two of the four participants into the JTA system as required.

Recommendations

1. **Ensure that staff completes the IEP for Adult and Dislocated Worker Participants in accordance with the County contract.**

2. **Ensure that the staff reports the participants' program activities on the JTA system.**

3. **Ensure that staff obtains the participants' signature on the required forms.**

SBWIB Response: We concur with your recommendation and conducted a training session, which the above items were discussed. This will be an item of concern on the next monitoring visit conducted by the SBWIB.

Results

South Bay WIB commingled the revenues received from both and WIB Adult and Dislocated Worker program into one fund account. The County contract requires separate accounts for each County program's expenses and revenues.

Recommendations

4. **South Bay WIB management establishes separate funds accounts for each County program's revenues as required.**

SBWIB Response: We concur with your recommendations. The SBWIB has established separate fund accounts for each County program's revenues as required.

Results

South Bay WIB's expenditures were allowable, properly documented and accurately billed to DCSS. However, South Bay WIB exceeded the maximum tuition for one Dislocated Worker participant without obtaining prior approval from the County Workforce Investment Board.

Subsequent to our review, South Bay WIB credited DCSS and reallocated the tuition expense in excess of the maximum to the South Bay WIB Formula Funds.

Recommendations

5. **South Bay WIB management ensures that tuition paid for participants do not exceed the WIA maximum tuition amounts, or *obtains prior approval form the County Workforce Investment Board* Director for higher tuition amount as required.**

SBWIB's Response: The tuition cost for the participant that resulted in this recommendation amounted to $8,630.00, with the limits imposed by the County of Los Angeles totaling $8,500.00. The SBWIB subsequently made the adjustments, which resulted in a credit of $130.00 provided to the County. The tuition fees in excess of the County's limits were covered by the SBWIB Formula Funds, because the participant was co-enrolled in both funding sources.

If you have any questions regarding these responses, please contact me at (310) 970-7700 or James "Jimmy C" Carradine at the same number.

Sincerely,

Jan Vogel
Executive Director