



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

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October 6, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich *[Signature]*
For

FROM: Wendy L. Watanabe
Acting Auditor-Controller

SUBJECT: **SOUTHEAST AREA SOCIAL SERVICES FUNDING AUTHORITY
CONTRACT - A COMMUNITY AND SENIOR SERVICES WORKFORCE
INVESTMENT ACT PROGRAM PROVIDER**

We completed a program, fiscal and administrative contract compliance review of Southeast Area Social Services Funding Authority (SASSFA or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with SASSFA, a local public joint powers agency to provide and operate the WIA Adult, Dislocated Worker, Rapid Response and Youth Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The WIA Rapid Response Program provides assistance to companies that are facing a reduction in their work force and assists the soon-to-be dislocated workers cope with career transitions by providing orientation seminars, workshops and materials. 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. SASSFA's offices are located in the First and Fourth Districts.

SASSFA was compensated on a cost reimbursement basis and had a contract for \$2,596,045 for Fiscal Year (FY) 2006-07.

Purpose/Methodology

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

Results of Review

Generally, SASSFA expenditures were accurately billed and supported by documentation as required. In addition, SASSFA maintained sufficient controls over its business operations and provided the program services to eligible participants. However, SASSFA did not complete Individual Service Strategy plans for four (40%) of the ten WIA youth participants sampled. In addition, SASSFA did not always obtain three price quotes for purchases over \$1,000 or maintain established policies and procedures for monitoring their subcontractor as required by WIA guidelines.

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

Review of Report

We discussed our report with SASSFA and CSS on May 7, 2008. In their attached response, SASSFA generally agreed with our findings and recommendations. However, they indicated that the majority of the findings in the report were never brought to their attention and that the delay in receiving the draft report made the task of responding somewhat difficult. Prior to issuing our final report to ensure the report contained accurate information, we worked closely with the Agency by fully explaining our findings, providing any additional information if requested and responding to their inquiries.

The Agency also disagreed with our recommendation to repay CSS \$468 for food purchases. SASSFA indicated that food is an allowable expenditure as long as it is reasonable and necessary to support the program. SASSFA reported that the \$468 was used to purchase food provided to youth participants from very low income families. The food helped these participants participate in the WIA Youth Program. However, WIA guidelines require the Agency to document the need for supportive services in the participants' Individual Service Strategy (ISS) plans. SASSFA did not document the need for supportive services in the participants' ISS plans as required. As such, we determined the food expenditures were unsupported. CSS needs to work with SASSFA to resolve this outstanding issue.

Board of Supervisors
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We thank SASSFA 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.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Community and Senior Services
Kirk Kain, Executive Director, Southeast Area Social Services Funding Authority
Susan Tripp, Chairperson, Southeast Area Social Services Funding Authority
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAMS
SOUTHEAST AREA SOCIAL SERVICES FUNDING AUTHORITY
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Southeast Area Social Services Funding Authority (SASSFA or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 30 (4%) of the 681 participants that received services from July 2006 through May 2007 for documentation to confirm their eligibility for WIA services.

Results

All 30 participants met the eligibility requirements of the WIA programs.

Recommendation

There are no recommendations for this section.

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 30 (4%) participants that received services from July 2006 through May 2007. We also interviewed 12 participants/guardians.

Results

Adult and Dislocated Worker Programs

The eight participants interviewed stated that the services they received met their expectations. In addition, SASSFA provided the services in accordance with the County contract and WIA guidelines.

Youth Program

The four participants/guardians interviewed stated that the services the participants received met their expectations. However, SASSFA did not complete the Individual Service Strategy (ISS) plans as required for four (40%) of the ten participants sampled. The ISS plan is used to track the needs and services of the program participants and their progress towards achieving established goals. This finding was also noted during the prior year's monitoring review.

Recommendation

- 1. SASSFA management ensure that staff complete the Individual Service Strategy plans for all youth program participants.**

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 SASSFA's May 2007 bank reconciliation.

Results

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

Recommendation

There are no recommendations for this section.

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 104 non-payroll expenditure transactions billed by the Agency for January 2007, totaling \$52,691.

Results

Generally, SASSFA's expenditures were allowable, accurately billed and supported by documentation as required.

Recommendation

There are no recommendations for this section.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient 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 non-cash areas such as expenditures, payroll and personnel.

Results

Generally, SASSFA maintained sufficient internal controls over its business operations. However, SASSFA did not always comply with WIA and County contract requirements. Specifically, SASSFA:

- Did not obtain a building permit for the Paramount facility used for the WIA programs. This finding was also noted during the prior year's monitoring review.

- Did not conduct a fair market assessment for their leased facility. WIA guidelines require a cost or price analysis to be performed to determine the reasonableness of the lease payments. This finding was also noted during the prior year's monitoring review.
- Did not always obtain three price quotes for purchases over \$1,000 as required by WIA guidelines.
- Did not maintain established policies and procedures for monitoring their subcontractor. This finding was also noted during the prior year's monitoring review.

Subsequent to our review, SASSFA provided the building permit and additional documentation to justify the sole source solicitation of the Paramount facility.

Recommendations

SASSFA management:

2. **Ensure that a building permit is obtained and maintained for each facility the WIA programs are administered.**
3. **Ensure that a fair market assessment is performed on the leased property or maintain adequate documentation to justify the sole source solicitation.**
4. **Ensure that staff complies with the Agency and County's procurement procedures by obtaining at least three documented quotes for goods purchased over \$1,000.**
5. **Establish policies and procedures for monitoring subcontractors to ensure compliance with County contract requirements.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether SASSFA'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 45 items purchased with WIA funds, totaling \$44,896.

Results

Generally, SASSFA safeguarded and used the equipment purchased with WIA funds for the WIA programs. However, SASSFA did not properly tag three (7%) of the 45 items sampled with County property tags as required. This finding was also noted during the prior year's monitoring review.

Subsequent to our review, SASSFA properly tagged the three items with County property tags.

Recommendation

- 6. SASSFA management ensures all WIA funded inventory items are properly tagged.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for 30 employees totaling \$78,236 for January 2007 to the Agency's payroll records and time reports. We also interviewed two employees and reviewed the personnel files for five employees assigned to the WIA programs.

Results

SASSFA appropriately charged payroll expenditures to the WIA programs. In addition, SASSFA's personnel files were properly maintained.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

Determine whether the Agency'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 SASSFA's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in January 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

SASSFA'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.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2005-06 final close-out invoices for the WIA Adult, Dislocated Workers, Rapid Response and Youth Programs reconciled to the Agency's financial accounting records.

Verification

We traced SASSFA's FY 2005-06 general ledgers to the Agency's final close-out invoices for FY 2005-06. We also reviewed a sample of expenditures incurred in May and June 2006.

Results

SASSFA's general ledgers supported the Agency's final close-out invoices for FY 2005-06. However, SASSFA overbilled CSS \$35,723 in unsupported expenditures. Specifically, SASSFA:

- Purchased supplies in May and June 2006, totaling \$34,452, without prior written approval from CSS. The County contract requires the contractor to complete all purchases of supplies before the last two months of the contract period and exceptions to this requirement requires prior written approval from CSS. This finding was also noted during the prior year's monitoring review.
- Did not maintain adequate documentation, such as invoices and cancelled checks to support the program expenditures totaling \$479.
- Billed CSS \$468 for food purchases. According to the Agency, the food purchased was provided to WIA Youth participants from very low income families. However,

the Agency did not document the need for these supportive services in the participants' ISS plans.

- Billed CSS \$325 for FY 2006-07 expenditures in FY 2005-06.

Subsequent to our review, SASSFA obtained approval from CSS for the supplies purchases made in May and June 2006 and provided additional documentation to support the \$479 in unsupported expenditures. In addition, SASSFA credited CSS \$325 for the FY 2006-07 expenditures billed in FY 2005-06.

Recommendations

SASSFA management:

7. **Repay CSS \$468 for the undocumented food expenditures.**
8. **Ensure that supplies are not purchased within the last two months of the contract period without prior written approval from CSS.**
9. **Ensure that adequate documentation is maintained to support all expenditures.**
10. **Bill CSS for allowable program expenditures.**
11. **Ensure that expenditures charged to the WIA programs are for costs incurred during the contract period.**

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued in July 2007.

Results

The prior year's monitoring report contained 34 recommendations. SASSFA implemented 27 recommendations. As previously indicated, the findings related to recommendations 1, 2, 3, 5, 6 and 8 contained in this report were also noted during the prior year's monitoring review. The remaining recommendation required the Agency to

repay CSS \$50. SASSFA management indicated that the outstanding recommendations would be implemented by June 30, 2008.

Recommendations

SASSFA management:

- 12. Repay CSS \$50.**
- 13. Implement the outstanding recommendations from the FY 2005-06 monitoring report.**



June 4, 2008

County of Los Angeles
Department of Auditor-Controller
Attn: Wendy T. Watanabe, Acting Auditor-Controller
1000 S. Fremont Avenue, Suite #51
Alhambra, CA 91803

**SUBJECT: SOUTHEAST AREA SOCIAL SERVICES FUNDING AUTHORITY-
REGIONAL WORKFORCE GROUPS CONTRACT-WORKFORCE
INVESTMENT ACT PROGRAMS**

Dear Ms. Watanabe,

We have received the final draft of your program, fiscal and administrative review of the Southeast Area Social Services Funding Authority (SASSFA) for Fiscal Year (FY) 2006-2007. The Review was conducted on June 19, 2007 through June 21, 2007, and an exit conference was held on June 21, 2007. The Draft Report was issued on April 22, 2008 and a final exit conference was held on May 7, 2008.

The delay in receiving a Draft report of almost a year after the on-site review has made the task of responding somewhat difficult, especially in light of the fact that the majority of the findings in the draft report were never brought to our attention during the exit conference held on June 21, 2007. We also find the review to be somewhat problematic, in that, in many instances the issues found in files could have been addressed in June 2007, while Auditors were on site reviewing these files. The delay in bringing the review issues to our attention makes it more difficult to respond. Moreover, in some cases, since so much time has passed it has been difficult to pinpoint exactly what the Auditing staff is questioning. Determining whether documentation was present at the time of the initial on-site review, almost a year after the visit took place, has been very challenging, although in many instances we have been able to provide the documentation in question. The delay in receiving the findings of almost a year has also delayed our ability to have rectified any deficiencies during that time, but fortunately the findings have been relatively minor and have not impacted the quality or scope of our services.

We are committed to improving our services based on the review and its findings. Below is our specific response to each finding.

BILLED SERVICES/ CLIENT VERIFICATION

Recommendation

- 1. SASSFA management ensure that staff complete the Individual Service Strategy plans for all youth participants**

The review report makes the statement, "However, SASSFA did not complete the Individual Service Strategy (ISS) plans as required for four (40%) of the ten participants sampled." It should be noted of the four participant files questioned, all four had a completed ISS. The issue was one of indicating in the ISS and the JTA system anticipated end dates for specific Youth goals. Two of the participant files in question that were provided to the Auditor Controller staff at the time of the final exit interview on May 7, 2008 did have this information.

We believe that the questions about estimated end dates being included or not on the ISS are reasonable from the auditor's office and based on their interpretation of the law, we will complete the end date as a projected rather than an actual end date of activity. It should be noted, however, this same required information about activity duration is located in other places in the files including the ISS Case Notes, so staff have always been complying with WIA regulations. The issues seem to be somewhat minor in nature and it is our intention to deliver quality and WIA compliant services to the residents of our communities. This issue has been noted and WIA staff have been made aware of the need to implement this recommendation. We consider this finding to have already been addressed.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Recommendations

- 2. Ensure that a building permit is obtained and maintained for each facility the WIA programs administer.**

The review report makes the statement, "Subsequent to our review, SASSFA provided the building permit and additional documentation to justify the sole source solicitation of the Paramount facility." This is the only SASSFA facility where a building permit was ever in question. We consider this finding closed.

- 3. Ensure that a fair market assessment is performed on the leased property or maintain adequate documentation to justify sole source solicitation**

Please see response to #2. We consider this finding closed.

- 4. Ensure that staff complies with the Agency and County's procurement procedures by obtaining at least three documented quotes for goods purchased over \$1,000.**

SASSFA did gather two documented bids, but failed to document the third verbal bid. This was an error on our part, and we have brought this to the attention of staff responsible for procurement. We will ensure that we will obtain the required three documented bids for any future goods purchased over \$1,000

5. Establish policies and procedures for monitoring subcontractors to ensure compliance with County contract requirements.

SASSFA-RWG already has policies and procedures in place to monitor subcontractors. These will be forwarded to the Auditor-Controller's office. The only subcontractors historically SASSFA-RWG has used are for the summer Youth program, but that has not taken place for over three years due to reduced program funds, and SASSFA has provided this work internally.

FIXED ASSETS AND EQUIPMENT

Recommendations

6. SASSFA management ensures all WIA funded inventory items are properly tagged.

The review report states, "Subsequent to our review, SASSFA properly tagged the three items with County property tags." We consider this finding closed.

CLOSE-OUT REVIEW

Recommendations

7. Repay CSS \$468 for the unallowable expenditures.

We do not agree. Our interpretation of regulations is that food can be an allowable expense, as long as it is reasonable and necessary to support the program. The issue seems to rather be how to document this cost as a supportive service expense. SASSFA did use snacks as a recruitment and retention tool to provide youth who were coming to our Center with an afternoon snack, and have sign-in sheets available for all youth who participated in the program when snacks were available. This assisted youth to come and remain at our Center until they went home for dinner. SASSFA contends we should not have to pay this money back since the expense went to feed needy youth, many who come from very low income families and whose cost supported their participation in a WIA program. We have, however, suspended this practice until we can get more clarity about means to make this practice allowable in all parties' estimation.

8. Ensure that supplies are not purchased within the last two months of the contract period without prior approval from CSS.

The review report states, "Subsequent to our review, SASSFA obtained approval from CSS for the supplies purchases made in May and June 2006 and provided additional documentation to support the \$479 in unsupported expenditures. In addition, SASSFA credited CSS for \$324 for the 2006-07 expenditures billed in FY 2005-06."

Although we did receive approval for these purchases, we still contend, as we indicated in previous monitoring reports, that SASSFA as a Regional Workforce Group (RWG) is not bound by this contract requirement.

In any case, this contract requirement has been removed from our current contract, and we now consider this finding closed.

9. Ensure that adequate documentation is maintained to support all expenditures.

Please see answer to #8. We consider this finding to be closed.

10. Bill CSS for allowable expenditures

Please see answer to #8. We consider this finding to be closed.

11. Ensure that expenditures charged to the WIA programs are for costs incurred during the contract period.

Please see answer to #8. This was due to a clerical error on SASSFA's part, which we rectified as soon as we were aware of the error. We consider this finding to be closed.

PRIOR YEAR FOLLOW-UP

Recommendations

12. Immediately repay CSS \$50

We continue to disagree with this finding on maintaining a signed incentive policy in youth's files, as previously indicated in our response the FY 05-06 Auditor Controller's report for SASSFA RWG, and have supplied supporting documentation in regards to this issue to support our position. We are awaiting County staff's final determination on the allowability of this cost.

13. Implement the outstanding recommendations from the 2005-06 monitoring report.

A) Finding #1- This recommendation refers to accurately updating and ensuring JTA submission requirements. We have provided training to the staff on this issue and highlighted the Auditor Controller findings regarding this matter. Since this has been implemented we consider this finding to be closed

B) Finding #2 and #3- These recommendations should be cleared with the provision of the Paramount building permit and documentation to justify the sole source solicitation of the Paramount facility. We consider this finding to be closed.

C) Finding #5- The forwarding of SASSFA's procurement policies and procedures should clear this finding. We consider this finding to be closed.

D) Finding #6- Documentation that all WIA funded inventory items are properly tagged has been provided. We consider this finding to be closed

E) Finding #8- CSS' approval of all supply purchases for the last two months in both FY 05-06 and 06-07, along with the fact that *this contract requirement has been removed from our current contract* and that this contract provision is in violation of the RWG Agreement should clear this finding. We consider this finding to be closed.

CONCLUSION

We appreciate the opportunity to respond to the SASSFA-RWG Fiscal and Administrative Review prepared by your office. Every agency has room for improvement, but we do feel that, overall, you report points to the ongoing quality of SASSFA's services. Thank you for your time and effort in supporting those services.

Sincerely,



Kirk Kain
SASSFA Executive Director