COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

March 3, 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: **ASIAN AMERICAN DRUG ABUSE PROGRAM CONTRACT - WORKFORCE INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of Asian American Drug Abuse Program, Inc. (AADAP or Agency), a Workforce Investment Act (WIA) Program service provider. The review was conducted by the Auditor-Controller's Countywide Contract Monitoring Division.

Background

The Department of Community and Senior Services (DCSS) contracts with AADAP, a private, non-profit, community-based organization, to provide and operate the WIA Youth and Adult Special Needs 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 Special Needs Program is a comprehensive training and employment program limited to low-income adults 18 years or older, which face multiple barriers to employment. These individuals include the recovering drug addicts, homeless individuals, and offenders. AADAP's office is located in the Second District. AADAP is compensated on a cost reimbursement basis. For Fiscal Year (FY) 2004-2005, DCSS paid AADAP approximately $118,000, and for FY 2005-2006, AADAP's contract is for approximately $108,000.

Purpose/Methodology

The purpose of the review was to determine whether AADAP complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to

youth and special needs adults. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines. Our sample period was July and August 2005. As part of our monitoring review, we also performed closeout review procedures on the closeout invoices submitted by the Agency to DCSS for the previous year's contract.

Results of Review

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

For the nine special needs adult's client files reviewed, AADAP did not discuss the long-term and/or employment goals in the Individual Employment Plan (IEP) during the monthly meetings with the participants as required by the County contract. The IEP is an on-going plan jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals. AADAP also did not document the nine participants' progress towards achieving their planned outcomes.

For the two youth program client files reviewed, AADAP did not track the participants' needs and services and their progress towards achieving established goals in their Individual Service Strategy (ISS) plans. In addition, the ISS plans did not list the achievement objectives required to obtain their goals or document AADAP staff's monthly reviews of the ISS plans with the participants as required by the WIA guidelines.

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

Review of Report

We discussed our report with AADAP on January 13, 2006. In their attached response, AADAP disagreed with the finding that they did not maintain appropriate documentation to support the participants' income eligibility. AADAP claimed that copies of participants' Electronic Benefit Transfer (EBT) cards were sufficient to document income eligibility. However, EBT cards are not an acceptable form of documentation under WIA guidelines. In addition, DCSS indicated that the EBT cards maintained by the Agency were not an acceptable form of income verification. As indicated in our report, subsequent to our review, AADAP provided us with appropriate documentation, such as copies of benefits statements and pay stubs.

We notified DCSS of the results of our review. The Agency is responsible for the implementation of the recommendations. We thank AADAP 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, Interim Director, Department of Community and Senior Services
Mike Watanabe, President and CEO, Asian American Drug Abuse Program, Inc.
Public Information Office
Audit Committee

WORKFORCE INVESTMENT ACT PROGRAM
ASIAN AMERICAN DRUG ABUSE PROGRAM, INC.
FISCAL YEAR 2005-06

ELIGIBILITY

Objective

Determine whether Asian American Drug Abuse Program, Inc. (AADAP or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sample of 11 (100%) program participants (two youth and nine special needs adults) from a total of 11 participants that received services between July and August 2005. We reviewed the 11 case files for documentation to confirm their eligibility for WIA services.

Results

For nine (82%) of the 11 participants, AADAP did not maintain appropriate documentation to support the participants eligibility to receive program services. Specifically, we noted the following:

- For eight (73%) of the eleven participants, AADAP did not obtain appropriate proof of income from the participants in accordance with WIA guidelines. A signed affidavit completed by the applicant would be an acceptable proof of income.

- For one (9%) of the 11 participants sampled, the case files did not contain documentation to support the youth's age and citizenship as required. WIA guidelines indicate that an acceptable proof of a participant's age and citizenship would be the participant's passport or birth certificate.

Subsequent to our review, AADAP obtained the appropriate documentation to determine that the nine individuals qualified for program services. AADAP needs to ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services.

Recommendation

1. **AADAP ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

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

Verification

We reviewed the documentation contained in the case files for 11 (100%) program participants (two youth and nine special needs adults) that received services during July and August 2005. We also interviewed eight program participants/guardians to confirm the services AADAP billed to DCSS were actually provided.

Results

Adult Special Needs

The six adult special needs program participants interviewed stated that the services they received met their expectations. However, for the nine special needs adults reviewed, AADAP did not discuss the long-term and/or employment goals in the Individual Employment Plan (IEP) during the monthly meetings with the participants as required by the County contract. The IEP is an on-going plan jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals. AADAP also did not document their periodic review of the IEPs with the participants to monitor the progress towards the participants' planned outcomes.

Youth Services

The two youth program participants/guardians interviewed confirmed that the services they received met their expectations. However, AADAP did not track both participants' needs and services and their progress towards achieving established goals in the Individual Service Strategy (ISS) plans. In addition, the ISS plan did not list the achievement objectives required to obtain their goals or document AADAP staff's monthly reviews of the ISS plans with the participants as required by the WIA guidelines.

Recommendations

AADAP management:

2. **Ensure that staff discuss the long-term and/or employment goals with the participants during their monthly meetings and document their review of the IEPs with the clients.**

3. **Ensure that the ISS plans are completed in accordance with the County contract and document their monthly meetings with the program participants.**

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. Determine whether the Agency accurately reported all sources of revenue.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliations and compared the Agency's Revenue Disclosure Statement in the County contract to the Agency's financial records for reasonableness.

Results

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

AADAP did not report all revenue sources to DCSS as required under the County contract. AADAP received $6 million from contracts with the Department of Health Services that they did not report to DCSS. According to Agency personnel, they were not aware that they had to disclose all their revenue sources.

Recommendation

4. **AADAP management ensure that all revenue sources are disclosed to DCSS as required.**

EXPENDITURES/PROCUREMENT

Objective

Determine the reasonableness and appropriateness of expenditures, ensure they are allowable under regulations governing the contract, properly classified, and if program expenditures are accurately billed to the program on the agency's monthly reimbursement claim. In addition, to determine whether non-personnel expenditures are supported by appropriate documentation.

Verification

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for 16 of the 16 non-payroll expenditure transactions, totaling $4,393, incurred by the Agency in July and August 2005.

Results

AADAP's expenses were reasonable and appropriate, allowable, properly classified, accurately billed to DCSS and supported by documentation as required.

Recommendation

There are no recommendations in this section.

INTERNAL CONTROLS

Objective

To determine whether the contractor maintained sufficient internal controls over its business operations.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

AADAP maintained sufficient internal controls over it business operations.

Recommendation

There are no recommendations in this section.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether AADAP's fixed assets and equipment purchases made with WIA funds are used for the WIA program and that the assets are safeguarded and accurately accounted for.

Verification

We interviewed AADAP personnel and reviewed the Agency's equipment inventory listing. In addition, we performed an inventory of 15 items funded by WIA funds.

Results

Four equipment items purchased by the Agency using WIA funding were not used for the WIA program. Agency staff stated that the WIA program facility was downsized and that the items were reallocated to meet Agency's other operating needs. The cost of the items totaled $3,735. According to the County contract, equipments purchased with program funding that are no longer required for the program should be returned to the County.

In addition, the four equipment items were improperly tagged with Welfare-to-Work tags by County personnel. We also noted that the AADAP's equipment inventory listing did not include the required information. The Federal regulations require inventory listings to include who holds title, percentage of Federal participation in the cost of the property, and the condition of the property. However, AADAP's listing did not include the above mentioned information.

Recommendations

AADAP management:

5. **Ensure that equipment purchased with WIA funds are used solely for the benefit of the WIA program. If the item is no longer required for Contract use, then the equipment should be returned to the County as required under the County Contract, or obtain authorization from the County to use the items for other County related programs.**

6. **Ensure that equipments are properly tagged by County personnel.**

7. **Ensure that the inventory list is current and includes the required information.**

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 invoiced, totaling approximately $11,640, to the payroll records and time reports and interviewed staff. We also reviewed the personnel files of staff assigned to the WIA program to ensure that the required information was maintained and current.

Results

The three personnel files reviewed did not contain the staff's current job descriptions and copies of the staff's valid California Driver's Licenses as required. In addition, one (33%) of the three personnel files did not contain a current performance evaluation.

Subsequent to our review, AADAP provided copies of the current job descriptions and staff's valid licenses, and has indicated that they were in the process of drafting the performance evaluation for the one employee.

Recommendations

AADAP management:

8. **Ensure that all personnel files contain the required documents and ensure that performance evaluations are kept current.**

COST ALLOCATION PLAN

Objective

Determine whether AADAP's Cost Allocation Plan is appropriate and reasonable, prepared in compliance with the County contract, and applied to program costs.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July and August 2005.

Results

AADAP's Cost Allocation Plan complied with the County contract requirements. However, AADAP did not allocate all costs appropriately. Specifically, AADAP incorrectly allocated the costs of its security services, facility maintenance services, and equipment lease costs that resulted in an over billing of $216. According to the Agency, the staff who completed the expense report were unaware how costs should be allocated.

Subsequent to our review, AADAP made the necessary adjustments in their financial records and deducted the overpayments from the subsequent months' bills to DCSS.

Recommendation

12. AADAP management ensure that staff allocate costs according to the Cost Allocation Plan

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year 2004-05 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

Traced and agreed the Agency's invoice total to the Agency's General Ledger total for the prior fiscal year. In addition, reviewed prior year's General Ledger for any duplicate postings or for any unallowable costs.

Results

The Agency's General Ledger totals agreed to the totals reported in the Agency's close-out invoice. In addition, we noted no duplicate postings or unallowed costs in the prior fiscal year.

Recommendation

There are no recommendations in this section.

PRIOR YEAR FOLLOW-UP

Objective

To determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

Verification

We reviewed the most current monitoring report issued to the Agency and the Agency's corrective action plan.

Results

At the time of our review, the final Fiscal Year 2004-05 monitoring report was not issued. As such, we could not determine the status of the recommendations.

Recommendation

There are no recommendations in this section.

AADAP
People Need People

AADAP, Inc.

(Asian American Drug Abuse Program)
www.aadapinc.org

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Los Angeles, CA 90043
Tel : (323) 293-6284
Tel : (323) 295-4075

February 6, 2006

Cynthia Banks
Dept. of Community and Senior Services
County of Los Angeles
3175 W. Sixth Street
Los Angeles, CA 90020

Re: FY 2005-2006 Report on Program, Fiscal and Administrative Review of WIA Youth and Adult Special Needs Programs

Dear Ms. Banks:

This letter serves as the Corrective Action Plan in response to the findings noted during program, fiscal and administrative review conducted by the Auditor-Controller's Countrywide Contract Monitoring Division of our WIA Youth and Adult Special Needs Programs with the County of Los Angeles Dept. of Community and Senior Services (DCSS) .

Each findings noted in your review is addressed individually in Attachment A included with this letter. Should you require any additional information concerning this letter, please contact me at (323) 293-6284.

Sincerely,

Mike Watanabe, MSW
President & CEO

cc: Chronological File
Yoon Bae, Auditor- Controller
Daisy Asis-Nakanishi, Program Director
Dean Nakanishi, Administrative Director
Romina Peralta, Senior Accountant
Contract File

Attachment A
Asian American Drug Abuse Program, Inc. (AADAP, Inc.)
Response to Findings and Recommendations

ELIGIBILITY

Results

For nine (82%) of the 11 participants, AADAP did not maintain appropriate documentation to support the participant's eligibility to receive program services. Specifically, noted the following:

- *For eight (73%) of the eleven participants, AADAP did not obtain appropriate proof of income from the participants in accordance with WIA guidelines. A signed affidavit completed by the applicant would be an acceptable proof of income.*

- *For one (9%) of the participants sampled, the case files did not contain documentation to support the youth's age and citizenship as required. WIA guidelines indicate that an acceptable proof of a participant's age and citizenship would be the participant's passport or birth certificate.*

Recommendation

1.AADAP ensure that staff obtains the appropriate documentation from the participants to determine the participants' eligibility for program services.

Corrective Action Plan:

AADAP disagrees with the finding that it did not maintain appropriate documentation to support the income eligibility of nine (9) participants to receive program services. AADAP has provided primary level of documentation such as Electronic Benefit Transfer (EBT) cards, Department of Vocational Rehabilitation benefits, and pay stubs in the participant files. The County of Los Angeles DCSS and State EDD have consistently accepted these documents as proof of income. The Auditor insists of secondary level of documentation for income that is unnecessary and unreasonable.

BILLED SERVICES/CLIENT VERIFICATION

Results

Adult Special Needs

The six adult special needs program participants interviewed stated that the services they received met their expectations. However, for the nine special needs adults reviewed, AADAP did not discuss the long-term and/or employment goals in the (IEP) during the monthly meetings with the participants as required by the County contract. The IEP is an on-going plan jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals. AADAP also did not document their periodic review of the IEPs with the participants to monitor the progress towards the participants' planned outcomes.

Youth Services

The two youth program participants/guardians interviewed confirmed that the services they received met their expectations. However, AADAP did not track both participants' needs and services and their progress towards achieving established goals in the Individual Service Strategy (ISS) plans. In addition, the ISS plan did not list the achievement objectives required to obtain their goals or document AADAP staff's monthly reviews of the ISS plans with the participants as required by the WIA guidelines.

Recommendations

AADAP management:

2. Ensure that staff discuss the long-term and/or employment goals with the participants during their monthly meetings and document their review of the IEPs with the clients.

3. Ensure that the ISS plans are completed in accordance with the County contract and document their monthly meetings with the program participants.

Corrective Action Plan:

AADAP concurs with the findings. AADAP's Employment Access Unit supervisors will ensure through case file reviews that long-term and/or employment goals are discussed during monthly meetings and that the contacts with participants are documented.

CASH/REVENUE

Results

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

AADAP did not report all revenue sources to DCSS as required under the County Contract. AADAP received $6 million from contracts with the Department of Health Services that they did not report to DCSS. According to Agency personnel, they were not aware that they had to disclose all their revenue sources.

Recommendation

4. AADAP management ensures that all revenue sources are disclosed to DCSS as required.

Corrective Action Plan:

AADAP concurs with the finding. AADAP has already submitted on 1/23/06 a budget modification to DCSS that included a disclosure of all its revenue sources.

FIXED ASSETS

Results

Four fixed assets purchased by the Agency using WIA funding were not used for the WIA program. Agency staff stated that the WIA program facility was downsized and that the assets were reallocated to meet Agency's other operating needs. The cost of the assets totaled $3,735. According to the County contract, fixed assets purchased with

program funding that are no longer required for the program should be returned to the County.

In addition, the four fixed assets were improperly tagged with Welfare-to-Work tags by County personnel. We also noted that the AADAP's fixed asset listing did not include the required information. The Federal regulations require inventory listings to include who holds title, percentage of Federal participation in the cost of the property, and the condition of the property. However, AADAP's listing did not include the above mentioned information.

Recommendations

AADAP management:

5. Ensure that fixed assets purchased with WIA funds are used solely for the benefit of the WIA program. If the asset is no longer required for Contract use, then the asset should be returned to the County as required under the County Contract, or obtain authorization from the County to use the assets for other County related programs.

6. Ensure that equipment are properly tagged by County personnel.

7. Ensure that the inventory list is current and includes the required information.

Corrective Action Plan:

The computer systems purchased under WIA Programs will be returned to the Employment Access Unit. AADAP will ensure that the County is notified of any systems that are move within the agency.

AADAP is in the process of purchasing and installing a new fixed asset software. With this new software, AADAP will ensure that equipments will show percentage of cost per funding source and will include condition of the equipment.

PAYROLL AND PERSONNEL

Results

The three personnel files reviewed did not contain the staff's current job descriptions and copies of the staff's valid California Driver's Licenses as required. In addition, one (33%) of the three personnel files did not contain a current performance evaluation.

Subsequent to our review, AADAP provided copies of the current job descriptions and staff's valid licenses, and has indicated that they were in the process of drafting the performance evaluation for the one employee.

Recommendation

AADAP management:

8. Ensure that all personnel files contain the required documents and ensure that performance evaluations are kept current.

Corrective Action Plan:

All Managers are responsible to do evaluations on an annual basis. AADAP will reinforce this requirement with all Managers and Supervisors.

COST ALLOCATION PLAN

Results

AADAP's Cost Allocation Plan complied with the County contract requirements. However, AADAP did not allocate all costs appropriately. Specifically, AADAP incorrectly allocated the costs of its security services, facility maintenance services, and equipment lease costs that resulted in an over billing of $216. According to the Agency, the staff who completed the expense report were unaware how costs should be allocated.

Subsequent to our review, AADAP made the necessary adjustments in their financial records and deducted the overpayments from the subsequent months' bills to DCSS.

Recommendation

12. AADAP management ensure that staff allocate costs according to the Cost Allocation Plan.

Corrective Action Plan:

AADAP concurs with the findings. AADAP has made necessary journal entries to record adjustments of expenses in the month of September 2005 to correct postings of expenses based on the current Cost Allocation Plan for FY 2005-2006.