



J. TYLER McCAULEY
AUDITOR-CONTROLLER

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

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September 14, 2006

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

FROM: J. Tyler McCauley *for*
Auditor-Controller

**SUBJECT: AFFILIATED COMPUTER SERVICES EAST LOS ANGELES
EMPLOYMENT AND BUSINESS CENTER CONTRACT - WORKFORCE
INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of Affiliated Computer Services East Los Angeles Employment and Business Center (ACS-ELA or Agency), a Workforce Investment Act (WIA) Program service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with ACS-ELA, a private, for profit agency 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. The types of services provided by ACS-ELA include occupational skills training, job placement and career planning. ACS-ELA's offices are located in the First and Fourth Districts.

ACS-ELA is compensated on a cost reimbursement basis. For fiscal year 2005-2006, DCSS paid ACS-ELA \$1,423,726

Purpose/Methodology

The purpose of the review was to determine whether ACS-ELA 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

"To Enrich Lives Through Effective and Caring Service"

accounting records, internal controls and compliance with federal, State, and County guidelines.

Results of Review

Overall, ACS-ELA provided the services in accordance with the County contract and WIA guidelines. In addition, ACS-ELA maintained adequate controls over its business operations.

ACS-ELA's payroll billings to DCSS were based on the number of clients served during the pay period, not the actual costs as required by the County contract. In addition, the Agency's staff did not identify on their timecards the hours they worked on the WIA program as required.

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

Review of Report

We discussed our report with ACS-ELA on August 18, 2006. In their attached response, ACS-ELA concurred with our findings and recommendations. We also notified DCSS of the results of our review. We will follow-up our recommendations during next year's monitoring review.

We thank ACS-ELA 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
Ray Saulino, Vice President and Managing Director, Affiliated Computer Services
East Los Angeles Employment and Business Center
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
AFFILIATED COMPUTER SERVICES EAST LOS ANGELES EMPLOYMENT
AND BUSINESS CENTER
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether Affiliated Computer Services East Los Angeles Employment and Business Center (ACS-ELA or Agency) provided services to participants that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sample of 20 (6%) program participants (ten from the adult program and ten from the dislocated worker program) from a total of 330 participants that received services between July 2005 and May 2006. We reviewed the 20 case files for documentation to confirm their eligibility for WIA program services.

Results

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

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether ACS-ELA 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 20 (6%) participants that received services during July 2005 through May 2006. We also interviewed 16 participants.

Results

The 16 participants interviewed confirmed that the services received met their expectations. In addition, the case files for the 20 participants contained documentation to support the services billed to DCSS.

Recommendation

There are no recommendations for this section.

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 ACS-ELA's bank reconciliation for March 2006.

Results

ACS-ELA maintained adequate controls to ensure that cash receipts and revenues were 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 for 15 (79%) of the 19 non-personnel expenditure transactions billed by the Agency for December 2005 and January 2006, totaling \$100,718.

Results

ACS-ELA's expenditures were allowable, properly documented and accurately billed to DCSS as required.

Recommendation

There are no recommendations for this section.

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

ACS-ELA maintained sufficient internal controls over its business operations and was in compliance with other program and administrative requirements.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Objective

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

Verification

We interviewed Agency personnel and reviewed the Agency's inventory listing. In addition, we performed an inventory and reviewed the usage of the 15 (4%) items funded by WIA funds, totaling approximately \$13,500.

Results

ACS-ELA used the fixed assets and equipment purchased with WIA funding for the WIA program. In addition, the assets were appropriately safeguarded.

Recommendation

There are no recommendations for the section.

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 11 employees in January 2006, totaling \$37,065 (85%) to the payroll records and time reports. We also interviewed one staff and reviewed personnel files for five employees assigned to the WIA program.

Results

ACS-ELA's payroll billings to DCSS were not based on actual costs as required. The Agency's staff also did not report on their timecards the hours they worked on the WIA program as required by the County contract. The amount the Agency billed DCSS was based on the number of clients served during the pay period. As a result, we could not determine whether the amount billed DCSS was appropriate.

Recommendation

- 1. ACS-ELA management bill and allocate payroll expenses based on actual costs and ensure that employee timecards indicate the total hours worked each day by program.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's cost allocation plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed ACS-ELA's cost allocation plan and reviewed a sample of expenditures incurred by the Agency during December 2005 and January 2006 to ensure that the expenditures were properly allocated to the Agency's appropriate programs.

Results

Overall, ACS-ELA's cost allocation plan was prepared in compliance with the County contract and costs were appropriately allocated. However, as previously indicated, ACS-ELA's payroll expenses were not based on actual costs. As a result, we could not determine whether the payroll expenses were appropriately allocated to the program. Therefore, we recommended that ACS-ELA management bill and allocate payroll expenses based on actual costs.

Recommendation

There are no recommendations for this section.



Building Business and Careers

August 30, 2006

J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Department of Auditor Controller
Countywide Contract Monitoring Division
1000 South Fremont Avenue, Unit #51
Alhambra, CA 91803

ATTN: Yoon Bae, CPA Senior Accountant-Auditor

Subject: Response to PY05-06 Program, Fiscal and Administrative Contract Audit;
Affiliated Computer Services – East Los Angeles Employment and Business
Center – Workforce Investment Act Programs

Dear Mr. J. Tyler McCauley:

Thank you very much for giving us an opportunity to respond the Final Draft of the PY 05-06 WIA Program Monitoring Report that we received on August 23, 2006.

We are very pleased to know that your comprehensive monitoring review did not reveal any contract non-compliance issues or any major findings. Moreover, we concur with observations and recommendations that were offered by your staff for us to consider in order to further improve our program.

A major observation made during the review indicated that the "ACS ELA cost allocation plan was prepared in compliance with the County contract and costs were appropriately allocated". Furthermore, even though we are in substantial compliance in how we properly allocate our costs to the appropriate WIA Adult and Dislocated programs, which are that only two programs that we operate, a report recommendation is that we re-evaluate our current cost allocation process to ensure that employee timecards indicate the total hours worked each day by program. In affirmative response to this recommendation, we will request a meeting with appropriate CSS Department personnel to discuss other appropriate alternate methods to bill personal expenses based on actual costs.

Again, thank you for giving us an opportunity to respond to the Monitoring Report.

Please contact me directly at 323-887-7122 should your required any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Manuel Cons", written over a horizontal line.

Manuel Cons
Program Director

East Los Angeles Employment & Business Center

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