



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

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J. TYLER McCAULEY  
AUDITOR-CONTROLLER

May 9, 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: **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) provider.

**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) 2005-2006, DCSS paid AADAP approximately \$108,000 and for FY 2006-2007, AADAP's contract is for approximately \$134,000.

*"To Enrich Lives Through Effective and Caring Service"*

### **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 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 five program participants/guardians interviewed confirmed that the services the participants received met their expectations. However, AADAP billed DCSS \$2,430 for program supplies during the last two months of the contract period without obtaining prior approval from DCSS. In addition, AADAP did not inform all five youth participants about the leadership and mentoring services as required.

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

### **Review of Report**

We discussed our report with AADAP on March 22, 2007. In their attached response, AADAP concurred with our findings and recommendations. We notified DCSS of the results of our review.

We will follow-up our recommendations during next year's monitoring review. 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, 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 2006-07**

**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 judgmentally sampled ten (36%) program participants (five adults and five youths) from a total of 28 participants that received services during January to September 2006 and reviewed their case files for documentation to confirm their eligibility for WIA services.

**Results**

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

**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 ten (36%) participants that received services during January to September 2006. We also interviewed five participants/guardians (three from the adult special needs program and two from the youth program).

**Results**

All five youth and adult program participants/guardians interviewed confirmed that the services they received met their expectations. However, AADAP did not discuss the leadership and mentoring services with all five youth participants. According to WIA guidelines, the Agency is required to inform each participant about the leadership and mentoring services at the time of enrollment and document the results of such discussions. The Agency is also required to include the anticipated start and end dates on the participants' Individual Service Strategy (ISS) plans. Subsequent to our review, AADAP provided the updated ISS plans for the five participants.

**Recommendation**

- 1. AADAP management inform all youth participants about the leadership and mentoring services at the time of enrollment, document the results of such discussion and ensure Individual Service Strategy Plans are complete.**

**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 bank reconciliation for August 2006.

**Results**

AADAP maintained adequate controls to ensure that revenue is 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 37 (62%) of 60 non-payroll expenditure transactions billed by the Agency for July and August 2006, totaling \$1,321.

**Results**

AADAP'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, 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 areas such as cash, expenditures, payroll and personnel.

**Results**

AADAP maintained sufficient internal controls over its 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 are safeguarded.

**Verification**

We reviewed the Agency's inventory listing and performed an inventory of 17 (46%) of the 37 items purchased with WIA fund, totaling \$9,765.

**Results**

Two (12%) of the 17 items (a computer and a printer) were located at the Program Director's home. In addition, four items were still improperly tagged with Welfare-to-Work tags as noted during the prior year's monitoring review. According to AADAP management, on October 27, 2006, AADAP submitted a letter to DCSS requesting for the department to tag the equipment mentioned on the prior year's monitoring report.

**Recommendations**

**AADAP management:**

- 2. Ensure that equipment purchased with WIA funds are used solely for the benefit of the WIA program.**
- 3. Follow-up with DCSS management to ensure that equipment is properly tagged.**

**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 for three employees in August 2006, totaling \$5,172, to the payroll records and time reports. We also interviewed one employee and reviewed the personnel files for the three staff assigned to the WIA program.

**Results**

AADAP appropriately charged payroll expenses to the WIA program. However, AADAP's employee files did not contain criminal clearances for two (67%) of the three employees as required by the County contract. Subsequent to our review, AADAP provided proof of criminal clearances for the two employees.

**Recommendation**

4. AADAP management maintain criminal clearances for all staff working on the WIA program.

**COST ALLOCATION PLAN**

**Objective**

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

**Verification**

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July and August 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

**Results**

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

**Recommendation**

**There are no recommendations for this section.**

**CLOSE-OUT REVIEW**

**Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice was reconciled to the Agency's financial accounting records.

**Verification**

We traced and agreed the Agency's FY 2005-06 final close-out invoice submitted to DCSS, which summarizes the total program expenditures for the fiscal year, to the Agency's total WIA program expenditures on their general ledger and reviewed a sample of expenditures incurred in June 2006.

**Results**

AADAP over billed DCSS \$2,430 on their close-out invoice. Specifically, AADAP billed DCSS \$1,358 for office supplies and \$1,072 for books and magazines purchased during the last two months of FY 2005-06 without obtaining approval from DCSS as required.

In addition, AADAP did not obtain three documented quotations for the purchases over \$1,000 as required by WIA guidelines.

**Recommendations**

**AADAP management:**

- 5. Work with DCSS to obtain an approval for the purchases or repay DCSS \$2,430.**
- 6. Comply with the County and WIA procurement guidelines for goods and services.**

**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 March 2006.

**Results**

The prior year's monitoring report contained nine recommendations. AADAP implemented eight (89%) of the nine recommendations. As previously indicated, the outstanding finding was also noted during our current monitoring review. AADAP management stated that the Agency plans to implement the outstanding recommendation by April 30, 2007.

**Recommendation**

- 7. AADAP management implement the outstanding recommendation from FY 2005-06 monitoring report.**



April 10, 2007

**AADAP, Inc.**  
(Asian American Drug Abuse Program )  
www.aadapinc.org

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Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
Kenneth Hahn Hall Of Administration  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-2766

Re: Asian American Drug Abuse Program Contract -  
Workforce Investment Act Programs

This response letter serves as a Corrective Action Plan to the findings of the County Auditor-Controller's contract monitoring team that conducted program, fiscal, and administrative review of AADAP's WIA Youth and Adult Special Needs Programs on October 17-19, 2006.

The findings that are noted in the review were addressed individually in Attachment A of this letter. Should you require any additional information concerning this letter, please contact me at (323) 293-6284.

Sincerely,

Mike Watanabe, MSW  
President & CEO

Enc.: Attachment A- AADAP Response to Auditor-Controller's Site Monitoring Report

cc: Contract File

Susan Kim, Principal Accountant-Auditor  
Daisy Asis-Nakanishi, Program Director  
Peter Cruz, Fiscal Director  
Dean Nakanishi, Administrative Director  
Romina Peralta, Senior Accountant

Outpatient Unit  
520 N. La Brea Avenue  
Inglewood, CA 90302  
(323) 294-4932  
Fax (323) 294-7533

Employment Access  
Outpatient Counseling  
1055 S. La Brea Avenue  
Los Angeles, CA 90019  
(323) 295-0262  
Fax (323) 295-2075

Youth & Family Programs  
3210 W Jefferson Blvd  
Los Angeles, CA 90018  
(323) 766-3541  
Fax (323) 766-5646

Indochinese Youth & Community Center  
14112 S. Kingsley Drive  
Gardena, CA 90247  
(310) 768-8064  
Fax (310) 768-2779

Youth Outpatient Treatment  
13921 S. Van Ness Ave #202  
Gardena, CA 90249  
(310) 768-5019  
Fax (310) 768-4170

Olympic Academy  
(323) 933-9022  
Fax (323) 933-4020

Attachment A  
AADAP Response To Auditor-Controller's WIA Youth and Adult Programs  
Site Monitoring Report

**ELIGIBILITY**

• **Results**

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

• **Recommendation**

There are no recommendations for this section.

**BILLED SERVICES/CLIENT VERIFICATION**

• **Results**

All five youth and adult program participants/guardians interviewed confirmed that the services they received met their expectations. However, AADAP did not discuss the leadership and mentoring services with all five youth participants. According to WIA guidelines, the Agency is required to inform each participant about the leadership and mentoring services at the time of enrollment and document the results of discussion including the anticipated start and end dates on the participants' Individual Service Strategy (ISS). Subsequent to our review, AADAP provided the updated ISS plans of the five participants.

• **Recommendation**

1. AADAP management inform all youth participants about the leadership and mentoring services at the time of enrollment and document the results of discussion including the anticipated start and end dates on the participants' Individual Service Strategy.

• **Corrective Action Plan**

1. AADAP provided the updated ISS plans of the five participants that were reviewed by the Auditor-Controller team. AADAP management and staff

must ensure that all youth participants are informed about the leadership and mentoring services at the time of enrollment and document the results of discussion including the anticipated start and end dates on the participants' ISS.

#### CASH/REVENUE

- Results

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

- Recommendation

There are no recommendations for this section.

#### EXPENDITURES/PROCUREMENT

- Results

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

- Recommendation

There are no recommendations for this section.

#### INTERNAL CONTROLS/CONTRACT COMPLIANCE

- Results

AADAP maintained sufficient internal controls over its business operations.

- Recommendation

There are no recommendations for this section.

#### FIXED ASSETS AND EQUIPMENT

- Results

Two (12%) of the 17 items (a computer and a printer) were located at the Program Director's home. In addition, four items were still improperly tagged with Welfare-to-Work tags as noted during the prior year's monitoring review.

According to AADAP management, on October 27, 2006, AADAP submitted a letter to DCSS requesting for the department to tag the equipment mentioned on the prior year's monitoring report.

- Recommendations

2. AADAP's management ensures that equipment purchased with WIA funds is used solely for the benefit of the WIA Program.

3. DCSS management ensures that equipment is properly tagged.

- Corrective Action Plan

2. AADAP's management shall ensure that equipment purchased with WIA funds is used solely for the benefit of the WIA Program. A computer and a printer at the Program Director's home must be housed at the AADAP office.

3. AADAP will send a follow-up letter to DCSS management regarding the tagging of equipment.

#### PAYROLL AND PERSONNEL

- Result

AADAP appropriately charged payroll expenses to the WIA program. However, AADAP did not obtain criminal clearances for two (67%) of the three employees as required by the County contract. Subsequent to our review, AADAP provided proof of criminal clearance of the two staff.

- Recommendation

4. AADAP management obtains criminal clearances for all staff working on the WIA Program.

- Corrective Action Plan

4. AADAP management provided Auditor-Controller proof of criminal clearance of the two staff involved in the WIA Program.

#### COST ALLOCATION PLAN

- Result

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

- Recommendation

There are no recommendations for this section.

### CLOSE-OUT REVIEW

- Results

AADAP over billed DCSS \$2,430 (17%) of \$13,927 billed on the close-out invoice. Specifically: AADAP billed DCSS \$1,358 for office supplies and \$1,072 for books and magazines purchased during the last two months of the FY without obtaining approval from DCSS as required. In addition, AADAP did not obtain three documented quotations for the purchases over \$1,000 as required by WIA guidelines.

- Recommendation

AADAP management:

5. Work with DCSS to obtain an approval or repay \$2,430.
6. Comply with the County contract and WIA guidelines on procurement of goods and services.

- Corrective Action Plan

5. AADAP will send a letter to DCSS to obtain an approval for the purchased books and magazines \$2,430.
6. AADAP must comply with the County contract and WIA guidelines on procurement of goods and services.

### PRIOR YEAR FOLLOW-UP

- Results

The prior year's monitoring report contained nine recommendations. AADAP implemented eight (89%) of the nine recommendations. As indicated earlier, all the outstanding findings were also noted during our monitoring review. AADAP management stated that the Agency plans to implement the outstanding recommendations by April 30, 2007.

• Recommendation

7. AADAP management implements the outstanding recommendations from the FY 2005-06 monitoring report.

• Corrective Action Plan

7. AADAP management ensures to implement the outstanding recommendations from the FY 2005-06 monitoring report.