



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

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

February 6, 2008

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

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **THE CHILDREN'S COLLECTIVE, INC. CONTRACT – A COMMUNITY
AND SENIOR SERVICES WORKFORCE INVESTMENT ACT
PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Children's Collective, Inc. (Children's Collective or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

Background

CSS contracts with Children's Collective, a private non-profit organization to provide and operate the WIA Youth program. 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. Children's Collective's office is located in the Second District.

Children's Collective is compensated on a cost reimbursement basis. Children's Collective's contract was for \$99,311 for Fiscal Year 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether Children's Collective complied with its contract terms and appropriately accounted for and spent WIA funds in providing the

"To Enrich Lives Through Effective and Caring Service"

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 selected number of the Agency's staff and clients.

Results of Review

Overall, Children's Collective provided the program services in accordance with WIA guidelines and maintained sufficient internal controls over its business operations. However, Children's Collective billed CSS \$2,218 in unsupported program expenditures and billed CSS payroll expenditures based on budgeted amounts not actual expenditures. In addition, Children's Collective did not implement five (28%) of the 18 recommendations contained in the prior year's monitoring report.

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

Review of Report

We discussed our report with Children's Collective and CSS on January 3, 2008. In their attached response, Children's Collective concurred with our findings and recommendations. The Agency also provided support or repaid CSS for the overbillings identified in the report. Due to the confidential nature of the documents provided, we did not include all the attachments submitted by Children's Collective.

We thank Children's Collective 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: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Jackie Kimbrough, Director of The Children's Collective, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
THE CHILDREN'S COLLECTIVE, INC.
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether the Children's Collective, Inc. (Children's Collective or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for ten (37%) of the 27 youth participants that received services between July 2006 and April 2007 for documentation to confirm their eligibility for WIA services.

Results

All ten 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 the Agency 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 ten (37%) program participants that received services from July 2006 through April 2007. We also interviewed five participants/guardians.

Results

The five participants/guardians interviewed stated that the services the participants received met their expectations. In addition, the case files for all ten program participants contained documentation to support the services billed to CSS.

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. 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 the Agency's March 2007 bank reconciliation.

Results

Children's Collective 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 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 16 non-payroll expenditure transactions billed by the Agency for November 2006, totaling \$703.

Results

Children's Collective's expenditures were allowable, accurately billed to CSS and supported by documentation 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 various non-cash areas such as expenditures, payroll and personnel.

Results

Children's Collective maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Determine whether Children's Collective'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 Children's Collective 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 the payroll expenditures invoiced for four employees totaling \$4,778 for November 2006 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for four staff assigned to the WIA program.

Results

Children's Collective's personnel files were maintained as required. However, Children's Collective billed CSS for payroll expenditures based on budgeted amounts not actual payroll expenditures as required by the County contract. The unsupported payroll expenditures totaled \$520. In addition, one employee's timecard was not properly approved by the supervisor as required. Similar findings were also noted in the prior two years' monitoring reviews.

Subsequent to our review, Children's Collective's management provided support for actual payroll expenditures totaling \$283 and approved the one employee's timecard.

Recommendations

Children's Collective management:

- 1. Repay CSS \$237 (\$520 - \$283).**
- 2. Calculate the payroll expenditures for FY 2006-07 based on actual hours worked and repay CSS for any amounts unsupported and/or overbilled.**
- 3. Bill CSS payroll expenditures based on actual hours worked and not budgeted amounts.**
- 4. Ensure all timecards are properly approved by the supervisor as required.**

COST ALLOCATION PLAN

Objective

Determine whether Children's Collective'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 the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in November 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

The Agency's Cost Allocation Plan was prepared in compliance with the County contract. However, as previously indicated, Children's Collective billed CSS payroll expenditures based on budgeted amounts and not actual expenditures. According to the Agency's Cost Allocation Plan, personnel costs are to be charged directly to the programs based on the direct hours worked.

Recommendation

Refer to Recommendation 3.

CLOSE-OUT REVIEW

Objective

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

Verification

We traced Children's Collective's FY 2005-06 general ledger to the Agency's final close-out invoice for FY 2005-06. In addition, we reviewed a sample of expenditures incurred in May and June 2006.

Results

Children's Collective's final close-out invoice reconciled to the Agency's financial records. However, Children's Collective did not maintain adequate documentation to support program expenditures billed CSS in FY 2005-06 totaling \$1,981. A similar finding was also noted during the prior monitoring review.

Recommendations

Children's Collective management:

- 5. Repay CSS \$1,981.**
- 6. Ensure adequate documentation is maintained to support the program expenditures.**

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 on March 2, 2007.

Results

The prior year's monitoring report contained 18 recommendations. Children's Collective implemented 13 recommendations. As previously indicated, the findings related to Recommendations 2, 3, 4 and 6 contained in the report were also noted during our prior monitoring review. The remaining recommendation required the Agency to determine the total costs expended for the ineligible participant and repay CSS.

Recommendation

- 7. Children's Collective management implement the outstanding recommendations from FY 2005-06 monitoring report.**



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January 16, 2008

Mr. J. Tyler McCauley
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

Dear Mr. McCauley:

This letter is in response to the FY 2006-2007 WIA Program, Fiscal and Administrative Contract Review of The Children's Collective, Inc. (TCCI), a Community and Senior Services (CSS) Workforce Investment Act (WIA) service provider.

In order to simplify our comments we will address each issue as outlined in the report.

PAYROLL AND PERSONNEL

WIA Recommendations

Children's Collective management:

1. Repay CSS \$237.
2. Calculate the payroll expenditures for FY 2006-07 based on actual hours worked and repay CSS for any amounts unsupported and/or overbilled.
3. Bill CSS payroll expenditures based on actual hours work and not budgeted amounts.
4. Ensure all time cards are properly approved by the supervisor as required.

TCCI Response

1. Attached is a check for \$237.
2. TCCI calculated actual hours worked and determined that the amount identified above was unsupported.
3. TCCI will ensure that billings are based on actual expenses incurred, not budgeted amounts.
4. TCCI will ensure that time cards are properly approved by the supervisor as required.



RE: Response/Corrective Action Plan to Workforce Investment Act (WIA) Program, Fiscal &
Administrative Review
January 16, 2008
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CLOSE-OUT REVIEW

WIA Recommendation

Children's Collective management:

5. Repay CSS \$1,981.
6. Ensure adequate documentation is maintained to support the program expenditures.

TCCI Response

5. The \$1,981 expenditure was for catering costs for the 2005-2006 participant graduation held on May 18, 2006. Auditors received the participant sign-in sheet for the 2007 graduation ceremony. Attached is a copy of the correct sign-in sheet dated May 18, 2006 which serves as adequate supporting documentation to justify the expense.
6. TCCI maintains adequate documentation to support program expenditures and will ensure that we submit relevant documentation to support the program expenditures.

PRIOR YEAR FOLLOW-UP

WIA Recommendations

Children's Collective management:

7. Children's Collective management implement the outstanding recommendations from FY 2005-06 monitoring report.

TCCI Response

7. TCCI issued repayments to CSS for prior year audit findings totaling \$1,449.00 on January 29, 2007. CSS acknowledged receipt of the repayments in its correspondence dated March 2, 2007 (see Page 8). However, subsequent bank reconciliations showed that the payments issued to CSS were outstanding beyond a 90 day period. Pursuant to company policy TCCI voided the check. Enclosed is a check for \$1,686 to replace the check #8359 (\$1,449) and for the FY 2006-2007 Audit Item #1 for \$237.
TCCI has implemented all remaining outstanding recommendations from the FY 2005-2006 monitoring report.

We trust that this will resolve the questioned program, fiscal and administrative items. If you have any questions, please feel free to call.

Sincerely,

Jackie Kimbrough, Ph.D.
Attachments