



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

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
ACTING AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
MARIA M. OMS

October 9, 2008

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

FROM: Wendy L. Watanabe
Acting Auditor-Controller

SUBJECT: **HOUSING AUTHORITY OF THE CITY OF LOS ANGELES CONTRACT
REVIEW – A COMMUNITY AND SENIOR SERVICES WORKFORCE
INVESTMENT ACT PROGRAM PROVIDER – FISCAL YEAR 2007-08**

We have completed a program, fiscal and administrative contract review of Housing Authority of the City of Los Angeles (Housing Authority or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with Housing Authority, a government agency to provide and operate the WIA Adult Special Needs Program. The Program is a comprehensive training and employment program to assist low income adults with multiple barriers including substantial language, cultural, offenders, homeless individuals and/or other hard-to-serve populations as defined by the Governor to obtain employment, retain their jobs and increase their earnings. The types of services provided by Housing Authority include career planning, occupational skills, training and job placement. Housing Authority's office serves participants residing in the First and Second Districts.

Housing Authority was compensated on a cost reimbursement basis and had a contract for \$50,572 for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether Housing Authority 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

Overall, Housing Authority complied with the County contract requirements. The Agency met the FY 2007-08 second quarter planned performance outcomes outlined in the County contract and provided the required program services to eligible participants. In addition, the Agency appropriately billed CSS for payroll expenditures related to the WIA program and allocated shared program expenditures. However, Housing Authority billed CSS \$2,221 in unsupported expenditures and did not obtain a fire inspection for the office building.

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

Review of Report

We discussed our report with Housing Authority and CSS on August 29, 2008. In their attached response, Housing Authority concurred with our findings and recommendations.

We thank Housing Authority 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:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Rudolf C. Montiel, Executive Director, Housing Authority of the City of Los Angeles
Commissioner Beatriz Stotzer, Chairperson, Housing Authority of the
City of Los Angeles
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether Housing Authority of the City of Los Angeles (Housing Authority 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 (59%) of the 17 program participants that received services from July 2007 through March 2008 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 Housing Authority 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 (59%) participants that received services from July 2007 through March 2008. We also interviewed four program participants.

Results

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

Recommendation

There are no recommendations for this section.

PERFORMANCE OUTCOME REVIEW**Objective**

Determine whether Housing Authority met the planned performance outcomes as outlined in the County contract and accurately report the performance outcomes to the Workforce Investment Board (WIB). The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

We compared the reported Fiscal Year (FY) 2007-08 actual performance outcomes for the second quarter to the planned performance measures outlined in the County contract and the program activities reported on the Job Training Automation (JTA) system. We also reviewed the documentation contained in the case files for ten participants reported as having exited the program, completed training and/or gained employment during the first two quarters of FY 2007-08.

Results

Housing Authority's FY 2007-08 second quarter actual performance outcomes were accurately reported to the WIB and the case files contained documentation to support the program activities reported on the JTA system. In addition, Housing Authority met the FY 2007-08 second quarter planned performance measures outlined in the County contract.

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 Housing Authority's February 2008 bank reconciliation.

Results

Housing Authority 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 four (100%) non-payroll expenditure transactions billed by the Agency for December 2007 and February 2008.

Results

Generally, Housing Authority'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 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

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

- Housing Authority's crime insurance policy did not require a 30 day cancellation notice or name the County of Los Angeles as an additional insured.
- Housing Authority did not obtain a fire inspection. This finding was also noted during the prior two years' monitoring reviews.
- Housing Authority's personnel policies and procedures manual did not include a policy on Child/Elder Abuse and Fraud Reporting.

Subsequent to our review, Housing Authority management indicated that a fire inspection was performed on March 18, 2008 and a copy was sent to CSS.

Recommendations

Housing Authority management:

- 1. Ensure that the insurance policies require a 30 day cancellation notice and name the County of Los Angeles as an additional insured as required by the County contract.**
- 2. Ensure that a fire inspection is performed regularly.**
- 3. Ensure that the Agency's policies and procedures manuals are in compliance with regulatory guidelines.**

FIXED ASSETS AND EQUIPMENT

Determine whether the Agency'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 Housing Authority did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

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

Verification

We traced the payroll expenditures invoiced for one employee totaling \$1,408 (100%) for February 2008 to the Agency's payroll records and time reports. We also interviewed one employee.

Results

Housing Authority appropriately charged payroll expenditures to the WIA program. In addition, Housing Authority maintained the employee's personnel file as required.

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 the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in December 2007 and February 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Housing Authority'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 2006-07 final close-out invoice reconciled to the Agency's financial accounting records.

Verification

We traced Housing Authority's FY 2006-07 general ledger to the Agency's final close-out invoice for FY 2006-07. In addition, we reviewed a sample of expenditures incurred during FY 2006-07.

Results

Housing Authority's FY 2006-07 general ledger reconciled to the Agency's FY 2006-07 final close-out invoice. However, Housing Authority billed CSS \$2,903 in unsupported expenditures. Specifically, Housing Authority did not maintain adequate documentation, such as cancelled checks, invoices and approval letter from a federal agency for the indirect cost rate, to support program expenditures totaling \$2,903.

Subsequent to our review, Housing Authority provided additional documentation to support \$682 of the \$2,903 in unsupported expenditures.

Recommendations**Housing Authority management:**

4. **Repay CSS \$2,221 or provide documentation to support the expenditures.**
5. **Maintain adequate documentation 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 2006-07 monitoring review were implemented. The report was issued on December 28, 2007.

Results

The prior year's monitoring report contained nine recommendations. Housing Authority implemented six recommendations. As previously indicated, the finding related to recommendation 2 contained in this report was also noted during the prior year's monitoring review. The remaining two recommendations required the Agency to maintain required documents in the employees' personnel files and implement the outstanding recommendations from our FY 2005-06 report. Housing Authority management stated they will implement the outstanding recommendations by December 31, 2008.

Recommendation

- 6. Housing Authority management implement the outstanding recommendations addressed in this report.



HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
AN EQUAL EMPLOYMENT OPPORTUNITY-AFFIRMATIVE ACTION EMPLOYER
2600 Wilshire Boulevard • Los Angeles, California 90037 • (213) 252-2500
www.hacla.org TTY (213) 252-5313

BOARD OF COMMISSIONERS
BEATRIZ O. STOTZER, Chairperson

PRESIDENT AND CEO
RUDOLF C. MONTIEL

September 8, 2008

Wendy L. Watanabe, Acting Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Suite#51
Alhambra, CA 91803

**SUBJECT: HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
CONTRACT REVIEW – A COMMUNITY AND SENIOR SERVICES
WORKFORCE INVESTMENT ACT PROGRAM PROVIDER**

Dear Ms. Watanabe:

The Housing Authority of the City of Los Angeles (HACLA) appreciates the opportunity to respond to the program, fiscal and administrative review results and recommendations included in the report dated September 2008.

Attached is HACLA's response to your recommendations. If you have any questions, please contact Alma Oraa, Budget Analyst at (213) 252-2671.

Sincerely,

Judith Tantamco
Judith Tantamco
Finance Officer

JT: GB: AO: ab
Enclosures

**WORKFORCE INVESTMENT ACT PROGRAM
HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
FISCAL YEAR 2007-2008 REVIEW RESULTS AND RESPONSE**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Results:

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

- Housing Authority's crime insurance policy did not require a 30-day cancellation notice or name the County of Los Angeles as the additionally insured.
- Housing Authority did not obtain a fire inspection. This finding was also noted during the prior two years' monitoring reviews.
- Housing Authority's personnel policies and procedures manual did not include a policy on Child/Elder Abuse and Fraud Reporting

Subsequent to our review, Housing Authority management indicated that a fire inspection was performed on March 18, 2008. However, Housing Authority did not provide a copy of the inspection report to support that the fire inspection was performed.

HACLA Response:

1. The required provision on the crime insurance policy has already been referred to HACLA's insurance agency for advice and action. HACLA is currently awaiting response.
2. HACLA will ensure that a fire inspection is performed regularly and will provide the fire inspection report to the Community and Senior Services as soon as it is obtained.
3. The inclusion of the Child/Elder Abuse and Fraud Reporting policy has already been referred to HACLA's responsible departments for action.

CLOSE OUT REVIEW

Results:

Housing Authority's FY 2006-07 general ledger reconciled to the Agency's FY 2006-07 final closeout invoice. However, Housing Authority billed CSS \$2,903 in unsupported expenditures. Specifically, Housing Authority did not maintain adequate documentation, such as cancelled checks, invoices and approval letter from a federal agency for the indirect cost rate, to support program expenditures totaling \$2,903.

Subsequent to our review, Housing Authority provided additional documentation to support \$682 of the \$2,903 in unsupported expenditures.

HACLA Response:

4. The remaining \$2,221 covers the indirect cost incurred for FY 2006-07, which was based on the lower of 3% of the grant, or the 2005 approved indirect cost rate of 43.70%. HACLA has already submitted its 2006, 2007 and 2008 indirect cost rate plan to its cognizant agency. HACLA will submit to Community and Senior Services the approved indirect cost rate as soon as it is received.

5. HACLA ensures that cancelled checks, invoices and other necessary documents support program expenditures.

PRIOR YEAR FOLLOW UP

Results:

The prior year's monitoring report contained nine recommendations. Housing Authority implemented six recommendations. As previously indicated, the finding related to recommendation 2 in this report was also noted during the prior year's monitoring review. The remaining two recommendations required the Agency to maintain required documents in the employees' personnel files and implement the outstanding recommendations from our FY 2005-2006 report. Housing Authority management stated that they would implement the outstanding recommendations within this year.

HACLA Response:

6. HACLA will ensure that it implements the outstanding recommendations addressed in this report.