



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

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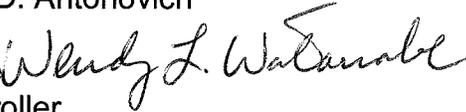
WENDY L. WATANABE  
ACTING AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS  
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December 22, 2008

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe   
Acting Auditor-Controller

SUBJECT: **DEPARTMENT OF COMMUNITY AND SENIOR SERVICES - FISCAL  
MONITORING OF WORKFORCE DEVELOPMENT PROGRAM  
SERVICE PROVIDERS FOR FISCAL YEAR 2006-2007**

The Department of Community and Senior Services (CSS) contracts with cities and community-based, non-profit organizations (service providers) to provide Workforce Development Program services. The contract services include job search training, job placement assistance and career counseling for low income or at-risk adults and youth.

CSS' Workforce Development Program contracts are fee-for-service agreements, under which providers are paid a set fee for each unit of service provided. The contracts also require that, if a provider's actual costs are less than the total amount paid to the provider, they must get approval from CSS to use the excess earnings to provide Program services, or return the excess earnings to CSS.

At the request of CSS, we contracted with a Certified Public Accountant, Moss, Levy & Hartzheim (MLH), to conduct fiscal monitoring of 11 service providers who had contracts with CSS during fiscal year (FY) 2006-07. CSS paid approximately \$1.7 million to the service providers during the year.

The fiscal monitoring was done in two phases. During Phase I, MLH made on-site visits to the providers and covered the contract period from July 1, 2006 through March 31, 2007. During Phase II, MLH followed up on the findings and recommendations from their Phase I reports.

### **Review Summary**

Attachment 1 summarizes MLH's Phase I findings. During Phase II, MLH noted that 26 of the 35 findings from Phase I had been corrected, including the findings related to the \$871 in questioned costs. If the remaining findings are not resolved, the service providers may need to adjust their revenues and/or expenses, which could result in excess earnings. As noted earlier, if providers have excess earnings, the funds must either be used to provide Workforce Development Program services or be returned to CSS. CSS indicated that they will work with each of the providers to determine if they have any excess earnings for FY 2006-07.

MLH also prepared a management letter (Attachment 2) which recommends that CSS complete their reviews of the draft monitoring reports more timely.

### **Review of Report**

Each report was discussed with CSS and the appropriate service provider. CSS has indicated that they will work with the service providers to resolve all of MLH's findings by December 31, 2008. Attachment 3 is CSS' response and action plan to address MLH's recommendations.

Because of the number of service providers, copies of individual reports are not attached, but are available for your review. Please call if you have any questions, or have your staff call Terri Kasman at (213) 253-0103 if you wish to review any of the reports.

WLW:MMO:JLS:TK

#### Attachments

c: William T Fujioka, Chief Executive Officer  
Cynthia D. Banks, Director, Department of Community and Senior Services  
Public Information Office  
Audit Committee

**Department of Community and Senior Services  
Fiscal Monitoring of Workforce Development Service Providers  
Fiscal Year 2006-07**

**Attachment 1**

	Service Provider	Number of Recommendations	Number of Recommendations Implemented	Dollar Findings/Fee-for-Service Contracts				
				A	B <sup>(2)</sup>	C <sup>(2)</sup>	D	Total
1	Bennett-Streb & Associates	3	2	(1)				(1)
2	David & Margaret	3	3			(1)		(1)
3	Door of Hope Community Center	4	3	(1)	(1)	(1)		(1)
4	GLASS	8	5	(1)		(1)		(1)
5	HELP Group	1	1					
6	Jewish Vocational Service	3	3		(1)	(1)		(1)
7	Jovenes, Inc.	8	6	(1)	\$503 (1)	(1)	X	\$503 (1)
8	Community Build	1	1			\$350		\$350
9	Penny Lane	1	0					
10	Pomona Valley Youth Employment Services	2	2			\$18		\$18
11	Special Services For Groups	1	0					
	<b>Total</b>	<b>35</b>	<b>26</b>		<b>\$503</b>	<b>\$368</b>		<b>\$871</b>

**Code Summary**

- A** No documentation to support the cost allocation method, or expenses were improperly allocated to the programs
- B** No documentation to support expenditures or units of service billed
- C** Program expenditures or revenues are inappropriately recorded on service provider's accounting records
- D** Service provider is showing signs of financial instability

- (1) Moss, Levy & Hartzheim (MLH) was not able to determine the dollar value of one or more findings in this category.
- (2) MLH noted during their phase II site visits the service providers corrected these findings.



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**MOSS, LEVY & HARTZHEIM LLP**

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CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS:**

RONALD A. LEVY, C.P.A.  
CRAIG A. HARTZHEIM, C.P.A.  
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July 7, 2008

Wendy L. Watanabe  
Acting Auditor-Controller  
500 West Temple Street, Room 410  
Los Angeles, CA 90012

Re: Work Order No. 7-26B, 2006-07 CSS Workforce Development Programs Fiscal Monitoring

In planning and performing the 2006-07 Department of Community and Senior Services (CSS) Workforce Development Programs Fiscal Monitoring, we noted one matter involving the Department of Community and Senior Services' internal control structure relating to reporting that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to a deficiency in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report grant expenditures.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the Workforce Development Program grant expenditures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any weaknesses involving the internal control that we consider to be a material weakness.

The scope of our engagement was limited to monitoring the CSS Workforce Development Programs and did not include considering and providing assurance on CSS' internal control structure. Such monitoring would not disclose all matters in CSS' internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the use of the County of Los Angeles and is not intended to be and should not be used by anyone other than the specified party.

The following finding which we feel needs to be reported is:

A. Finding – Lengthy delays in receiving corrections on draft reports from CSS:

We noted numerous instances where corrections on draft reports from CSS were not submitted to us timely. During review of the phase one site visits, CSS was averaging around one month between submission of the draft report and receiving corrections. During our follow-up site visits, CSS was still averaging around one month between submission of the draft report and receiving corrections, with one report taking almost two months.

Recommendation:

We recommend that CSS become more timely in their review of the draft reports, to provide more up-to-date reporting to the service providers.

*Moss, Levy & Hartzheim*

MOSS, LEVY & HARTZHEIM, LLP  
Beverly Hills, CA



CYNTHIA D. BANKS  
Director

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**COMMUNITY AND SENIOR SERVICES  
OF LOS ANGELES COUNTY**

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October 10, 2008

To: Wendy L. Watanabe  
Acting Auditor-Controller

From: *Cynthia D. Banks cos*  
Cynthia D. Banks  
Director

Subject: **FY 2006 -07 CSS' WORKFORCE DEVELOPMENT PROGRAM  
MANAGEMENT LETTER RESPONSE**

The following is Community and Senior Services (CSS) response to Moss, Levy, & Hartzheim, LLP, Certified Public Accountants letter dated July 7, 2008 re: Work Order No. 7-26B, 2006 – 07 CSS Workforce Development Programs Fiscal Monitoring, audit review and findings for Fiscal year 2006-07 Workforce Development Program contract service providers.

**Finding – Lengthy delays in receiving corrections on draft reports from CSS:**

We noted numerous instances where corrections on draft reports from CSS were not submitted to us timely. During review of the phase one site visits, CSS was averaging around one month between submissions of the draft report and receiving corrections. During our follow-up site visits, CSS was still averaging around one month between submission of the draft report and receiving corrections, with one report taking almost two months.

**Recommendation**

We recommend that CSS become more timely in their review of draft reports, to provide more up-to-date reporting to the service providers.

Wendy L. Watanabe  
October 10, 2008  
Page 2 of 2

**CSS Response**

CSS is aware of its delay in responses to the draft reports. We implemented internal measures and we will continue to work closely with the Auditor-Controller to correct this shortcoming.

Should you have questions, your staff may contact Jackie Lynn Sakane, Program Manager, Contracts Compliance Division, at (213) 739-7321.

CDB:OS:MQ:  
JLS:hms

Attachment

c: Moss, Levy & Hartzheim, LLP, CPA