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June 20, 2011

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **CHICANA SERVICE ACTION CENTER, INC. – A COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT ACT PROGRAM CONTRACT SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW – FISCAL YEAR 2009-10**

We completed a review of Chicana Service Action Center, Inc. (Chicana or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program contract service provider. Our review was intended to determine Chicana's compliance with its WIA service contracts with CSS.

The WIA Formula Adult and Dislocated Worker Programs assist individuals in obtaining employment, retaining their jobs and increasing their earnings. The WIA American Recovery and Reinvestment Act (ARRA) Adult and Dislocated Worker Programs and Governor's Economic Stimulus (Stimulus) Dislocated Worker Program supplement funding for the WIA Programs.

CSS paid Chicana on a cost-reimbursement basis for three contracts, totaling $956,581, ($570,344 for Formula, $376,878 for ARRA and $9,359 for Stimulus) for Fiscal Year (FY) 2009-10. Chicana serves participants residing in the First, Second and Fifth Supervisorial Districts.

Results of Review

Chicana generally maintained adequate internal controls over its business operations. However, Chicana billed CSS $25,627 in questioned costs, and did not always comply with WIA and County contract requirements. Specifically, Chicana:

- Did not develop Individual Employment Plans (IEPs) for seven (23%) of the 30 participants reviewed as required by WIA Directive WIAD10-01.

  After our review, Chicana developed the IEPs for the seven participants.

- Did not have documentation in the participants' case files to support the program activities reported on the Job Training Automation (JTA) System for nine (30%) of the 30 participants reviewed as required by WIA Directive LACOD-WIAD08-20.

  After our review, Chicana provided documentation. However, the documentation did not adequately support the participants' program activities reported on the JTA System.

- Billed CSS $19,398 in unsupported shared expenditures. For example, Chicana did not provide documentation to support the percentages used to allocate shared expenditures. Similar findings were also noted during our prior three years' monitoring reviews of the Agency.

  After our review, Chicana reallocated the shared expenditures and provided documentation to support the reallocated amounts, totaling $17,116. Chicana's attached response indicates that they will repay CSS the remaining $2,282 ($19,398 - $17,116) in questioned costs.

- Did not maintain adequate documentation, such as cancelled checks and invoices, to support expenditures totaling $5,075.

  After our review, Chicana provided additional documentation to support $1,025. The Agency's attached response indicates that they will repay the remaining $4,050 ($5,075 - $1,025) in questioned costs.

- Did not bill payroll expenditures based on actual hours worked for one (20%) of the five employees reviewed, resulting in $1,154 in questioned costs.

  After our review, Chicana credited CSS $404 on the subsequent months' invoices, and the Agency's attached response indicates that they will repay the remaining $750 ($1,154 - $404) in questioned costs.

- Did not include four items from the prior year's inventory listing on their FY 2009-10 inventory listing.

  After our review, Chicana provided a revised inventory listing that included the four items.

- Did not develop and implement all WIA ARRA policies and procedures as required.

  Chicana's attached response indicates that they will develop the required WIA ARRA policies and procedures.

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

Review of Report

We discussed our report with Chicana and CSS. In their attached response, Chicana generally agreed with our findings and recommendations. As indicated above, the Agency provided additional documentation to resolve $18,545 ($17,116 + $1,025 + $404) of the $25,627 in questioned costs, and agreed to repay the remaining $7,082 ($25,627 - $18,545). CSS management indicated that they will resolve any outstanding findings in accordance with their Resolution Procedures Directive.

We thank Chicana management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Sophia Esparza, Chief Executive Officer, Chicana Service Action Center, Inc.
Phyllis Navarrette, Chairperson, Chicana Service Action Center, Inc.
Public Information Office
Audit Committee

CHICANA SERVICE ACTION CENTER, INC.
WORKFORCE INVESTMENT ACT PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2009-10

ELIGIBILITY

Objective

Determine whether Chicana Service Action Center, Inc. (Chicana or Agency) provided services to individuals who met the eligibility requirements of the Workforce Investment Act (WIA) Formula, American Recovery and Reinvestment Act (ARRA) and Stimulus Programs.

Verification

We reviewed the case files for 30 (35%) (ten Formula Adults, ten ARRA Adults, five Formula Dislocated Workers and five ARRA Dislocated Workers) of the 85 participants who received services from July 2009 through May 2010 for documentation to verify their eligibility for WIA services. At the time of our review, Chicana did not have participants enrolled in the Stimulus Program.

Results

Chicana generally maintained documentation to support the eligibility of the 30 participants reviewed.

Recommendation

None.

BILLED SERVICES/PARTICIPANT VERIFICATION

Objective

Determine whether the Agency provided 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 of the 30 (35%) participants who received services from July 2009 through May 2010.

Results

Chicana did not develop Individual Employment Plans (IEPs) for seven (23%) of the 30 participants reviewed who received intensive services as required by WIA Directive WIAD10-01. The IEP is an on-going plan, jointly developed by the participants and their case managers, that identifies the participants' employment goals, achievement objectives and the services needed to achieve their employment goals. After our review, Chicana developed IEPs for the seven participants.

In addition, Chicana did not maintain adequate documentation in the participants' case files to support the activities reported on the Job Training Automation (JTA) System as required by WIA Directive LACOD-WIAD08-20 for nine (30%) of the 30 participants reviewed. Specifically, the Agency reported on the JTA System that the participants received non-WIA funded training services. However, the case files did not have adequate documentation of the reported activities.

Recommendations

Chicana management:

1. **Ensure staff develop the required Individual Employment Plans for all participants who receive intensive services.**

2. **Maintain adequate documentation in the participants' case files of program activities reported on the Job Training Automation System.**

CASH/REVENUE

Objective

Determine whether the Agency deposited cash receipts timely and properly recorded revenue in the Agency's records.

Verification

We interviewed Agency personnel and reviewed the Agency's financial records. We also reviewed the Agency's bank activity for February, March and April 2010.

Results

Chicana deposited cash timely and recorded revenue properly.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether Chicana's Cost Allocation Plan was prepared in compliance with the County contract and used to allocate shared expenditures appropriately.

Verification

We reviewed the Agency's Cost Allocation Plan, and a sample of expenditures incurred by the Agency in September 2009, February 2010 and March 2010, to ensure that the expenditures were allocated among the Agency's programs appropriately.

Results

Chicana's Cost Allocation Plan was generally prepared in compliance with the County contract. However, Chicana billed Community and Senior Services (CSS) $19,398 in questioned costs. Specifically, Chicana:

- Did not maintain adequate documentation, such as payroll registers and timecards, to support the allocation percentages used to allocate shared expenditures, such as facilities and equipment rentals. Questioned costs totaled $18,254. Similar findings were also noted during our prior three years' monitoring reviews of the Agency.

- Billed CSS $1,144 for maintenance expenditures that were not allocated to all programs that benefited from the costs.

After our review, Chicana reallocated the shared expenditures, and provided adequate documentation to support $17,116 of the $19,398 in questioned costs.

Recommendations

Chicana management:

3. **Repay CSS $2,282 ($19,398 - $17,116).**

4. **Maintain adequate documentation to support expenditures and allocation percentages.**

5. **Ensure that expenditures are appropriately allocated among all benefiting programs.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether expenditures charged to the Programs are allowable under the County contract, documented properly and billed accurately.

Verification

We interviewed Agency personnel, and reviewed financial records and documentation for 35 non-payroll expenditure transactions billed by the Agency for September 2009, February 2010 and March 2010, totaling $25,856.

Results

Chicana did not maintain adequate documentation, such as cancelled checks and invoices, to support audit and Individual Training Account expenditures, totaling $5,075. After our review, Chicana provided additional documentation to support $1,025 of the questioned cost.

Recommendation

6. **Chicana management repay CSS $4,050 ($5,075 - $1,025) or provide adequate documentation to support the expenditures.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency had adequate internal controls over its expenditures, payroll and personnel transactions. In addition, determine whether the Agency was in compliance with program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested expenditures, payroll and personnel transactions.

Results

Chicana generally maintained sufficient internal controls over its business operations, and complied with other program and administrative requirements. However, Chicana did not develop and implement WIA ARRA policies and procedures to provide priority of services to low income individuals, veterans and mature workers; coordinate special projects, priorities and initiatives with WIA ARRA Programs; and identify, evaluate and track needs-related payments as required.

Recommendation

7. **Chicana management develop and implement all required WIA ARRA policies and procedures.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Chicana's fixed assets and equipment purchases made with WIA funds are used for the WIA Programs and adequately safeguarded.

Verification

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of ten items purchased with WIA funds, totaling $18,847.

Results

Chicana used the equipment purchased with WIA funds for the WIA Programs. However, Chicana's Fiscal Year (FY) 2009-10 inventory listing did not include four items from the prior year's listing. After our review, Chicana provided a revised inventory listing that included the four items.

Recommendation

8. **Chicana management ensure that the Agency's fixed asset inventory listing contains all fixed assets.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the WIA Programs. In addition, determine whether the Agency verified employability, and maintained current driver's licenses and proof of automobile insurance for the employees assigned to the WIA Programs.

Verification

We traced the WIA payroll expenditures for five employees, totaling $10,370, for March 2010 to the Agency's payroll records and time reports. We also reviewed the personnel files for five employees assigned to the WIA Programs.

Results

Chicana's personnel files were generally maintained as required. However, the timecards for one (20%) of the five employees reviewed did not support the hours charged to the WIA Program, resulting in $1,154 in questioned costs. After our review, Chicana credited CSS $404 on subsequent months' invoices.

Recommendations

Chicana management:

9. **Repay CSS $750 ($1,154 - $404).**

10. **Ensure that payroll expenditures are billed based on actual hours worked.**

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's FY 2008-09 final close-out invoices for the WIA Formula Adult and Dislocated Worker Programs reconciled to the Agency's accounting records. Chicana did not have WIA ARRA or Stimulus contracts for FY 2008-09.

Verification

We traced Chicana's FY 2008-09 accounting records to the Agency's final close-out invoices for FY 2008-09.

Results

Chicana's FY 2008-09 accounting records reconciled to the Agency's final close-out invoices.

Recommendation

None.

SOPHIA ESPARZA
Chief Executive
Officer

April 29, 2011

Wendy L. Watanabe, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Re: AMENDED CORRECTIVE ACTION PLAN: CSAC RESPONSE TO FY 2009-10 WIA ARRA PROGRAM MONITORING REVIEW

CSAC is forwarding its response to the FY 2009-10 WIA ARRA Program Monitoring Review Report dated as April xx (sic), 2011. The report identifies six (6) recommendations that are outlined and CSAC's responses follows:

Recommendation 1:

1. Ensure Staff develop Individual Employment Plans for all participants who receive intensive services as required.
2. Maintain adequate documentation in the participants' case files to support the program activities reported on the Job Training Automation System.

CSAC Response:

1. *Agency will ensure that staff conducts IEP's for all participants- already in place and implemented.*
2. *Agency will ensure that adequate documentation is provided on all case files- already in process.*
3. *Agency complied with the completion of IEP's for all participants identified as requiring IEPs.*

Recommendation 2:

1. Repay CSS $ 2,282 ($19,398- 17,116)
2. Maintain adequate documentation to support program expenditures and allocation percentages.
3. Ensure that program expenditures are appropriately allocated among all benefiting programs.

CSAC Response:

1. *CSAC will forward payment on or before May 1, 2011 for repayment in the amount of $2,282.*
2. *Agency fiscal department will maintain all adequate documentation- already in process.*

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☐ EMPLOYMENT AND EDUCATION CENTER
7848 Pacific Blvd., Suite F-5
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☐ YOUTH OPPORTUNITIES SYSTEM (YOS) Administrative Office
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Fax (213) 430-0657

YOUTH OPPORTUNITIES SYSTEM
☐ Youth Fair Chance Project Site
1055 Wilshire Blvd. #800
Los Angeles, CA 90017
(213)
Fax (213)

☐ CalWORKs YOUTH
315 West 9th Street, Suite 101
Los Angeles,California 90015
(213) 629-5800
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1-800 843-9675

TTY: (213) 430-0660

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☐ TRANSITIONAL HOUSING
Ramona Gardens / Pueblo Del Rio
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☐ CSAC VOLUNTEER PROGRAM
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3. *Agency fiscal department will review and ensure that program expenditures are allocated appropriately- already in process.*

Recommendation 3:

1. Repay CSS $4,050 ($5,075-$1,025) or provide adequate documentation to support the expenditures.

CSAC Response:

1. *CSAC will forward check to CSS for repayment in the amount of $4,050 ($5,075 - $1,025)on or before May 1, 2011.*

Recommendation 4:

1. Chicana management develop and implement all required WIA ARRA policies and procedures.

CSAC Response:

1. *Agency, be assured, implemented WIA ARRA Policies as provided through directives. CSAC omitted to write the internal policies and is in process of completing the correlated written WIA ARRA policies and procedures- by May 20, 2011.*

Recommendation 5:

1. Chicana management ensure that the Agency's inventory listing is complete and contains all the required information.

CSAC Response:

1. *Agency's management does maintain a consolidated "all inventory listing". The issue was that articles to be discarded or returned were on the last page and became unstapled from the master. This is an existing process and practice is in place. It was clearly an oversight and CSAC will ensure that a full copy is always maintained.*

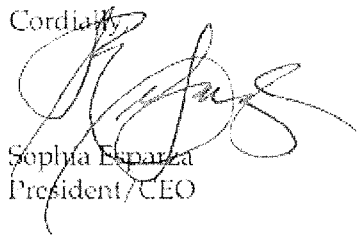
Recommendation 6:

1. Repay CSS $750 ($1,154- $404)
2. Ensure that payroll expenditures are billed based on actual hours worked.

CSAC Response:

1. *Check will be forwarded on or before May 1, 2011 for repayment in the amount of $750.*

Cordially,



Sophia Espanza
President/CEO