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MICHAEL D. ANTONOVICH
Fifth District

May 16, 2014

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

From: William T Fujioka
Chief Executive Officer

CHIEF EXECUTIVE OFFICE RECOMMENDATIONS TO EITHER ENTER INTO A NEW AGREEMENT OR EXTEND THE CURRENT CONTRACT WITH HUMAN SERVICES CONSORTIUM OF THE EAST SAN GABRIEL VALLEY, DBA LA WORKS (ITEM 15, AGENDA OF MARCH 25, 2014)

On March 25, 2014, the Board instructed the Auditor-Controller (A-C) to conduct a review of the Sheriff's Department's (Department) current contract with Human Services Consortium of the East San Gabriel Valley, dba LA Works. The Chief Executive Office (CEO) was further directed to submit recommendations to the Board, based on the A-C's findings, to either enter into a new agreement with LA Works or authorize the Sheriff to extend the current agreement to allow the Department sufficient time to negotiate a successor agreement with the next qualified bidder.

Sheriff's Department's Contracting Process

On November 5, 2013, the Department released an Invitation for Bids for vendors to provide career-technical education and/or life skills courses. On January 7, 2014, the solicitation was closed. After a review of the bids received, LA Works was determined to be the lowest priced and most responsible bidder for both the career-technical education and life skills courses.

Sheriff's Department's Audit

On May 8, 2014, the A-C issued its report on the Department's contract with LA Works and made the following findings (Attachment I):

- LA Works overbilled the Department $86,155 for vacation, sick, and holiday leave costs that staff earned prior to the Department's contract;
- LA Works inappropriately allocated 100 percent of the payroll costs to the Department for two staff that also worked on non-Department related programs;
- LA Works did not ensure Site Administrators and the Project Manager completed classroom visits as required by the Quality Control Plan; and
- LA Works did not ensure the statistics reported on their Monthly Status Reports (MSR) were accurate.

In response, LA Works has credited the Department for any inappropriately billed costs; reallocated appropriately the payroll costs for the two staff that also work on non-Department related programs; will ensure classroom visits are completed and documented; and that the MSRs are accurate.

Department of Community and Senior Services Audit

The A-C also conducted a review of the Department of Community and Senior Services' (CSS) Workforce Investment Act (WIA) On-the-Job Training (OJT) pilot project wherein LA Works is a WIA contractor. The A-C issued its report and findings on April 1, 2014, as well as a follow-up memo dated May 8, 2014 (Attachment II and III). The A-C determined that LA Works billed CSS for OJT services provided to individuals who were not eligible for such services. As a result, LA Works billed CSS a total of $858,336 in unallowable OJT costs between July 2009 and September 2013. LA Works is in agreement with the A-C's findings.

Impact to Sheriff's Department's Current Services

If a new agreement with LA Works is not approved by the Board, the Department indicates the following programs will be impacted until a new contract is established or solicitation is conducted.

All inmate vocational programs will cease to operate, impacting a total of 2,000 inmates, of which 1,200 are enrolled in vocational programs and 800 are enrolled in Life Skills classes. Inmates enrolled in these programs either receive Conservation Credits (1.5 days for each day served) or Milestone Credits (six weeks credit). The temporary closure of the vocational programs will result in the following inmate population fluctuations:

- Increase in the Average Daily Inmate Population (ADIP). Based on a daily population of 19,000 inmates, an increase of approximately 130 to 150 inmates per month is anticipated; and

- Increase in the Average Length of Stay (ALOS) per inmate. Inmates currently enrolled in these programs will see an increase in their ALOS of approximately 15 to 30 days.

The Department further anticipates the following impact to jail operations in the event of the programs' closure:

- Increase use of the Percentage Release Program (which is equivalent to a decrease in the amount of time served by the inmates) for County sentenced inmates in order to accommodate the rise in the ADIP;
- Re-opening of closed dormitories in order to accommodate the rise in the inmate population and increasing the operational cost to staff the jails;
- Decrease in the amount of beds available for mental health inmates due to the rise in the ADIP;
- Increase in inmate tension throughout the jail system. Historical data indicates that inmates enrolled in educational and vocational programs, such as those identified above, display less violence toward each other and staff;
- Potential increase in liability due to incidents of inmate-on-inmate or inmate-on-staff violence;
- Closure of the Department's Print Shop, which provides services not only to the Department, but other County departments; and
- Impact to Pitches Detention Center's ranch operations, such as landscaping, painting, farming, etc.

Chief Executive Office Recommendations

Based on the A-C's findings, with respect to the Department and given the potential impact to Departmental services and jail operations, the Board should extend the contract with LA Works for 90 days in order to allow services to continue uninterrupted while the Department negotiates a contract with the second responsible bidder.

If you have any questions or need additional information, please have your staff contact Georgia Mattera, Public Safety, at (213) 893-2374.

WTF:GAM:SW:cc/llm

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Sheriff
Auditor-Controller

SHF.B100436.LA Works.bm.051614

ATTACHMENT I

COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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JOHN NAIMO
ACTING AUDITOR-CONTROLLER

May 8, 2014

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

FROM: John Naimo
Acting Auditor-Controller

SUBJECT: **SHERIFF'S DEPARTMENT – HUMAN SERVICES CONSORTIUM OF THE EAST SAN GABRIEL VALLEY, DBA LA WORKS – VOCATIONAL AND LIFE SKILLS SERVICES CONTRACT REVIEW (Board Agenda Item 15, March 25, 2014)**

On March 25, 2014, your Board instructed the Auditor-Controller (A-C) to conduct a review of the Sheriff's Department's (Sheriff's or Department) current contract with Human Services Consortium of the East San Gabriel Valley, dba LA Works (LA Works or Agency) and report back to your Board of Supervisors in writing, in 60 days.

Background and Scope

Since 2011, the Sheriff's has contracted with LA Works to provide vocational and life skills classes for inmates incarcerated in the Los Angeles County jails. LA Works also provided General Education Development (GED) test preparation and testing services for the inmates until June 2013. At that time, the Sheriff's amended the LA Works contract to remove the GED test preparation and testing services when other educational institutions (e.g., charter schools) began to provide these services to the inmates at no cost.

The vocational and life skills classes are offered to increase the likelihood of employment after an inmate's release, and to reduce recidivism and violence in the County jails. Vocational programs include training courses in commercial painting, landscaping, bicycle repair, and other vocations. Life skills programs include instructional courses on parenting, personal relations, and substance abuse.

The Sheriff's compensates LA Works on a cost-reimbursement basis plus a 15% management fee. During calendar year 2013, the Sheriff's paid LA Works approximately $6.7 million.

The purpose of our review was to determine whether LA Works provided services in compliance with their County contract. Our review included interviewing LA Works and Sheriff's staff and management, and reviewing the Agency's Monthly Status Report and classroom attendance records. We also reviewed LA Works' payroll and personnel records, billing invoices, and the Agency's Quality Control Plan (QCP).

In May 2014, the Department of Community and Senior Services (CSS) and the A-C completed a review of the Workforce Investment Act On-The-Job Training Services LA Works provided to CSS. Today, the A-C and CSS are issuing a separate joint-signature report to your Board summarizing the results of the review.

Results of Review

LA Works provided the vocational and life skills classes in accordance with their County contract. In addition, LA Works instructors were credentialed in the subjects they were assigned to teach. However, the Agency did not always comply with all of the County contract requirements. Specifically, LA Works:

- Overbilled the Sheriff's $86,155 for vacation, sick, and holiday leave payroll costs that LA Works' staff earned prior to the Sheriff's contract.

  LA Works' attached response indicates that they have credited the $86,155 to the Sheriff's in their March 2014 invoice and will ensure they accurately bill for staff leave costs. The Sheriff's confirmed receipt of the billing credit.

- Inappropriately allocated 100% of the payroll costs, totaling $470,587, to the Sheriff's for two staff that also worked on non-Sheriff's programs (from July 2011 to February 2014). LA Works needs to reallocate the payroll costs for the two staff between the Sheriff's and non-Sheriff's programs, and repay the Sheriff's for the amount overbilled.

  LA Works' response indicates that they reallocated the costs, determined that they overbilled by $47,469, and credited this amount to the Sheriff's in their March 2014 invoice. Sheriff's management confirmed that the amount was credited by LA Works and appropriately calculated.

- Did not ensure Site Administrators and the Project Manager completed classroom visits as required by the QCP.

LA Works' response indicates that they will ensure the classroom visits are completed and documented in accordance with their QCP.

- Did not ensure that the statistics reported in their Monthly Status Reports (MSR) are accurate.

LA Works' response indicates that they will ensure their MSRs are accurate.

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

Review of Report

We discussed our report with LA Works and Sheriff's management on May 1, 2014. In their attached response, the Agency indicates that they agree with our findings and recommendations.

We thank LA Works 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.

JN:AB:DC:AA:js

Attachment

c: William T Fujioka, Chief Executive Officer
John L. Scott, Sheriff
Salvador Velasquez, Chief Executive Officer, LA Works
Public Information Office
Audit Committee

SHERIFF'S DEPARTMENT
HUMAN SERVICES CONSORTIUM OF THE EAST SAN GABRIEL VALLEY, DBA LA WORKS
VOCATIONAL AND LIFE SKILLS CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2013-14

Background

Since 2011, the County contracted with Human Services Consortium of the East San Gabriel Valley, dba LA Works (LA Works or Agency) to provide vocational and life skills classes for inmates incarcerated in the Los Angeles County jails. LA Works also provided General Education Development (GED) test preparation and testing services to the inmates until June 2013. At that time, the Sheriff's Department (Sheriff's or Department) amended the LA Works contract to remove the GED test preparation and testing services when other educational institutions (e.g., charter schools) began to provide these services to the inmates at no cost.

Vocational and Life Skills classes are offered to increase the likelihood of employment after an inmate's release, and to reduce recidivism and violence in the County jails. Vocational programs include training courses in commercial painting, landscaping, bicycle repair, and other vocations. Life skills programs include instructional courses on parenting, personal relations, and substance abuse.

The Sheriff's compensates LA Works on a cost-reimbursement basis plus a 15% management fee. During calendar year 2013, the Sheriff's paid LA Works approximately $6.7 million.

The contract requires LA Works to develop, offer, facilitate, and provide vocational and life skills programs. At the time of our review, LA Works provided 18 vocational programs and three life skills programs using 34 instructors.

Scope

The purpose of our review was to determine whether LA Works provided services in compliance with their County contract. Our review included interviewing LA Works and Sheriff's staff and management, and reviewing a selected sample of the Agency's Monthly Status Reports (MSR) and classroom attendance records. We also reviewed LA Works' payroll and personnel records, billing invoices, and the Agency's Quality Control Plan (QCP).

Program Services

The contract requires LA Works instructors to charge the Sheriff's for the actual hours provided in delivering the services. The Agency's course descriptions specify that instructors will provide six hours of instruction each day, and use the remaining two hours for class preparation. LA Works is also required to provide the Sheriff's with an

MSR indicating the classes that were taught during the month and the number of attendees.

We reviewed the timecards for ten (24%) of 42 employees during February 2014 and verified that LA Works billed the Sheriff for the actual hours worked. We also reviewed the attendance records and enrollment documents for 13 (25%) of 53 classes that LA Works reported providing during February 2014, and noted that the classes were conducted as required by the contract. The instructors provided the required hours of work, and LA Works submitted the MSRs as required. However, for four (31%) of 13 classes we reviewed, we noted minor differences in the statistics LA Works reported in their February 2014 MSR compared with the student attendance and enrollment information documented in the attendance and enrollment records. The chart below compares the reported activity with the documented activity.

Class	New Enrollments		Dropped Students		Active Students at Month End	
	Reported	Documented	Reported	Documented	Reported	Documented
Fashion Design	5	4	5	4	13	13
Commercial Painting PM	1	0	3	0	19	21
Life Skills Period 3	12	11	5	4	27	27
Computer Applications 1	8	8	5	4	11	13

Recommendation

1. **Human Services Consortium of the East San Gabriel Valley, dba LA Works management ensure Monthly Status Reports are accurate and that reported activity is supported with documentation.**

Staff Qualifications

LA Works' instructors are required to possess a teaching credential in the subject matter they are assigned to teach. We reviewed the personnel files and California Comission on Teaching Credentialing website for seven (21%) of 34 instructors and confirmed that all seven instructors were credentialed for the subjects they were assigned to teach.

Recommendation

None.

Program Expenditures

The Sheriff's compensates LA Works for employee payroll costs on a cost-reimbursement basis. Payroll costs include the salaries and benefits for the course instructors and support staff (e.g., the Site Administrators and Project Manager).

LA Works can bill the Sheriff's for 100% of the instructors' and support staff's payroll costs if they work on the Sheriff's contract full-time, including the cost of accrued vacation, sick leave, and holiday leave earned by the staff during the contract term. LA Works can also bill for the cost of unused leave earned by the staff during the contract term.

In reviewing the payroll costs that LA Works billed the Sheriff's, we noted that LA Works overbilled the Sheriff's $86,155 for vacation and sick leave payroll costs, including $77,205 in unused leave and $8,950 in paid leave, that LA Works' staff earned prior to the Sheriff's contract.

We also noted that LA Works inappropriately allocated 100% of the payroll costs, totaling $470,587, to the Sheriff's for two staff that also worked on non-Sheriff's programs (from July 2011 to February 2014). LA Works needs to reallocate the payroll costs for the two staff between Sheriff's and non-Sheriff's programs, and repay the Sheriff's for the amount overbilled.

Recommendations

Human Services Consortium of the East San Gabriel Valley, dba LA Works management:

2. **Repay the Sheriff's $86,155 and ensure leave costs billed to the Sheriff's do not exceed the amount that staff earned during the contract term.**

3. **Reallocate $470,587 in payroll costs between Sheriff's and non-Sheriff's programs, provide the Sheriff's with supporting documentation, and repay the Sheriff's the amount overbilled.**

4. **Ensure all payroll costs billed to the Sheriff's are properly allocated.**

Quality Control Plan

The Sheriff's contract requires LA Works to establish and maintain a comprehensive QCP. The QCP must indicate how the Agency will monitor to ensure they consistently provide a high level of service during the contract term.

We verified that LA Works developed a QCP, and that it includes procedures for monitoring their contract requirements. For example, the QCP requires LA Works' Chief Fiscal Officer (CFO) to monitor the budget and expenditures monthly. Instructors are required to complete monthly Quality Improvement Reports that are reviewed by LA Works' Site Administrators and other executive management to address any issues or concerns raised by the instructors. In addition, Site Administrators are required to complete monthly classroom visits for all instructors and the Project Manager is required to complete monthly random visits of the classrooms.

We reviewed the LA Works' QCP activity for Febrary 2014 and noted that the Agency did not always comply with their QCP requirements. Specifically, the Site Administrators did not conduct classroom visits for 15 (44%) of 34 instructors we reviewed. In addition, LA Works could not provide documentation that their Project Manager completed monthly random visits of the classrooms.

Recommendation

5. **Human Services Consortium of the East San Gabriel Valley, dba LA Works management ensure that the Site Administrators and the Project Manager complete and document their assigned responsibilities in accordance with the Agency's Quality Control Plan.**

LA WORKS

May 6, 2014

John Naimo, Acting Auditor-Controller
County of Los Angeles
Department of Auditor Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

RE: **SHERIFF DEPARTMENT – HUMAN SERVICES CONSORTIUM OF THE EAST SAN GABRIEL VALLEY, DBA LA WORKS – VOCATIONAL AND LIFE SKILLS SERVICES CONTRACT REVIEW (Board Agenda Item 15, March 25, 2014)**

The following information is provided in response to the report dated May 1, 2014 from the County of Los Angeles Department of Auditor-Controller (A-C) to the Board of Supervisors addressing the review of the LA Works contract with the Los Angeles County Sheriff's Department. The review focused on the Vocational and Life Skills program LA Works provides to inmates within the Los Angeles County Correctional Facilities.

RESPONSES TO ISSUES RAISED IN THE AUDITOR-CONTROLLER REVIEW

Following are LA Works responses to each issue raised in the A-C Report.

Overbilling the Sheriff for $86,155 for vacation, sick, and holiday leave payroll costs that LA Works' staff earned prior to the Sheriff Contract: LA Works has built-in a credit to the March invoice to include expenses associated to leave costs that exceed the amount staff earned during the contract term. The total amount of $86,155 will be paid back in full. LA Works agrees that the amount stated was billed incorrectly. Although our contract is classified as a cost reimbursement contract we also have a built-in management fee. The amount that was billed incorrectly should have been an expense associated to the management fee rather than a direct contract cost. LA Works has taken measures to ensure proper allocation of staff leave time for the remainder of the contract term. LA Works has implemented procedures for HR to address any staff leave time that may have been earned prior to the initiation of the LASD Contract and deem that time non-reimbursable by LASD. The future LASD Contract that LA Works was awarded to begin in March 2014 is under the fixed unit price structure as opposed to cost reimbursement. Under the fixed unit price structure, all costs associated to the Career Technical Education (CTE) Program are fixed therefore leave time will not be reimbursable and will not be billed at any time during that contract term.

Inappropriately allocated 100% of the payroll costs, totaling $470,587, to the Sheriff for two staff that also worked on non-Sheriff programs: LA Works is working closely with LASD to ensure that all payroll costs associated to non-Sheriff programs will be reimbursed. LA Works has already built-in a credit to the March 2014 invoice to include expenses associated to these personnel costs.

LA WORKS

Salvador H. Velasquez
Chief Executive Officer

While the total costs of the two employees addressed in the A-C report reflect the amount of $470,587, the cost associated to non-Sheriff programs is ***significantly less*** as most of their time was spent working strictly with the LASD program. LA Works evaluated the cost of employee time and time associated to non-Sheriff programs and determined that $47,469 make up the non-Sheriff cost. LA Works included the amount, $47,469, as a credit on the March 2014 invoice. To prevent incorrect allocation of time, LA Works has implemented accounting procedures that allow employees to code time amongst all LA Works programs on the employee time card. Once these hours are submitted for payroll processing the accounting department can properly bill for hours worked on the LASD Contract. The future LASD Contract that LA Works was awarded to begin in March 2014 is under the fixed unit price structure as opposed to cost reimbursement. Under the fixed unit price structure, all costs associated to the CTE Program are fixed therefore salary expenses will not be reimbursable and will not be billed at any time during that contract term. The methodology and reasoning behind the reallocation of time for the Program Manager is further explained below.

Response to request for details of the CTE Program Manager's submitted time allocation: With the implementation of the LASD Career Technical Education (CTE) contract, LA Works transferred our Workforce Investment Act (WIA) Manager to the CTE Program Manager position. LA Works promoted an experienced supervisor to fill the WIA Manager vacancy. The promoted Workforce Investment Act (WIA) Manager is fully knowledgeable of WIA operations, including ancillary WIA programs such as VEAP/ETP. Therefore, the amount of training required during the transition was minimal. This allowed the CTE Program Manager to focus on significant tasks of planning and implementing the new CTE Program within all the LASD jail facilities. The CTE Program Manager was responsible for the design, planning, implementation, and ongoing responsibilities of the LASD CTE Program including: writing of all operational policies; development of the new hire orientation; conducting new hire orientations for over 60 instructors; development of classrooms and instruction assignments and schedules; establishing necessary classroom resources; Site Administrator (Principals) hiring and training; numerous initial planning meetings with LASD administration; reporting for Title 15; on-going program meetings with LASD administration; staff and contractor meetings to resolve issues; overall supervision of the CTE Instructors and Site Administrators; monitor contract requirements; disciplinary action; program expansion; instructor performance, to name just some of the CTE tasks performed on a regular basis. The CTE Program Manager provided some technical support to the WIA Manager, and continues to provide minimal support on program operations. The WIA Manager has direct daily supervision of WIA program staff and program operations within the Worksource Center. The assistance provided by the CTE Program Manager generally consists of review of operational reports, responses to operational questions, and technical assistance as it pertains to program compliance and performance benchmarks. The CTE Program Manager reviewed his calendar and emails to reconstruct his time allocation of non-CTE operations. Based on the analysis of his time allocation, a report was submitted to an LASD Program Director, and he was comfortable with the time allocation analysis

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LA WORKS

Salvador R. Velasquez
Chief Executive Officer

indicated on the submitted report. The LASD Program Director has knowledge of the CTE Program Manager's daily involvement with the CTE program operations.

Did not ensure Site Administrators and the [Program] Manager completed classroom visits as required by the [Quality Control Plan]: LA Works agrees with the A-C recommendation and management will ensure that the Site Administrators and the Program Manager complete and document their classroom visitations in accordance with the Quality Control Plan.

Did not ensure that the statistics reported in their Monthly Status Reports are accurate: LA Works agrees with A-C recommendation and management will ensure that our Monthly Statistical Reports are accurate.

CONCLUSION

Based on the information provided above and the Auditor-Controller Report, LA Works agrees with the Auditor-Controller that the Vocational and Life Skills classes were provided in accordance with our County Contract. The issues that were named in the A-C report have been addressed and LA Works is working closely with LASD to ensure that everything is corrected prior to the end of our contract term.

We appreciate the courtesy and professionalism of the Auditor-Controller and LASD and would gladly accept an opportunity to provide further information to address any issues in the A-C Report. If there are any questions regarding the information provided herein, please do not hesitate to contact me directly at (626) 960-3964 x2223 or salvador.velasquez@laworks.org.

Sincerely,

Salvador R. Velasquez
Chief Executive Officer
LA Works

c: Kathy Ford
Jorge Hernandez
Richard Jewik

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COUNTY OF LOS ANGELES
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JOHN NAIMO
ACTING AUDITOR-CONTROLLER

April 1, 2014

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

FROM: John Naimo
Acting Auditor-Controller

SUBJECT: **ON-THE-JOB TRAINING PILOT PROJECT**

In collaboration with the Department of Community and Senior Services (CSS), the Auditor-Controller developed a pilot project to extract and analyze On-the-Job Training (OJT) information reported in the Job Training Automation (JTA) System. The State of California Employment Development Department and the United States Department of Labor use the JTA System to track Workforce Investment Act (WIA) participant activities. The purpose of the pilot project was to determine if certain WIA contractors billed CSS for a disproportionate amount of WIA OJT. We selected the OJT for our review because, based on discussions with CSS management, OJT was determined to be a high-risk area.

Background and Scope

Human Services Consortium of the East San Gabriel Valley, dba LA Works (LA Works or Agency) was selected for our review because the Agency had a disproportionate number of participants receiving OJT from two employers. Our review included interviewing LA Works participants and employees, and one of the two OJT employers. We also reviewed a sample of participant case files maintained by LA Works and personnel files maintained by one OJT employer. Our sample included participants who received OJT through LA Works from July 2009 through September 2013.

Results of Review

LA Works billed CSS for OJT services provided to individuals that did not qualify for program services. For example, LA Works:

- Inappropriately enrolled and provided OJT services to individuals that were already employed at two hospitals. Specifically, 17 (85%) of the 20 OJT participants interviewed indicated that they did not meet with LA Works' representatives prior to their actual employment at the two hospitals. In addition, the participants were earning $32 per hour, which is well over the self-sufficiency wage of $11.84 per hour.

- Did not appropriately establish and maintain completed OJT agreements in 12 (75%) of the 16 participant case files reviewed. All 12 agreements were missing various exhibits and/or the dates the participants signed the exhibits. This calls into question the authenticity of the documentation LA Works uses to support billings to CSS and activities reported in the JTA System.

Since July 2009, LA Works billed CSS $871,920 for OJT provided to 173 participants at the two hospitals. Due to the severity of our audit findings, we question the validity of the entire amount of OJT billed by LA Works for these hospitals.

Overall, the pilot project identified significant issues with LA Works that were not disclosed in prior reviews. The extraction of data from the JTA System allowed us to quickly identify unusual activity and conduct the appropriate test work. We also plan to continue to work with CSS to expand the use of data extraction during our ongoing reviews of WIA contractors. Details of the results of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with LA Works and CSS on January 6, 2014. LA Works' attached response indicates that they disagree with our findings and recommendations.

CSS concurs with the results of our review and, after the issuance of our report, will notify LA Works that they are no longer authorized to use OJT as a training vehicle for their clients. In addition, CSS indicated that they will conduct a review of all the LA Works OJT billings involving the two hospitals to determine the total amount that LA Works needs to repay CSS.

Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:yp

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Salvador R. Velasquez, Chief Executive Officer, Human Services Consortium of the East San Gabriel Valley, dba LA Works
Public Information Office
Audit Committee

Human Services Consortium of the East San Gabriel Valley, dba LA Works
On-the-Job Training Pilot Project

Background

Working with the Department of Community and Senior Services (CSS), we developed a pilot project to extract and analyze On-the-Job Training (OJT) information reported in the Job Training Automation (JTA) System. The State of California Employment Development Department and the United States Department of Labor use the JTA System to track Workforce Investment Act (WIA) participant activities. The WIA program offers a comprehensive range of workforce development activities to promote an increase in employment, job retention, earnings, and to improve participant occupational skills. WIA providers are required to offer the following tiered services to assist participants:

- **Core (A and B) Services** include labor market information, initial assessment of skill levels, and job search and placement assistance.

- **Intensive Services** are available to eligible unemployed individuals who have completed at least one core service, but have not been able to find employment, or employed individuals needing additional services to keep employment that will lead to self-sufficiency.

- **Training Services** are available to eligible individuals who have met the requirements for intensive services and have not been able to obtain or keep employment. OJT is included in training services.

The WIA Eligibility Technical Assistance Guide (TAG) is a consolidation of federal, State, and County requirements for the administration of the WIA Program. Each WIA provider is given a copy of the TAG to ensure they properly administer the WIA Program. **In accordance with the TAG, CSS requires participants to receive at least one Core Service and one Intensive Service before moving on to a training service, such as OJT.** Additionally, the TAG specifies that employed participants can only be considered for Intensive and/or Training Services if their current earnings are below the self-sufficiency rate of $11.84 per hour.

WIA providers establish agreements with employers willing to participate in OJT. These agreements require the employer to pay participant salaries and designate the percentage (up to 50%) of participant salaries that will be reimbursed during the training period. CSS management requested that we review the OJT Program because they believed it to be a high-risk area and they wanted assurance that the OJT was being administered in accordance with the TAG.

We selected Human Services Consortium of the East San Gabriel Valley, dba LA Works (LA Works or Agency) for our review because the Agency had a disproportionate number of participants receiving OJT from two employers. Our review included

interviewing LA Works' participants and employees, and an OJT employer. We also reviewed a sample of participant case files maintained by LA Works and personnel files maintained by one OJT employer. Our sample included participants who received OJT through LA Works from July 2009 through September 2013.

Billing for Ineligible OJT Participants

LA Works billed CSS for OJT for individuals that were not eligible for program services. For example, LA Works inappropriately enrolled nurses employed at two hospitals and earning $32 per hour into the OJT Program. As stated earlier, employed individuals are only eligible for Intensive Services and OJT if their earnings are below $11.84 per hour.

According to 17 (85%) of the 20 OJT participants we interviewed, they obtained job offers from the two hospitals without any assistance from LA Works. Additionally, they did not meet with LA Works' representatives prior to their job orientation at the two hospitals. After accepting offers from the two hospitals, the nurses stated they received a packet of documents from LA Works by mail. They received a follow-up call from an LA Works representative only to confirm that they received their packet of documents in the mail. The nurses were required to provide signed and completed packets to LA Works representatives at their job orientation. The remaining three nurses did not recall when they first met with LA Works' representatives, or if they received the packet of documents from LA Works prior to their orientation.

We reviewed nine (45%) of the 20 participant case files and noted that LA Works did not complete the assessments for Core B and/or Intensive Services for any of the nine participant case files reviewed. As previously stated, CSS requires both Core and Intensive Services to be provided before participants can be enrolled in OJT.

According to the OJT agreement between LA Works and the two hospitals, LA Works agreed to reimburse the hospitals for 25% of the nurses' salary costs. Since July 2009, LA Works enrolled 173 nurses employed by the two hospitals into the OJT Program. Each nurse was paid an hourly salary of $32, and worked an average of 630 hours during the OJT period. Therefore, since July 2009, we estimate LA Works inappropriately billed CSS $871,920 for OJT (173 nurses x $32 per hour x 630 hours x 25% = $871,920).

Recommendation

1. **Human Services Consortium of the East San Gabriel Valley, dba LA Works management repay Community and Senior Services $871,920.**

LA WORKS' RESPONSE:

LA Works' response asserts that their OJT Program meets WIA requirements and that all OJT participants concurrently began employment and OJT. LA Works also confirms that they did not require Core B Assessments because

requiring additional assessments would contradict employer requirements. LA Works also states that we have not provided them with specific WIA guidelines used to support our findings.

A-C'S RESPONSE:

As stated previously, the purpose of the WIA Program is to assist individuals in finding employment that will allow them to become self-sufficient. Page 32 of the TAG states, "Training services may be made available to employed and unemployed adults and dislocated workers who have met the eligibility requirements for Intensive Services, have received at least one Intensive Service under Section 663.240, and have been determined to be unable to obtain or retain employment through such services..." Based on our interviews, 17 (85%) of the 20 participants indicated that they found employment without any assistance from LA Works. Therefore, the participants were not eligible for OJT.

Additionally, according to page 17 of the TAG, "A participant is required to receive at least one Core Service and one Intensive Service before moving on to a training service. The receipt of a Core Service and eligibility or need for Intensive Services should be documented in the case notes of a participant's case file. The receipt of Intensive Services and eligibility for training services should be documented within a participant's Individual Employment Plan (IEP)." Based upon our interviews, none of the 20 participants received Core or Intensive Services prior to being enrolled in OJT. Our review of nine case files confirmed no documentation in any of the case folders to support that Core and Intensive Services were provided to the participants. LA Works' attached response also confirms that Core B Assessments were not completed for any of the participants. This is a second reason for the participants being ineligible for OJT.

Finally, even if LA Works had assisted the participants in finding employment and had provided them with Core and Intensive Services, the participants would have still been ineligible for OJT because they were employees of the two hospitals at the time they provided completed enrollment packets to the LA Works representative (e.g., they were not unemployed at the time they were enrolled in OJT, as LA Works has asserted).

OJT Agreements

OJT agreements between LA Works and OJT employers require the employers to pay wages to the participants, which are then partially reimbursed by LA Works. LA Works bills CSS for the portion of wages it reimburses to the employers. In addition, the OJT agreements require the employers to retain the participants as permanent employees and not as temporary or seasonal employees.

In addition to the interviews we conducted, and participant case files reviewed at the two hospitals mentioned earlier, we interviewed and reviewed case files for additional participants enrolled in OJT for three additional employers. Based on our interviews and review of case files, LA Works is not effectively monitoring its OJT employers and LA Works staff is not providing effective case management. For example, we noted the following:

- Three (75%) of the four OJT participants at one employer stated that they were required to volunteer (without pay) for one month prior to starting their OJT. The case files maintained by LA Works for the three participants did not include comments regarding the volunteer request.

- Two OJT participants at two employers stated that they were fired shortly after the completion of their OJT. They were told by the employers that they were being let go because the positions were only "seasonal," and "government funding had been exhausted." LA Works is required to follow-up with the participants on a quarterly basis for one year after the participants exit the WIA Programs. The case files maintained by LA Works for the two participants did not note the participants had been terminated.

Recommendations

Human Services Consortium of the East San Gabriel Valley, dba LA Works management:

2. **Improve its oversight to ensure employers that provide On-the-Job training services adhere to the On-the-Job training agreement and terminate the partnerships with employers that do not comply with the agreement requirements.**

3. **Ensure staff provides appropriate case management.**

LA WORKS' RESPONSE:

LA Works' response indicates that the participants did not disclose to their staff that they were required to volunteer prior to being employed. LA Works indicates that they require OJT participants be hired as regular employees.

Case File Documentation

We reviewed a total of 16 case files maintained by LA Works for participants who were enrolled in OJT with five different employers. We noted the case files reviewed did not support the program services billed to CSS and reported in the JTA System. We also noted additional discrepancies that raised concerns about the authenticity of the documentation LA Works maintains to support OJT billings to CSS and activity reported in the JTA System. For example, we noted:

- LA Works did not appropriately establish and/or maintain complete OJT agreements for 12 (75%) of the 16 case files reviewed. All 12 agreements were incomplete, missing exhibits and/or dates. In addition, four (33%) of the 12 OJT agreements were signed by the participant prior to their enrollment into the WIA Program. For three (25%) of the 12 OJT agreements, the participants signed the agreements after the OJT start dates, which is unallowable per the OJT agreement between LA Works and the employer.

- LA Works did not accurately report participant information and/or program activities into the JTA System for 13 (81%) of the 16 participant case files we reviewed. For example, 13 (81%) of the 16 participant case files contained employer information that was different from information entered in the JTA System by LA Works. In addition, for seven (44%) of the 16 participant case files we reviewed, the participants' applications identified that they were employed within the six months of enrolling in the WIA Program. However, LA Works reported in the JTA System that the participants earned no income for the six months prior to their enrollment in the WIA Program.

- LA Works did not maintain adequate documentation, such as receipts signed by the participants, to support the supportive services provided to two (13%) of the 16 participant case files reviewed. Questioned costs totaled $995.

Prior reviews of LA Works did not disclose significant quality issues with their reporting of information in the JTA System. However, unlike our prior reviews, we waited until our onsite visit to provide LA Works with the list of cases we wanted to review.

Recommendation

4. **Human Services Consortium of the East San Gabriel Valley, dba LA Works management maintain sufficient documentation to support billed services and repay Community and Senior Services for services not sufficiently documented.**

LA WORKS' RESPONSE:

LA Works' response indicates that they have corrected or will correct the issues related to missing exhibits and/or the dates the exhibits were signed by the participants.

Outside the Service Areas

During our review, we noted that both the participants and the OJT employers resided outside the Los Angeles County Workforce Investment Board (LACWIB) service areas. The County contract does not prohibit contractors from providing WIA services to participants or employers who reside outside the LACWIB service areas. However,

CSS management should consider requiring contractors to provide WIA services to only those participants and employers who reside within the LACWIB service areas.

Recommendation

5. **Community and Senior Services management consider requiring contractors to provide Workforce Investment Act services to only those participants and employers who reside within the Los Angeles County Workforce Investment Board service areas.**

LA WORKS' RESPONSE:

LA Works' response indicates that restricting WIA providers to service areas will limit the opportunities they can offer to their clients.

A-C'S RESPONSE:

CSS has contracts with approximately 20 WIA contractors who provide WIA services to residents and employers. Our recommendation is intended to assist CSS management in ensuring that each WIA contractor's local area residents are not overlooked by assisting residents who may be better served by another WIA contractor. We wanted to bring the issue to the attention of CSS management because the two hospitals mentioned in our report are between 20 and 40 miles from LA Works' offices. If those employers needed assistance in recruiting nurses, it may have been better for them to contact a WIA contractor in closer proximity to their hospitals.

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EUREKA Award for Performance Excellence

January 21, 2014

Margaret Quinn
Assistant Director
County of Los Angeles
Community and Senior Services (CSS)
3175 West Sixth Street
Los Angeles, CA 90020

RE: County Auditor-Controller Review of LA Works Workforce Investment Act (WIA) On-the-Job Training (OJT) Program

Dear Margaret:

The following information is provided in response to the memorandum/report dated November 26, 2013 from the County of Los Angeles Department of Auditor-Controller (A-C) to the Director of CSS concerning an "On-the-Job Training Data Mining Pilot Project," which focused exclusively on LA Works' OJT program. The majority of this review concerned individuals participating in a RN Residency OJT at [redacted] Medical Center and [redacted] Medical Center.

BACKGROUND

Based on the information contained in the A-C's report, it appears that, in addition to several specific issues (which are addressed below), there is an underlying concern about the content and scope of the of RN Residency OJT program. Following is background information on the program model.

The Nurse Residency Model: The medical profession in the U.S. long ago institutionalized the requirement for doctors to complete an internship before being fully licensed to work unsupervised. For more than a decade, an increasing number of hospitals and health system providers have adopted internship and "residency" programs for new nurse graduates. The rationale is clear. The quality of patient care is, in part, directly attributable to the experience of the individual providing it.

One of the first successful residency programs for new nurse graduates was developed by [redacted] in the late 1990s. In fact, the program was so successful in increasing nurse competency and decreasing attrition (among new nurses exhausted by job demands they were not trained to meet), other hospitals soon began to inquire about adopting the model. In response to these requests, [redacted] began to offer the residency through a web portal design under a separate business entity, which they named [redacted] Today, dozens of hospitals and healthcare systems have adopted the [redacted] RN Residency.

Implementing the Nurse Residency Training under WIA: In 2005, EDD announced a WIA grant opportunity under the Governor's Nurse Workforce Initiative (NWI). [redacted] approached

LA Works about submitting a proposal to fund implementation of the RN Residency at children's hospitals in [redacted] Orange County and San Diego. The proposal was funded and was so successful that in 2009 another NWI project was funded. This one served several hospitals within Los Angeles County including [redacted] and [redacted] Both projects were operated as customized training programs based on the requirement for large cash and in-kind contributions by participating employers. EDD, the participating hospitals, [redacted] and collaborating WIBs and one-stops all considered the two NWI projects unqualified successes, as they provided a "bridge program" for new nurse graduates to transition from school to work, while continuing their practical education for the length of the program.

In a 2006 publication titled WIA Implementation in California: Findings and Recommendations: Final Report - UC Davis Evaluation of California's Workforce Development System, the authors make the following statement under the heading "Exemplary Programs:"

We encountered many exemplary programs of various shapes, sizes, and purposes in our local area investigations. Without question, however, the single most successful statewide training effort we encountered is the Nurse Workforce Initiative. Preceded by the California Caregivers Training Initiative and followed by Gov. Schwarzenegger's release of $13 million in WIA discretionary and Wagner Peyser funds in March, 2005, this focused funding has created active collaborative networks that cemented relationships between local workforce investment areas and adult education, community colleges, and hospitals in nearly every one of our case study areas. Having witnessed what this type of well-conceived sectoral initiative can achieve when it is backed by state investments and implemented with local flexibility, local stakeholders express the hope that this approach can be duplicated in other vital sectors – in the electronic and biotechnology industries, for example. This is where California's well-established One-Stop system with its local connections most clearly justifies the public investment that has been made.

Adoption of OJT as the Vehicle for Nurse Residency Service Delivery: Following the conclusion on LA Works' second NWI grant in 2009, two hospitals ([redacted] and [redacted]) expressed a strong interest in continuing the program, as it was only with this assistance that they could afford to bring the required number of new nurses on board and have them spend several weeks during which they were being trained while they were not working independently.

Under non-NWI WIA funding, a protocol was developed for continuation of the RN Residency. Key elements include:

- OJT is the most effective vehicle for delivering RN Residency training as it is a "hire first – then train" model.
- Training begins on the first day of paid employment and lasts approximately 18 weeks.
- Participants must be WIA eligible.

- Eligible candidates are new nurse graduates who lack practical experience as RNs in hospital/acute patient care settings.
- Suitability for the RN residency is presumed when the following apply to candidates: 1) graduate of Associates or Bachelors Nursing Program; and 2) passed the State Registry Exam. Given these circumstances, candidates do not need to be assessed for career interests.
- Recruitment of candidates occurs through joint efforts of LA Works and the participating hospitals. When LA Works identifies a new nurse graduate, s/he is informed about the RN Residency OJT program. When the hospital identifies a candidate it wishes to hire, the candidate is informed about WIA.
- Hospital-identified candidates are not required to come to LA Works. They are served remotely by phone and via print information. Services include orientation to WIA/OJT, the certification of eligibility, development of an IEP, and enrollment into WIA. Case management contacts occur throughout training and during the 12-month follow-up period.

Exhibit 1 is a case study flow chart illustrating the WIA RN Residency OJT process for an actual participant.

RESPONSES TO ISSUES RAISED IN THE AUDITOR-CONTROLLER REVIEW

Following are LA Works' response to each issue raised in the A-C report.

Billing for Ineligible OJT Participants: The issues raised by the A-C as the basis for participant ineligibility are inaccurate as described below:

"LA Works inappropriately enrolled already employed individuals:" As illustrated in Exhibit 1, all participants were: 1) identified as eligible employees and made job offers; 2) determined WIA eligible; 3) concurrently began employment and on-the-job training. No participant was employed prior to the start of training. They were merely made offers of employment.

First Meeting LA Works Representatives: As described in the "Background" narrative, all participants were determined eligible prior to the start of training. Based on the structure of the RN Residency OJT program, contact was made via phone and mail. In- person contact is not a requirement of the program. L.A. County has announced its intention to implement a "virtual one-stop" in PY 14-15. This model will rely on connections via the Internet, rather than in person. EDD's CalJOBS system, higher education distance learning programs and a wide variety of other employment, education and human services programs are delivered via the web, telephone or mail.

Core B Assessments: The need for the RN Residency OJT program is established by business requirements. Assessment consists of a review of threshold accomplishments (i.e. completion of nursing training and passing the State Registry exam). To require additional assessment would be to contradict employer requirements.

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OJT Agreements: The matters addressed in this section of the report are not accurately represented by the A-C's statements.

Volunteers at [redacted] None of the participants enrolled in OJT at [redacted] disclosed to LA Works staff that s/he was required to "volunteer" prior to being employed. All participants were reverse referrals from [redacted] The company should have disclosed this fact, but did not. As we were unaware of this situation, it could not be addressed by LA Works. We simply enrolled them as new hires under an OJT agreement.

Termination of Employees after OJT Completion: The A-C report inaccurately states that LA Works' OJT agreement "requires the employers to retain participants as permanent employees." We require that OJT participants be hired as regular employees and that they be treated in matters of employment in the same fashion as other employees performing similar functions. While it is our desire and expectation that businesses will retain OJT participants after the completion of training, we cannot mandate this outcome. Businesses participating in OJT are independently enterprises and may terminate any employee in accordance with its circumstances. LA Works does not enter into OJT agreements with businesses that exhibit a pattern of not retaining OJT participants after completion of training.

Case File Documentation: Each of the "discrepancies" noted by the A-C are addressed below.

Files Missing OJT Agreement Exhibits: The following exhibits were reported as missing in some participant files. Below is a description of each exhibit and our response to the A-C's notes:

Exhibit I includes employer information and was mistakenly placed in the employer file rather than in the participant file. Exhibit I has been added to the participant files.

Exhibit II does not contain a "date" line for participants; only for LA Works staff and employer signatures. Please see next section (OJT Agreements Signed Prior To Enrollment in the WIA Program) for an explanation of LA Works/employer dates on this Exhibit. From this point forward, LA Works will insert a "date" line next to participant signature line for clarity.

Exhibit III is used for the monthly training evaluations to ensure the participant is progressing satisfactorily and is signed and completed at the completion of the OJT. The date of the A-C visit was prior to the identified participants completing training; therefore, the exhibits were not in the file.

Exhibit IV is a cover sheet for the job description. The job description was in each file identified; however, the cover sheet was missing and was on oversight on the part of LA Works' staff. Any files missing Exhibit IV have been corrected.

The following files were also addressed in the A-C's letter:
Silvia Munoz: "Missing OJT agreement with the participant."
Ricardo Morales: "Exhibit II Missing."

In our reviews of each of these files, we found that the exhibits/agreements were in the file. The A-C made copies of each of the files and should have copies of these forms.

OJT Agreements Signed Prior To Enrollment in the WIA Program: The four files identified contained Exhibit II, which was signed and dated by the employer and LA Works staff prior to the start of the OJT. The participant signs the OJT Agreement as an acknowledgement that the OJT outline was reviewed with them. As stated above, from this point forward LA Works will insert a "date" line next to participant signature line.

Participants Signed the OJT after the Start Date: The OJT agreement for these three individuals was signed by the employer on 7/25/11. The OJT began on 08/01/11. The OJT agreement is completed prior to the start of the OJT so that the employer has a full understanding of OJT parameters in advance.

Discrepancy in Participant Information/Activities Reported in JTA: Customers were enrolled as "not employed" with no prior employment information reported in JTA because the participants were unemployed at time of enrollment. According to the JTA Handbook, if the individual is enrolled as an Adult and is unemployed at time of enrollment, then no prior employment information is required to be added to JTA. All participant activities were reported accurately in the JTA system; if any were not reported accurately these were not specified in the A-C's letter.

Reporting No Income for Six Months Prior to Enrollment: According to the County's Eligibility TAG, since these OJT participants are enrolled as "Adults," low-income status is not required; and therefore, no income information prior to enrollment is necessary.

Inadequate Documentation of Support Services: We believe these files contained adequate documentation for supportive services. We are attaching the supportive services documentation for the files in question, including receipts. The supportive services request forms are signed by both participants, identifying the need of and justification for the supportive services provided. The A-C did not specify what specific documentation was missing from these files.

Outside the Service Area: The A-C's comments and recommendation on this matter are perplexing. Since the inception of WIA, which emphasizes customer choice, local workforce areas have regularly served residents from other areas. L.A. City programs serve Pacific Gateway WIB residents; Foothill WIB programs serve Verdugo WIB residents; South Bay WIB programs serve L.A. County LWIA residents; and on and on. With regard to businesses, what possible advantage could exist to limit services to those businesses that are located in the LWIA? For example, if a Pasadena-based business were looking to hire 30 new staff and we had 15 participants who were strong candidates, should we forego referring them and direct the company to contact the Foothill WIB? Recently, CSS staff requested that its contractor community serve [redacted] which is located in Long Beach outside the County service area. Furthermore, the entire state workforce system is moving to a regional model, where LWIAs/WIBs will be required to work together in meeting sector strategies.

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CONCLUSION

Based on the information presented above, along with the examples that follow, LA Works asserts that our OJT program meets WIA requirements and serves only participants and businesses eligible under the statute. Furthermore, we stand behind the quality and appropriateness of our record keeping, internal monitoring and case management. Therefore, it is our position that there should be no question as to the appropriateness of the costs billed to the County for those participating in LA Works' OJT programs.

In reviewing and evaluating our responses to issues raised by the A-C regarding our OJT program, we request that CSS representatives consider the following facts:

OJTs Meet WIA Requirements: The report provided by the A-C to CSS makes numerous statements about what LA Works did and did not do with regard the cases selected. However, the report does not cite specific sections of the WIA statute, applicable federal regulations, or portions of State or County Directives that were the basis for its determination of non-compliance. In responding to issues raised by the A-C, we attempted to address concerns in the context of WIA rules. However, it was not clear in all cases which rules the A-C believes we did not follow.

U.S. DOL, California and Other States/Local Areas Continue to Fund Similar Projects: In addition to meeting WIA OJT requirements, LA Works RN Residency OJT program is similar to several other programs nationwide in terms of content, focus and structure. Examples of similar projects recently or currently funded by DOL, State and local agencies include the following:

SELACO WIB U.S. DOL H-1B Technical Training Grants: In February 2012, the SELACO WIB was awarded an H-1B grant for more than $2 million by U.S. DOL. The program is administered under WIA regulations by DOL's Employment and Training Administration (ETA). The project provides structured internship training via OJT to new nurse graduates. SELACO WIB describes the program as follows:

The H1B New Graduate Nurse Internship On-the-Job Training (OJT) Program provides training for new Registered Nurses (RNs) whose lack of practical experience creates barriers to both securing and retaining employment. This program is for post-credential training (after completion of an Associate's or Bachelor's degree in Nursing and achieving State licensure) providing hands-on experience that is critical to new nurses' ability to compete for jobs under current, complex economic conditions. New graduate nurses are having great difficulty finding jobs as RNs as they compete with experienced nurses who are working more because of the economy. Under the project, the sole employer and OJT trainer is Kaiser Permanente. The project is based on the size of Kaiser's operations and nurse workforce. In Southern California alone, the organization employs well in excess of 13,000 RNs and has committed to hiring and training 200 new nurse graduates over the four year grant period.

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This is a clear example of U.S. DOL's endorsement and funding of the model used by LA Works to provide OJT Residency training to new nurse graduates that are hired at [redacted] and [redacted]. Please refer to the following links for details.

http://www.dol.gov/opa/media/press/eta/ETA20120365.htm; and
http://www.selacowib.com/wp-content/uploads/2012/03/PolicyBoardAgenda-December2013.pdf

California Workforce Investment Board (CWIB) Solicitation for Proposals (SFP) to Fill Critical Health Care Worker Skills Gaps: In October 2013, CWIB released an SFP under NEG funding for innovative healthcare training programs. The SFP gave priority to projects that "fill critical healthcare skills gaps" using OJT and other interventions. In partnership with the Orange County WIB, the SELACO WIB submitted a winning proposal that builds on its RN Nurse Internship model, by providing OJT to graduates of training programs for entry-level and middle skilled healthcare occupations (e.g. Medical Assistants, LVNs and Pharmacy Technicians).

The CWIB clearly supports using OJT as a bridge activity from classroom training to work. OJT is centered on those practical skills not learned in school. Additional information about this current California initiative can be obtained through the website below and by contacting Moreen Lane, Health Care Sector Manager for the California WIB (Moreen.Lane@cwib.ca.gov)

http://www.cwib.ca.gov/2013_HWDC_Funding_Opportunities.htm

Kern, Inyo and Mono (KIM) Counties LWIA Local Strategic Plan Program Years 2013-17: Within its State-approved WIA plan, the KIM LWIA indicates the following in relation to its focus on the healthcare sector:

Examples of career ladder programs KIM WIB funds include classroom training for Certified Nursing Assistant (CNA), Licensed Vocational Nurse (LVN), Emergency Medical Technician (EMT), Pharmacy Technician, and Registered Nurse (RN), as well as ***on-the-job training contracts for RN residency in acute care settings.***

This is precisely the same training being offered by LA Works. Please refer to page 12 of the plan at the following link:

http://www.ctronline.com/wib/wia-five-year-plan.pdf

South Dakota Department of Labor and Regulation: Included as a success story within its Program Year 2011 annual report, South Dakota state workforce agency highlight services provide to "Terry," who is enrolled in an OJT as an RN (charge nurse) after passing the State Board of Nursing Licensing exam. Terry had completed nursing school and just been licensed.

So why enroll Terry into OJT? It functions as a bridge activity to employment and imparts hands-on skills not learned in school – much like the LA Works RN Residency OJT program. Please refer to page 9 of the annual report at the following link:

http://dlr.sd.gov/workforce_training/publications/wia_annual_report_py2011.pdf

South Carolina – Waccamaw Regional Council of Governments (COG): In a March 2013 e-newsletter, KRA, which manages the local workforce system for the COG, included several job seekers, including the following participant, in its spotlight of placements in healthcare occupations.

Renae Heavner entered the program with a goal of becoming a Registered Nurse (RN). She successfully completed training, passed her RN State Board Exam, and was hired as an RN in Waccamaw Hospital's Rehabilitation Unit on an OJT contract. Follow-up reports indicate that she's doing exceptionally well in training, with the OJT preceptor noting, "She's a great asset to Waccamaw Hospital as evidenced by being competent in assessment, wound care, and routine-of-floor, and [she] interacts well with patients and has mastered the discharge process". Heavner herself reported that, "She's really enjoying her assignment at the hospital...and...would like to thank staff at KRA for assisting her with successfully achieving her employment goal, which has allowed her to obtain her RN licensure."

This is another example of using OJT as a bridge to employment for new nurse graduates. A copy of the newsletter is available at the following link:

http://www.kra.com/company-news/kra-monthly-spotlight-23/

OJTs for the RN Nurse Residency Meet State and Local Priorities: Both the current State Workforce Plan and the L.A. County LWIA's 2013-2017 Local Area Plan prioritize healthcare as a target sector. Both plans also call for an increase in the use to "earn and learn" models such as on-the-job training to address workers skills gaps to meet business demands, which is the focus the RN Residency OJT.

We appreciate the opportunity to provide this information to address issues in the recent A-C review. If there are any questions regarding the information provided herein or CSS should require additional information, please do not hesitate to contact me directly at (626) 960-3964 ext. 2223 or salvador.velasquez@laworks.org.

Sincerely,

Salvador R. Velasquez
Chief Executive Officer

c: Kathy Ford
Jorge Hernandez
Benjamin Brus

Exhibit 1

Example – Timeline of OJT Development

Spring 2013: [ ] obtains a Bachelor's Degree in Nursing and passes State Board.

Early July 2013: LA Works and [ ] begin communicating about an OJT cohort beginning in August. LA Works and [ ] conduct outreach/recruitment to identify suitable candidates for the RN position. LA Works refers suitable applicants to [ ]

July 15, 2013: Ms. [ ] applies for a RN position with [ ] and is interviewed. [ ] provides information on the OJT Program and LA Works.

Late July 2013: OJT training outline begins to be developed.

August 2, 2013: [ ] receives a job offer from [ ] and is informed that her information will be sent to LA Works to determine eligibility for the OJT Program.

August 6, 2013: LA Works and [ ] enter into the OJT Agreement and training outline is finalized.

August 9, 2013: [ ] resigns from her part-time position as an office clerk ($10/hr).

August 10, 2013: [ ] receives an over-the-phone orientation of WIA services from LA Works. WIA application packet is mailed to [ ]

August 14, 2013: LA Works receives and reviews [ ] application materials to determine eligibility and contacts customer to ensure understanding of the program. We address any concerns or issues from [ ]

August 16, 2013: It is determined that [ ] is WIA eligible and would benefit from the OJT. Customer is enrolled in the WIA Program.

August 19-December 21, 2013: LA Works provides case management services and monitors progression of the OJT program. Employer is reimbursed in January 2014 after final documentation of hours worked has been provided.

ATTACHMENT III

COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

JOHN NAIMO
ACTING AUDITOR-CONTROLLER

May 8, 2014

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

FROM: John Naimo
Acting Auditor-Controller

Cynthia D. Banks, Director
Community and Senior Services

SUBJECT: **ON-THE-JOB TRAINING PILOT PROJECT FOLLOW-UP**

On April 1, 2014, the Auditor-Controller (A-C) issued a report on the results of their Workforce Investment Act (WIA) On-The-Job Training (OJT) Pilot Project. Based on a sample of OJT billings, the A-C noted that the Human Services Consortium of the East San Gabriel Valley, dba LA Works (LA Works) billed the Department of Community and Senior Services (CSS) for OJT services provided to individuals who were not eligible for the services. Specifically, based on participant interviews and a review of a sample of 20 OJT cases, the report estimated that 173 nurses employed by two hospitals had not met with an LA Works representative until after they were hired by their respective hospitals. As a result, the report estimated that LA Works had billed CSS and paid the two hospitals approximately $871,000 in unallowable OJT costs between July 2009 and September 2013.

To validate the total amount of unallowable costs that LA Works billed to CSS, staff from both our departments attempted to contact the remaining 153 participants. We were able to conduct interviews with 39 (25%) of the remaining 153 OJT participants. Thirty-three (85%) of the 39 OJT participants confirmed that LA Works did not assist them in obtaining their employment with the two hospitals. The remaining six participants were uncertain when they were contacted by LA Works representatives. In addition, we were unable to interview the remaining 114 participants because they did not return our calls or their telephone numbers had been disconnected. We also confirmed with

representatives from both hospitals that their standard practice was to notify an LA Works representative of newly hired nurses, so the nurses could be registered for the OJT Program.

CSS confirmed that LA Works did not bill for OJT involving the two hospitals prior to the A-C's initial review period (July 2009). However, subsequent to the A-C's audit period, CSS determined that LA Works registered and billed 14 additional nurses in the OJT Program at the two hospitals.

Since information included in our April 1, 2014 report was based on an estimate, A-C staff reviewed LA Works' documentation and confirmed the total amount of OJT overbillings was $858,336 for all 187 (173 + 14) OJT participants at the two hospitals.

We discussed the results of the OJT audit with LA Works representatives. LA Works' attached response indicates agreement with our findings. Please call us if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:yp

Attachment

c: William T Fujioka, Chief Executive Officer
Salvador R. Velasquez, Chief Executive Officer, Human Services Consortium of the East San Gabriel Valley, dba LA Works
Public Information Office
Audit Committee

Attachment

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EUREKA Award for Performance Excellence

Salvador R. Velasquez
Chief Executive Officer

May 8, 2014

John Naimo, Acting Auditor-Controller
County of Los Angeles
Department of Auditor Controller
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

RE: RESPONSE TO ON-THE-JOB TRAINING PILOT PROJECT DRAFT REPORT

LA Works is in agreement with the amount of $858,336 as unallowable OJT costs overbilled to the LA County Community and Senior Services from July 2009 through September 2013.

Per our discussion, LA Works is requesting a payment plan to repay the amount over a period of 36 months, beginning July 2014.

If you have any questions regarding this request, contact me directly at (626) 960-3964 x2223 or via email at salvador.velasquez@laworks.org.

Sincerely,

Salvador R. Velasquez
Chief Executive Officer

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