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May 9, 2012

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **LOS ANGELES COMMUNITY COLLEGE DISTRICT – LOS ANGELES
MISSION COLLEGE CONTRACT REVIEW – A COMMUNITY AND
SENIOR SERVICES' WORKFORCE INVESTMENT ACT PROGRAM
CONTRACT SERVICE PROVIDER – CONTRACT COMPLIANCE
REVIEW – FISCAL YEARS 2009-10 AND 2010-11**

We completed a review of Los Angeles Community College District – Los Angeles Mission College (LACCD or Agency), a Community and Senior Services' (CSS) Workforce Investment Act (WIA) Program contract service provider. Our review covered a sample of transactions from Fiscal Years (FY) 2009-10 and 2010-11. The purpose of our review was to determine whether LACCD provided WIA services in compliance with the Program requirements and their County contract.

The WIA 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) Dislocated Worker Program supplements funding for the WIA Programs. CSS paid LACCD \$309,007 on a cost-reimbursement basis for FY 2010-11. LACCD serves participants residing in the Third Supervisorial District.

Results of Review

LACCD provided the required services to eligible participants. However, LACCD billed CSS \$17,970 in questioned costs, and did not always comply with WIA and County contract requirements. Specifically, LACCD did not:

- Appropriately allocate shared facility expenditures, totaling \$12,340, and payroll expenditures, totaling \$5,374. We noted a similar finding in our prior year monitoring report.

LACCD's attached response indicates that they will reallocate the shared expenditures totaling \$17,714 (\$12,340 + \$5,374), and CSS management will ensure that any excess amounts billed are repaid in accordance with their Resolution Procedures Directive.

- Maintain adequate documentation to support \$2,225 in participant tuition expenditures and \$256 on the Agency's final close-out invoice.

After our review, LACCD provided documentation to support \$2,225 in participant tuition expenditures, and indicated that they will repay CSS the \$256.

- Prepare a Cost Allocation Plan in compliance with the County contract.

After our review, LACCD provided a copy of the revised Cost Allocation Plan that they had submitted to CSS.

- Conduct a required background and security investigation for one new employee assigned to all WIA Programs.

LACCD's attached response indicates that they will provide the results of their background and security investigation for the employee to CSS.

Review of Report

We discussed our report with LACCD and CSS. In their attached response, LACCD agreed with our findings and recommendations. CSS management indicated that they will resolve any outstanding findings in accordance with their Resolution Procedures Directive.

Board of Supervisors
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We thank LACCD 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:rb

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Karen A. Hoefel, Vice President, Administrative Services, LACCD
Public Information Office
Audit Committee

**LOS ANGELES COMMUNITY COLLEGE DISTRICT
WORKFORCE INVESTMENT ACT PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2009-10 AND 2010-11**

ELIGIBILITY

Objective

Determine whether Los Angeles Community College District (LACCD or Agency) provided services to eligible individuals for the Workforce Investment Act (WIA) Formula and American Recovery and Reinvestment Act (ARRA) Adult and Dislocated Worker Programs.

Verification

We reviewed the case files for 17 (18%) of the 95 participants who received services from July 2010 through April 2011 for documentation to confirm their eligibility for WIA services.

Results

LACCD had appropriate documentation to support the eligibility of the 17 participants reviewed.

Recommendation

None.

BILLED SERVICES

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the case files of 17 (18%) of the 95 participants who received services from July 2010 through April 2011.

Results

LACCD provided the services in accordance with the County contract and WIA guidelines.

Recommendation

None.

CASH/REVENUE

Objective

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

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank activity for February and March 2011.

Results

LACCD deposited cash receipts timely, and recorded revenues properly.

Recommendation

None.

COST ALLOCATION PLAN

Objective

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

Verification

We reviewed LACCD's Cost Allocation Plan, and a sample of expenditures incurred by the Agency from July 2010 to June 2011, to ensure that the expenditures were allocated among the Agency's programs appropriately.

Results

LACCD's Cost Allocation Plan was not prepared in compliance with the County contract. Specifically, the Agency's Cost Allocation Plan did not describe the allocation methodology for each cost category, as required. After our review, LACCD provided a copy of the revised Cost Allocation Plan that was submitted to CSS.

In addition, LACCD charged 100% of the Program Director's office rent, totaling \$7,404, to the WIA Adult and Dislocated Worker Programs even though the Program Director supervised other programs. We noted a similar finding in our prior year monitoring report.

Recommendations

LACCD management:

1. **Reallocate the \$7,404 Fiscal Year (FY) 2010-11 shared program expenditures among all benefitted programs, and repay CSS for any excess amounts billed to each WIA Program.**
2. **Ensure that share program expenditures are allocated appropriately among all benefiting programs.**

EXPENDITURES

The testwork in this section is intended to determine whether direct costs charged to the WIA Program are allowable under the County contract, documented properly, and billed accurately.

We did not perform test work in this section because LACCD did not have any direct WIA Program-related costs.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency had adequate internal controls over its business operations. In addition, determine whether the Agency complied with other WIA and administrative requirements.

Verification

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

Results

LACCD maintained sufficient internal controls over its business operations, and complied with WIA and administrative requirements.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

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

Verification

We traced the payroll expenditures invoiced for seven employees, totaling \$21,014, for February 2011 to the Agency's payroll records and time reports. We also reviewed the personnel file for the one new employee assigned to the WIA Program.

Results

LACCD allocated 100% of the Program Director's salary to the WIA Adult and Dislocated Worker Programs, \$1,612 and \$3,762, respectively, in February 2011. However, the Program Director also supervised the other programs. In addition, these cost allocations were based on historical rates rather than actual hours worked by program.

In addition, LACCD did not conduct a background and security investigation for the one new employee assigned to the WIA Program as required by County contract Section 27.1.

Recommendations

LACCD management:

- 3. Reallocate the Program Director salary for FY 2010-11 to reflect actual hours worked by program.**
- 4. Ensure that all payroll expenditures are charged based on actual hours worked.**
- 5. Conduct background and security investigations for all new staff assigned to the WIA Program.**

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's FY 2009-10 final close-out invoices for the WIA Formula Adult and Dislocated Worker Programs and the Governor's Stimulus Program reconciled to the Agency's accounting records.

Verification

We traced LACCD's final close out invoices for FY 2009-10 to the Agency's accounting records for FY 2009-10. We also reviewed a sample of expenditures incurred in April, May, and June 2010, totaling \$15,881.

Results

LACCD's FY 2009-10 WIA Adult Program's final close-out invoice exceeded the Agency's accounting records. Specifically, the Agency billed \$51,086, while the Agency's General Ledger totaled \$50,829, resulting in \$256 in unsupported costs. In addition, LACCD did not always comply with WIA and County contract requirements to maintain adequate documentation to support the WIA Program expenditures, resulting in \$4,936 questioned costs. Specifically, LACCD:

- Charged 100% of the Program Director's office rent, totaling \$4,936, to the WIA Adult and Dislocated Worker Programs, even though the Program Director supervised another programs. A similar finding was also noted in the prior year's monitoring report.
- Charged the Dislocated Worker Program \$2,225 for a participant's tuition payment without documentation to support that the client completed the course. After our review, LACCD provided a certificate of completion and licensing for the participant.

Recommendations

LACCD management:

- 6. Repay CSS \$256 or provide documentation to support the expenditure.**
- 7. Reallocate the \$4,936 shared program expenditures for FY 2009-10 among all benefitted programs, and repay CSS for any excess amounts billed to each WIA Programs.**
- 8. Ensure that final close-out invoices reconcile with the accounting records.**
- 9. Maintain adequate documentation to support program expenditures.**



December 19, 2011

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

Dear Ms. Watanabe:

This is in response to your final monitoring report, which we received on November 17, 2011 in regards to the monitoring visit that your agency conducted on April 2011.

The following is our response to the final report and the findings:

COST ALLOCATION PLAN

Objective

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

Recommendations

LACCD Management:

1. **Reallocate the \$7,404 Fiscal Year (FY) 2010-11 shared program expenditures among all benefitted programs and repay CSS for any excess amounts billed to each WIA Programs.**
2. **Ensure that shared program expenditures are allocated appropriately among all benefiting programs.**

Response

LACCD will reallocate the Program Director's office space rent expenditure among all benefitted programs. In addition, LACCD will follow the appropriate steps to comply with contract guidelines in future projects.

PAYROLL AND PERSONNEL

Objective

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

Recommendations

LACCD management:

Refer to Recommendation 2.

- 3. Reallocate \$5,374 (\$1,612 + \$3,762).**
- 4. Ensure that all payroll expenditures are charged based on actual hours worked.**
- 5. Conduct background and security investigations, which includes fingerprinting for all staff that have access to confidential and classified information of a participant.**

Response

LACCD allocated the Program Director's salary based on time spent in each program. Adjustments are made on a monthly basis and at the end of the fiscal year. However, ARRA Dislocated Worker program was not charged for salary due to the small funding amount. Since we serve mostly people with multiple barriers, we chose to allocate the available funding to provide services to our customers rather than sharing rent expenses and salary. Nonetheless, we submitted a budget modification to CSS to include the expenses in question but it was not approved. LACCD will reallocate the Program Director's salary expenditure among all benefitted programs and submit it to CSS upon request.

The Los Angeles Community College District requires that all applicants for employment in the LACCD must be fingerprinted or go through a Live Scan before being assigned to a position in the District. The employee in question was not new to the LACCD thus was not required to do fingerprinting when she began her employment with Mission College because it had already been done when she was first hired by LACCD. To comply with WIA contract requirements, she has gone through the live scan again and proof will be submitted to CSS upon request.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year (FY) 2009-10 final closeout invoices for the WIA Formula Adult and Dislocated Worker Programs and the Governor's Stimulus Program reconciled to the Agency's accounting records.

Recommendations

LACCD management:

Refer to Recommendation 2.

- 6. Repay CSS \$256 or provide documentation to support expenditure.**
- 7. Reallocate the \$4,936 shared program expenditures for FY 2009-10 among all benefitted programs and repay CSS for any excess amounts billed to each WIA Programs.**
- 8. Ensure that final close-out invoices reconcile with the accounting records.**
- 9. Maintain adequate documentation to support program expenditures.**

Response

LACCD will submit payment to CSS.

LACCD will reallocate the Program Director's office space rent expenditure among all benefitted programs. In addition, LACCD will follow the appropriate steps to comply with contract guidelines in future projects

If you have any question or need further information, please contact me at (818) 899-1529.

Sincerely,



Maricela Quevedo
WorkSource Coordinator