COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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AUDITOR-CONTROLLER

July 16, 2004

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

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **COMMUNITY REHABILITATION INDUSTRIES CONTRACT REVIEW**

We have completed a contract compliance review of Community Rehabilitation Industries (CRI), a Refugee Immigrant Training and Employment Program (RITE) service provider. The review was conducted as part of the Auditor-Controller's Centralized Contract Monitoring Pilot Project.

Background

The Department of Community and Senior Services (DCSS) contracts with CRI, a private, non-profit, community-based organization, to provide job training services to Vietnamese and Cambodian speaking CalWORKS recipients who have resided in the United States over five years. The types of services provided by CRI include job readiness training, career planning services and job placement. CRI's offices are located in the Fourth District.

DCSS pays CRI a fixed fee for each type of service based on budgeted program costs and anticipated service levels. For Fiscal Year 2002-03, DCSS paid CRI approximately $370,000.

Purpose/Methodology

The purpose of the review was to determine whether CRI was providing the services outlined in their County contract and maintaining proposed staffing levels. Our monitoring visit included a review of CRI's billing statements, participant case files, personnel and payroll records, and interviews with CRI staff, program participants and participant employers.

Results of Review

We noted various areas where CRI was not in compliance with the County contract requirements. CRI overstated two (18%) of the 11 employment outcomes and nine (100%) of the nine job training outcomes sampled, which resulted in CRI overbilling DCSS $1,902 (34%) out of the total $5,652 sampled. Examples of the overbillings include the following:

- Billing for Case Management and Job Club services when the services provided did not meet the requirements of the contract.
- Billing for a full-time placement when the participant was employed part-time.

In addition, CRI billed DCSS for transportation expense reimbursements to program participants that were not eligible to receive the reimbursements. The billed amount totaled $2,600. CRI also did not maintain documentation to support an ancillary expense reimbursement totaling $2,400 to one program participant.

CRI's five Case Managers currently possess the work experience required by DCSS' contract. However, two of the five Case Managers did not possess the required work experience or educational requirements at the time they were hired by CRI approximately three years ago. As a result, during the period of February 2001 to January 2003, CRI billed DCSS for services provided by individuals that did not have sufficient GAIN work experience.

Review of Report

On June 7, 2004, we discussed our report with CRI. In their attached response, CRI disagreed with certain audit findings. During our previous meeting with CRI, we explained why their arguments did not justify changing our findings. We notified DCSS of the results of our review. DCSS will work with CRI and monitor them to ensure that areas of non-compliance disclosed in this report are resolved and will report to your Board within 60 days of this report.

We thank CRI for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:DR:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Department of Community and Senior Services
Cynthia Banks, Chief Deputy Director
Josie Marquez, Program Director
Jan Derryberry, Director, Community Rehabilitation Industries
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

CENTRALIZED CONTRACT MONITORING PILOT PROJECT
REFUGEE IMMIGRANT TRAINING AND EMPLOYMENT PROGRAM
FISCAL YEAR 2003-04
COMMUNITY REHABILITATION INDUSTRIES

BILLED SERVICES

Objective

Determine whether Community Rehabilitation Industries (CRI) accurately billed the Department of Community and Senior Services (DCSS) for valid and authorized contract services.

Verification

We selected a sample of 20 program participants and reviewed their case files for documentation to support the employment and job training outcomes that CRI billed DCSS in November and December 2003. The outcomes represent $5,652 (11%) of the $53,335 that CRI billed the County for November and December 2003.

In addition, we interviewed 20 program participants and 10 employers to confirm the outcomes that CRI reported were actually achieved. We also reviewed the eligibility status of the 20 program participants on the GAIN Employment Activity and Reporting System (GEARS).

Results

Employment Outcomes

CRI overstated 2 (18%) of the 11 employment outcomes (full-time employment, upgrade), which resulted in CRI overbilling DCSS $750 (13%) out of the total $5,652 sampled. Specifically, we noted the following:

- One program participant that CRI reported receiving full-time employment in December 2003 was actually employed part-time. The participant is required to work 35 hours per week to meet full-time status. However, we contacted the employer who stated that the participant is employed 32 hours per week. In addition, we reviewed the participant's paycheck stubs, which showed that the participant worked 32 hours per week.

- One program participant that CRI reported as upgrading from part-time to full-time employment in December 2003 did not receive full-time employment. The participant is required to work 35 hours per week to meet full-time status. However, copies of paycheck stubs filed in the participant's case file report the participant worked an average of 32 hours per week for the months of August,

October, November and December 2003. The participant's case file did not contain paycheck stubs for the month of September 2003.

Job Training Outcomes

CRI overstated all nine job training outcomes sampled (Job Club, Case Management, etc.) which resulted in CRI overbilling DCSS $1,152 out of the total $5,652 sampled. Specifically we noted the following:

- For six program participants that CRI billed DCSS for case management services, CRI claimed that the Case Managers contacted the program participants each month, in accordance with the County contract. However, two of the six program participants stated that their Case Managers did not contact them monthly. In addition, CRI did not provide documentation to support their monthly contacts to the six participants.

  The monthly contacts with the program participants allow CRI staff to provide ongoing job training counseling and to ensure that the participants are meeting their weekly hours or program participation. However, CRI staff did not detect that three of the six program participants were not complying with their required hours of weekly program participation and should have been referred to the Department of Public Social Services (DPSS) for compliance proceedings.

  In one instance, CRI allowed the program participant to use her spouse's employment information to comply with her required hours of weekly program participation. CRI claimed they were unaware that this violated program regulations. As noted later, CRI also billed DCSS for additional services provided to the participant who was not eligible to receive those services.

- For three program participants, CRI billed DCSS for completing Job Club training. CRI did not provide documentation to support their provision of all the Job Club components, such as conducting a supervised Job Search.

  After informing CRI of this issue, the Agency provided copies of the participants' Job Search logs. CRI used the logs to track the participants' supervised Job Search activities and the hours spent performing those services. However, the Job Search logs were incomplete and contained erroneous information. For example, the hours reportedly spent by the program participants in a supervised Job Search activity did not always reconcile to the hours reported on a log that tracks the overall hours of service that the participants received for all Job Club activities. In addition, several original entries were changed or erased.

Participant Pay

California State Labor Code Section 226(a) requires that employers furnish each employee at the time of each payment an itemized statement in writing showing: (1)

gross wages earned; (2) total hours worked for hourly wage earners; (3) all deductions; (4) net wages earned; (5) pay period; (6) the name of the employee and their social security number. In addition, the County contract requires CRI to review participants' paycheck stubs to confirm the hours worked prior to billing DCSS for job placements.

One (9%) of the 11 program participants with a reported employment outcome did not receive an itemized statement with their paycheck that reported the number of hours worked. CRI billed DCSS for the placement without reviewing a valid paycheck stub to confirm the participant's hours worked. In addition, CRI staff did not inform the participant that they are required to obtain a paycheck stub from their employer that lists the employee's hours worked.

GEARS Activity

According to GEARS, seven (35%) of the 20 participants sampled were not eligible to receive transportation or ancillary expense reimbursement. For five program participants their cases were terminated from six to 14 months prior. At that point in time, these participants were ineligible to receive program services. However, CRI overpaid these individuals approximately $2,200 for transportation expense reimbursement. For two additional program participants, the participants were not complying with their required hours of weekly program participation and should have been referred to DPSS for compliance proceedings. However, CRI overpaid these participants approximately $400 for transportation expense reimbursement.

In addition, CRI issued one program participant school related ancillary expense reimbursements totaling approximately $2,400. However, CRI did not provide documentation to support the participant's use of the $2,400 to purchase books and school supplies, as required by the County contract.

Recommendations

CRI management:

1. **Only charge DCSS for documented eligible services.**

2. **Ensure that the program participants are receiving Case Management and Job Club services in compliance with the County contract.**

3. **Inform the program participants, that earn an hourly wage, that they are required to obtain from their employer a statement with each paycheck that lists the hours worked and payroll deductions.**

4. **Ensure that program participants that are not complying with the program requirements are referred to DPSS for compliance proceedings on the date that the non-compliance is discovered.**

STAFFING/CASELOAD LEVELS

Objective

Determine whether CRI's Case Managers' caseloads do not exceed 115 program participants, as required by the County contract.

Verification

We interviewed CRI's staff and reviewed CRI's timekeeping records to determine actual staffing levels.

Results

The average caseloads of the five Case Managers employed by CRI at the time of our review of 109 program participants did not exceed the maximum allowed by the County contract.

Recommendations

There are no recommendations in this section.

STAFFING QUALIFICATIONS

Objective

Determine whether CRI's staff meets the qualifications required by the County contract.

Verification

We interviewed CRI's staff and reviewed their personnel files for documentation to confirm their qualifications. The contract requires that Case Managers either possess a four-year college degree, an AA degree and two years of caseload experience, an AA degree and two years of employment counseling experience, or two years of employment counseling experience in a GAIN environment. Achievement of Junior class standing in an accredited college may be substituted for an AA degree provided other training or experience requirements are met.

Results

During the period covered by our review, CRI employed five Case Mangers which possessed the work experience and educational requirements required by the County contract. However, two of the five Case Managers did not possess the required work experience or educational requirements at the time they were hired by CRI. As a result, during the period of February 2001 to January 2003, CRI billed DCSS for RITE services provided by two individuals that did not meet the contract requirements. CRI

management needs to ensure that staff possess the required work experience prior to being hired to perform case management in a GAIN environment.

Recommendation

5. CRI management ensure that the staff possess the required work experience prior to being hired to perform case management in a GAIN environment.

SERVICE LEVELS

Objectives

Determine whether CRI's reported services for Fiscal Year (FY) 2003-04 significantly varied from planned services levels.

Verification

Review DCSS' Annual Service Level Assessment report for FY 2003-04 and CRI's proposed services levels for the same period.

Results

We attempted to review CRI's ability to achieve planned service levels. However, DCSS could not provide us with the projected service levels used to allocate funding to CRI. In the future, DCSS needs to maintain the documentation used to establish the planned service levels of their program contractors.

Recommendations

There are no recommendations in this section.

COMMUNITY REHABILITATION INDUSTRIES

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July 6, 2004

To: J. Tyler McCauley
Auditor Controller

Re: Community Rehabilitation Industries' Response to the Results of the Review by the County of Los Angeles Department of Auditor-Controller

Background

Community Rehabilitation Industries (CRI) was contacted on 6-28-04 stating that a final draft of the findings of the compliance review for CRI would be faxed in the morning and that CRI had only five days to respond in writing, that the written response was do on Tuesday, 7-6-04. Additional time was requested since it included a holiday weekend in which key staff members were on vacation. The request was denied.

During the review process it was clear that some of the RITE rules and regulations were not clearly understood due to contradictory training (from DPSS) and mis-information (from CSS) versus the actual contract language. The exit interview included three individuals from the county auditors office, six individuals from DPSS, no one from DCSS and four from CRI. Several of the DPSS individuals were openly hostile to the CRI staff, and one man from DPSS was accusatory and insulting to one of the CRI case managers. There was no attempt by the auditors or DPSS to stop him or appologize for his rudeness.

Results of Review

CRI did not "overbill" DCSS; there were errors made regarding "paypoints" for performance and for differences of opinion regarding record-keeping and rules. It is noteworthy to mention at this point, that if one were to read all of the reports of the audit findings, approximately 90% of the same "errors" occur system-wide. This is important because one might conclude that the contractors were trained incorrectly.

It would be very enlightening to see how DPSS would bear under similar audit circumstances in order to fairly evaluate the RITE contractors performance.

BILLED SERVICES

Employment Outcomes/Auditor's Finding

CRI overstated tow (18%) of the 11 employment outcomes (full-time employment, upgrade), which resulted in CRI overbilling DCSS $750 (13%) out of the total $5,652 sampled.

CRI Response

CRI case managers were under the impression that both [redacted], [redacted] and [redacted], [redacted], were single parents and therefore billed [redacted] for a full-time placement at 32 hours (which is considered full-time for single parents) and for a full-time upgrade when Has went from 20 hours to 32 hours per week. CRI RITE staff now ensure that participants are either single or married prior to billing for part-time or full-time employment.

Job Training Outcomes/Auditor's Finding

CRI overstated all nine job training outcomes sampled (Job Club, Case Management, etc.) which resulted in CRI overbilling DCSS $1,152 out of the total $5,652 sampled.

CRI Response

CRI RITE case managers document when they receive participant pay stubs each month but were not adding that they meet with participants when they drop them off. Because CRI is in the community that participants live in, they find it easier to just drop by rather than mail in their pay stubs. This also gives them the opportunity to briefly meet with their case manager. (Please see attached case notes indicating monthly obtainment of pay stubs, etc.). Additionally:

[redacted]. GEARS was updated showing monthly activity and contact took place during pay stub drop off. Although this was entered in the file, it was not entered in the case notes. Every contact and activity is now being entered in the case notes. Due to this individual's work schedule, she has not been at home for the calls made by the case manager, although the attempts have been made.

[redacted] She was participating in Job Search. Case manager has scheduled an appointment with participant to discuss next activity.

[redacted] Case notes were on supervisors's desk for approval of transportation expense, as required by DPSS. They were reviewed by the auditor controller (please see attached). We were told this finding would be eliminated. All paystubs were in the file and documentation of monthly contact.

[redacted] Updated activity log was not in file because it was submitted to the supervisor for transportation request, as required by DPSS (please see attached) Verification of employment and other documents were with the supervisor, as required by DPSS. Auditor controller reviewed this material and was supposed to delete this finding from the report.

[redacted] Same situation as previous two cases (please see attached).

Regarding the finding . . .*three of the six program participants, CRI did not refer the cases to DPSS for compliance proceedings . . .*

CRI RITE case notes document attempts made to refer participants for compliance and that there was delayed response from DPSS. Once participant, [redacted], actually became employed full-time due to the motivational case management from her CRI RITE case manager during this period of time.

Regarding the finding . . .*For three participants, CRI billed DCSS for completing Job Club training. DRI did not provide documentation to support their provision of these program services.*

CRI did present the attached Job Club/Job Search Log and Job Search Participant Log to the auditors. The information provided documents the required hours for all Job Club participants. There are discrepancies between the participant log and the CRI /RITE log primarily due to the fact that participants whose primary language is Khmer (Cambodian) complete the participant forms which had errors and cross-out information. CRI RITE staff now ensure that participant forms are completed accurately and that the hours match on both forms and contain factual information.

Participant Pay/Auditors Finding
One (9%) of the 11 program participants with a reported employment outcome did not receive an itemized statement with their paycheck that reported the number of hours worked . . . .

CRI Response
CRI RITE staff thought that a copy of the pay-check with the verification of employment which documents the employee name, pay rate, pay period, SSN, number of hours worked, net wages earned was sufficient documentation to verify employment (see attached). Staff now understand that all checks must also accompany all deductions unless the participant is a paid consultant and issued a 1099.

GEARS Activity/Auditors Finding
According to GEARS, seven (35%) of the 20 participant sampled were not eligible to receive transportation or ancillary expense reimbursement . . . [redacted]

CRI's Response (Please see attached DPSS Directive)
[redacted] Participant is eligible to receive transportation expense for 12 months after termination date. This participant's termination date was on March 31, 2003. So he was eligible during review period.
[redacted] Date of termination was 11-30-03. The participant was still eligible for transportation for 12 months, and therefore eligible during review period.
[redacted] On 8-25-03, and multiple times after that, case manager faxed liaison at district 62 of DPSS that the participant was complying with GAIN and to remove the

sanction. Often district 62 did not respond on time. The participant knew her rights and demanded the transportation money so she could get to work. After waiting a long time with no result, the case manager issued the transportation.
[redacted] CRI did not issue this expense because on 5-8-03 the participant was not yet with CRI. Participant was with 5127 Region G5061. Therefore, CRI did not have the receipt to respond to the finding.
[redacted]. Participant worked part-time, 27 hours per week, and, therefore, was eligible for transportation until sanctioned.

Recommendations & Responses

1. **Only charge DCSS for documented eligible services.**
   CRI will document all services charged to DCSS and ensure that participants are eligible for the services rendered.
2. **Ensure that participants are receiving case management and job club services in compliance with contract.**
   CRI will ensure that all participants are receiving case management and job club services as stated in the County contract.
3. **Inform participants that they must obtain from their employer a statement with each paycheck that lists the hours worked and payroll deductions.**
   Working RITE participants will be required to obtain from their employer statements with their paychecks that itemize their payroll deductions and identify the hours worked.
4. **Ensure that participants who are not complying with the program are referred to DPSS for compliance proceedings on the date that the non-compliance is discovered.**
   Upon discovering that a participant is not complying with the program, CRI case managers will refer the participant to DPSS for compliance review.

STAFFING/CASELOAD LEVELS

Auditors Findings

. . .Two of the five case managers did not possess all the required educational and work experience at the time of hire. . . [redacted]

CRI's Response

[redacted] had worked in another RITE program prior to her employment with CRI, was thoroughly trained and experienced at the time of hire. She more than meets every qualification at this time.
[redacted] was actively working on her college degree and had soon met the requirements. However, she has gone on to accept a higher level position elsewhere, and is no longer in our employment.

Final CRI Response

CRI has provided excellent services to limited/non-English speaking participants from Cambodia, Viet Nam and Laos that have and are participating in the CRI RITE program.

We have conscientiously attended every training that has been provided by both DPSS and DCSS. We have selected intelligent, caring, conscientious staff to provide these services. We have dealt honestly with our participants, protected their rights, but always continued to work toward the goal of the program: to get participants employed in jobs with a future so that they become self supporting members of American society. We have put forth our best efforts to protect the financial resources of the County by attending to the regulations of the program and by accounting for all funds spent. We have made minor errors in documentation, but they have and are continually improving. We offer the RITE program to participants within a local community-based setting by bi-cultural and bi-lingual staff dedicated to assisting others to achieve financial independence.

We thank both DCSS and DPSS for providing our organization with the honor of providing these essential welfare-to-work services for local Southeast Asian welfare recipients.

Attachments

Signed by: Becky Tschirgi _____ 7/6/04 _____

Becky Tschirgi, Executive Director — Date