COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
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 BASED EDUCATION AND DEVELOPMENT COLLEGE CONTRACT REVIEW**

We have completed a contract compliance review of the Community Based Education and Development College (CBD), 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 CBD, a private, non-profit, community-based organization, to provide job training services to Russian, Armenian and Ukranian speaking CalWORKS recipients who have resided in the United States over five years. The types of services provided by CBD include job readiness training, career planning services and job placement. The population that CBD serves resides in the Second and Third Districts.

DCSS pays CBD a fixed fee for each type of service based on budgeted program costs and anticipated service levels. For Fiscal Year 2002-03, DCSS paid CBD approximately $571,000.

Purpose/Methodology

The purpose of the review was to determine whether CBD was providing the services outlined in their County contract and maintaining proposed staffing levels. Our monitoring visit included a review of CBD's billing statements, participant case files,

personnel and payroll records, and interviews with CBD staff, program participants and participant employers.

Results of Review

CBD was out of compliance with its contractual requirements. CBD overstated 6 (38%) of the 16 employment outcomes and 2 (20%) of the 10 job training outcomes sampled, which resulted in CBD overbilling DCSS $2,084 out of the total $6,884 sampled. In addition, CBD did not always ensure that program participants were appropriately paid with paychecks meeting the State Labor Code requirements. Many of the overbillings appear unintentional and were based on CBD's reliance on certain documents provided by employers and program participants. However, Examples of overbillings include the following:

- Billing for placing participants in new employment when the participants were returning to jobs they had previously held.
- Billing for a full-time employment placement when the participant was compensated below minimum wage.

CBD also paid three program participants a total of approximately $1,400 for transportation expense reimbursements without maintaining documentation to support CBD's provision of services and the participants' program eligibility.

CBD's four Case Managers currently possess the work experience required by DCSS' contract. However, two of the four Case Managers did not possess the required education or work experience at the time they were hired by CBD. As a result, during their first two years of employment, DCSS paid CBD for services provided by these individuals who did not have sufficient GAIN work experience. In addition, the average caseload of CBD's Case Managers exceeded the maximum allowed by the County contract.

In several instances, CBD subsequently produced documentation that contradicts information we were provided during our review. Because CBD did not possess it at the time of our review and it was created after we informed them of our findings, the documentation's credibility is reduced. In addition, it purports to document conditions that existed only after the dates the County was billed and does not validate the original billing.

Review of Report

On February 12 and May 19, 2004, we discussed our report with CBD. In their attached response, CBD disagreed with certain audit findings. During our previous meeting with CBD, we explained why their arguments did not justify changing our findings. We notified DCSS of the results of our review. DCSS will work with CBD 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. 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
Allan Heshel, President, Community Based Education and Development College
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

CENTRALIZED CONTRACT MONITORING PILOT PROJECT
REFUGEE IMMIGRANT TRAINING AND EMPLOYMENT (RITE) PROGRAM
FISCAL YEAR 2003-04
COMMUNITY BASED EDUCATION AND DEVELOPMENT COLLEGE

BILLED SERVICES

Objective

Determine whether the Community Based Education and Development College (CBD) accurately reported the outcomes of the program participants and that the program participants were eligible to receive services. CBD is paid a fee for each specific outcome (gaining full-time and part-time employment, upgrading from part-time to full-time employment, earning an hourly wage to be self-sufficient, participating in job training instruction, etc.) that the program participants achieve during the billing period.

Verification

We selected a sample of 26 program participants and reviewed their case files for documentation to support the outcomes that CBD reported the participants achieved in August and September 2003. The outcomes represent $6,884 (10%) of the $66,879 that CBD billed DCSS for August and September 2003.

In addition, we interviewed 23 of the 26 program participants and 12 employers to confirm the outcomes that CBD reported were actually achieved. We also reviewed the eligibility status of the 26 program participants on the GAIN Employment Activity and Reporting System (GEARS).

Results

Employment Outcomes

CBD overstated 6 (38%) of the 16 employment outcomes (part-time employment, full-time employment, and upgrade from part-time to full-time employment) which resulted in CBD overbilling DCSS $2,000 out of the total $6,884 sampled. Specifically, we noted the following:

- Four program participants that CBD reported receiving employment in August and September 2003 were actually rehired at jobs that they had previously held. The contract states that, "In the case that the participant becomes unemployed after the initial placement, and the participant is re-hired by the same employer, then the Contractor will not be reimbursed."

  One participant obtained employment with a trucking company in April 2003 for which CBD billed an employment placement fee. The participant quit the job in

May 2003 and began employment with a new company. The participant quit the second job in August 2003 and returned to the trucking company.

The second program participant originally obtained employment from June 2001 through November 2001. In July 2002 the participant had a baby and was exempt from RITE program activities from August 2002 through July 2003. The participant was referred back to CBD in September 2003 at which time the participant returned to work for the company she had obtained employment with in June 2001.

The third program participant obtained employment with a car valet company in 2001. The participant worked for this employer until April 2003. In May 2003 the participant's case was transferred to the County's regional GAIN office, and then referred back to CBD in August 2003. In September 2003 the participant was re-hired by the car valet company.

The fourth program participant had previously been employed full-time with the same employer from February 2000 to September 2001. CBD billed DCSS for upgrading the participant's employment status from part-time to full-time in September 2003.

- One program participant that CBD reported as upgraded from part-time to full-time employment in September 2003 did not have documentation to support the upgrade. The employment verification form, completed by the employer and contained in the case file, reported the participant worked on a part-time basis. However, the participant's Case Manager wrote on the form that the participant's employment was upgraded from part-time to full-time and the upgrade was not signed by the employer. As noted in the contract, the employer needs to sign the employment verification form to validate the document and support the Agency's billing to DCSS.

  After informing CBD of this issue, CBD provided an affidavit signed by the participant indicating that he is working full-time. CBD also provided an updated employment verification form signed by the employer indicating that the participant is working full-time. However, the employment verification form was completed approximately eight months after the billing period. CBD did not provide copies of the participant's paycheck stubs that report the number of hours worked.

- One program participant that CBD reported receiving full-time employment in September 2003 earned less than minimum wage. The participant's employment verification form reported that the participant worked 40 hours per week and was paid a weekly salary of $250. The participant also acknowledged working 40 hours per week and earning $250. Based on the number of hours worked and amount paid, the participant is earning $6.25 per hour which is less than the California minimum wage. CBD staff did not detect this issue. In addition, CBD

did not obtain copies of the participant's paycheck stubs that indicate the number of hours the participant worked or payroll deductions, as required by the contract.

When we informed CBD of this matter, they provided an affidavit signed by the participant stating that her work hours are actually 35 hours per week. This new form contradicts the employment verification form and statements of the participant regarding the employment status at the time of the billing period.

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 CBD to review participants' paycheck stubs to confirm the hours worked prior to billing DCSS for job placements.

Ten (63%) of the 16 program participants with reported employment outcomes did not receive an itemized statement with their paychecks that reported the number of hours worked and/or any deductions for payroll taxes. CBD billed DCSS for the placements without reviewing the participants' paycheck stubs to confirm their employment and hours worked. CBD staff also did not inform the participants that their employers are required to provide them an itemized statement with each paycheck.

In addition, one of the 10 participants reported that he worked as a self-employed waiter at a restaurant. CBD billed DCSS for this placement. However, CBD staff did not investigate the appropriateness of the participant's classification as a self-employed waiter, and whether the employer may have misclassified the participant as a sub-contractor. After we informed CBD of this issue, they provided an employment verification form, dated September 8, 2003, signed by the participant's Case Manager reporting that the participant is an employee earning $6.75 per hour. However, the new employment verification form was not signed by the employer, as required by the contract. In addition, the document was not in the case file at the time of our review and was not used as the basis for the billing.

Job Training Outcomes

CBD overstated two (20%) of the ten job training outcomes (Job Club, Case Management, Assessments, etc.) which resulted in CBD overbilling DCSS $84 out of the total $6,884 sampled. Specifically, CBD billed DCSS for case management services provided to two cases in August 2003, in which the participants were not complying with their required hours of weekly program participation. Participants who are not complying with their required hours of weekly program participation must be referred to the Department of Public Social Services (DPSS) for compliance proceedings on the day that the Case Manager discovers that the participant is non-

compliant. However, CBD did not refer the participants to DPSS for approximately two months.

GEARS Activity

According to GEARS, three of the 26 participants sampled were not complying with the requirements of the RITE program and should have had their program services discontinued and been referred to DPSS for compliance proceedings, as required by the County contract. However, CBD did not refer the cases to DPSS and continued to bill DCSS for program services provided to these individuals. Specifically, we noted the following:

- For two program participants, CBD did not provide appropriate documentation to support CBD's provision of services and the participants' eligibility to receive program services. For one program participant, CBD issued transportation expense reimbursements totaling approximately $350 without appropriately documenting the participant's claim of being enrolled in school.

  For the second program participant, CBD issued transportation expense reimbursements totaling approximately $966 without appropriately documenting the participant's claim of being enrolled in school. After informing CBD of this reportable condition, CBD obtained copies of the participant's scholastic progress reports that indicated the participant attended classes during the time period in question and was eligible to receive the $966.

- One program participant received approximately $84 for reimbursement of transportation expenses incurred during August and September 2003. However, the program participant was not meeting his required hours of weekly program participation and should have been referred to DPSS for compliance proceedings.

Recommendations

CBD management:

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

2. **Only charge DCSS for services provided to individuals that qualify for program services.**

3. **Inform program participants that the State Labor Code requires their employers to furnish each employee with an itemized statement listing their hours worked and payroll deductions with each paycheck.**

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

STAFFING/CASELOAD LEVELS

Objective

Determine whether CBD's Case Managers have a case load of 115 or less, as required by the County contract.

Verification

We interviewed CBD's staff and reviewed CBD's timekeeping records to determine actual staffing levels, and computed the minimum staffing levels required based on the Contactor's caseload.

Results

CBD used five Case Managers to provide program services in August 2003 and four Case Managers in September 2003. CBD reported approximately 590 active cases each month. This resulted in each Case Manager being assigned an average of 117 program participants in August 2003 and an average of 148 program participants in September 2003. CBD's Case Manager caseload levels did not comply with the maximum allowed by the contract for either month under review. The average caseload for September 2003 represents an increase of approximately 30% over the maximum allowed by the contract.

CBD needs to hire additional Case Managers' so that their caseloads do not exceed the maximum allowed by the County contract.

Recommendation

5. **CBD management hire additional Case Managers so that each Case Manager's caseload does not exceed the maximum allowed by the County contract.**

STAFFING QUALIFICATIONS

Objective

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

Verification

We interviewed CBD's staff and reviewed their personnel files for documentation to confirm their qualifications. In addition, in instances in which the contractor's staff

claimed they qualify based on degrees received at foreign universities, we contacted the Department of Human Resources (DHR) to compare the degrees reported by the contractor's staff to the listing of degrees maintained by DHR that qualify for County employment. If the degrees received by the contractor's staff are not listed, the contractor is required to determine the educational equivalency of the foreign degrees before they can consider the staff meeting the educational requirements.

The contract requires that Case Managers either possess a four-year college degree, or an AA degree and two years of caseload experience, or 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

CBD's four Case Managers currently possess the work experience required by DCSS' contract. The Case Managers average between three to five years experience providing services in a GAIN environment. However, two Case Managers did not possess the required work experience or education at the time they were hired by CBD three years ago. CBD reported that these individuals had obtained degrees from foreign universities, but did not submit documentation confirming the educational equivalency of the degrees. As a result, during their first two years of employment, the County paid CBD for services provided by these individuals who did not meet the contract requirements. CBD management needs to ensure that staff possess the required work experience prior to being hired to perform case management in a GAIN environment.

Recommendation

6. **CBD 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 CBD's reported services for Fiscal Year (FY) 2002-03 significantly varied from planned services levels.

Verification

Review DCSS' Annual Service Level Assessment report for FY 2002-03 and CBD's proposed service levels for the same period.

Results

We attempted to review CBD's ability to achieve planned service levels. However, DCSS could not provide the projected service levels used to allocate funding to CBD. 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.

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July 01, 2004

To: J. Tyler McCauley, Auditor Controller
Kenneth Hahn Hall of Administration
500 West Temple Street
Room 525
Los Angeles, CA 90012-2766

Re: CBED'S Response to the Results of the Review of the Refugee and Immigrant Training and Employment Program (RITE) by the County of Los Angeles Department of Auditor Controller

Community Based Education and Development (CBED) offers the following information in response to individual findings related to specific RITE cases. However, it is essential that our organization express its denial of all of the overcharges as alleged by the County of Los Angeles Department of the Auditor Controller (Auditor).

First, it is important to recognize that CBED is a subcontractor that performed its duties under the RITE program for over 5 years with direct monitoring by Department of Community and Senior Services (CSS). At no time during this time period, did CBED ever receive any concerns, negative findings or corrections relevant to the case examples from CSS's monitoring reviews. Further, CBED followed the guidelines set forth by CSS and DPSS, DPSS's directives, and CSS's interpretation of the RITE Contract.

Second, as this is the first audit conducted since the inception of the program, Auditor reveals a lack of knowledge about RITE day-to-day Program operations, and how numerous written and oral directives from CSS altered the contract. After reviewing the results of Auditor's reviews for CBED and the Auditor's Findings for other agencies, there are some striking similarities that show structural problems with the contract, systemic issues as well as program oversight issues. The County should not use this audit to deflect CSS's responsibility for issuing directives and memos that CSS claim as superseding the contract onto RITE Providers.

The identical types of "Findings" identified by the Auditor in the reports on RITE Providers to date are a clear indication that 1) RITE Providers are acting in accordance with directives received from the County (and which may or may not be provided in writing), and 2) the audit was conducted without full knowledge of those directives.

We assume that the Auditor wants to exhibit independence and objectivity in evaluating CBED. Unfortunately, the Auditor obtained much of its information regarding the RITE program from two sources: (1) DPSS, where the staff has openly advocated bringing the

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program in-house; and (2) the contractor CSS, who has a vested interest in shifting responsibility for lack of program oversight onto Service Providers. For example, in the five years since the inception of the RITE program, the CSS Office of Refugee Services has had five different Program Managers. The staff turnover, by any standards, is high.

This contractual environment and the above-referenced facts are critical in demonstrating CBED's good faith in billing for the services that were the subject of this audit. It is clear that all the services billed were provided to the program participants.

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RESPONSE TO AUDIT FINDINGS

Auditor Statement

CBD overstated 6 (38%) of the 16 employment outcomes (part-time employment, full-time employment, and upgrade from part-time to full-time employment) which resulted in CBD overbilling DCSS $2,000 out of the total $6,884 sampled.

Response:
Four out of six alleged overstatements of employment outcomes relate to the contract prohibition for billing for participants being re-hired by the same employer and will be addressed later.

However, although all six placements indeed occur, the Auditor claims that two out six placements in question were in compliance with the contract but allegedly were missing some documents at time of billing. Instead of classifying as "missing documents" the Auditor erroneously left these two placements under the category of "overstated employment outcomes" therefore, inflating the number of questioned outcomes (not 6 but 4), percentages (not 38% but 25%) and the amount of alleged overbilling (not 2,000 but 1,250).

Auditor finding:
Four program participants [out of six mentioned in the above Auditor Statement] *that CBED reported receiving employment in August and September 2003 were actually rehired at jobs that they had previously held. The contract states that, "In the case that the participant becomes unemployed after the initial placement, and the participant is re-hired by the same employer, then the Contractor -will not be reimbursed ".*

Response:
CBED billed properly for these four "re-hire" cases under written and unwritten guidelines in place at that time. First, CBED knew that the purpose of the RITE anti-rehire contract language was to prevent abuses and over-billing where providers billed for participants who were terminated and then immediately rehired. These four cases were unusual and factually distinct and did not fall within the plain prohibition of the contract. Second, on these four cases, CBED sought clarification from CSS staff and were told that they could be reimbursed. Furthermore, the invoices submitted to CSS that included these placements were reviewed and approved by several people at CSS prior to payment. At all times, CBED acted in good faith and did not "overbill" or improperly bill for these four cases.

Auditor finding:
First participant [out of four mentioned earlier] *obtained employment with a trucking company in April 2003 for which CBD bitted an employment placement fee. The participant quit the job in May 2003 and began employment with a new company. The participant quit the second job in August 2003 and returned to the trucking company* [redacted]

Response:
This participant was not re-hired by the same employer in the manner prohibited by the RITE contract. With assistance of CBED's job developers the participant left his job for a new

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position at a different company in hopes of increased hours. When the new job failed to provide additional hours, the participant returned to his previous employer with the assistance from CBED. CBED worked with the participant to ensure that he remained continuously employed. The anti re-hire prohibitive language of the contract does not address the situation of the interim placement to a different employer. In addition, the final placement occurred in a different contract year. Finally, CBED was informed by CSS staff that they could be reimbursed for this placement.

Auditor finding:
The second program participant originally obtained employment from June 2001 through November 2001. In July 2002 the participant delivered a baby and was exempt from RITE program activities from August 2002 through July 2003. The participant was referred back to CBD in September 2003 at which time the participant returned to work for the company she had obtained employment with in June 2001. [redacted]

Response:
On many occasions both CSS and DPSS together and separately clearly stated that each new referred participant by CIU should be treated as a new referral regardless of any previous activities or associations with any particular agency. This particular participant was referred by Central Intake Unit to CBED on September 11, 2003 as a new participant as a full time student in a Self Initiated Program (SIP). According to the GAIN activity flow, the new participant is to attend orientation and Job Club, and all other activities appropriate for the new participants. CBED handled and billed for the case according to that protocol. The GEARS system also tracked the case as a new participant eligible to receive all services including job placement. Finally, CBED was informed by CSS staff that they could be reimbursed for this placement.

Auditor finding:
The third program participant obtained employment with a car valet company in 2001. The participant worked for this employer until April 2003. In May 2003 the participant's case was transferred to the County's regional GAIN office, and then referred back to CB[E]D in August 2003. In September 2003 the participant was re-hired by the car valet company. [redacted]

Response:
This participant was initially hired at [redacted] in 2001. She lost her job in April 2003. According to the required GAIN activity flow, the participant was placed in Supervised Job Search. In May 2003, this participant's case was transferred to the regional GAIN office. This transfer was made through the GEARS system without the knowledge of CBED or the participant. This transfer was completed in violation of federal regulations that allow a participant to choose the site at which he/she receives services. We have been informed that the transfer was made without the knowledge of CSS either. The transfer was one of numerous "confiscations" of RITE cases by DPSS in violation of the subcontract and without properly notifying Service Providers. The participant, displeased with the transfer, protested continuously until her case was sent back to CBED in August 2003. Upon transferring the case back to CBED, the GEARS system showed the transfer as a new case referral to CBED.

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When the case was received by CBED as a new referral, the participant was still unemployed. The participant was enrolled in Job Club and Job Search activities. During those activities, she was scheduled for at least five different job interviews. Those interviews included one at [redacted] her previous employer. This interview was scheduled as an obvious choice for this participant since she had previous experience in the position and knowledge of the employer's policies, procedures and expectations. CBED job developers realized the situation, contacted the employer and assisted in the application process. She was not automatically re-hired into her former position, but had to compete with other applicants, and CBED staff was required to work with her and the company in order to secure the placement. Finally, CBED was informed by CSS staff that they could be reimbursed for this placement.

Auditor finding:
The fourth program participant had previously been employed full-time with the same employer from February 2000 to September 2001. CBD billed DCSS for upgrading the participant's employment status from part-time to full-time in September 2003. [redacted]

Response:
On many occasions both CSS and DPSS together and separately clearly stated that each new referred participant by CIU should be treated as a new referral regardless of any previous activities or associations with any particular agency. CBED follows that instruction and correctly evaluates the participant's employment status as of the date of the participant's appraisal appointment. In this case, the participant was first referred to CBED in July 2003 and was already employed part time. Let us emphasize, one more time, the fact that at time of her initial referral the participant was working part-time and not full-time as erroneously stated by the auditor. She presented to CBED her paychecks indicative of her part-time hours and, therefore, appropriately processed as such. In August, the participant presented paycheck stubs that indicated an increase in hours to full time employment. A billing for an employment upgrade is wholly appropriate and was submitted with all required documentation. Furthermore, CBED obtained a letter from the employer, clearly supporting the CBED's position regarding this matter. Finally, CBED was informed by CSS staff that they could be reimbursed for this placement.

Auditor finding:
One program participant that CBD reported as upgraded from part-time to full-time employment in September 2003 did not have documentation to support the upgrade. The employment verification form, completed by the employer and contained in the case file, reported the participant worked on a part-time basis. However, the participant's Case Manager wrote on the form that the participant's employment was upgraded from part-time to full-time and the upgrade was not signed by the employer. As noted in the contract, the employer needs to sign the employment verification form to validate the document and support the Agency's billing to DCSS. After informing CBD of this issue, CBD provided an affidavit signed by the participant indicating that he is working full-time. However, the employment verification form was completed approximately eight months after the billing period. CBD did not provide copies of the participant's paycheck stubs that reported the number of hours worked [redacted]

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Response:
The participant file contains all required documentation of increased work hours. Although CBED receives signed Employment Verification forms for placements whenever possible, as per DPSS memorandum Number 02-16 "Verification of Employment" there are other methods of employment documentation: paycheck stubs (if paycheck stubs do not include all pertinent employer information, information shall be obtained verbally from the participant), company letter is acceptable and should include appropriate employment information. In the event the employer refuses to complete the VOE form the case manager may obtain verbal employment verification with the participants consent to contact the employer. The information required for billing was submitted by CBED correctly. Furthermore, CBED obtained the following documentation in support of its position: letter from employer, verification of employment supporting the upgrade, and copies of paychecks.

Auditor finding:
One program participant that CBD reported receiving full-time employment in September 2003, earned less than minimum wage. The participant's employment verification form reported that the participant worked 40 hours per week and was paid a weekly salary of $250. The participant also acknowledged working 40 hours per week and earning $250. However, based on the number of hours worked and amount paid, the participant is earning $6.25 per hour which is less than the California minimum wage. CBD staff did not detect this issue. In addition, CBD did not obtain copies of the participant's paycheck stubs that indicate the number of hours the participant worked or payroll deductions, as required by the contract.

When we informed CBD of this issue, they provided an affidavit signed by the participant stating that her work hours are actually 35 hours per week. This new form contradicts the employment verification form and statements of the participant regarding the employment status at the time of the billing period. [redacted]

Response:
This participant did not receive less than minimum wage. The participant earned $7.15 an hour. As with many refugee participants, a lack of clarity existed with regard to work hours. The participant and employer counted the participant's lunch breaks (which were unpaid) as part of the reported hours. With regard to the proper documentation, CBED received an Employment Verification Form and copies of the checks.

As per DPSS memorandum Number 02-16 "Verification of Employment" if paycheck stubs do not include all pertinent employer information, information shall be obtained verbally from the participant, company letter is acceptable and should include appropriate employment information. In the event the employer refuses to complete the VOE form the case manager may obtain verbal employment verification with the participants consent to contact the employer. Also, said DPSS memorandum Number 02-16 "Verification of Employment" states: Written affidavit may be completed by the participant and will also be accepted as valid documentation on a case-by-case basis.

Furthermore, in order to provide additional clarification pertaining this matter CBED's RITE Program Supervisor was able to contact the participant's employer who provided a written clarification of participant's employment hours.

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Auditor finding:
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 CEP to review participants' paycheck stubs to confirm the hours worked prior to billing DCSS for job placements.

Ten (63%) of the 16 program participants that CBD reported obtaining employment are not paid with legitimate payroll checks. The employers paid the participants using business checks that did not list hours the participants worked, gross pay, or deductions for payroll taxes. [redacted]

Response:
The purpose of the RITE Program is to provide GAIN services to participants with special linguistic and cultural needs. Often, this means that initial job placements occur in small, local "ethnic" businesses without sophisticated accounting and payroll systems. The employers meet all legal requirements for work conditions, minimum wage standards, and tax responsibility, but do not have documentation systems comparable to larger, established, mainstream employers. The County recognized this issue, and in response implemented procedures for documenting job placements with employers that do not have regular payroll check stubs. Those procedures include the Tax Responsibility Form. CBED has utilized the required form at the appropriate times, and has met all documentation requirements with regard to the cases listed above. Unfortunately, the Auditor Controller's office appears not accepting the procedure outlined by CSS. This is an issue that should be resolved within the County. CBED has complied with the instructions received from CSS.
Furthermore, once again as per DPSS memorandum Number 02-16 "Verification of Employment" if paycheck stubs do not include all pertinent employer information, information shall be obtained verbally from the participant), company letter is acceptable and should include appropriate employment information. In the event the employer refuses to complete the VOE form the case manager may obtain verbal employment verification with the participants consent to contact the employer. Clearly, at the very least there is a contradiction between the quoted State Laws and DPSS directive and the county must resolve said contradiction. RITE contractors should not be responsible for adhering to DPSS standards. Recently CSS came to realization that such contradiction indeed exists and provided the new directive addressing said issue on April 26, 2004 long after the time of this audit.

Auditor finding:
In addition, one of the 10 participants reported that he worked as a self-employed waiter at a restaurant. CBD billed DCSS for this placement. However, CBD staff did not investigate the appropriateness of the participant's self-employed status as a waiter, and whether the employer may have misclassified the participant as a sub-contractor. After we informed CBD of this issue, they provided an employment verification form, dated September 8, 2003,

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signed by the participant's case manager reporting that the participant is an employee earning $6.75 per hour. However, the new employment verification form was not signed by the employer, as required by the contract. In addition, the document was not in the case file at the time of our review and was not used as the basis for the billing. [redacted]

Response:
GAIN regulations allow for participants to certify their self-employment in an affidavit. CBED was under no obligation and has no authority to question the participant's claim of self-employment. In addition, placements are billed at the same rate, regardless of employment status. As per CSS "RITE Placement Reference Sheet" in the event of self-employment the EV form should be signed by case manager and together with monthly earning report should be submitted to CSS for billing purposes. CBED contends that both monthly earning report and Employment Verification Form, together with "Notice of Income Tax Responsibly" and the affidavit were submitted for billing. Once again, the employment verification form dated September 08, 2003, was not used for the purposes of employment verification but strictly for the billing purposes.

Auditor finding:
CBD overstated two (20%) of the ten job training outcomes (Job Club, Case Management, Assessments, etc.) which resulted in CBD over billing DCSS $84 out of the total $6,884 sampled. Specifically, CBD billed DCSS for case management services provided to two cases in August 2003, in which the participants were not complying with their required hours of weekly program participation. Participants who are not complying with their required hours of weekly program participation must be referred to the Department of Public Social Services (DPSS) for non-compliance proceedings on the day that the Case Manager discovers that the participant is non-compliant. However, CBD did not refer the participants to DPSS for approximately two months. [redacted]

and

One program participant received approximately $84 for reimbursement of transportation expenses incurred during August and September 2003. However, the program participant was not meeting his required hours of weekly program participation and should have been referred to DPSS for compliance proceedings. [redacted]

Response:
CBED submits that this is a clear case of proper billing. Employment Verification form dated July 1, 2003 indicated that the participant was employed 20 hours per week. At that time, the participant's wife indicated that she was enrolled at L.A. City College and those hours would complete the family's weekly 35-hour required participation. Case notes indicate that the wife was instructed to provide her school schedule to verify her hours.

In August 2003, the wife indicated that she had dropped out of school. On August 31, 2003, she reached her 18/24-month time limit, which required her to complete community service activity. On August 18, 2003, CBED requested an appointment for a required Community Service Assessment. That appointment was scheduled for August 22, 2003. CBED then received information from Foster Assessment Services that she had missed her appointment due to illness and had been rescheduled for October 2, 2003.

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The wife missed her October 2, 2003 assessment appointment. CBED referred the husband and wife for non-compliance on October 15, 2003. The non-compliance appointment was scheduled for November 11, 2003, and the couple showed up for that appointment with no information of additional activities. The case was referred for sanction on November 13, 2003. CBED received notice from DPSS of a sanction effective January 1, 2004. Transportation assistance was provided only to the participant [redacted] in accordance with the GAIN regulations ("participants, who are employed part time, who do not agree to participate in any other GAIN activity to meet the full time requirement may receive employment-related transportation and/or ancillary work-related expenses until they are sanctioned").

In December 2003, the husband indicated that his hours of employment had increased completing the required 35 hours. Upon receipt of verifying documentation, the sanction was stopped, and the family continued to meet their required 35 hours of activity. The wife was then de-registered as inactive.

The activities described above were completed by CBED as required and appropriate, clearly indicating that Case Management services were provided. Although DPSS has failed to update the ICMS screen in GEARS, all documentation of these activities is included in the participant's file. Transportation assistance was provided in accordance with the DPSS publication *Issuing Transportation/Ancillary Expenses Via GEARS,* which indicates that transportation should be provided for part time employed participants until a sanction is effective. Because the sanction was never imposed, CBED is correct in issuing transportation during this period.

Auditor finding:
For two program participants, CBD did not provide appropriate documentation to support CBD's provision of services and the participants' eligibility to receive program services. For one program participant, CBD issued transportation expense reimbursements totaling approximately $350 without appropriately documenting the participant's claim of being enrolled in school. [redacted]
For the second program participant, CBD issued transportation expense reimbursements totaling approximately $966 without appropriately documenting the participant's claim of being enrolled in school. After informing CBD of this reportable condition, CBD obtained copies of the participant's scholastic progress reports that indicated the participant attended classes during the time period in question and was eligible to receive the $966. [redacted]

Response:
In case of [redacted] one progress report indeed was not received due to the fact that it was erroneously sent by participant directly to CIU since CIU's address was indicated on said report. In order to process transportation in a timely manner, an alternative method of verification was sought by the case manager and received from child and family services signed by the school's authorized representative and kept on file available for auditor's review.

The issue of transportation payments should not be an issue for [redacted] The registration paperwork for all semesters was provided showing her continuation of studies.

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Case manager confirmed said continuation with both participant and the school and notes to that effect were kept in participant's file. All ancillary expenses were reimbursed based on specific requests from the college signed and dated accordingly by the college Gain-CalWORKs office. Said requests in themselves are sufficient documentation proving student attendance in the school.

Auditor finding:
CBD used five Case Managers to provide program services in August 2003 and four Case Managers in September 2003. CBD reported approximately 590 active cases each month. This resulted in each Case Manager being assigned an average of 117 program participants in August 2003 and an average of 148 program participants in September 2003. CBD's Case Manager caseload levels did not comply with the maximum allowed by the contract for either month under review. The average caseload for September 2003 represents an increase of approximately 30% over the maximum allowed by the contract.

Response:
CBED contends that it is not out of compliance regarding this finding due to the following. Per CSS and CIU procedures the RITE program Supervisor has his/her own two "filing cabinets" (case load in GEARS). The first cabinet is used for problem cases (REP participant erroneously in RITE Program, Data Base Corrections, etc.), the second one is used for new referrals from CIU.
In August 2003, there were 15 problem cases and 40 new referrals. Therefore, in August 2003 CBED was fully in compliance. In September 2003 there were still five (5) case managers although one case manager's salary was not charged to the RITE program. The auditor was appraised about the situation during the time of the audit. Said case manager was transitioning out of RITE an in order to insure our participants the same level of continued services not only there were five case managers handling the load but also the RITE Program Supervisor, possessing masters degree and six years of experience in GAIN/CalWORKs environment actively participated in handling a caseload.
In September 2003 there were 58 new referrals and 15 "problem" cases - bringing down the remaining caseload to 517. Auditor's conclusion of 30% case overload is incorrect.
CBED realizes the importance of keeping adequate staff to maintain the appropriate ratio and continuously keeps the appropriate ratio in order to be in compliance with the contract.

Auditor finding:
CBD's four Case Managers currently possess the work experience required by DCSS' contract. The Case Managers average between three to five years experience providing services in a GAIN environment. However, two Case Managers did not possess the required work experience and/or education at the time they were hired by CBD three years ago. As a result, during their first two years of employment, the County paid CBD for services provided by individuals that did not meet the contract requirements. CBD management needs to ensure that staff possesses the required work experience prior to being hired to perform case management in a GAIN environment. [redacted]

Response:
CBED hires staff with the required educational and work experience of each position. Case Managers are also hired because of their linguistic and cultural competence. This means that the vast majority of our staff are refugees themselves. Many of them were unable to bring

documentation of education and work experience with them when they came to the U.S. The continuous refusal of the County to acknowledge this situation is demonstrative of the very need for the RITE Program itself- County workers are unfamiliar with the needs of, and barriers faced by refugees in seeking and retaining employment. Although RITE Service Providers have continuously described this issue to the County, the ongoing reluctance to accept the situation borders on lack of cultural awareness.

In both instances, case managers possess Bachelor Degrees and were unable to bring their diplomas outside the former U.S.S.R. CBED, like other agencies providing services to refugees from the former Soviet Union, was closely familiar with the fact that most refugees were unable to bring their diplomas and accepted said case managers based on their applications, resumes, summary of experience and qualifications, interview and statements from witnesses. CBED provided case managers' executed written affidavits to the effect of their degrees and made them available for auditor's review. Furthermore, for several years, CBED submitted case managers' resumes to CSS but was never informed that it needed a copy of their actual diplomas.

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SELF INITIATED CORRECTIVE ACTION

Although CBED categorically denies any overstatement of outcomes or alleged overbilling, this organization initiated the Corrective Action Plan in response to Auditor's Review. Said plan was necessitated by the criticism expressed by the auditor on one hand and the strong desire of the institution to remain as exemplary refugee service provider agency capable to quickly react to change without proper technical assistance and guidance on the other hand. Said report was adapted by the Board of Directors, is currently implemented, and addresses the issues of Auditor's concern.

CBED was following CSS's Directives, deprived of the Auditors perspective on contract implementation. Therefore, it would be very unfortunate if the Auditor would not be able to review this agency's RITE program once CSS, DPSS and the Auditor come to a unified conclusion on contract execution.

CBED feels very confident that as a result of the implementation of the corrective action plan, should the Auditor be directed to review this agency's RITE program once again the Auditors report would only contain positive comments.

CONCLUSION

As a non-profit community based organization that was established over 20 years ago CBED throughout the years provided numerous community and social service programs that were rated as highly successful. CBED was audited by various agencies on many occasions with only positive comments from the auditors.
For over two decades, our organization has provided education, acculturation and most importantly career placement assistance leading to self-sufficiency for hundreds of refugees and immigrants.

CBED continues to provide excellent services to RITE participants in keeping with contractual requirements despite conflicting verbal directives from the County and erratic availability or willingness of CSS staff to provide guidance or technical assistance. CBED maintains its commitment to continue serving our community and providing culturally appropriate services to one of our county's most vulnerable populations.

Sincerely,

Alan Heshel
President