COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

April 14, 2006

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

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **SPECIAL SERVICES FOR GROUPS CONTRACT - WORKFORCE INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of Special Services for Groups (SSG or Agency), a Workforce Investment Act (WIA) Program service provider. The review was conducted by the Auditor-Controller's Countywide Contract Monitoring Division.

Background

The Department of Community and Senior Services (DCSS) contracts with SSG, a private, non-profit agency to provide and operate the WIA youth program. The WIA youth program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. SSG's offices are located in the First, Second, and Fourth Districts. SSG is compensated on a cost reimbursement basis. For fiscal year (FY) 2004-2005, DCSS paid SSG approximately $390,000 and for FY 2005-2006, SSG's contract is for approximately $365,000.

Purpose/Methodology

The purpose of the review was to determine whether SSG complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to youth participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines.

Results of Review

The six youth program participants/guardians interviewed confirmed that the services they received met their expectations. SSG's maintained adequate controls over cash and other liquid assets. In addition, SSG's non-personnel expenses were allowable and supported by documentation as required.

SSG billed DCSS for the salary paid to one employee who did not work in the WIA program and over billed for the amount of overtime a second employee worked. The amount over billed during the period of our review totaled $5,980. Subsequent to our review SSG repaid DCSS for the amounts over billed.

In addition, for all ten (100%) youth participants' case files reviewed, SSG did not document their monthly meetings with the participants to discuss the participants' long-term and employment goals as required by WIA guidelines. SSG also did not code the leadership activities into the Job Training Automation (JTA) system for all ten (100%) participants as required.

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

Review of Report

We discussed our report with SSG on March 28, 2006. In their attached response, SSG concurred with our findings and recommendations. We also notified DCSS of the results of our review.

We thank SSG 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:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Herb Hatanaka, Executive Director, Special Services for Groups
Public Information Office
Audit Committee

WORKFORCE INVESTMENT ACT PROGRAM
SPECIAL SERVICES FOR GROUPS
FISCAL YEAR 2005-06

ELIGIBILITY

Objective

Determine whether Special Services for Groups (SSG or Agency) provided services to youths that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sample of ten (20%) youth program participants from a total of 49 participants that received services between July and October 2005. We reviewed the ten case files for documentation to confirm their eligibility for WIA program services.

Results

SSG maintained documentation to support the eligibility for all 10 (100%) program participants.

Recommendation

There are no recommendations in this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

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

Verification

We reviewed the documentation contained in the case files for ten program participants that received services during July and October 2005. We also interviewed six youth participants/guardians to confirm the services SSG billed to the Department of Community and Senior Services (DCSS) were actually provided.

Results

The six youth program participants/guardians interviewed confirmed that the services they received met their expectations. However, for all ten (100%) youth participants, SSG did not document their monthly discussions with the participants to discuss their

long-term and employment goals as required by WIA guidelines. In addition, SSG did not code the leadership activities into the Job Training Automation (JTA) system for all ten (100%) participants as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

In addition, SSG's charged DCSS for 4.75 full time equivalent (FTE) staff which exceeded their budgeted staffing level of four FTE. According to SSG personnel, the additional staffing was necessary to provide the participants with the required level of WIA services under the County contract. The County contract requires that modifications, with regards to the movement of funds within an approved budget, must be in writing and mutually agreed upon by the County and the Agency.

Subsequent to our review, SSG submitted their modified budget to DCSS for approval.

Recommendations

SSG management:

1. **Ensure that staff document their monthly discussions of the long-term and employment goals with the participants as required.**

2. **Ensure that staff update the JTA system to reflect the participants' activities as required.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed bank reconciliations for September 2005.

Results

SSG maintained adequate controls to ensure that revenue is properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations in this section.

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for 17 (46%) of the 37 non-personnel expenditure transactions billed by the Agency for July and August 2005, totaling $5,007.

Results

SSG's expenses were appropriate, allowable, accurately billed to DCSS and supported by documentation as required.

Recommendation

There are no recommendations in this section.

INTERNAL CONTROLS

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, to determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, SSG maintained adequate internal controls over its business operations. The Agency needs to improve their procurement policy and procedures. SSG did not maintain documentation of obtaining three price quotes prior to purchasing items over $1,000 as required. SSG staff indicated that their policy is to obtain three verbal price quotes. According to the WIA guidelines, the Agency is required to maintain documentation that they received at least three price quotations for purchases over $1,000. In addition, SSG did not have a written procurement policies and procedures manual in compliance with the WIA guidelines as required.

Recommendations

SSG management:

3. **Ensure that three price quotations are documented for purchases over $1,000 as required by WIA guidelines.**

4. **Ensure that a written procurement manual is developed in compliance with WIA guidelines.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether SSG's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment inventory listing. In addition, we performed an inventory and reviewed the usage of the one (100%) item funded by WIA funds, totaling approximately $1,000.

Results

SSG used the fixed assets/equipment purchased with WIA funding for the WIA program. In addition, the items were appropriately safeguarded.

Recommendation

There are no recommendations in the section.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses invoiced for nine employees in August 2005, totaling approximately $25,890 (82%) out of $31,413, to the payroll records and time reports. We also interviewed staff and reviewed personnel files for four staff assigned to the WIA program.

Results

SSG over billed DCSS $5,980. Specifically, we noted the following:

- SSG billed DCSS for the salary paid to one employee who did not work in the WIA program. The amount over billed totaled $5,796.

- SSG over billed DCSS for 22.5 hours of overtime worked by one employee. The employee's timecards reported that the employee worked a total of 29.75 regular hours for the WIA program. However, the employee was paid 7.5 hours at the regular hourly rate and 22.5 hours at the overtime rate. The amount paid to the employee was billed to DCSS. The amount over billed totaled $184.

SSG also did not always maintain required documents in the personnel files. For one (25%) of the four staff required to drive for WIA related activities, SSG did not maintain a copy of the employee's current driver's license or proof of insurance.

Subsequent to our review, SSG repaid DCSS for the amount they over billed the Department for the salary paid to the one employee not assigned to the WIA program. SSG also made adjusting journal entries to credit DCSS $184 for the overtime incorrectly billed. In addition, SSG provided a copy of the employee's current driver's license and proof of insurance which were also in effect at the time of our review.

Recommendations

SSG management:

5. **Review payroll records for the contract period and repay DCSS for any amounts SSG billed DCSS for employees not assigned to the WIA program and data entry errors.**

6. **Ensure that required documents are maintained in the personnel files.**

COST ALLOCATION PLAN

Objective

Determine whether SSG's cost allocation plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed SSG's cost allocation plan and reviewed a sample of expenditures incurred by the Agency during July and August 2005.

Results

The cost allocation plan used by SSG was prepared in compliance with the County contract. SSG did not always apply the cost allocation plan to program costs. For July and August 2005, SSG under billed DCSS for rent costs by approximately $1,170.

Recommendation

7. **SSG management ensure that the cost allocation plan is accurately applied to program costs.**

April 7, 2006

Herbert E. Hatanaka, DSW
Executive Director
SSG PROGRAMS
Asian Pacific AIDS Intervention Team (APAIT)
Asian Pacific Counseling & Treatment Centers (APCTC)
API Center for Census Information & Services (ACCIS-DI)
Asian Pacific Residential Treatment Program
Benefits Assistance Clients Urban Projects (BAC-UP)
Children's Dental & Outreach Project
Court Referral Service Project (CRS)
Homeless Outreach Program (HOP)
Hunger & Hunger Project
Indochinese Counseling & Treatment Clinic
IHSS Recipients & Providers Sharing (IRAPS)
Occupational Therapy Training Program (OTTP)
Pacific Asian Alcohol & Drug Program (PAADP)
Pacific Asian Language Services (PALS)
Parsons Neighborhood Youth Program (PNYP)
Tongan Community Service Center
West Boulevard Child Development Center
CONSORTIA
Asian and Pacific Islander Mental Health Alliance
Care & Resource Management for Seniors (CARES)
Integrated Care Systems (ICS)
AFFILIATE ORGANIZATIONS
African American Alcohol and Other Drug Council (AAAOD)
SA Asian Pacific American Heritage Committee
Orange County Asian & Pacific Islander Community Alliance
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Department of Auditor-Controller
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500 West Temple Street, Room 525
Los Angeles, CA. 90012-2766

RE: RESPONSE TO FISCAL AND ADMINISTRATIVE CONTRACT REVIEW YEAR 2005-064-WORKFORCE INVESTMENT ACT PROGRAMS

The following is our Agency' s response to the audit report issued by the Auditor-Controller's office for our Workforce Investment Act Programs:

Billed Services/Client Verification

Recommendations:

SSG management:

1. Ensure that staff document their monthly discussions of the long term and employment goals with the participants as required.

2. Ensure that staff updates the JTA system to reflect the participants' activities as required.

Response:

1. The agency concurs with the program findings noted above. Since the audit, the staff has been documenting monthly discussions with clients regarding their progress to include long term and employment goals.

2. WIA staff has been posting the leadership code and updating the JTA system to reflect the participants' activities as required.

Internal Controls

Recommendations:

SSG management:

3. Ensure that three price quotations are documented for purchases over $1,000 as required by WIA guidelines.

4. Ensure that a written procurement manual is developed in compliance with WIA guidelines.

Response:

3. Although three price quotations were obtained verbally in the past, the the agency will ensure that these quotes are in writing and filed accordingly as required by WIA guidelines for purchases over $1,000.

4. The agency will finalize the updated written procurement procedure draft that was submitted to the auditors. The procedure will be incorporated as a section in the agency's fiscal operating manual.

Payroll and Personnel

Recommendations:

SSG management:

5. Review payroll records for the contract period and repay DCSS for any amounts SSG billed DCSS for employees not assigned to the WIA program and data entry errors.

6. Ensure that required documents are maintained in the personnel files.

Response:

5. Going forward, the agency will review payroll records in a more timely manner to ensure that all billed employees are assigned to the WIA contract. October 2005 billing submitted to DCSS reflected all adjustments for prior months' over billing for employees included but not assigned to the WIA project.

6. The agency concurs with this recommendation. Since the audit, personnel files of all employees assigned to this program now include all necessary documents required by WIA.

Cost Allocation Plan

Recommendation:

SSG management:

7. SSG management ensure that the cost allocation plan is accurately applied to program costs.

Response:

7. The agency will ensure that the cost allocation plan is accurately applied to monthly program costs in a consistent manner.

Please call Beth DeLosSantos in our fiscal department at (213) 553-1825 if you need additional information. Thank you.

Sincerely,

Herbert Hatanaka, DSW
Executive Director

cc: Sarah Bream - OTTP