COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

August 10, 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: **PACIFIC ASIAN CONSORTIUM IN EMPLOYMENT CONTRACT - WORKFORCE INVESTMENT ACT PROGRAM**

We have conducted a program, fiscal and administrative contract review of Pacific Asian Consortium in Employment (PACE or Agency), a Workforce Investment Act Program (WIA) service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with PACE, a private, non-profit organization, to provide and operate the WIA adult special needs program. The WIA adult special needs program is a comprehensive training and employment program to assist individuals with low income with substantial language and/or cultural barriers obtain employment, retain their jobs and increase their earnings. The types of services provided by PACE include on-the-job training, vocational training, job readiness training, and entrepreneurial training. PACE's offices are located in the First and Second Districts.

PACE is compensated on a cost reimbursement basis. For fiscal year (FY) 2004-2005, DCSS paid PACE $78,863, and for FY 2005-2006, BASE's contract is for $74,402.

Purpose/Methodology

The purpose of the review was to determine whether PACE has complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible 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 case files for all ten (100%) program participants sampled contained documentation to support the participants' eligibility to receive program services. In addition, PACE's expenses were allowable, accurately billed to DCSS and supported by documentation.

PACE did not always provide the level of services required by the County contract. For example, the Individual Employment Plans (IEP) for the ten participants reviewed did not include the participants' employment plans, individualized job training activities, and the participants' signatures. Since PACE is compensated on a cost reimbursement basis, there are not overpayments identified with the level of services provided. In addition, PACE did not always ensure that the program participants signed the various program forms, such as the Nepotism or Participant Information Release forms to document the participants' acknowledgement of the program's requirements.

PACE also did not maintain adequate segregation of duties over its cash handling. Specifically, the accounts payable clerk prepared the checks, distributed the checks, recorded the disbursements in the financial system, allocated costs, deposited receipts, and maintained custody of the blank check stock and the check signing machine.

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

Review of Report

We discussed our report with PACE on July 5, 2006. In their attached response, PACE concurred with our findings and recommendations. We also notified DCSS of the results of our review. We will follow-up our recommendations during next year's monitoring review.

We thank PACE 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
Kerry N. Doi, President and CEO, Pacific Asian Consortium in Employment
Public Information Office
Audit Committee

WORKFORCE INVESTMENT ACT PROGRAM
PACIFIC ASIAN CONSORTIUM IN EMPLOYMENT
FISCAL YEAR 2005-06

ELIGIBILITY

Objective

Determine whether Pacific Asian Consortium in Employment (PACE or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We judgmentally sampled ten (77%) of the 13 program participants that received services between July 2005 and April 2006. We reviewed the case files for documentation to confirm their eligibility for WIA services.

Results

All ten (100%) program participants met eligibility requirements for the WIA program.

Recommendation

There are no recommendations in this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

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

Verification

We reviewed the documentation contained in the case files for ten (77%) program participants that received services during July 2005 through April 2006. We also interviewed one program participant.

Results

The one program participant interviewed stated that the services he received met his expectations. However, PACE did not always provided the level of services required by the County contract. Specifically, we noted the following:

- The Individual Employment Plans (IEP) for all ten of the participants did not include employment plans, individualized planned activities and the participants' signatures.

- PACE did not obtain the participants' signatures on the required documents, such as the Nepotism or Participant Information Release forms. This same issue was also reported in PACE's prior year's monitoring report.

- PACE did not conduct a quarterly follow-up for one (11%) of nine participants that exited the program.

- PACE did not report the program activity for one (10%) of the ten participants on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Recommendations

PACE management:

1. **Ensure that staff complete the IEP in accordance with the County contract.**

2. **Ensure that staff obtain the participants' signatures on the required forms.**

3. **Ensure that staff conduct quarterly follow-up meetings with program participants that exited the program.**

4. **Ensure that staff update the JTA system to reflect the participants' program activities.**

CASH/REVENUE

Objective

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

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for March 2006.

Results

Generally, PACE maintained adequate internal controls to ensure that revenue was properly recorded and deposited in a timely manner. However, PACE did not bond their employees who handled cash or had access to the Agency's funds as required per the County contract.

Recommendation

5. **PACE management bond the employees who handle cash or have access to the Agency's funds as required.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether the 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 to support five (36%) of the 14 non-payroll expenditure transactions billed by the Agency for October, November and December 2005, totaling $874.

Results

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

Recommendation

There are no recommendations in this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, 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

PACE did not maintain adequate segregation of duties over the cash handling and procurement processes. Specifically, the accounts payable clerk prepared checks, distributed checks, recorded disbursements, allocated costs, deposited receipts, and maintained custody of the blank checks and the check signing machine. This internal control weakness was also reported in the prior year's monitoring report.

In addition, PACE did not have a fire inspection certificate. Further, PACE only retained their accounting records for a period of three years. The County contract requires that all accounting records be retained for a minimum of five years after the termination of the contract.

Recommendations

PACE management:

6. **Ensure that there is adequate segregation of duties or alternate internal controls.**

7. **Ensure that a fire inspection is performed.**

8. **Ensure that accounting records are retained in accordance with the County contract.**

FIXED ASSETS AND EQUIPMENT

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

We did not perform test work in this section as PACE did not use WIA funding to purchase fixed assets or equipment.

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 for three employees, totaling $11,908, to the payroll records and time reports for October through December 2005. We also interviewed one staff and reviewed the personnel files for three staff assigned to the WIA program.

Results

PACE appropriately charged payroll expenses to the WIA program. In addition, PACE's personnel files were properly maintained.

Recommendation

There are no recommendations in this section.

COST ALLOCATION PLAN

Objective

Determine whether PACE's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed PACE's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency to ensure that the expenditures were properly allocated to the Agency's programs.

Results

PACE's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations in this section.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

Verification

We verified whether the outstanding recommendations from Fiscal Year 2004-05 monitoring review were implemented. The report was issued on January 27, 2006.

Results

The prior monitoring report recommended that PACE maintain adequate separation of duties. At the time of our review, PACE did not implement the recommendation due to lack of staff. PACE's management indicated that the recommendation would be implemented during their 2006-07 program year.

Headquarters Office
1055 Wilshire Blvd., Suite 1475
Los Angeles, CA 90017
Tel: 213.353.3982 • Fax: 213.353.1227
www.pacela.org

July 17, 2006

J. Tyler McCauley, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
1000 S. Fremont Avenue, Unit#51
Building A-9 East, First Floor
Alhambra, CA 91803

Subject: PACE'S RESPONSE TO THE AUDITOR-CONTROLLER'S CONTRACT MONITORING REVIEW OF OUR AGENCY'S WIA SPECIAL NEEDS CONTRACT.

Dear Mr. McCauley:

The Pacific Asian Consortium in Employment (PACE) is responding to the following results and recommendations noted during the program, fiscal and administrative contract review of our agency's Workforce Investment Act (WIA) Special Needs Contract for the year 2005-2006.

Auditor's Results	Agency's Response
. **The** Individual Employment Plans (IEP) all ten of the participants did not include employment plans, planned activities designed for the participants and the participants' signatures. . PACE did not obtain the participants' signatures on the required documents, such as the Nepotism or Participant Information Release forms. This same Issue was also reported in PACE's prior year's monitoring report.	PACE management staff has discussed this result with program staff and implemented close monitoring and review system to ensure that in the future, the IEP and all other required forms of the enrolled WIA participants are completed and signed by the participants. In addition, the system is in place to ensure follow-up meetings with program participants that exited the program are conducted quarterly; and the JTA system is updated to reflect the participant's program activities.

Westlake WorkSource Center Suite 900-A Tel: 213.353.1677 Fax: 213.353.1844
Business Development Center Suite 900-B Tel: 213.353.9400 Fax: 213.353.4665
Work Opportunities Suite 900-D Tel: 213.353.3982 Fax: 213.353.0184
Environmental Services Suite 900-E Tel: 213.989.3214 Fax: 213.988.3232
Head Start Suite 1060 Tel: 213.988.3244 Fax: 213.988.3298
YouthBuild / Handyworker 1501 Wilshire Blvd., Suite 100 Los Angeles, CA 90017 Tel: 213.353.1780 / 213.353.3515 Fax: 213.353.1781 / 213.403.0151

. PACE did not conduct a quarterly follow-up for one (11%) of nine participants that exited the program. . **PACE** did not report the program activity for one (10%) of the ten participants on the Job Training Automation (JTA) system for one participant. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.	
. **Generally**, PACE maintained adequate internal controls to ensure that revenue is properly recorded and deposited in a timely manner. However, PACE did not bond the employees who handle cash or have access to the Agency's funds as required.	PACE has bonded the employees who handle cash or have access to the PACE's funds. A copy of proof (i.e., Professional Liability and Employee Theft Insurance) is enclosed here for your review.
. **PACE did** not maintain adequate segregation of duties over the cash handling and procurement processes. Specifically, the accounts payable clerk prepared checks, distributed checks, recorded disbursements, allocated costs, deposited receipts, and maintained custodian of the bank checks and the check signing machine. This internal control weakness was also noted in the prior year's monitoring report. In addition, PACE did not have a fire Inspection certificate or retain their accounting records for a period of three years. However, the County contract requires that all accounting records be retained for a minimum of five years after the termination of the agreement.	PACE's Senior Accountant is the one responsible for coding type of expenses, requesting for payment processing and recording disbursements, allocate cost and preparing deposit slips. The Account Payable Clerk prepares checks only at the request of Sr. Accountant for payment processing. Once checks are issued and signed, they are doubled checked by the Senior Accountant and then forwarded to other staff for distribution. In terms of deposits, AP Clerk's responsibility in this area is only as a messenger. Therefore, we do not believe that there is an internal control weakness in this area. With regards to the check-signing machine (i.e., signature stamps), the stamp has only been used for those checks that are under $100. Effective immediately, we will eliminate the use of signature stamps for any check regardless of the amount of check. We believe that our internal

. **The prior** monitoring report contained one recommendation. At the time of our review. PACE did not implement the recommendation. PACE's anticipated implementation date is July 2006.	control will be strengthened with the elimination of this practice. The property management of 1055 Wilshire building maintains up-to-date fire inspection certificate. PACE does not keep this certificate in our record. If you would require a copy of this report, PACE will request a copy from the property management company. PACE is one of many tenants in the building. PACE does retain its accounting records for a period of five years after the termination of the agreement, not three years as we stated in our survey checklist. The outstanding recommendations from Fiscal Year 2004-05 monitoring review consist of Participant's Nepotism form, Information Release form, and Equal Opportunity Notice form. PACE has developed these forms and will implement them in the 2006-2007 program year. Copy of these forms was already provided to Los Angeles County Community Senior Services on May 22, 2006.

If you have any questions or concerns, please do not hesitate to call me at (213) 207-1366. Thank you.

Sincerely,

Albert Sy
Senior Program Coordinator

cc: Yoon Bae, CPA

JUN. 17. 2006 1:33PM PACE ONE STOP CNTR NO. 554 P. 5

ACORD CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 06/29/2006

PRODUCER (626)599-8830 FAX (626)599-8831
Pacific General Insurance Services
405 E. Santa Clara Street
Suite 100
Arcadia, CA 91006

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE	NAIC #
INSURER A: Philadelphia Indemnity Insurance Company	
INSURER B:	
INSURER C:	
INSURER D:	
INSURER E:	

INSURED Search To Involve Pilipino Americans, Inc.
3200 West Temple Street
Los Angeles, CA 90026

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC	PHPK178079	07/01/2006	07/01/2007	EACH OCCURRENCE	$ 1,000,000
						DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
						MED EXP (Any one person)	$ 5,000
						PERSONAL & ADV INJURY	$ 1,000,000
						GENERAL AGGREGATE	$ 3,000,000
						PRODUCTS - COMP/OP AGG	$ 3,000,000
A		AUTOMOBILE LIABILITY X ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS	PHPK178079	07/01/2006	07/01/2007	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
						BODILY INJURY (Per person)	$
						BODILY INJURY (Per accident)	$
						PROPERTY DAMAGE (Per accident)	$
		GARAGE LIABILITY ANY AUTO				AUTO ONLY - EA ACCIDENT	$
						OTHER THAN AUTO ONLY: EA ACC	$
						AGG	$
		EXCESS/UMBRELLA LIABILITY OCCUR CLAIMS MADE DEDUCTIBLE RETENTION $				EACH OCCURRENCE	$
						AGGREGATE	$
							$
							$
							$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				WC STATU-TORY LIMITS / OTH-ER	
						E.L. EACH ACCIDENT	$
						E.L. DISEASE - EA EMPLOYEE	$
						E.L. DISEASE - POLICY LIMIT	$
A		OTHER Professional Liablity Employee Theft Property	PHPK178079 PHPK178079 PHPK178079	07/01/2006 07/01/2006 07/01/2006	07/01/2007 07/01/2007 07/01/2007	$1,000,000 Occ/$2,000,000 Agg $100,000 Limit/$1,000 Ded $1,050,000 Bldg/$40,000 BPP	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

Certificate holder is named as additional insured as respects to PACE/SIPA Youth Building.

A ten day notice of cancellation shall be given in the event of non-payment of premium

CERTIFICATE HOLDER

Pacific Asian Consortium in Employment
Attn: Albert Sy
1055 Wilshire Blvd., #1475
Los Angeles, CA 90017

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE Wendy Crouch

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