COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

September 13, 2006

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

FROM: J. Tyler McCauley
For
Auditor-Controller

SUBJECT: **NEW DIRECTIONS, INC. - WORKFORCE INVESTMENT ACT PROGRAM**

We have conducted a program, fiscal and administrative contract review of New Directions, Inc. (New Directions or Agency), a Workforce Investment Act Program (WIA) service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with New Directions, a private, non-profit, community-based 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 low income adults with substantial language and/or cultural barriers obtain employment, retain their jobs and increase their earnings. The types of services provided by New Directions include career planning, occupational skills, training and job placement. New Directions' offices are located in all five Districts.

New Directions is compensated on a cost reimbursement basis. For Fiscal Year 2005-2006, New Direction's contract was for $75,344.

Purpose/Methodology

The purpose of the review was to determine whether New Directions 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 program participants interviewed stated that the services they received met their expectations. In addition, New Directions maintained adequate controls to ensure that the revenue was properly recorded and deposited in a timely manner.

New Directions did not follow-up with three (60%) of the five participants that had exited the program to determine their employment and educational status in accordance with WIA guidelines. New Directions also did not accurately report the participants' program activities on the Job Training Automation (JTA) system for two (20%) of the ten participants. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activity.

New Directions' employee timecards did not identify the total hours each employee worked on the WIA program as required. In addition, New Direction billed DCSS for an employee's medical insurance when the employee did not participate in the Agency's medical plan during the period, resulting in an over billing of $363.

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

Review of Report

We discussed our report with New Directions on August 9, 2006. In their attached response, New Directions 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 New Directions 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
Toni Reinis, Executive Director, New Directions, Inc.
Public Information Office
Audit Committee

WORKFORCE INVESTMENT ACT PROGRAM
NEW DIRECTIONS, INC.
FISCAL YEAR 2005-06

ELIGIBILITY

Objective

Determine whether New Directions, Inc. (New Directions or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sample of ten (37%) participants from a total of 27 participants that received services between July 2005 and May 2006. We reviewed the ten case files for documentation to confirm their eligibility for WIA program services.

Results

All ten program participants met the eligibility requirements for the WIA Adult Special Needs program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

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

Verification

We reviewed the documentation contained in the case files for ten (37%) program participants that received services during July 2005 through May 2006. We also interviewed four program participants.

Results

The four program participants interviewed stated that the services they received met their expectations. However, New Directions did not follow-up with three (60%) of the

five participants that had exited the program to determine their employment and educational status in accordance with WIA guidelines.

In addition, New Directions did not accurately report the participants' program activities on the Job Training Automation (JTA) system for two (20%) of the ten participants. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activity.

Recommendations

New Directions management:

1. **Ensure that staff follow-up with exited participants in accordance with WIA guidelines.**

2. **Ensure that staff accurately update the JTA system.**

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 April 2006.

Results

Generally, New Directions maintained adequate controls to ensure that revenue is properly recorded and deposited in a timely manner. However, New Directions' bank reconciliations were not signed by the preparer and reviewer as required by the County contract.

Recommendation

3. **New Directions management ensure that bank reconciliations are signed by the preparer and reviewer.**

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 39 (95%) of the 41 non-payroll expenditure transactions billed by the Agency for October, November and December 2005, totaling $ 5,052.

Results

New Directions' expenditures were allowable, accurately billed to DCSS, and supported by documentation as required.

Recommendation

There are no recommendations for 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

New Directions maintained sufficient internal controls over its business operations and was in compliance with other program and administrative requirements.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Objective

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

Verification

We interviewed Agency personnel and review the Agency's inventory listing. In addition, we performed an inventory and reviewed the usage of five items funded by WIA funds, totaling approximately $3,400.

Results

New Directions used the items purchased with WIA funding for the WIA program. In addition, the items were appropriately safeguarded.

Recommendation

There are no recommendations for this 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 for the one employee assigned to the WIA program, totaling $7,526, to the payroll records and time reports for January through April 2006. We also interviewed the staff and reviewed the employee's personnel file.

Results

New Directions' employee timecards did not indicate the hours staff worked on the WIA program as required. According to the County contract, timecards must indicate total hours worked each day by program. Subsequent to our review, New Directions provided the number of hours the employee worked each day by program for the months of January through April 2006.

New Directions also billed DCSS for the employee's medical insurance for January through April 2006. However, the employee did not participate in the Agency's medical plan during the period. The over billed amount totaled $363.

Recommendations

New Directions management:

4. **Repay DCSS $363.**

5. **Ensure that expenditures are adequately supported with timecards that indicate the total hours worked each day by program.**

6. **Ensure that actual payroll expenditures are billed to DCSS and repay DCSS for any unsupported payroll expenses billed during the contract period.**

COST ALLOCATION PLAN

Objective

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

Verification

We reviewed the 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

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

Recommendation

There are no recommendations for this section.

NEW DIRECTIONS, INC.
11303 Wilshire Blvd., VA Bldg. 116
Los Angeles, California 90073-1003
Administration (310) 914-4045
Program (310) 914-5966
Fax (310) 914-5495

August 31, 2006

J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 South Fremont Avenue, Suite #51
Alhambra, CA 91803
Attention: Yoon Bae

Dear J. Tyler McCauley:

In receipt of your 2005 – 2006 Report on On-Site review of CSS Workforce Development Programs Service Providers based on contract CK22420, we would like to take this opportunity to respond to your results and recommendations.

ELIGIBILITY

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Results
The four program participants interviewed stated that the services they received met their expectations. However, New Directions did not follow-up with three (60%) of the five participants that had exited the program to determine their employment and educational status in accordance with WIA guidelines.

In addition, New Directions did not accurately report the participants' program activities on the Job Training Automation (JTA) system for two (20%) of the ten participants. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activity.

Recommendations
New Directions management:
1. Ensure that staff follow-up with exited participants in accordance with WIA guidelines.
2. Ensure that staff accurately updates the JTA system.

1. To ensure that staff follow-up with exited participants in accordance with WIA guidelines, New Directions is:
    a. Requesting consent from clients to gather employment-related information for a longer period of time (from 12 months to 18 months).
    b. Requesting available documentation from the EDD-VSSP representative on Unemployment Insurance information and earnings.
    c. Conducting internal quarterly "at-random" file reviews.
    d. Requesting the grantor to provide PWCAR reports quarterly, instead of annually.
    e. Conducting on the job visits, placing home phone calls, and distributing and collecting client questionnaires during AfterCare and at scheduled quarterly meetings.
2. To ensure that staff accurately updates the JTA system, New Directions is:
    a. Conducting internal monitoring through at-random file reviews.

CASH/REVENUE

Results

Generally, New Directions maintained adequate controls to ensure that revenue is properly recorded and deposited in a timely manner. However, New Directions' bank reconciliations were not signed by the preparer and reviewer as required by the County contract.

Recommendation

New Directions management ensures that bank reconciliations are signed by the preparer and reviewer.

Corrections

All bank reconciliations reviewed for the audit were prepared by the CFO/Controller due to accounting personnel turnover. Now that we are fully staffed, all bank reconciliations are initialed by the reviewer and signed by the preparer.

EXPENDITURES/PROCUREMENT

There are no recommendations for this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

There are no recommendations for this section.

PAYROLL AND PERSONNEL

Results

New Directions' employee timecards did not indicate the hours staff worked on the WIA program as required. According to the County contract, timecards must indicate total hours worked each day by program. Subsequent to our review, New Directions provided additional supporting documentation for the employee with the total hours worked each day by program for the months of January through April 2006.

New Directions also billed DCSS for the employee's medical insurance for January through April 2006. However, the employee did not participate in the Agency's medical plan during the period. The over-billed amount totaled $363.

Recommendations

New Directions management:

1. Repay DCSS $363.
2. Ensure that expenditures are adequately supported with timecards that indicate the total hours worked each day per program.
3. Ensure that actual expenditures are invoiced for reimbursement and repay DCSS for any additional unsupported payroll expenses for the contract period.

Corrections

1. New Directions will repay DCSS $363.
2. To ensure that expenditures are adequately supported with timecards that indicate the total hours worked each day per program, New Directions is:
    a. Working with ADP to provide a timesheet that can be printed with the required information. If this cannot be accomplished, New Directions will explore other methods to support time charged to programs. (Employees utilize ADP online timekeeping system to record time charged. The timesheet is printed and signed by the employee and immediate supervisor. However, the timesheet printed from the timekeeping system does not show time by program even though the payroll register/labor distribution reports indicate time charged to each program.)
3. To ensure that actual expenditures are invoiced for reimbursement and repay DCSS for any additional unsupported payroll expenses for the contract period, New Directions is:
    a. Not billing based on estimates. (It has always been our practice and standard procedure to bill all cost reimbursement contracts after incurring actual expenses. The exception identified in the audit was a direct result of accounting staff turnover. We were behind in payroll allocation in the first part of 2006. As a result, we used estimates to bill; however, we did not have the opportunity to finish comparing expenses to billing and correct them accordingly.)

COST ALLOCATION PLAN

There are no recommendations for this section.

We hope that you are satisfied with the corrections made by New Directions. Thank you for your support.

Sincerely,

Tom Reinis
Executive Director