COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

October 31, 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: **SOLEDAD ENRICHMENT ACTION, INC., CONTRACT - WORKFORCE INVESTMENT ACT PROGRAMS**

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

Background

The Department of Community and Senior Services (DCSS) contracts with Soledad, a private non-profit organization, to provide and operate the WIA foster youth special needs programs. WIA foster youth special needs program is a comprehensive training and employment program for foster youths who are pregnant or parenting, and foster youths in need of work experience. Soledad's office is located in the First District.

Soledad is compensated on a cost reimbursement basis. For Fiscal Year 2005-2006, Soledad's contract was for $67,500.

Purpose/Methodology

The purpose of the review was to determine whether Soledad complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible 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

Generally, Soledad maintained adequate internal controls over its business operations. The program participants/guardians interviewed stated that the services the participants received met their expectations.

Soledad did not always maintain documentation to support program expenditures. The unsupported expenditures totaled $1,080. Specifically,

- Soledad did not maintain appropriate documentation to support the eligibility for four (40%) of the ten participants sampled to receive program services.

- Soledad did not maintain appropriate documentation to support the incentives and supportive services provided to all ten (100%) participants reviewed.

In addition, Soledad did not discuss the Individual Service Strategy (ISS) plans with six (60%) of the 10 youth participants sampled on a monthly basis. Soledad also did not report the program activities for all ten participants on the Job Training Automation (JTA) system 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.

We have attached details of our review, along with recommendations for corrective action.

Review of Report

We discussed our report with Soledad on August 24, 2006. In their attached response, Soledad indicated that the four ineligible participants were eligible for the WIA program and the supporting documentation was maintained for the supportive services and incentives provided to all ten participants. Soledad also indicated that it is not a requirement to report the supportive services into the JTA system.

We met with Soledad on two separate occasions and explained why the documentation they submitted did not support the eligibility of the four individuals or the supportive services and incentives expenditures. In addition, we explained that the County contract requires all program activities, including supportive services, to be reported on the JTA system within 30 days of the program activity. We will continue to work with the Agency and DCSS to ensure that Soledad understand WIA requirements.

Due to the confidential nature of the documents, we did not include some of the attachments Soledad's management referenced in their attached response. We thank Soledad for their 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
Cesar Calderon, Executive Director, Soledad Enrichment Action, Inc.
Public Information Office
Audit Committee

WORKFORCE INVESTMENT ACT PROGRAM
SOLEDAD ENRICHMENT ACTION, INC.
FISCAL YEAR 2005-06

ELIGIBILITY

Objective

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

Verification

We judgmentally sampled 10 (37%) program participants from a total of 27 participants that received services between July 2005 and March 2006 and reviewed their case files for documentation to confirm their eligibility for WIA program services.

Results

Soledad did not maintain appropriate documentation for four (40%) of the ten participants to support the participants' eligibility to receive program services. Specifically, Soledad did not obtain documentation of the individuals' employability as required. The amount Soledad billed the Department of Community and Senior Services (DCSS) for direct costs totaled $480.

Recommendations

Soledad management:

1. **Repay DCSS $480.**
2. **Review the indirect costs associated with the ineligible participants and repay DCSS for services provided.**
3. **Ensure that staff obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment as required.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency 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 10 (37%) program participants that received services during July 2005 through March 2006. We also interviewed two program participants/guardians.

Results

The two participants/guardians interviewed stated that the services the participants received met their expectations. However, Soledad did not maintain appropriate documentation to support the incentives and supportive services provided to all ten (100%) participants. The required supporting documentation for incentives is an incentive policy signed by both the recipient and the Agency. An acceptable documentation for supportive services would be a receipt signed by the participant. The amount Soledad billed DCSS for unsupported expenditures totaled $600.

In addition, Soledad did not discuss the Individual Service Strategy (ISS) plan with six (60%) of the 10 youth participants on a monthly basis as required by WIA guidelines. Soledad also did not report the program activities, such as supportive services and completion of leadership training activity, for all ten participants on the Job Training Automation (JTA) System 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.

Recommendations

Soledad management:

4. **Repay DCSS $600.**

5. **Ensure that staff obtain appropriate supporting documentation for supportive services and incentives provided to the participants.**

6. **Ensure that staff discuss the ISS plans with the participants on a monthly basis.**

7. **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 Agency's February 2006 bank reconciliation.

Results

Soledad maintained adequate internal controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for 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 other documentation to support 13 non-payroll expenditures transactions, totaling $1,260 (74%) of $1,707 billed by the Agency for October, November and December 2005.

Results

Soledad's expenditures were allowable, properly documented and accurately billed. However, the Agency invoiced DCSS for expenses which were not budgeted totaling $515. In addition, Soledad did not have supporting documentation for $110 of the $515 unbudgeted expenditures as required.

Subsequent to our review, Soledad made appropriate adjusting entries to reallocate the expenses to the appropriate cost category for the $515.

Recommendations

Soledad management:

8. **Repay DCSS $110.**

9. **Ensure that expenditures are allocated to the appropriate cost category.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency 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

Generally, Soledad maintained adequate internal controls over its business operations. However, Soledad did not maintain the required policy and procedure manuals. Specifically, Soledad did not maintain:

- A procurement policies and procedures manual containing procedures that complied with the federal and WIA guidelines. Soledad's procurement procedures do not require staff to conduct a price analysis prior to making purchases. Federal guidelines require that a cost or price analysis be performed for every procurement action, and WIA guidelines require that three price quotes be documented for purchases over $1,000.

- A procedural manual for administering the WIA Foster Youth Special Needs program. Soledad's program procedural manual consisted of program directives. However, Soledad's manual did not identify specific procedures for administering the program, such as how the staff should screen and document the participant's eligibility, how often the staff should discuss the goals with the participants, or when the staff should administer the post-assessments for basic skills deficient participants.

In addition, Soledad did not submit the July through December 2005 invoices to DCSS within five working days of the following month as required by the County contract. This was also noted in the prior year's monitoring report.

Recommendations

Soledad management:

10. Ensure that staff conduct a price analysis prior to making purchases.

11. **Ensure that a procurement manual and a procedural manual for administering the WIA Foster Youth Special Needs program are developed in compliance with federal and WIA guidelines and distributed to personnel.**

12. **Ensure that invoices are submitted to DCSS within the timeframes established by the County contract.**

FIXED ASSETS AND EQUIPMENT

Objective

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

We did not perform test work in this section, as Soledad did not use WIA funds 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 payroll expenditures for two employees totaling $2,949 (72%) to the payroll records and time reports for December 2005. We also interviewed one employee and reviewed the personnel files for three employees assigned to the WIA program. In January 2006, Soledad assigned an additional employee to the WIA program.

Results

Soledad did not bill DCSS for employees' salaries based on actual expenditures as required. According to Agency personnel, salaries were billed based on budgeted amounts. Subsequent to our review, Soledad provided timecards that reflected the amounts billed. However, the County contract requires that the contractors request for reimbursement for actual expenditures incurred and not based on budgeted amounts.

Soledad also did not maintain current performance evaluations or job specifications in two (66%) of three personnel files reviewed.

Recommendations

Soledad management:

13. **Request for reimbursement based on actual expenditures and not on budgeted amounts.**

14. **Ensure that required documentation is maintained in the personnel files.**

COST ALLOCATION PLAN

Objective

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

Verification

We reviewed Soledad's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during October, November and December 2005 to ensure that the expenditures were properly allocated to the Agency's appropriate programs.

Results

As previously indicated, Soledad invoiced for expenditures that were not budgeted and did not bill DCSS for salaries based on actual expenditures. Therefore, we recommended that Soledad allocate expenditures to the appropriate cost category and request for reimbursement based on actual expenditures.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP

Objective

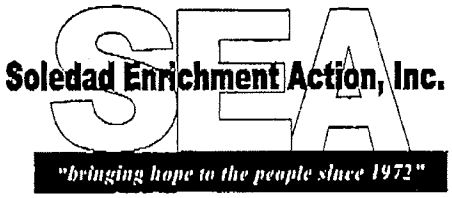
Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

Verification

We verified whether the outstanding recommendations from fiscal year 2004-05 monitoring review were implemented. The report was issued on March 13, 2006.

Results

The prior monitoring report contained seven recommendations. At the time of our review, Soledad implemented six (86%) of the seven recommendations. The one remaining recommendation not implemented is also noted in this report. Soledad's management indicated that all recommendations will be implemented during their 2006-07 program year.



September 20, 2006

J. Tyler McCauley
Auditor-Controller:

Re: Plan of Action for Findings and Recommendations for the WIA Foster Youth Special Needs #20092-12 contract for Fiscal Year 2005-2006.

ELIGIBILITY

Results

Soledad did not maintain appropriate documentation for four (40%) of the ten participants to support the participants' eligibility to receive program services. Specifically, Soledad did not obtain documentation of the individual's employability as required. The amount Soledad billed the Department of Community and Senior Services (DCSS) for direct costs totaled $480.

Recommendations

Soledad management:

1. **Repay DCSS $480.**
2. **Review the indirect costs associated with the ineligibility participants and repay DCSS for services provided to the ineligible participants.**
3. **Ensure that staff obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment as required.**

Plan of Action:
Attached is the fax sent from Isaura Ortega with list of names of participants to be reviewed.

Referring to a copy of the participant's Social Security Card:
According to the training on making Common Sense of the Common Measures, Don Mac Millan demonstrated on page 8. (See Attachment) We can have an Invalid or Pseudo Social Security Number and still be eligible to receive services.
This means there is a formula to do this. So participants with this type of Social Security numbers don't have a hard card.
We don't have a fiscal copy of the participant's Social Security Card, but we have the participant's Social Security number. Our Agency was never notified about the (Tag) Eligibility Technical Assistance Guide. On August 15, 2006, at the WIA PARTICIPANT REPORTING FORMS WORKSHOP was the first time our agency was introduced to this guide.
Our eligibility for The WIA Foster Youth Program is based on our Statement of works, which is in the Contract, and that is what we base our eligibility on.

(See Attachment)
According to the TAG page 7 the documentation and verification process should be customer friendly and not add to the frustrations already experienced by individuals who are out of work. (Our clients are Foster Youth in group homes)
I have also attached the original documentation of the participant's proof of eligibility.

BILLED SERVICES/CLIENT VERIFICATION

Results

The two participants/guardians interviewed stated that the services the participants received met their expectations. However, Soledad did not maintain appropriate documentation for all ten (100%) participants to support the incentives and supportive services provided as required. The required supporting documentation for incentives is an incentive policy signed by both the recipient and issuing staff. An acceptable documentation for supportive services would be a receipt signed by the participant. The amount Soledad billed DCSS for unsupported expenditures totaled $600.

In addition, Soledad did not discuss the Individual Service Strategy (ISS) plan for six (60%) of the 10 youth participants on a monthly basis as required by WIA guidelines. Soledad also did not report the program activities, such as supportive services and completion of leadership training activity, for all ten participants on the Job Training Automation (JTA) System 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.

Recommendations

Soledad management:

4. **Repay DCSS $600.**

5. **Ensure that staff obtain appropriate supporting documentation for supportive services and incentives provided to the participants.**

6. **Ensure that staff discuss the ISS plans with the participants on a monthly basis.**

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

Plan of Action:

4. *See Attachments It was documented on Form 1A (Attached) for the Support Services, and I updated my follow up notes to reflect the incentives that were given. I also have copies of the signed documents and checks the participants signed.*

5. *Attached are proof of the signed checks and memo's of the participants that received incentives. We do not feel we should repay DCSS for this finding because there is not a formal instructions on how to prove that the participant received incentives.*

6. *I recorded my enrollment, session, and any other information weekly. I was unaware I had to record on a monthly basis after I completed the 8 workshops I was in contact with my clients every week after graduation. I have corrected my notes and have attached the copies.*

7. *According to the WIA JTA Client forms Handbook: The Department of labor allows the maximum of three reportable goals per enrollment year to be set for the purpose of the youth skill attainment rate performance measure. A maximum of three primary goals per person in each enrollment year is allowable in order to prevent the setting of multiple minimum-level skill goals. There are three goal types: basic skills, occupational skills and work readiness. Participants may have any combination of the three types of skill goals. A youth who is determined to be basic skills deficient must have a minimum of one basic skill goal set as the first goal.*

SEA gave the participants shorts, pants, and portfolios as a gift for completing the 8 weeks work shops. I have attached the copies of those documents.

It is not a requirement to input code 81 support services on the JTA Enrollment/Registration. JTA requires that you set 1 to 3 goals and I did that. I use Activity codes 72 and 75 during enrollment on the JTA system. Attached are copies of page 3 of JTA enrollment forms. I have also added the code 81 to the JTA system as requested.

Please note that I did recorded activity on the WIA Performance services form and Referral form attached is a copy.

CASH/REVENUE

Results

Generally, Soledad maintained adequate internal controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT

Results

Soledad's expenditures tested were allowable, properly documented and accurately billed. However, the Agency invoiced DCSS for expenses which were not budgeted totaling $515. In addition, Soledad did not have supporting documentation for $110 of the $515 unbudgeted expenditures as required.

Subsequent to our review, Soledad made appropriate adjusting entries to reallocate the expenses to the appropriate cost category for the $515.

Recommendations

Soledad management:

9. **Repay DCSS $110.**

10. **Ensure that expenditures are accurately allocated to the appropriate cost category.**

Plan of Action: 9. SEA, Inc has provided adequate supporting documents for the $110 according to Fiscal Year 0506 training. See Attachments.

10. SEA, Inc. will ensure that expenditures are accurately allocated to the appropriate cost category.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Results

Generally, Soledad maintained adequate internal controls over its business operations. However, Soledad did not maintain the required policy and procedure manuals. Specifically, Soledad did not maintain:

- A procurement policies and procedures manual containing procedures that complied with the federal and WIA guidelines. Soledad's procurement procedures do not require staff to conduct a price analysis prior to making purchases. Federal guidelines require that a cost or price analysis be performed for every procurement action, and WIA guidelines require that three price quotes be documented for purchases over $1,000.

- A procedural manual for administering the WIA Foster Youth Special Needs program. Soledad's program procedural manual consisted of program directives. However, Soledad's manual did not identify specific procedures for administering the program, such as how the staff should screen and document the participant's eligibility, how often the staff should discuss the goals with the participants, or when the staff should administer the post-assessments for basic skills deficient participants.

In addition, Soledad did not submit the July through December 2005 invoices to DCSS within five working days of the following month as required by the County contract. This was also noted in the prior year's monitoring report.

Recommendations

Soledad management:

11. Ensure that staff conduct a price analysis prior to making purchases.

12. Ensure that a procurement manual and a procedural manual for administering the WIA Foster Youth Special Needs program are developed in compliance with federal and WIA guidelines and distributed to personnel.

13. Ensure that invoices are submitted to DCSS within the timeframes established by the County contract.

Plan of Action:

11. SEA, Inc. will conduct price analysis prior to making purchases.

12. SEA, Inc. will ensure that a procurement manual and a procedural manual for administering the WIA Foster Youth Special Needs program is developed in compliance with Federal and WIA guidelines and distributed to personnel.

13. SEA, Inc. will ensure that invoices are submitted to DCSS within the timeframes established by the County contract.

FIXED ASSETS AND EQUIPMENT

The objective of this section is to determine whether Soledad's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

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

PAYROLL AND PERSONNEL

Results

Soledad did not bill DCSS employees' salaries based on actual expenditures as required. According to Agency personnel, salaries were billed based on budgeted amounts. However, the County contract requires that the contractors request for reimbursement for actual expenditures incurred and not based on budgeted amounts. In addition, time estimates do not qualify as support for payroll expenditures and are disallowed.

In addition, Soledad did not maintain current performance evaluations or job specifications in two (66%) of three personnel files reviewed.

Recommendations

Soledad management:

14. Request for reimbursement based on actual expenditures and not on budgeted amounts.

15. Ensure that required documentation is maintained in the personnel files.

Plan of Action:

14. SEA, Inc. will request for reimbursement based on actual expenditures and not budgeted amounts.

15. SEA, Inc. ensures that all required documentation is maintained in the personnel files.

COST ALLOCATION PLAN

Results

Soledad'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

Results

The prior monitoring report contained seven recommendations. At the time of our review, Soledad implemented six (86%) of the seven recommendations. The one remaining recommendation not implemented is also noted in this report. Soledad's management indicated that all recommendations will be implemented during their 2006-07 program year.

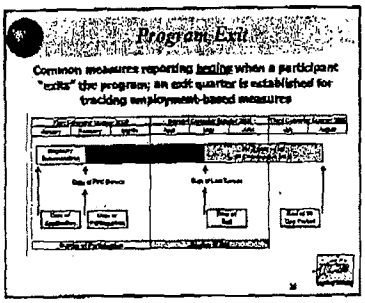
Thank you so much for your time and effort. If you have any questions, please feel free to contact me at 213-480-4200.

Sincerely,

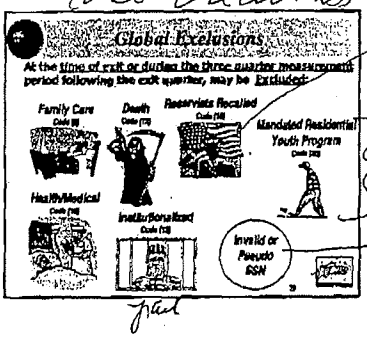
Cesar Calderon
Executive Director

***Please see attachments for supporting documents to the Plan of Action.**

Making Common Sense of the Common Measures



lose credit 2s

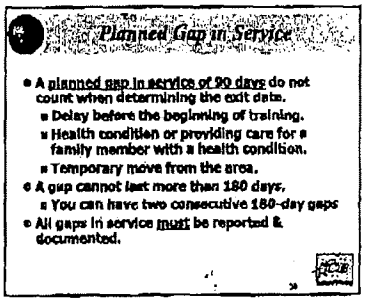


Make sure if have copie of Print ID Card.

(20)

THIS A Person with a made up Soc Sec. #.

jail



6 months is 180 days

Plan Gap is if the Client moves back home or you can have 2 gaps in

Eligibility Documentation and Verification

Background: The Act and the regulations do not address the issues of eligibility documentation and verification. The DOL has not yet provided eligibility documentation and verification guidance; however, DOL allows considerable state and local flexibility in this area. Therefore, local areas are at liberty to establish their own documentation and verification policy and procedures.

The documentation and verification process should be customer friendly and not add to the frustrations already experienced by individuals who are out of work. It is the purpose of WIA programs to assist people who are having difficulty finding employment. It is not the intention of this program to discourage participation by imposing difficult documentation and verification requirements. Local areas have the flexibility and local discretion to design documentation and verification systems that are less burdensome than the predecessor programs. Section X of this technical assistance guide includes a form for local areas to use in developing their own lists of acceptable documentation. Sample tables of acceptable documentation are also included *(Attachment 2)* for local areas to adopt if they choose not to develop their own. Section IX includes a text form field for local areas to record their eligibility documentation and verification policy, procedures, and definitions. ***One-stop operators and applicants must make reasonable efforts to document eligibility for WIA-funded programs. However, the use of applicant statements is allowable to document those items that are not verifiable or are not readily available. The applicant's difficulty in obtaining documentation does not need to entail privation or suffering (undue hardship) to justify using an applicant statement.***

In taking an applicant's statement, it is not necessary to obtain corroboration unless there is reason not to believe the applicant.

An applicable male's compliance with the Military Selective Service (see Attachment 3) and an adult's eligibility to work should be documented as required.

Items to consider: It is not necessary to determine that an adult is eligible in accordance with the priority system until it is determined that the individual is in need of intensive services, and, then, only if there is a priority system locally in effect. One-stop operators only need to record equal opportunity information (the race/ethnicity, sex, age, and where known, disability status), record and document the right-to-work, age, and compliance with the Selective Service registration requirement. If an adult is unable to obtain or retain employment through staff-assisted core services and requires intensive services, the remaining federal, State, and local documentation and verification requirements must be met before providing intensive services. To be eligible to receive staff-assisted core services as a dislocated worker, an individual must be determined to meet the definition of "dislocated worker" (Section 663.105). The tiered service structure does not apply to youth. All youth must be registered (Section 664.215) and must be determined to meet the eligibility criteria described in Section 664.200.

<Hyperlink to insert local policy> (hyperlink only activated in MS Word)

EXHIBIT B

B. Eligibility

Eligibility for services in the WIA *In-School and/or* Out-of-School Program *is limited to low-income youth (as defines by the* 70% LLSIL Income Standards or Poverty Guidelines issued by the State and Federal Government), who are:

1. A citizen of the United States or an *eligible non-citizen;*
2. A resident of an area served by the County Workforce Investment Area, land;
3. *Has the following barrier* to employment;
   a. Foster youth, with an emphasis on those who may be pregnant or parenting

An Out-of-School Youth is defined as:

1. An eligible youth who is a school dropout; or,
2. An eligible youth who has received a secondary school diploma *or its equivalent but is* basic skills deficient,
3. Unemployed or Underemployed; and
4. *Youth cannot be enrolled in an alternative or continuation* school.

PLEASE NOTE: THE DEFINITION OF AN OUT-OF-SCHOOL YOUTH MAY CHANGE IF THE REAUTHORIZATION BILL IS SIGNED. ALL SUCCESSFUL APPLICANTS MUST DEMONSTRATE THE CAPABILITY TO MODIFY THEIR PROGRAM DESIGN TO COMPLY WITH THE NEW REGULATIONS.

C. Ten Core Elements

Service providers must incorporate the 10 core elements as part of the program design with the intent to achieve the goals *identified* above. Services are to be distinctive and particular to the needs of *the target population* of foster youth. These services *may* be provided through partner agencies, but *must be available.*

WIA requires that access to the 10 core elements listed below must *be made available to all youth:*