COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

September 22, 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: **CATHOLIC CHARITIES OF LOS ANGELES, INC. CONTRACT - WORKFORCE INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of Catholic Charities of Los Angeles, Inc., dba Archdiocesan Youth Employment Services, (Catholic Charities or Agency), a Workforce Investment Act (WIA) program service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with Catholic Charities, 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. Catholic Charities' offices are located in the First, Second, Third and Fifth Districts.

Catholic Charities is compensated on a cost reimbursement basis. For Fiscal Year (FY) 2005-2006, Catholic Charities' contract was for $1,048,404.

Purpose/Methodology

The purpose of the review was to determine whether Catholic Charities 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

The participants/guardians interviewed stated that the services received met their expectations. In addition, Catholic Charities maintained sufficient internal controls over its business operations.

Catholic Charities did not always provide the level of service in accordance with WIA guidelines. Specifically, Catholic Charities did not:

- Maintain documentation to support the participants' eligibility to receive program services for six (30%) of the 20 youth participants.
- Discuss the participants' Individual Services Strategy (ISS) plans with the participants on a monthly basis for four (20%) of the 20 participants.
- Adequately follow-up with the participants for 11 (61%) of the 18 youth participants who have exited the program.
- Accurately report the participants' program activities in the Job Training Automation (JTA) system for 13 (65%) of the 20 youth participants.

Subsequent to our review, Catholic Charities provided the necessary documentation to support the participants' eligibility for program services. In addition, Catholic Charities followed-up with the 11 exited participants and made some of the necessary corrections on the JTA system to accurately reflect the participants' program activities.

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

Review of Report

We discussed our report with Catholic Charities on August 17, 2006. In their attached response, Catholic Charities concurred with our findings and recommendations. We also notified DCSS of the results of our review. We will follow-up on our recommendations during next year's monitoring review.

We thank Catholic Charities 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
Rev. Monsignor Gregory A. Cox, Executive Director, Catholic Charities of Los Angeles, Inc. dba Archdiocesan Youth Employment Services
Public Information Office
Audit Committee

WORKFORCE INVESTMENT ACT PROGRAM
CATHOLIC CHARITIES OF LOS ANGELES, INC.
FISCAL YEAR 2005-06

ELIGIBILITY

Objective

Determine whether Catholic Charities of Los Angeles, Inc., dba Archdiocesan Youth Employment Services, (Catholic Charities or Agency) provided services to youth participants that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We sampled 20 (8%) of the 253 youth program participants that received services between July 2005 and January 2006 and reviewed the 20 case files for documentation to confirm their eligibility for WIA program services.

Results

Catholic Charities did not maintain documentation to support the participants' income eligibility to receive program services for six (30%) of the 20 youth participants. WIA guidelines indicate that an affidavit signed and completed by the applicant is acceptable proof of income.

Subsequent to our review, Catholic Charities provided the appropriate documentation to support the participants' eligibility for the WIA youth program.

Recommendation

1. **Catholic Charities management ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

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

Verification

We reviewed the documentation contained in the case files for 20 (8%) program participants that received services during July 2005 through January 2006. We also interviewed ten youth participants/guardians to confirm the services Catholic Charities billed to DCSS were provided.

Results

The ten youth program participants/guardians interviewed stated that the services received met their expectations. However, Catholic Charities did not always provide the level of service required by the County contract. Specifically, we noted the following:

- Catholic Charities did not discuss the participants' Individual Services Strategy (ISS) plans with the participants on a monthly basis for four (20%) of the 20 participants.

- Catholic Charities did not complete the ISS plans for one (5%) of the 20 youth participants. The ISS plan is used to track the needs and services of the program participants and their progress towards achieving established goals.

- Catholic Charities did not follow-up with the participants for 11 (61%) of the 18 youth participants who have exited the program.

- Catholic Charities did not accurately report the participants' program activities in the Job Training Automation (JTA) system for 13 (65%) of the 20 youth participants. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

- Catholic Charities did not administer the pre-assessment test at the time of enrollment for one (5%) of the 20 youth participants.

- Catholic Charities did not administer the post-assessment test for two (10%) of the 20 youth participants within one year of the pre-assessment exam.

Subsequent to our review, Catholic Charities followed-up with the 11 exited participants, provided the pre-assessment test and the completed ISS plan for the one participant, and made some of the necessary corrections on the JTA system to accurately reflect the participants' program activities.

Recommendations

Catholic Charities management:

2. **Ensure that the ISS plans are completed and discussed with the participants on a monthly basis in accordance with the County contract and WIA guidelines.**

3. **Ensure that staff adequately follow-up with the exited participants as required.**

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

5. **Ensure that the pre-assessments are given to all youth participants at the time of enrollment and that the post-assessments are given to the participants within one year of the pre-assessment in accordance with WIA guidelines.**

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 Catholic Charities' bank reconciliation for December 2005.

Results

Catholic Charities maintained adequate controls to ensure that cash receipts and revenues were properly recorded and deposited in a timely manner. However, the reviewer of the bank reconciliation did not sign the monthly reconciliation as required by the County contract.

Recommendation

6. **Catholic Charities management ensure that bank reconciliations are reviewed and signed by the reviewer.**

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 11 non-payroll expenditure transactions for September and October 2005, totaling $65,009.

Results

Catholic Charities' expenditures were allowable, properly documented and accurately billed to DCSS 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 areas such as expenditures, payroll and personnel.

Results

Generally, Catholic Charities maintained adequate internal controls over its business operations. However, Catholic Charities did not submit their invoices to DCSS within five working days of the month immediately following the month in which the services invoiced were rendered. The prior year's monitoring report also noted that the Agency did not submit their invoices to DCSS timely.

Recommendation

7. **Catholic Charities management ensure that invoices are submitted to DCSS within five working days of the month following the month in which the services invoiced were rendered.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Catholic Charities' fixed assets and equipment purchases made with WIA funds are used for the WIA program and that the items are safeguarded.

We did not perform test work in this section, as Catholic Charities 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 the payroll expenses for 23 employees, totaling $29,200, to the payroll records and time reports for November 2005. We also interviewed two staff and reviewed personnel files for five employees assigned to the WIA program.

Results

Catholic Charities' payroll was appropriately charged to the WIA program. However, Catholic Charities did not maintain a current driver's license or automobile insurance in the personnel files for four (80%) of the five employees assigned to the WIA program. In addition, Catholic Charities did not maintain a copy of the employee's resume in the personnel file for one employee.

Subsequent to our review, Catholic Charities provided copies of the employees' current driver's licenses and automobile insurance for the four employees.

Recommendation

8. **Catholic Charities management ensure that employees' personnel files are kept current and required documentation is maintained in the personnel files.**

COST ALLOCATION PLAN

Objective

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

Verification

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

Results

Catholic Charities' 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 (FY) 2004-05 monitoring review were implemented. The report was issued on January 13, 2006.

Results

The prior monitoring report recommended that the Agency submit invoices to DCSS timely. Our current review indicates that Catholic Charities did not implement the recommendation. Catholic Charities' management indicated that the recommendation will be implemented during their 2006-07 program year. We will follow-up during our FY 2006-07 review, to ensure that the recommendation was implemented.

REVEREND MONSIGNOR GREGORY A. COX
EXECUTIVE DIRECTOR

CARDINAL ROGER M. MAHONY
ARCHBISHOP OF LOS ANGELES

September 5, 2006

County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Suite #51
Alhambra, CA 91803

Attention: Yoon Bae, CPA

Final draft report with CCLA's responses to the WIA Program Monitoring Review

Enclosed is a copy of your final draft report, along with Catholic Charities of Los Angeles' responses to your recommendations from your review of the County WIA Program. We concur with the County's findings and recommendations and have or will be addressing these recommendations shortly.

We would like to thank the auditors who performed this review for their professional and courteous conduct. Our staff was also quite impressed with their technical expertise.

If you have any questions regarding our responses, please contact David I. Furukawa, Assistant Controller at (213) 251-3466.

Sincerely,

Rev. Gregory A. Cox,
Executive Director,
Catholic Charities of Los Angeles, Inc.

Enclosures

cc: R. Gutierrez S. Elder
C. Champion J. Cantillana

1531 JAMES M. WOOD BOULEVARD • P.O. BOX 15095 • LOS ANGELES, CA 90015-0095
MEMBER AGENCY OF UNITED WAY TEL: (213) 251-3400 • FAX (213) 380-4603 ACCREDITED - COUNCIL ON ACCREDITATION

This section is reserved for the Agency's response.

Below are the responses to the program, fiscal and administrative contract review of Catholic Charitites of Los Angeles, Inc. (CCLA), dba Archdiocesan Youth Employment Services (AYE), a Workforce Investment Act program service provider, conducted by the County of Los Angeles Department of Auditor-Controller.

We concur with the County's findings and recommendations. *The Results and* Recommendations of the review by the County are restated below, followed by our specific responses to those Results and Recommendations:

Eligibility

Results

Catholic Charities did not maintain documentation to support the participants' income eligibility to receive program services for six (30%) of the 20 youth participants. WIA guidelines indicate that a affidavit signed and completed by the applicant is acceptable proof of income.

Subsequent to our review, Catholic Charities provided the appropriate documentation to support the participants' eligilbity for the WIA youth program.

Recommendation

Catholic Charities management ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for *program services prior to enrollment.*

Response

Most of the eligibility issues should have been resolved during the initial exit conference, since documents were already in the participant files. AYE has since provided new guidelines relating to client eligibility to ensure all applicants meet State TAG requirements.

As previously noted by the County, CCLA *did provide the* appropriate documentation to support the participants' eligilbity for the WIA youth program.

BILLED SERVICES/CLIENT VERIFICATION

Results

The ten youth program participants/guardians interviewed stated that the services received met their expectations. However, Catholic Charities did not always provide the level of service required by the County contract...

Subsequent to our review, Catholic Charities followed-up with the 11 exited participants, provided the pre-assessment test and the completed ISS plan for the one participant, and made some of the necessary corrections on the JTA system to accurately reflect the participants' program activities.

Recommendations

Catholic Charities management:

Ensure that the ISS plans are completed and discussed with the participants on a monthly basis in accordance with the County contract and WIA guidelines.

Ensure that staff adequately follow-up with the exited participants as required.

Ensure that staff update the JTA system to accurately reflect the participants' program activities as required.

Ensure that the pre-assessments are given to all youth participants at the time of enrollment and that the post-assessments are given to the participants within one year of the pre-assessment in accordance with WIA guidelines.

Response

AYE will conduct quarterly file reviews to ensure that its operations staff have complied with the reporting requirements and met quality service standards. AYE will designate the Program Manager to review case management progress and assume responsibility for County WIA program operations.

CASH/REVENUE

Results

Catholic Charities maintained adequate controls to ensure that cash receipts and revenues were properly recorded and deposited in a timely manner. However, the reviewer of the bank reconciliation did not sign the monthly reconciliation as required by the County contract.

Recommendation

Catholic Charities management ensure that bank reconciliations are reviewed and signed by the reviewer.

Response

Reviewers have been reminded that after reviewing the bank reconciliations they must always sign them.

EXPENDITURES/PROCUREMENT

Results

Catholic Charities' expenditures were allowable, properly documented and accurately billed to DCSS as required.

Recommendation

There are no recommendations in this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Results

Generally, Catholic Charities maintained adequate internal controls over its business operations. However, Catholic Charities did not submit their invoices to DCSS within five working days of the month immediately following the month in which the services invoiced were rendered. The prior year's monitoring report also noted that the Agency did not submit their invoices to DCSS within the required timeline.

Recommendation

Catholic Charities management ensure that invoices are submitted to DCSS within five working days of the month following the month in which the services invoiced were rendered.

Response

Currently we can not accurately invoice the County within five working days of the end of the month. We are planning to update our accounting system later this year and anticipate this will speed up our ability to invoice faster, however, if this does not let us invoice with the five working days, we will ask the County for an exemption from the five business day requirement.

FIXED ASSETS AND EQUIPMENT

The objective of this section is to determine whether Catholic Charities' fixed assets and equipment purchases made with WIA funds are used for the WIA program and that the items are safeguarded.

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

PAYROLL AND PERSONNEL

Results

Catholic Charities' payroll was appropriately charged to the WIA program. However, *Catholic Charities did not maintain a current driver's license or automobile insurance in the personnel files for four (80%) of the five employees assigned to the WIA program.* In addition, Catholic Charities did not maintain a copy of the employee's resume in the personnel file for one (20%) of the five employees.

Subsequent to our review, Catholic Charities provided copies of the employees' current driver's licenses and automobile insurance for the four employees.

Recommendation

Catholic Charities management ensure that employees' personnel files are kept current and required documentation is maintained in the personnel files.

Response

CCLA is not required to keep copies of employees' current driver's licenses and automobile insurance for all employees in the personnel files, however, these documents are maintained, on a current basis, for AYE employees at the AYE office.

As previously noted by the County, CCLA did provide the copies of the current driver's licenses and automobile insurance for the four employees.

COST ALLOCATION PLAN

Results

Catholic Charities' 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 one outstanding recommendation, recommending that that the Agency submit invoices to DCSS timely. At the time of our review, Catholic Charities did not implement the recommendation. This report contains the same recommendation. Catholic Charities' management indicated that the recommendations will be implemented during their 2006-07 program year and we will follow-up during our FY 2006-07 review to ensure that the recommendation was implemented.

Response

See response to Internal Controls/Contract Compliance