



COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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OSCAR VALDEZ
INTERIM AUDITOR-CONTROLLER

June 21, 2023

TO: Each Supervisor

FROM: Oscar Valdez, Interim Auditor-Controller

SUBJECT: **CATHOLIC CHARITIES OF LOS ANGELES, INC. – A DEPARTMENT OF WORKFORCE DEVELOPMENT, AGING AND COMMUNITY SERVICES PROGRAMS PROVIDER - CONTRACT COMPLIANCE REVIEW**

With the support and active participation of Workforce Development, Aging and Community Services (WDACS) and Catholic Charities of Los Angeles, Inc. (CCLA or Agency), we completed a contract compliance review of CCLA in accordance with our Fiscal Year (FY) 2021-22 monitoring plan. WDACS contracted with CCLA to provide Workforce Innovation and Opportunity Act Adult and Dislocated Worker, Youth@Work, Innovative Employment Solutions, Los Angeles Regional Initiative for Social Enterprise, and East Los Angeles College Specialized America's Job Center for California Program services. Effective July 1, 2022, WDACS was dissolved and restructured to form two new departments, the Department of Economic Opportunity (DEO) and the Aging and Disabilities Department. As a result, the contracts with CCLA to provide the above Program services are now with the DEO. As such, DEO will be responsible for ensuring recommendations noted in this report are implemented.

CCLA maintained documentation to support the eligibility and Program services provided to a sample of clients reviewed. The Agency also developed their Cost Allocation Plan (Plan) using appropriate cost allocation methodologies. However, we noted an opportunity for CCLA to follow their Plan to provide greater assurance indirect expenditures are appropriately allocated and billed to the DEO Programs. Specifically, although the Agency's Plan indicated subcontractor expenditures should be excluded from the direct cost allocation base, CCLA inappropriately included the expenditures as direct costs when determining indirect costs allocable to WDACS. As a result, CCLA overbilled WDACS \$73,873 during FY 2020-21 and from July 2021 to January 2022.

NUMBER OF RECOMMENDATIONS

PRIORITY 1

1

PRIORITY 2

0

PRIORITY 3

0

FAST FACTS

WDACS paid CCLA approximately \$2.9 million on a cost-reimbursement basis from July 2021 through January 2022.

At the time of our review, CCLA had offices in the First and Second Supervisorial Districts, and provided services to residents of the First, Second, Fourth, and Fifth Supervisorial Districts.

Although not included in this review, CCLA also contracts with the Department of Public Social Services.

For details of our review, please see Attachment I. The Agency's response (included in Attachment III) indicates partial agreement with our recommendations. This enhancement will provide greater assurance the DEO Programs are being charged appropriately, and the Agency is in compliance with all applicable federal, State, and County guidelines.

The issuance of this report was delayed due to multiple factors, including staffing changes and the completion of other high priority assignments. We thank CCLA and DEO management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Terri Kasman at tkasman@auditor.lacounty.gov.

OV:RGC:TK:SGD:pn

Attachments

c: Fesia A. Davenport, Chief Executive Officer
Celia Zavala, Executive Officer, Board of Supervisors
Kelly LoBianco, Director, Department of Economic Opportunity

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment I
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Robert G. Campbell
ASSISTANT AUDITOR-CONTROLLER

Terri Kasman
DIVISION CHIEF

COUNTYWIDE CONTRACT MONITORING DIVISION

Report #X22211

DEPARTMENT OF WORKFORCE DEVELOPMENT, AGING AND COMMUNITY SERVICES CATHOLIC CHARITIES OF LOS ANGELES, INC. CONTRACT COMPLIANCE REVIEW

BACKGROUND AND SCOPE

We conducted a contract compliance review of Catholic Charities of Los Angeles, Inc. (CCLA or Agency) at the request of the Department of Workforce Development, Aging and Community Services (WDACS), and in accordance with our Fiscal Year (FY) 2021-22 monitoring plan. Effective July 1, 2022, WDACS was dissolved and restructured to form two new departments, the Department of Economic Opportunity (DEO) and the Aging and Disabilities Department. As a result, the contracts with CCLA to provide these Program services are now with the DEO. As such, DEO will be responsible for ensuring recommendations noted in this report are implemented.

WDACS contracted with CCLA to provide Workforce Innovation and Opportunity Act Adult and Dislocated Worker, Youth@Work, Innovative Employment Solutions, Los Angeles Regional Initiative for Social Enterprise, and East Los Angeles College Specialized America's Job Center of California Program services. These Programs assist individuals, particularly those with barriers to employment, by increasing access to and opportunities for the employment, education, training, and supportive services needed to succeed in the workforce. For descriptions of the WDACS' Programs reviewed, please see Attachment II.

We reviewed a sample of transactions from July 2021 through January 2022 to determine whether CCLA appropriately accounted for and spent WDACS' Program funds to provide the services outlined in their County contracts and applicable federal and State guidelines. We also reviewed the Agency's FY 2020-21 Closeout Report to ensure the reports were supported by the Agency's accounting records. In addition, we evaluated the Agency's financial records, internal controls over cash, revenue, disbursements, payroll and personnel, and compliance with their County contracts and other applicable guidelines. Furthermore, for a sample of clients, we reviewed documentation to support their eligibility and verified required Program services were provided. Our review covered two contracts with CCLA, for which WDACS paid the Agency approximately \$2.9 million on a cost-reimbursement basis from July 2021 through January 2022. At the time of our review, CCLA had offices in the First and Second Supervisorial Districts, and provided services to residents of the First, Second, Fourth, and Fifth Supervisorial Districts.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RECOMMENDATION
1	Overbilled Indirect Cost Expenditures - We noted CCLA overbilled WDACS \$73,873 in indirect costs during FY 2020-21 and from July 2021 through January 2022. Specifically, CCLA applied their federally negotiated indirect cost rate to their direct costs for each program to determine the portion of indirect costs allocable to WDACS. However, the Agency included subcontractor expenditures as part of their direct costs, which should not be included based on the terms of their federally negotiated rate, as it results in an inequitable distribution of indirect costs.	<p>Priority 1 - CCLA management:</p> <p>a) Repay DEO \$73,873.</p> <p>b) Ensure subcontractor expenditures are not included as direct costs when determining the indirect costs to bill the DEO Programs.</p> <p>Agency Response: Partially Agree Implementation Date:</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<p>Impact: Increased risk of funding sources disallowing and/or questioning costs, and reducing available funds to provide client services in accordance with their County contracts and applicable federal and/or State guidelines.</p>	<p>January 31, 2023</p> <p>CCLA's attached response indicates they disagree with Recommendation 1(a), asserting that they did overbill indirect costs for some programs but also underbilled indirect costs for other programs. CCLA indicated they will provide documentation to DEO during the resolution stage to resolve the recommendation. In addition, CCLA indicated they corrected their FY 2022-23 indirect costs and adjustments were included in their January 2023 invoice submitted to DEO.</p> <p>DEO will need to ensure CCLA fully implemented our recommendations as part of their resolution process.</p>

For more information on our auditing process, including recommendation priority rankings and the resolution process, visit <http://auditor.lacounty.gov/contract-monitoring-audit-process-information/>.

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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Robert G. Campbell
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Terri Kasman
DIVISION CHIEF

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DEPARTMENT OF WORKFORCE DEVELOPMENT, AGING AND COMMUNITY SERVICES CATHOLIC CHARITIES OF LOS ANGELES, INC. CONTRACT COMPLIANCE REVIEW

PROGRAM DESCRIPTIONS

The Department of Workforce Development, Aging and Community Services contracted with Catholic Charities of Los Angeles, Inc. to provide services for the following Programs:

- Workforce Innovation and Opportunity Act Adult and Dislocated Worker Programs - assists adults, including those who have been terminated or laid off, or have received notification of termination or layoff, homeless, and ex-offenders in obtaining employment, retaining their jobs, and increasing their earnings by completing a comprehensive employment assessment of the clients, providing career counseling and planning, assisting with job searches and resume preparation, and when necessary, offering customized occupational and/or on-the-job training.
- Youth@Work Program - provides training, education, and employment services to the following youth populations:
 - Out-of-School Youth - youth and young adults between the ages of 16 and 24 who are out-of-school and meet one or more barriers to employment, including but not limited to homelessness, disabilities, low-income, foster care, dropping out of school, and/or being an offender.
 - Foster - youth and young adults between the ages of 14 and 24 who are in the foster care system.
 - California Work Opportunity and Responsibility to Kids - youth between the ages of 14 and 18, and if age 19, also enrolled in the Cal-Learn Program.
 - Probation - juvenile justice involved youth directly referred by the Los Angeles County Probation Department.
 - Other Underserved Youth - low-income youth including former foster, probation, homeless, or otherwise low-income youth.
 - System-Involved Youth - youth and young adults between the ages of 14 and 24 with direct or indirect involvement in public systems including, but not limited to, the justice system, the child welfare system, public housing, and immigration.
 - General Relief Opportunities for Work Youth Employment - young adults between the ages of 18 and 24, from the General Relief Opportunities for Work Transitional Age Youth population.
- Innovative Employment Solutions Program - provides adult probationers who are chronically unemployed or have an inconsistent work history with time-limited transitional subsidized employment combined with comprehensive career and supportive services.
- Los Angeles Regional Initiative for Social Enterprise Program - a Measure H funded program that provides training, transitional employment, paid work experience, and supportive services to individuals who are

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PROGRAM DESCRIPTIONS

homeless or have a history of homelessness and/or incarceration to assist them in securing competitive unsubsidized employment.

- East Los Angeles College Specialized America's Job Center of California – provides East Los Angeles College students with career counseling, job training, employment placement assistance, and financial supportive services.



Archbishop José H. Gomez
Chairman of the Board

Reverend Monsignor Gregory A. Cox
Executive Director

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June 7, 2023

Oscar Valdez, Interim Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012

Re: Action Plan and Response to the Auditor-Controller's Contract Compliance Review of Catholic Charities of Los Angeles, Inc. (CCLA's) Department of Workforce Development, Aging and Community Services (WDACS) Contracts

Dear Mr. Valdez:

Attached is CCLA's response to the Contract Compliance Review conducted by the Auditor-Controller at the request of WDACS for our contract to provide WDACS Program services. CCLA partially agrees with the recommendations made by the Auditor-Controller contained in their report and has taken corrective actions to address the recommendation as detailed in the attached Agency Action Plan/Response.

If you have any questions or require additional information, please contact me at (213) 251-3477 or email at jcantillana@ccharities.org.

Sincerely,


Jesusa Cantillana
Assistant Controller

Cc: Monsignor Gregory Cox, CCLA
Robert Gutierrez, CCLA-AYE



DEPARTMENT OF WORKFORCE DEVELOPMENT, AGING AND COMMUNITY SERVICES
CATHOLIC CHARITIES OF LOS ANGELES, INC.
AGENCY ACTION PLAN/ RESPONSE

ISSUE 1: OVERBILLED INDIRECT COST EXPENDITURES	
A/C Recommendation	<p>CCLA management:</p> <ul style="list-style-type: none"> a) Repay DEO \$73,873. b) Ensure subcontractor expenditures are not included as direct costs when determining the indirect costs to bill the DEO Programs.
Priority	PRIORITY 1
Agree/Disagree	Partially Agree
Agency Action Plan ¹	<p>a) CCLA disagrees to repay. The overbilled \$73,873 is from programs with subcontractor. However, there are also programs without subcontractors. CCLA has underbilled indirect costs from programs without subcontractor expenditures. CCLA will be providing additional documentation to DEO during the resolution stage to resolve the recommendation.</p> <p>b) CCLA agrees to ensure that subcontractor expenditures are not included from direct costs when determining the indirect costs to bill the DEO Programs. Effective immediately, CCLA will use the federally negotiated indirect cost rate, and apply to the direct cost excluding subcontractor.</p>
Target Implementation Date	As of 01/31/2023, CCLA used the federally negotiated indirect cost rate to all programs, with and without subcontractors. The rate was applied to the direct cost excluding subcontractor expenditures. The indirect costs for FY2023 programs were corrected and adjustments were included in the January2023 invoices submitted to DEO.
Additional Information (optional) ²	

¹ In this section, the Agency should only describe the efforts they plan to take, or any steps already taken to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section, the Agency can provide any background or clarifying information they believe is necessary.