California Labor and Workforce Development Agency

Arnold Schwarzenegger
Governor

July 27, 2010
22:430:txl:1101

Mr. Felicito Cajayon, Dean
Los Angeles Community College District
770 Wilshire Blvd.
Los Angeles, CA 90017

Dear Mr. Cajayon:

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)
15-PERCENT PROJECT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2009-10

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the Los Angeles Community College District's (LACCD) administration of its Workforce Investment Act (WIA) ARRA Green Jobs Corps Project. Mr. Tom Liu, Ms. Cindy Parsell, and Mr. Greg Ramsey conducted this review from April 5, 2010 through April 8, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b)(1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by LACCD with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations, financial management and procurement.

We collected the information for this report through interviews with LACCD representatives, California Conservation Corps (CCC) staff, and ARRA participants. In addition, this report includes the results of our review of sampled case files for participants enrolled in the ARRA Green Jobs Corps Project; a review of LACCD's response to Sections I and II of the 15-Percent Program On-Site Monitoring Guide;

applicable policies and procedures; and a review of documentation retained by LACCD for a sample of expenditures and procurements.

We received your response to our draft report on July 1, 2010, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed findings 2 and 3 cited in the draft report, no further action is required at this time. However, these issues will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 10086 and 10087.

However, because your response did not adequately address findings 1 and 4 cited in the draft report, we consider these findings unresolved. We request that LACCD provide the Compliance Review Office (CRO) with the requested documentation. Therefore, these findings will remain open and have been assigned CATS numbers 10085 and 10088.

BACKGROUND

LACCD was awarded $937,890 to operate an ARRA Green Jobs Corps Project and serve 300 ARRA participants from June 1, 2009 through March 31, 2011. For the month ending February 28, 2010, LACCD reported that it spent $171,987.56 and enrolled 39 participants. We reviewed case files for 37 of the 39 participants enrolled in the ARRA project as of April 5, 2010.

PROGRAM REVIEW RESULTS

While we conclude that, overall, LACCD is meeting applicable WIA/ARRA requirements concerning grant program administration, we noted an instance of noncompliance in the area of reporting. The finding that we identified in this area, our recommendation, and LACCD's proposed resolution of the finding is specified below.

FINDING 1

Requirement: WIA Section 185 (c)(2) states, in part, that each recipient receiving funds shall maintain comparable management information systems (MIS), designed to facilitate the uniform compilation and analysis of programmatic, participant and financial data necessary for monitoring and evaluating purposes.

WIA Section 185 (d)(1)(B) states, in part, that information to be included in reports shall include information regarding the programs and activities in which participants are enrolled, and the length of time that participants are engaged in such programs and activities.

The Department of Labor, Training and Employment Guidance Letter, (TEGL) 17-05 (6)(B)(3) states, in part, that once a participant has not received any services funded by the program for 90 consecutive calendar days, has no gap in service, and is not scheduled for future services, the date of exit is applied retroactively to the last day on which the individual received a service funded by the program.

Observation: In 4 of the 37 case files reviewed, we noted that there was no indication of WIA/ARRA service or partner service provided to the participants for periods of 90 days or longer.

Recommendation: We recommended that LACCD exit the participants who are no longer receiving WIA/ARRA services and provide documentation to CRO.

In addition, we recommended that LACCD provide the CRO with a corrective action plan (CAP) indicating how it will ensure that participants do not go for periods of longer than 90 days without receiving any WIA/ARRA service.

LACCD Response: The LACCD stated that it will expand its project monitoring procedure to include a timeline for reviewing 90 day activities. This will ensure that all participants are monitored accordingly, including assuring that there are no gaps in service or inactivity for any participant. All participants with 90 days of more of inactivity will be exited from the program.

State Conclusion: The LACCD's CAP is insufficient to address the current issue of participants who have exceeded the 90 days of inactivity. We recommend that LACCD review the case files for all active participants and provide a timeline to exit those who have not received any services for periods longer than 90 days. The LACCD's CAP to expand its project monitoring, as described above, is sufficient for the future. Until then this issue remains open and has been assigned CATS number 10085.

FINANCIAL MANAGEMENT REVIEW RESULTS

We conclude that, overall, LACCD is meeting applicable WIA/ARRA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we conclude that, overall, LACCD is meeting applicable WIA/ARRA requirements concerning procurement, we noted instances of noncompliance in the following areas: contract provisions, sealed bid/invitation for bid (IFB) procurement, and property management. The findings that we identified in these areas, our recommendations, and LACCD's proposed resolution of the findings are specified below.

FINDING 2

Requirement:

20 CFR Section 667.200(d) states, in part, that all WIA grant recipients and subrecipients must comply with government-wide requirements for debarment and suspension, and the government-wide requirements for a drug-free workplace.

20 CFR Section 667.200(e) states, in part, that all WIA grant recipients and subrecipients must comply with the restrictions on lobbying.

29 CFR Section 95.48 Appendix A states, in part, that all contracts awarded by a recipient shall contain the following required provisions as applicable:

- Compliance with Executive Order (E.O.) 11246, "Equal Employment Opportunity," as amended by E.O. 11375 and 41 CFR part 60 "Equal Employment Opportunity."
- No contract shall be made to parties listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs in accordance with E.O.'s 12549 and 12689, "Debarment and Suspension."

29 CFR Section 97.36(i)(1-13) states, in part, that a subgrantee's contracts must contain the following required provisions as applicable.

- Compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375 and 41 CFR part 60 "Equal Employment Opportunity."

- Notice of awarding agency requirements and regulations pertaining to reporting.

- Access by the grantee, the subgrantee, the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions.

- Retention of all required records for three years after grantees or subgrantees make final payments and all other pending matters are closed.

Observation: We conducted a review of three non-governmental contracts including a contract with Pacific Asian Consortium in Employment/Westlake One-Stop Center, South Bay Center for Counseling, and a contract with Jewish Vocational Services. We found that the contracts lacked the necessary provisions identified above in Section 95.48 Appendix A of 29 CFR and Section 667.200 of 20 CFR.

In addition, we reviewed two governmental contracts including a contract with Los Angeles Conservation Corps and a contract with CCC. We found that these contracts lacked the necessary provisions identified above in Section 97.36 of 29 CFR and Section 667.200 of 20 CFR.

Recommendation: We recommended that LACCD provide CRO with a CAP indicating how it will ensure that future contracts will include all the required contract provisions identified above.

LACCD Response: The LACCD stated that it will provide the district Contracts Unit with a list of the above recommendations for inclusion in future subgrantee contract language. This will ensure the District's compliance with 20 CFR Section 667.200(d)(e), 29 CFR Section 95.48 Appendix A, and E.O. 11246.

In addition, LACCD will schedule a meeting with the district Contracts Unit to go over the recommendation and the compliance items above in order to assure inclusion into future subgrantee contract language.

State Conclusion: The LACCD's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, the LACCD's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10086.

FINDING 3

Requirement: 20 CFR Section 667.200(d) states, in part, that all WIA grant recipients and subrecipients must comply with government-wide requirements for debarment and suspension.

29 CFR Section 95.43 states, in part, that solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the recipient. Any and all bids or offers may be rejected when it is in the recipient's interest to do so.

29 CFR Section 95.44(d) states, in part, that contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.

Observation: We reviewed the IFB transaction from LACCD for the Green Jobs Corps Project and noted that LACCD failed to perform the following to properly procure this transaction: identify all requirements for the bid or offer to be evaluated; put in writing a determination of demonstrated performance for this procurement transaction addressing contractor integrity, compliance with public policy, record of past performance, and financial & technical resources; and ensure that the award was not made to a debarred or suspended party.

Recommendation: We recommended that LACCD provide CRO with a CAP indicating how it will ensure that all IFB transactions in the

future will be properly procured to include the above requirements.

LACCD Response: The LACCD stated they will document how it determined/reviewed proposer integrity, compliance with public policy, past performance, and financial/technical resources. The district will also request information on debarred and/or suspended contracts history from the proposer.

The district will also add this information in its procurement procedure which will ensure future procurement processes will be enhanced and protect the district from unnecessary liability.

State Conclusion: The LACCD's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, the LACCD's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10087.

FINDING 4

Requirement: 29 CFR Section 95.34 (f)(1) states, in part, the recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include: (iii) source of the equipment, including award number; (iv) whether the title vests in the recipient or the Federal Government; and (viii) unit acquisition cost.

Office of Management and Budget Circular A-21 Appendix A(J)(18)(b) states, in part, capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of $5,000 or more have prior approval of the awarding agency.

WIAD03-10 states, in part, prior written approval from the State is required before a subrecipient can charge WIA grant funds for any portion of property procured with a per unit cost of $5,000 or more.

Observation: LACCD's current inventory list does not include all of the required information for equipment records. Specifically, the list did not identify the funding source, title holder, or the acquisition costs as required by the above regulation. LACCD purchased

three Solar Installation Training Kits with per unit costs of $6,886.95, but did not obtain approval from the state prior to charging these costs.

Recommendation: We recommended that LACCD provide CRO with a corrected copy of the inventory list, which includes the required items identified above. Secondly, we recommended that LACCD provide CRO with a copy of the approval from EDD for the equipment purchase identified above.

LACCD Response: The LACCD stated it will not be charging the costs associated with the three (3) Solar Training Kits to the CA Green Jobs Corps grant. These units will be used by and paid for with other district categorical project funds. Consequently, no corrected copy of the inventory list or an approval from EDD for this equipment is needed.

State Conclusion: The LACCD's corrective action plan appears sufficient to resolve this issue. However, LACCD did not provide documentation that the corrective action was completed. Therefore, we recommend that LACCD provide CRO with documentation to support that these costs have been removed from the ARRA Green Jobs Corps Project. Until then, this issue remains open and has been assigned CATS number 10088.

In addition to the findings above, we identified conditions that, while not findings, are issues that we thought we should bring to your attention because they may become compliance issues if not addressed. Specifically, we observed that LACCD failed to properly authorize an expense payment to LA Conservation Corps for services performed pursuant to a contract. We suggested that LACCD ensure that, in the future, expenses be properly authorized before submitting for payment. Additionally, we observed that LACCD did not have a monitoring policy, procedure, or schedule to conduct monitoring of its contractors. We suggested that LACCD develop a monitoring policy, procedure, and schedule in order to carry out its monitoring requirements.

In its response, LACCD stated it will properly authorize expense payments for services performed as well as develop a monitoring policy, procedure and schedule in order to carry out monitoring requirements. LACCD's response adequately addressed our concern.

We provide you up to 20 working days after receipt of this report to submit your response to the Compliance Review Office. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than August 24, 2010. If

we do not receive a response by this date, we will release this report as the final report. Please submit your response to the following address:

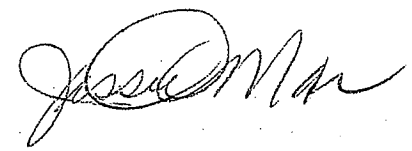
Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-7756.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is LACCD's responsibility to ensure that its systems, programs, and related activities comply with the WIA, related Federal regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain LACCD's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cindy Parsell at (916) 654-9587 or Mr. Tom Liu at (916) 651-3324.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Jose Luis Marquez, MIC 50
Georganne Pintar, MIC 50
Dr. Tyree Wieder, Chancellor