



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 13, 2023

TO: Rafael Carbajal, Director
Department of Consumer and Business Affairs

FROM: Greg Hellmold, Chief 
Office of County Investigations

SUBJECT: **DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS –
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED
REVIEW AT WORKFORCE DEVELOPMENT, AGING AND
COMMUNITY SERVICES (REPORT #IOR-2011-5711) - FIRST
FOLLOW-UP REVIEW**

We completed a follow-up review of the Improvement Opportunities Noted During Chicana Service Action Center (CSAC) Investigation Report (Report #IOR-2011-5711) that was issued to the former Department of Workforce Development, Aging and Community Services (WDACS) on April 18, 2018. Our follow-up was delayed due to several factors, including organizational changes impacting the involved departments, and technical/legal questions about protecting client confidentiality while implementing the recommendations.

Our original report was issued to WDACS, as the CSAC contracts were part of its workforce programming. We noted WDACS implemented direct client service verification for most of their contracts, as recommended, prior to that Department being dissolved and the transfer of the Dispute Resolution Program (DRP) to the Department of Consumer and Business Affairs (DCBA or Department) on January 16, 2022. However, WDACS did not implement direct client and service verification for the DRP and that responsibility transferred with the function to DCBA.

As summarized in Table 1, the recommendation to implement direct client verification in the DRP is not implemented.

Table 1 - Results of First Follow-up Review

PRIORITY RANKINGS	TOTAL RECOS	RECOMMENDATION IMPLEMENTATION STATUS		
		FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
PRIORITY 1	0	0	0	0
PRIORITY 2	1	0	0	1
PRIORITY 3	0	0	0	0
TOTAL	1	0	0	1
				1

For details of our review and the applicable corrective actions, please see Attachment.

DCBA has confirmed their commitment to work with the State and County Counsel to determine the best way to fully implement the recommendation, if legally possible given confidentiality requirements, and to strengthen fraud detection controls over contractor billings for services provided directly to County clients. We will continue to work with DCBA and update the status of the recommendation as part of our second follow up review, in accordance with our standard procedures.

We thank DCBA management and staff for their cooperation and assistance during our review. If you have any questions, please contact me at (213) 893-0243 or ghellmold@auditor.lacounty.gov, or your staff may contact Acting Supervising Investigator Graciela Soto at (213) 893-0552 or gsoto@auditor.lacounty.gov.

GH:AMS:GLS:rk

Attachment

c: Arlene Barrera, Auditor-Controller
Audit Committee
Audit Division
Countywide Contract Monitoring Division

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment
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Robert G. Campbell
ASSISTANT AUDITOR-CONTROLLER

Greg Hellmold
DIVISION CHIEF

OFFICE OF COUNTY INVESTIGATIONS

Report #F1-2011-5711-C

DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS IMPROVEMENT OPPORTUNITIES NOTED DURING CHICANA SERVICE ACTION CENTER INVESTIGATION (#IOR-2011-5711) FIRST FOLLOW-UP REVIEW

RECOMMENDATION	A-C COMMENTS
<p>1 Priority 2 – Department of Consumer and Business Affairs (DCBA, or Department) management ensure that robust client- and service-verification procedures are in place whenever contractors directly provide services to County clients. Such verification can be accomplished in many ways, but must include specific procedures for directly contacting, corresponding with, and/or interviewing a representative sample of service recipients to obtain assurance that they exist, are eligible, and have received the services specified in the contracts and billed to the County.</p> <p>Original Issue/Impact: Contract monitoring procedures for the Dispute Resolution Program (DRP) transferred to DCBA, did not require staff to independently verify directly with clients, on a sample basis, that they are receiving the services being paid for by the County. As a result, payments could be issued for clients who did not receive services and/or who are not eligible for services.</p> <p>Specifically, we found evidence that another County department paid \$6,440,120 over a four-year period to a contracted client service provider (Chicana Service Action Center) who submitted at least \$4,819,564 (75%) in fraudulent billings for Workforce and Welfare-to-Work services they either did not provide and/or for services they provided to clients who were ineligible for those services.</p>	<p>Recommendation Status: Not Implemented</p> <p>DCBA management indicated they were not aware of the recommendation applicable to DRP when it was transferred from Workforce Development, Aging and Community Services (WDACS) to DCBA on January 16, 2022 and, therefore, did not take any necessary steps to implement the recommendation.</p> <p>DCBA pays a total of approximately \$1.6 million annually to eight DRP contractors that provide mediation services directly to County clients (i.e., individuals, businesses, and organizations). Previously, WDACS management indicated they had not yet implemented client and service verification for DRP due to confidentiality laws surrounding the mediation process complicating, and possibly limiting, their ability to implement the recommendation.</p> <p>DCBA management indicated that they are working with the State and County Counsel to determine the best way to implement the recommendation for this program while complying with confidentiality requirements. They are also assessing risk should they determine that confidentiality requirements make it impossible to perform client and service verification procedures for this program, and have committed to take steps to mitigate risk if they determine that they must continue paying DRP contractor invoices without verifying the legitimacy of the billings directly with clients. DCBA also reported that fully implementing the recommendation may necessitate a Fiscal Year 2022-23 budget request for additional support resources.</p> <p>DCBA management indicated they plan to fully implement the recommendation or provide an assessment of risk and alternate/compensating controls by December 31, 2023.</p>

We conducted our review in conformance with the International Standards for the Professional Practice of Internal Auditing. For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management's responsibility for internal controls, visit auditor.lacounty.gov/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.