



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

OFFICE OF COUNTY INVESTIGATIONS
KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 514
LOS ANGELES, CALIFORNIA 90012-3557

OSCAR VALDEZ
AUDITOR-CONTROLLER

ASSISTANT AUDITOR-CONTROLLERS:

**MAJIDA ADNAN
ROBERT G. CAMPBELL
CONNIE YEE**

December 8, 2023

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

FROM: Greg Hellmold, Chief *Greg Hellmold*
Office of County Investigations

SUBJECT: **DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS –
IMPROVEMENT OPPORTUNITIES NOTED DURING CHICANA
SERVICE ACTION CENTER INVESTIGATION (REPORT
#IOR-2011- 5711) – SECOND AND FINAL FOLLOW-UP REVIEW**

We completed a second and final follow-up review of the Department of Consumer and Business Affairs (DCBA or Department) Improvement Opportunities Noted During Chicana Service Action Center (CSAC) Investigation (Report #IOR-2011-5711). Our initial report was issued to the former Department of Workforce Development, Aging and Community Services (WDACS) on April 18, 2018, as the CSAC contracts were part of its workforce programming. We previously noted that 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 DCBA 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.

We issued our first follow-up report on January 13, 2023 indicating that DCBA had not implemented the recommendation, and DCBA indicated that they intended to work with the State and County Counsel to determine implementation options given confidentiality requirements, and to strengthen fraud detection controls over contractor billings for services provided directly to County clients. As summarized in Table 1 below, our second follow-up review showed that DCBA partially implemented the outstanding recommendation.

Table 1 - Results of Second and Final Follow-up Review

PRIORITY RANKINGS	TOTAL RECOS OUTSTANDING	EXEMPT FROM REVIEW	RECOMMENDATION IMPLEMENTATION STATUS		
			FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
PRIORITY 1	0	0	0	0	0
PRIORITY 2	1	0	0	1	0
PRIORITY 3	0	0	0	0	0
TOTAL	1	0	0	1	0
				1	

For details of our review and the Department’s corrective actions, see Attachment.

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 Supervising Investigator Graciela Soto at (213) 893-0552 or gsoto@auditor.lacounty.gov.

GH:SL:GLS:rk

Attachment

c: Oscar Valdez, Auditor-Controller
 Audit Committee
 Audit Division

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Robert G. Campbell
ASSISTANT AUDITOR-CONTROLLER

Greg Hellmold
DIVISION CHIEF

OFFICE OF COUNTY INVESTIGATIONS

Report #F2-2011-5711-C

DEPARTMENT OF CONSUMER AND BUSINESS AFFAIRS IMPROVEMENT OPPORTUNITIES NOTED DURING CHICANA SERVICE ACTION CENTER INVESTIGATION (#IOR-2011-5711) SECOND AND FINAL 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: Partially Implemented</p> <p>DCBA management reported they consulted with County Counsel who advised that California Code Section 467.6 prevents them from obtaining client identifying information to conduct direct client- and service-verification in the DRP. DCBA management indicated that they are aware of the risks associated with paying these invoices without verification of clients and services, and will consult with County Counsel to contact the State to determine next steps including identifying ways to mitigate the risk of fraud when administering this program. We noted the total budget for this program in Fiscal Year 2023-24 is approximately \$1.7 million.</p> <p>DCBA management also indicated they are planning to implement additional compensating controls and oversight of DRP program contractors. Specifically, DCBA management indicated they will work with the Auditor-Controller to retain an auditing firm to conduct financial audits of DRP providers, and are considering additional on-site visits.</p> <p>DCBA management plan to begin financial audits and make a determination on additional on-site visits by Summer 2024.</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.