FISCAL REVIEW
Procedures, Findings and Recommendations

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Discussion Outline

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VIII. Single Audit
I. Introduction

- Same findings every year
- Focus of Accounting - a good financial system and strong internal control
  - Goal – no questioned costs, avoid returning funds
- To be discussed:
  - What audit procedures do we perform?
  - What do we look for?
  - What do we find?
  - Recommendations for corrective action
- With less findings, less time spent to resolve by both EWDD and Agency

II. Fiscal Review Overview

Requirements and Objectives
- Conducted annually before contract end
- Documents needed per engagement letter
- Determine that expenditures reported are:
  - Allowable
  - Properly supported
  - Benefits the current contract
  - Properly allocated
III. Audit Timeline

- Appointment letter
- Entrance conference
- Field work: 20 days
- Draft report: 15 days
- Agency Response: 20 days
- Final Report: 15 days
- Additional response if not resolved: 10 days
- Resolution letter: 10 days

Total 90 Days

IV. Process, Findings and Recommendations

1. Expenditure Report (ER) vs. General Ledger (GL)
   - Procedures
     - Review Closeout report and Current contract
     - Separate GL for each contract
     - Reconciliation of GL with ER
   - Findings
     - Discrepancies between GL and ER
   - Recommendations
     - Reflect GL adjustments in the next month’s ER
     - Reconcile or difference (excess of ER over GL) disallowed
IV. Process, Findings and Recommendations

2. Cost Allocation
   - Procedures
     - Review Cost Allocation Plan (CAP)
     - Verify basis for allocation of expenditure tested
   - Findings
     - Allocation based on a plan, budget, availability of funds or other estimate of future effort or cost
   - Recommendations
     - Allocate based on CAP (relative benefits received)
     - Return disallowed costs

3. Payroll Timekeeping
   - Procedures
     - Trace GL to Payroll register to the timesheet
     - Verify budgeted salary vs. actual
   - Findings
     - Timesheet has no grantor breakdown
     - Bonus not authorized
     - Overtime not pre-approved
     - Timesheet not prepared by employee or immediate supervisor
     - Allocation based on projection, budget estimate
IV. Process, Findings and Recommendations

3. Payroll Timekeeping (cont’d)
   - Findings
     - Discrepancies between timesheet and payroll register and GL
   - Recommendations
     - Refund discrepancies between timesheet and payroll register
     - Allocate hours based on actual time spent for program
     - Indicate program charged on timesheet
     - Employee prepare and sign and supervisor approve timesheet

4. Individual Training Accounts (ITAs)
   - Procedures
     - Review training agreement, attendance records, certificate of completion
   - Findings
     - Lack of documentation
     - Total tuition billed or accrued although training is not completed
     - No refund from provider if participant dropped out
IV. Process, Findings and Recommendations

4. Individual Training Accounts (cont’d)
   - Recommendations
     - Bill 1st installment of 50% upon payment per Standard Training Agreement (STA)
     - Bill 2nd 50% upon completion of training per STA.
     - Accrue only when training has started usually 50% per STA.
     - Refund and bill balance of actual in next contract

5. On The Job Training (OJT)
   - Procedures
     - Review supporting documentation:
       - OJT/Employment Training Agreement
       - Cancelled check paid to employer
       - Invoice from employer
       - Cancelled check paid to eligible participant
       - Payroll register/ Statement of Earnings (Pay Stub)
       - Certification of Completion
IV. Process, Findings and Recommendations

5. On The Job Training (OJT)
   □ Procedures (cont’d)
     □ Verify if:
       ■ Participant was paid by check, not cash
       ■ Participant was in the payroll system
       ■ Participant was not hired as an independent contractor
       ■ Objectives to employ participant was met
       ■ Performance evaluation of Employee was performed by Employer
       ■ Participant was eventually employed after OJT
       ■ Monthly on-site Contractor monitoring report was done
       ■ OJT was conducted by previous employer for same position

IV. Process, Findings and Recommendations

5. On The Job Training (OJT)
   □ Findings
     □ Lack of supporting documentation
     □ Participant was paid as an independent contractor
   □ Recommendations
     □ Submit required supporting documentation
     □ Refund disallowed costs
IV. Process, Findings and Recommendations

6. Supportive Services

- **Procedures**
  - Verify distribution of gift card – acknowledgement of receipt from participant
  - Account for gift cards not distributed
  - Trace to participant files for justification, authorization, receipts for gift cards (not required for incentives) and other supportive services

- **Findings**
  - No acknowledgement, receipts, not distributed
  - Purchases were not reasonable or necessary
  - Buying gift cards in bulk close to end of contract

- **Recommendations**
  - Refund undistributed gift cards and charge to next contract when distributed
  - Require participants to provide receipts for gift cards
  - Refund disallowed costs.
IV. Process, Findings and Recommendations

7. Outreach/Marketing

- **Procedures**
  - Verify proof of benefit to program, reasonableness, etc.
  - Verify approval of expenditure in the budget (including written justification in narrative section)

- **Findings**
  - Public relations costs solely to promote the organization, or not directly related to the EWDD program
  - Distribution of giveaways like backpacks, t-shirts, etc. not in budget narrative

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7. Outreach/Marketing

- **Findings (cont’d):**
  - No acknowledgement of distribution and not all were distributed
  - Billing of agency anniversary dinner event to the program

- **Recommendations**
  - Ensure that outreach activities promote EWDD grant programs
  - Provide proof of distribution to prospective participants
  - Refund undistributed items and charge to next contract.
IV. Process, Findings and Recommendations

8. WIA Reporting Requirements

- **Procedures**
  - Verify methodology used in reporting
    - In School/Out of School (WIA Youth)
    - Core A & B Services, Intensive Services and Training Services
  - Findings
    - Absence of Methodology for reporting
    - Reporting based on budget
  - Recommendations
    - Provide methodology for reporting

9. Admin vs. Program

- **Procedures**
  - Verify admin and program expenses reported based on WIA definition.
  - Compare reported admin and program expenses with budget.
  - Verify compliance to 4% Admin Cap
- **Findings**
  - Component of admin reported under program costs to comply with 4% cap.
IV. Process, Findings and Recommendations

9. Admin vs. Program
   - Recommendations
     - Report admin and program expenses accordingly
     - Ensure that amount in excess of 4% admin limitation is not billed to program
     - Refund disallowed costs.

10. Cash Controls
    - Procedures
      - Review latest bank reconciliation
    - Findings
      - Monthly bank reconciliation not updated
      - Outstanding checks were over 90 days
      - Bank Reconciliation unsigned by preparer and supervisor
    - Recommendations
      - Perform monthly bank reconciliation
      - Review outstanding checks over 90 days
IV. Process, Findings and Recommendations

11. Equipment

- Procedures
  - Verify:
    - State approval prior to purchase for equipment => $5,000
    - Equipment record for equipment => $1,000
    - Electronic equipment record regardless of acquisition costs
    - Record maintained includes –description, model, serial #, acquisition date/cost, funding source of acquisition, condition, title holder, location, date of disposition
    - City identification decal is affixed
    - Conduct of annual physical inventory
    - Compliance to procurement requirements

- Findings
  - No procurement documentation.
  - No records maintained and no City ID decal.

- Recommendation
  - Maintain records of equipment.
  - Affix City identification decal to equipment.
IV. Process, Findings and Recommendations

12. Procurement

- Procedures
  - Request procurement documentation of PSAs and Subcontractors.
  - Verify compliance to procurement requirements
    - 0 to $24,999 require 2 written quotes or telephone bids
    - $25,000 to $50,000 3 written bids (RFQ)
    - Above $50,000 need RFPs (Section 2K)

- Findings
  - Procurement not performed.
  - Procurement not documented.

Recommendations

- Comply with procurement requirements per contract.
- Always have procurement documentation on file.
IV. Process, Findings and Recommendations

13. Subcontractor Monitoring
   - Procedures
     - Review subcontractor monitoring reports.
   - Findings
     - Subcontractor monitoring not performed
   - Recommendations
     - Conduct subcontractor monitoring or desk review if they have a direct funding with EWDD.
     - Submit subcontractor monitoring reports.

V. Indirect Cost
   - Procedures
     - Review Indirect Cost rate proposal.
     - Verify that components of indirect costs are not charged as direct costs.
     - Verify percent of admin and program over total indirect cost per Indirect Cost rate proposal.
     - Verify amount billed for indirect costs charged to admin and program.
V. Indirect Cost

- Findings
  - Indirect cost component also charged as direct cost.
  - Admin portion of indirect cost in excess of 4% cap charged to program.
- Recommendations
  - Ensure that direct costs are not part of indirect cost.
  - Ensure that Admin portion of indirect cost in excess of 4% cap is not charged to program.
  - Do not charge to program excess of admin costs.
  - Return funds for disallowed costs.

VI. Payment of Disallowed Costs

1. Apply Stand-In Costs
   - Procedures
     - Verify if recorded in the GL.
     - Verify adequate supports.
   - Findings
     - Stand-in costs not supported.
     - Costs were not reported in the ER
     - Costs were not properly recorded in the GL
     - Costs were not incurred in the same contract period.
VI. Payment of Disallowed Costs

1. Apply Stand-In Costs (cont’d)
   - Recommendations
     - Report stand-in costs that were incurred in the same contract period.
     - Report stand-in costs in the ER monthly or at closeout.
     - Report stand-in costs in the GL
     - Report stand-in costs that were incurred in the same contract period.

2. Request for a Repayment Plan
   - Submit written request for a repayment plan.
   - Comply with scheduled payments.
   - If defaulted, whole amount will be due.
VII. WIA Complaint Resolution

1. Initial Determination
   - After resolution letters were issued and still issues not resolved.
   - Opportunity for an informal resolution of no more than 60 days from date of Initial Determination.

2. Informal Resolution
   - Contractor will have 10 days to request for an informal resolution of the audit issues in writing to the EO/Compliance Unit.
   - Contractor may provide documentation or corrective action of administrative findings. Negotiations of repayments initiated.

3. Final Determination (FD)
   - FMD will issue a Final Determination
   - Contractor will have 21 days after FD to submit written request for hearing with the EO/Compliance Unit EWDD.
   - Contractor will receive written notice 10 days before hearing
   - Hearing officer’s report completed within 20 days.
   - Repayment plan agreed to within 30 days.
VII. Single Audit

- Procedures
  - Review compliance per A-133 Desk Review Guide
  - Compare Schedule of Expenditures of Federal Awards with EWDD payments
  - Issue acceptance or deficiency letter

- Findings
  - Computed unearned grant
  - Deficiency in reporting requirements

- Recommendations
  - Revise SEFA (Schedule of Expenditures of Federal Awards)
  - Refund unearned grant.

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