

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 18, 2018

CAO File No. 0220-01024-2771

Council File No. 14-0805-S2

Council District: Various

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Economic and Workforce Development Department Transmittal dated March 6, 2018; Received by the City Administrative Officer on March 13, 2018; Additional information received through April 12, 2018

Subject: **REQUEST FOR APPROVAL TO REPAY \$193,496 FROM THE AUDIT REPAYMENT FUND FOR DISALLOWED FEDERAL WORKFORCE DEVELOPMENT GRANT COSTS FOR THE CHICANA SERVICE ACTION CENTER**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Authorize the General Manager, Economic and Workforce Development Department (EWDD), or designee to:
 - a. Use funds from the Audit Repayment Fund No. 593, subject to available fund balance, to reimburse the Workforce Innovation Act (WIA) Fund No. 44A for \$193,496 in disallowed costs or return \$193,496 to the California Employment Development Department (EDD) pending instructions from EDD;
 - b. Prepare Controller instructions and/or make necessary technical adjustments consistent with Council and Mayor action on this Report, subject to approval of the City Administrative Officer, and instruct the Controller to implement those instructions;
2. Authorize and instruct the Controller to:
 - a. Establish a new account, 22PXXX, titled "Chicana Service Action Center Disallowed Costs", within the Audit Repayment Fund No. 593 and appropriate \$193,496, based on the available fund balance;

- b. Transfer up to \$193,496 of expenditures from WIA Fund No. 44A to the Audit Repayment Fund No. 593, Account No. 22PXXX, Chicana Service Action Center Disallowed Costs;
- c. Upon presentation of proper documentation by EWDD, refund up to \$193,496 to the California Employment Development Department from WIA Fund No. 44A, or;
- d. Upon presentation of proper documentation by EWDD, transfer up to \$193,496 of expenditures from the Workforce Innovation and Opportunity Act (WIOA) Fund No. 57W to the WIA Fund No. 44A.

SUMMARY

In its Transmittal dated March 6, 2018 (C.F. 14-0805-S2), the Economic and Workforce Development Department (EWDD) requests approval to use funds in the Audit Repayment Fund (ARF) to repay \$193,496 in disallowed Program Year 2014-15 costs from Workforce Innovation Act (WIA) federal workforce development grant funds provided to the former Chicana Service Action Center (CSAC) under contract for workforce development services in the Boyle Heights/East Los Angeles service area. EWDD states that the repayment will either be submitted to the City 2017-18 Workforce Development Annual Plan in order to maintain the funding for local workforce development programs, or be submitted directly to the grantor, California Employment Development Department (EDD), pending final negotiation with EDD.

The ARF is administered by EWDD and was established in 1994 with funds received from contractors for disallowed special fund costs. As of April 12, 2018, the release of prior fiscal year uncommitted funding in the ARF is required in order to have sufficient funds to implement the repayment. As the administrator of the ARF, EWDD states that they will release prior year uncommitted funds to allow for the implementation of the Controller instructions in this report.

Our Office recommends approval of EWDD's request to use ARF funding, subject to available fund balance, to repay \$193,493 for 2014-15 Program Year disallowed costs for WIA to either the current Workforce Development Board (WDB) Annual Plan or directly to EDD, pending final negotiated agreement with the EDD.

DISCUSSION

In June 2015, the Los Angeles County District Attorney announced the filing of fraud and embezzlement of public funds charges against CSAC executives. EWDD notified the EDD, the WIA grantor, and determined that CSAC could no longer implement the Boyle Heights/East Los Angeles City WorkSource Center contract effectively. Arbor E&T, LLC dba ResCare Workforce Services was selected as a replacement operator and authorized to begin operations on June 15, 2015. CSAC did not provide final WIA expenditure reports and documentation to the City for the 2014-15 Program Year. EWDD performed an administrative review and determined that of the \$4,122,407 in WIA funds disbursed to CSAC, sufficient supporting documentation could not be identified for \$193,496. Therefore, this amount is owed in reimbursement to the WIA grant or its

successor, the Workforce Innovation and Opportunity Act grant. EWDD states that CSAC no longer exists as a corporate entity and recovery of the funds is not possible. Although there is a plea agreement with an order of a restitution payment to the City in place, no funds have been received by the City. The Department states that approval to repay with available ARF funding will provide flexibility to request repayment to the 2017-18 WDB Annual Plan in order to maintain funds for local programs in lieu of repayment directly to the EDD. EWDD states that the final determination of how the repayment will be applied is pending negotiation with the EDD.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations in this report are in compliance with the City's Financial Policies in that sufficient funding in the Audit Repayment Fund may be used to repay \$193,496 in disallowed costs owed for 2014-15 Program Year expenditures from Workforce Innovation Act grant funds.

RHL:SAM:02180099C