

TO: EXECUTIVE COMMITTEE

DATE: October 25, 2004

FROM: STAFF

For Action

For Information

For Discussion

SUBJECT: Notice of Final Determination - JCG

PROPOSED MOTION(S): None. Information Only.

DISCUSSION: After the closure of Jobs for California Graduates, Merced County, Inc. (JCG) in September 2003, Merced County Department of Workforce Investment filed an incident report as required by State and Federal regulations. Merced County has received from the State of California Employment Development Department a Notice of Final Determination regarding this incident report.

ATTACHMENT(S): Letter from State of California Employment Development Department.



Arnold Schwarzenegger
Governor

September 27, 2004
22M:188:jc:2004-CA-010

Ms. Deidre F. Kelsey, Chair
Merced County Board of Supervisors
2222 M Street
Merced, CA 95340

Dear Ms. Kelsey:

**NOTICE OF FINAL DETERMINATION
INCIDENT REPORT 2004-CA-010
MERCED COUNTY/JOBES FOR CALIFORNIA GRADUATES, MERCED
COUNTY, INCORPORATED**

On October 15, 2003, the Employment Development Department's Compliance Review Division (CRD) received from the Merced County Department of Workforce Investment (MCDWI) the above-captioned Incident Report (IR). This IR relates to allegations of program violations by Jobs for California Graduates Merced County, Incorporated (JCG). On October 16, 2003, CRD referred this IR to the U.S. Department of Labor (USDOL).

Specifically, the IR contains allegations that JCG failed to provide required single audit reports to MCDWI. In addition, between August 28, 2003 and September 16, 2003 MCDWI was contacted by several of JCG's subcontractors regarding non-payment. MCDWI made several attempts to obtain the audit reports, including a formal written demand on September 19, 2003 for fiscal information. JCG shut down its business operations and closed its office the same day. The Merced County Auditor/Controller's Office (MCACO) investigated to determine whether amounts billed to MCDWI by JCG had been actually paid to the subcontractors.

On May 20, 2004, CRD issued a Notice of Initial Determination (NID) to MCDWI as part of the process to formally resolve the IR. In said NID, CRD requested that MCDWI submit additional documentation to demonstrate that adequate oversight processes are in place to ensure the timely completion and submission of subrecipients audits. CRD further requested that MCDWI submit additional documentation to demonstrate that adequate internal controls exist for the verification and substantiation of reimbursable accountings to ensure proper reimbursement of allowable items to prevent duplicate payments or payments of unallowable items. Finally, CRD requested that MCDWI submit a copy of the

MCACO findings and conclusions regarding the limited scope review of JCG.

In that same NID, CRD provided MCDWI with a 60-day window period to present documentation, arguments, and/or explanations to demonstrate that it has implemented an adequate corrective action plan.

On July 15, 2004, MCDWI provided CRD with its written response to the referenced NID. This package contains copies of MCDWI's July 1, 2004 procedures on:

- Internal management procedures for preventing and detecting fraud.
- Debt collection.
- Audit requirements and resolution procedures for subrecipients.
- Invoice handling and prevention of duplicate payments.

Three letters were also submitted from the MCACO, dated November 14, 2003, May 25, 2004 and June 22, 2004. These letters demonstrated that MCACO found that after offsetting MCDWI's payment of \$24,783.98 to five subcontractors for services rendered, MCDWI owed JCG a sum of \$3,314.97 which was paid to Ms. Mae Irene Ayers, fiduciary of the now defunct JCG.

In its response to the NID, MCDWI states that it has reviewed all invoices that had been received from JCG during the period of the contract and compared those invoices to bank records for proof of payment. These invoices were also reviewed to ensure duplicate expenses were not billed, all expenses were allowable and that adequate documentation was provided. MCDWI also contacted subcontractors to ensure payments had been received. Additionally, a final inventory was completed and all equipment and supplies purchased by JCG with contract funds were returned MCDWI.

It is CRD's final determination that MCDWI has provided additional documentation to demonstrate that adequate oversight processes are in place to ensure the timely completion and submission of subrecipients audits. It is also CRD's final determination that the referenced IR has resulted in no disallowed costs.

Deidre F. Kelsey

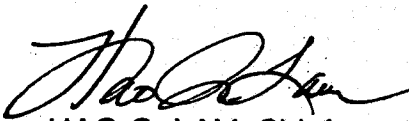
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September 27, 2004

Detailed information relating to this finding is provided in the attached NID of May 20, 2004. This Notice of Final Determination is subject to a review by the USDOL and any part, or all of it, may be overruled.

Please direct questions to me at (916) 654-1137 or to Mr. Harold Velasquez, Manager of the Compliance Resolution Unit at (916) 657-2056.

Sincerely,



HAO Q. LAM, Chief
Compliance Review Division
Program Review Branch

Attachment

cc: Ms. Andrea T. Baker, Director, Merced County Department of Workforce/
Investment
Mr. Stephen Jones, Auditor/Controller, Merced County