

Docket: : I.18-07-009  
Exhibit Number : \_\_\_\_\_  
Commissioner : Rechtschaffen  
Admin. Law Judge : Zhang  
:  
:



**CONSUMER PROTECTION  
AND ENFORCEMENT DIVISION  
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**DIRECT TESTIMONY  
OF  
STATE CONTROLLERS OFFICE**

**SUPPORTING ATTACHMENTS**

**REDACTED**

San Francisco, California  
July 7, 2020

# **ATTACHMENT 1**

**Engagement Planning Memorandum dated 1/29/2015**

**CPUC- Korean Churches for Community Development**  
**California One Million New Internet User’s Coalition -**  
**California Advance Services Funds**  
**Engagement Planning Memorandum**  
**S15-SAA-0003**

**DATE:** January 29, 2015  
**TO:** Chris Prasad, Audit Manager  
**FROM:** Sharmin Wellington, Auditor-in-Charge  
**AUDITEE:** California One Million New Internet User’s Coalition- CASF  
**AUDIT PERIOD:** July 1, 2011 through March 1, 2015  
**AUDIT ID:** S15-SAA-0003

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**SECTION I**

This section includes an identification of the scope of the review, review objectives, audit authority, general information, and any problem areas noted from the survey.

**1. Purpose**

The purpose of the audit is to determine whether California One Million New Internet User's Coalition (NIU) claims for reimbursement are adequately supported: legal and proper, and comply with California Advanced Services Fund (CASF) grant provisions.

**2. Engagement Scope, Objectives, and Methodology**

Our performance audit will be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. The audit period is from July 1, 2011 through March 1, 2015.

The objectives of the audit will include, but will not be limited to, determining if the California One Million New Internet User's Coalition (NIU):

- Is abiding by the California Advance Services Funds (CASF) grant provisions, work-plan and applicable Commission decisions, regulations, etc.;
- Is providing broadband computer network training services to new users of the community;
- Is submitting correct, legal and proper claims for reimbursement to CPUC; and
- Has adequate internal controls over the administration of CASF grant funds

The audit methodology/procedures will include, but will not be limited to, the following:

- Reviewing the CASF grant provisions, and Commissions decisions, and NIU work-plan;
- Reviewing NIU – Community Base Organization's lists, training program and attendance records, date, etc.;
- Conducting inquires and interviews of trainers, and parents/ recipients;
- Obtaining and reviewing copies of grant records such as, graduation lists, certificates, etc.

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**3. SCO Audit Authority**

The SCO and CPUC entered into an Interagency Agreement No. 14IA5001 for the period of January 15, 2015, through June 15, 2015, for the SCO to perform an audit of California One Million New Internet User's Coalition. The audit period is from July 1, 2011, through March 1, 2015.

**4. Background Information**

**California Advanced Services Funds (CASF) Grant:**

The Commission authorized the CASF in 2007 in accordance with Public Utilities (P.U.) Code § 701. The CASF provides grants to "telephone corporations" as defined under P.U. Code § 234 to bridge the "digital divide" (computer networks/broadband) in unserved and underserved areas in the state. In June 2011, the Commission implemented the Rural and Urban Regional Broadband Consortia Grant program to help fund activities promoting broadband deployment, access, and adoption with a budget of \$10 million. The Commission adopted procedures and guidelines for administering the Consortia Grant Program that included application, evaluation, and selection processes. As part of the screening process, the Commission required each consortia to submit a detailed action plan that described the goals, tasks, activities, measurable deliverables, expected outcomes, and specific timeline milestones necessary to meet the needs of the targeted region for broadband deployment, access, and adoption. Each applicant was to include detailed budgets for each of the activities identified in its work-plan. If selected, a consortia was to comply with the grant terms, conditions, and requirements set forth by the Commission.

The NIU is one of the seven consortia currently participating in the CASF program. The NIU was formed by Korean Churches for Community Development, located in the City of Los Angeles. The NIU's mission is to bridge the "digital divide" by using existing technology resources, such as available computer labs, in community common areas, such as schools, to promote adult and/or parent computer training. Through its curriculum, NIU hopes to reach over 2,000 parents by providing computer networks training, enabling them to improve their kids' academic lives.

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**5. Engagement Strategy**

a) Materiality Level:

Materiality level will be determined by case-by-case bases because this is a compliance audit; it will be whether NIU complied with the grant provisions.

b) Strengths/Weaknesses:

Determine and evaluate any internal control strengths and weaknesses. Significant weaknesses noted during our audit will be disclosed in the "Problem Areas Identified" section.

c) Sampling Methodology:

The sampling methodology used will primarily be non-statistical and judgmental in nature. Given that the method used is non-statistical sample, audit adjustments will not be projected to the total population. Any exceptions will be taken on an item-by-item basis.

d) Steps to be performed:

The engagement program includes steps/procedures necessary to achieve the objectives. The engagement program may be modified during the course of this review. <[w/p @ 2D-1](#)>

e) Consideration of Fraud, Compliance with Legal, Regulatory, and Other Requirements:

During the audit, we will remain alert to any indications of noncompliance with provisions of laws, regulations, contracts, and grant agreements and abuse or fraud. If a situation does come to our attention, we will consider whether the possible illegal act or abuse could affect the results. The fact shall be immediately brought to the attention of SCO management. Steps and procedures will be extended accordingly. The nature of the abuse may require immediate referrals to the appropriate authorities. <[See w/p 2G-\\_\\_\\_](#) for auditor's consideration of fraud>

f) Reliance on Computer-based Information:

Computerized information systems are utilized significantly in all accounting applications. The utilization of computer-based information is performed as a simple transaction as well as complex transactions. Source documentation provides competent evidential matter and computerized information system provides final reports in useful formats. For these reasons, we will trace source

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documents to the accounting system output and complete the “Assess the reliability of computer process data” form <[w/p @ 2F-6](#)>

g) Expected Significance of Evidence:

We will use auditor's professional judgment to gather sufficient and appropriate evidence that provides for a reasonable basis for our engagement's opinion, findings and conclusions. We will assess the expected significance of evidence, which involves the nature of evidence obtained, how the evidence is used and the engagement's objectives.

h) Previous Engagements:

We will consider the results of previous engagements by reviewing prior audits, review reports, studies, surveys, etc. We will follow-up on known significant findings, recommendations and conclusions that relates to our audit objectives.

i) Anticipated reliance on the work of outside auditors or specialist:

We will review audit or review reports by the internal audit office and any external audit organization. If available, the auditors will review the corresponding working papers. Auditors will only rely on outside auditor's work to the extent feasible once they satisfy themselves as to other auditor's capabilities, independence and performance by appropriate tests of the work or by other acceptable methods. <[see w/p @ 2F-4](#)>

SCO audit staff possesses the technical skills and knowledge necessary to conduct this audit. We will not be utilizing a specialist.

j) Staffing Plan:

The summary of budgeted hours and the audit staff assigned to this audit is included in Section II-Time Budget Summary.

k) Travel Consideration:

Travel consideration will be consistent with CalHR guidelines.

l) Establishment of Communication with Auditee:

We will send an initial engagement letter to the agency with an attachment identifying known documents to be reviewed. We will discuss during the entrance conference the procedures to be followed relative to the performance of the audit.

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m) Entrance Conference:

We will discuss the following items during the entrance conference:

- Objectives
- Scope and Objectives
- Request for Audit Records
- Agency Staff to be Contacted
- SCO Staff Assigned to the Engagement
- Protocol for Communication of Preliminary Findings or Issues
- Exit Conference Process
- Logistics (business hours, work space for auditors, etc.)

We will hold an exit conference at the conclusion of fieldwork.

n) Exit Conference:

We will discuss the following items during the exit conference:

- Exit Conference Process
- Scope and Objectives
- Management and Auditor's Responsibilities
- Views of Responsible Officials
- Communication of Findings, Issues and Conclusions
- Auditee's Response and Deadline for response
- Report Distribution
- Report Process
- Questions and Answers



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**SECTION II            TIME BUDGET**

Description	Audit Staff	Initial Budgeted Hours	Actual Hours
Preliminary Review	SW, JT	40	
Entrance Conference	CP, SW, JT	4	
Audit Program	SW, JT	20	
Review of Internal Control issues	SW, JT, NM	40	
Compliance Testing	SW, JT, NM	300	
Exit Conference	SW, JT, NM	6	
Travel	NM, JT	40	
Write-up and Report Preparation	NM, JT	80	
Supervision and Management Reviews	CP, AF	110	
Editor – Word Processing (WP)	WP	10	
Final Report Preparation	SW, JT	20	
<b>Total Hours</b>		<b>670</b>	

<u>Audit Staff:</u> Bureau Chief – Andy Finlayson Audit Manager – Chris Prasad Auditor-in-Charge – Sharmin Wellington Audit Staff – Johnny Tran, Nick McCarty
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**SECTION III            ENGAGEMENT CALENDAR**

Description	Est. Completion Date	Actual Completion Date
Entrance Conference	02/09/15	
Preliminary Review	02/05/15	
Audit Program	02/05/15	
Field Work	03/20/15	
Exit Conference	03/20/15	
Draft Report	04/15/15	
Final Report	05/29/15	

**SECTION IV            MANAGEMENT APPROVALS**

The staff members assigned to this audit collectively has the adequate professional competence, technical knowledge, skills and experience necessary to address the audit objectives and perform the work in accordance with GAGAS.

I approve the Engagement Planning Memorandum and the professional competence and technical knowledge of the staff on this engagement. Any significant changes will be documented in the addendum.

\_\_\_\_\_  
Audit Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Bureau Chief

\_\_\_\_\_  
Date

W/P No. _____	PAGE _____
PREPARED BY _____	DATE _____
REVIEWED BY _____	DATE _____

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**ADDENDUM**

Upon preliminary assessment and inquiry of NIU's management, we found out that management was unable to provide adequate supporting documents (accounting records, time cards, cost allocation methodology, etc.) for costs claimed for reimbursement.

In order to continue our audit of NIU, we developed alternative audit procedures as follows:

1. Auditors prepared certified letters to be mailed out to trainers who appeared on invoices.
  - Letters asked Trainers to contact SCO auditors regarding work they may have completed for Auditee.
2. Auditors prepared a list of questions to ask all respondents of the letter.
3. Auditors recorded respondent's answers to questions.
4. Auditors will review answers and make necessary adjustments to engagement working papers on an as needed basis.

## **ATTACHMENT 2**

**SCO Engagement Letter dated February 6, 2015**



**BETTY T. YEE**  
California State Controller

February 6, 2015

Hyepin C. Im, MBA, MDIV, CPA, President  
Korean Churches for Community Development  
California One Million New Internet Users Coalition  
3550 Wilshire Blvd, Suite 736  
Los Angeles, CA 90010

Re: Audit Engagement Letter for California One Million New Internet Users Coalition

Dear Ms. Im:

This letter is to inform you that the State Controller's Office (SCO) will conduct an audit of California One Million New Internet Users (NIU) Coalition – California Advanced Services Fund (CASF). The audit period is from July 1, 2011, through March 1, 2015.

Per our telephone conversation with Larry Ortega, the NIU's Founder, we were informed that your organization, the Korean Churches for Community Development (KCCD), is the Fiscal Agent of the NIU Coalition. Mr. Ortega advised that NIU's accounts and records are maintained by the KCCD. Therefore, we have scheduled an entrance conference for Monday, February 9, 2015, at 1:00 p.m. at your headquarters, located at 3550 Wilshire Blvd. Suite 736.

The authority to conduct this audit is given by Government Code section 12410, which states, "The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment." In addition, California Public Utilities Commission (Commission) entered into a contract with the State Controller's Office to perform an audit of the NIU Coalition.

We will conduct this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. The purpose of the audit is to determine whether NIU claims for reimbursement are legal, proper, and in compliance with the with CASF grant provisions.

Sharmin Wellington and Johnny Tran of our office, under the supervision of Chris Prasad, Audit Manager, will perform the audit.

Enclosed is an Information and Document Request that lists the documents we will need during the initial phase of the audit. Additional specific information and documentation will be requested for examination throughout the course of the audit.

Hyepin C. Im, MBA, MDIV, CPA, President  
February 6, 2015  
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If you have any questions or require additional information, please call Mr. Prasad at (916) 445-8519 or email him at [cprasad@sco.ca.gov](mailto:cprasad@sco.ca.gov).

Sincerely,



ANDREW FINLAYSON, Chief  
State Agency Audits Bureau  
Division of Audits

AF/sk

15058

cc: Chris Prasad, Audit Manager  
State Agency Audits Bureau  
Division of Audits, State Controller's Office  
Sharmin Wellington, Auditor  
Division of Audits, State Controller's Office

## INFORMATION AND DOCUMENT REQUEST

California One Million New Internet Users Coalition  
California Advanced Services Fund (CASF)  
July 1, 2011, through March 1, 2015

1. Organizational chart
2. CASF reimbursement claims submitted to the Public Utilities Commission
3. Accounting policies and procedures
4. Copy of cost allocation methodology
5. Audit reports of KCCD and NIU
6. General ledgers
7. Time records
8. Vendor invoices
9. Cancelled checks

## **ATTACHMENT 3**

**Entrance Conference Agenda and Dates, dated 2/17/15**



**ENTRANCE CONFERENCE AGENDA & NOTES**

<b>PURPOSE</b>	To document the entrance conference held on Monday, February 9, 2015, with Korean Churches for Community Development (KCCD) for the final audit of California’s One Million New Internet Users Coalition (NIU).
<b>SOURCE</b>	<p>2E p.1</p> <p>2I p.2</p> <p>2I p.3</p> <ul style="list-style-type: none"> <li>• Engagement Letter</li> <li>• Entrance Conference Agenda</li> <li>• Entrance Conference Attendance Sheet</li> </ul>
<b>SCOPE</b>	<p>Document those in attendance and to record the major items discussed, which will include the following:</p> <ol style="list-style-type: none"> <li>1. Audit objectives</li> <li>2. Audit criteria</li> <li>3. Audit records needed</li> <li>4. The audit process and reporting process</li> <li>5. The exit conference process</li> <li>6. Auditee contact staff</li> <li>7. SCO staff involved in the audit</li> <li>8. Timeline of the audit</li> <li>9. Concerns, problems, issues for the auditor</li> </ol> <p><b>DISCUSSION NOTES:</b></p> <p style="padding-left: 40px;">Date: February 9, 2015              Time: 1:00 p.m.              Location: 4360 E. Dozier Street              Los Angeles, CA 90022</p> <p>In attendance:</p> <p style="padding-left: 40px;"><u>COMMUNITY UNION, INC</u>              Larry Ortega – Co-Founder of NIU</p> <p style="padding-left: 40px;"><u>SCO Audit Staff</u>              Chris Prasad, Audit Manager              Nick McCarty, Auditor-in-Charge              Johnny Tran, Auditor</p> <p>On February 9, 2015, SCO Auditors, Chris Prasad, Nick McCarty, and Johnny Tran met with Community Union, staff at 4360 E. Dozier Street, Los Angeles, CA, to discuss the types of records needed and to obtain background information regarding the project under audit.</p>
<b>CONCLUSION</b>	<p>The entrance conference between the State Controller’s Office and Community Union, Inc for the final audit has been documented.</p> <p>The meeting ended at 4:00 p.m.</p>

# **ATTACHMENT 4**

**Correspondence with Auditee**

**CORRESPONDENCE WITH AUDITEE**

<b>PURPOSE</b>	To document all communication with the auditee throughout the audit process.
<b>SOURCE</b>	<p><i>2H p.2</i></p> <ul style="list-style-type: none"> <li>E-mail correspondence sample between SCO auditor and Auditee.</li> </ul> <p><i>Note: Additional email correspondences available in SCO Shared G-Drive:  <a href="G:\SAA\Special Projects\CPUC - California Advanced Services Fund - NIU\Correspondence">G:\SAA\Special Projects\CPUC - California Advanced Services Fund - NIU\Correspondence</a></i></p> <p><i>2E p.3</i></p> <ul style="list-style-type: none"> <li>Document request log</li> </ul>
<b>SCOPE</b>	<ol style="list-style-type: none"> <li>Document any letters, e-mails or other written communication to or from the auditee.</li> <li>Include all relevant audit correspondence in the work papers.</li> <li>Document any request for documents.</li> </ol>
<b>CONCLUSION</b>	Communications with the auditee have been documented at the above locations.

# **ATTACHMENT 5**

**Auditor is fabricating statement, 2/11/2015**

**From:** [Prasad, Chris](#)  
**To:** [McCarty, Nick](#); [Wellington, Sharmin](#)  
**Subject:** FW: We are a subcontractor recently audited - Auditor is fabricating statements  
**Date:** Monday, May 11, 2015 12:47:00 PM

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Please include in the audit file. Thank you.

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**From:** Prasad, Chris  
**Sent:** Monday, May 11, 2015 11:56 AM  
**To:** Finlayson, Andrew  
**Subject:** FW: We are a subcontractor recently audited - Auditor is fabricating statements

Larry Ortega's complaints are untrue that the audit staff (1) intentionally misstates the facts on the soon to be issued draft audit report and (2) without facts, asserts that source documents are fabricated. Larry Ortega is the co-founder, California's One Million New Internet User's (NIU) Coalition. As discussed below, because of inconsistent results of our inquiries, lack of contemporaneous accounting records and source documents, and similar observations and results of the California Public Utilities Commissions (CPUC)'s onsite evaluation, we questioned the purpose and presence of accounting records and source documents, if any.

We recently (April 21, 2015) concluded fieldwork of the coalition, an audit performed on behalf of the CPUC to determine the extent of services and costs incurred for the coalition provided broadband awareness services to parent of school children in underserved communities. The Coalition, through the California Advanced Services Fund (CASF) grant from the CPUC provides this broadband service.

On quarterly bases, the consortia submitted claims for reimbursement to the CPUC for program costs. The claimed costs, approximately \$354,000, were primarily for labor related charges that consists of coalition executives, lead trainers, and trainers. The purpose of the audit was to determine if the activities and costs reported to CPUC were substantiated by accounting records and source documents. The CPUC's audit request stems from their concerns that the consortia failed to request prior approval of CPUC to change their broadband awareness program scope for reducing in-class room training to approximately 20 hours. In addition, CPUC received complaints from the consortia's consultants, specifically, trainers, for the coalition's lack of or untimely compensation.

The audit determined that except for the copies of coalition prepared claim invoices (invoices) submitted to the CPUC and cancelled checks, NIU did not provide accounting records, such as general ledgers; and source documents, such as time records to substantiate \$341,413 of the \$353,784 of the CASF-claimed costs. Due to the lack of these related accounting records and source documents, we are unable to determine the extent of CASF grant-related services and costs.

Mr. Ortega insists that accounting records and vendor prepared invoices and source documents, such as time records are maintained but not readily available. These records, he asserts, are located in several storages away from the office. Whereas, the NIU's Office Manager/Lead Trainer, during the CPUC's consortia onsite visits, had informed that due to their recent move to their now new and current location, records, if any, are missing; the office manager did not state that the records were stored offsite.

During our exit conference we mentioned that we may provide NIU a list of individuals for examination of contemporaneously prepared accounting records and source documents. As mentioned below, because of our inquiry during the course of the audit with Mr. Ortega, the service providers, specifically the trainers, and inquiry with the PUC for their Consortia onsite visit, we conclude that there is lack of timely prepared source documents and accounting records to substantiate time and effort for the broadband activities.

- Shortly after the PUC onsite visit, when we commenced the audit on March 9, 2015, for the same documents that we requested, Mr. Ortega told us, (*March 6<sup>th</sup> 2015 data request e-mail*):

*And just to be clear, when I said we did not have the items, what I meant to say is that they are not in an organized fashion for easy access. We have everything on file of course relative to the expenditures for which we asked CASF reimbursement on, but it is not in the optimal organizational manner I would like to have them. As we are busy launching a new set of classes to meet our goal by end of February this year.*

- During fieldwork, Mr. Ortega repeatedly asked us for description of the audit document request. We explained that the records and source documents such as general ledger, financial statements, time records, vendor invoices, are those documents that NIU agreed to maintain pursuant to the PUC rules and guidelines related to the Consortia Grant Program. Mr. Ortega did not acknowledge that these records were available; in fact, his response was that there were thousands of pages of documents and that they were maintained in storages. We requested, but were provided no access to view and determine the existence of the PUC required records. In fact, NIU's only comments to our request have been that we provide names of the individuals so that NIU can provide documents. Furthermore, when we asked for contact information for those that provided the grant related services for confirmation of their services and record keeping, for the individuals we would be contacting, Mr. Ortega asked for these contacts and specifics of our inquiry. Doing so, he mentioned, will allow NIU to give them a heads up of our inquiry.
- During the fieldwork, we also asked for accounting records and request to contact the accountant. In response, he said that the accountant was

unavailable due to a medical condition, but then wrote to us on March 18, 2015. Mr. Ortega said, *“Quick update on g/l: our Accountant is finally catching up to begin work on our stuff as asked. I was informed that he had several delays involving the 6 other audits he is currently providing service to other clients and was not able to get to ours. We are close will have more info for you by Friday.”*

- During our exit conference, we provided NIU a list of names of eight of the attempted seventy individuals we contacted to confirm their services and record keeping. Primarily, the response, as mentioned above was that there was no record keeping as the time spent for various activities such as; teaching, administrative services, phone calls to parents to inform of available broadband awareness program, were electronically sent to the Consortia.

Upon receipt of the names of these individuals, NIU contacted a few of these individuals. While our documented inquiry and their responses that specifically asked for program related task and record keeping, three of the eight individuals have now contacted us. In their similar response to us, they have drawn back their earlier confirmation; now saying that they prepared their own invoices for work performed at NIU. Not only are these statements inconsistent with their earlier conformations, but these are contrary to Mr. Ortega’s earlier comments to us, saying that he prepared the invoices.

Because of inconsistent results of our inquiries, lack of contemporaneous accounting records and source documents, and similar observations and results of the PUC’s onsite evaluation, we questioned the purpose and presence of accounting records and source documents, if any.

Had we been made available these contemporaneous documents to validate its existence, we could have provided a list of individuals to validate the NIU’s claims. We informed Mr. Ortega that while we are proceeding with the draft report, in the interim, if the Coalition wishes to make "records" available to us for review, we can take a look at them to see if they fit the documentation requirements we were originally looking for. However, we would only do so by pulling any sample ourselves.

Chris Prasad, CPA, CFE  
State Controller’s Office  
Audit Manager  
State Agency Audits Bureau  
Division of Audits  
(916) 445-8519

**CONFIDENTIALITY NOTICE:** This communication with its contents as well as any attachments may contain confidential and/or legally privileged information. It is solely for the use of the intended recipients(s). Unauthorized interception, review, use or disclosure is prohibited and may violate applicable laws including the Electronic Communications Privacy Act. If you are not the intended recipient, please contact the sender and destroy all copies of the communication.

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**From:** Brownfield, Jeff  
**Sent:** Friday, May 08, 2015 4:43 PM  
**To:** Prasad, Chris  
**Subject:** FW: We are a subcontractor recently audited - Auditor is fabricating statements

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**From:** Brownfield, Jeff  
**Sent:** Friday, May 08, 2015 4:19 PM  
**To:** Chavez, Jennifer  
**Cc:** Norris, Larry; Poffenberger, Emily; Finlayson, Andrew  
**Subject:** RE: We are a subcontractor recently audited - Auditor is fabricating statements

We will respond.

Thank you, Jeff

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**From:** Chavez, Jennifer  
**Sent:** Friday, May 08, 2015 3:27 PM  
**To:** Brownfield, Jeff  
**Cc:** Norris, Larry; Poffenberger, Emily  
**Subject:** FW: We are a subcontractor recently audited - Auditor is fabricating statements

Hi Jeff,

Please see inquiry received by my staff Emily (Contracts Office). Is this something that Audits can respond to?

Thanks,  
Jennifer

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**From:** lortega onemillionniu.org [<mailto:lortega@onemillionniu.org>]  
**Sent:** Wednesday, May 06, 2015 10:54 PM  
**To:** Advocate  
**Subject:** We are a subcontractor recently audited - Auditor is fabricating statements

Dear Emily Poffenberger, Advocate:

We are a subcontractor to a contract recently audited by the Auditor/Controller's Office in April 2015 by the gentleman named below.

Chris Prasad, CPA, CFE  
State Controller's Office  
Audit Manager  
State Agency Audits Bureau  
Division of Audits  
(916) 445-8519

We have repeatedly attempted to correct a misunderstanding he had relative to the facts



surrounding source documentation provided during the audit. Albeit myself and 2 other persons paid under the contract, attempted to clarify Mr. Prasad's misunderstanding, he is intent on misstating the facts in his Draft Audit Report.

What are my options here? Mr. Prasad, insists, without the benefit of fact, that certain source documents were fabricated, when in fact they are actual source documents created and provided by the vendor paid under this contract.

My concern is that Mr. Prasad sets the tonality of the report by issuing untrue and misleading statements to our detriment.

Help.

Larry Ortega

# **ATTACHMENT 6**

**Internal Control Strength and Weakness dated 4/20/15**

## INTERNAL CONTROL STRENGTHS AND WEAKNESSES

<b>PURPOSE</b>	To reveal the strengths and weaknesses of NIU’s Internal Control structure.
<b>SOURCE</b>	<ul style="list-style-type: none"> <li>• Larry Ortega, Co-Founder of NIU</li> </ul>
<b>SCOPE</b>	Auditor conducted a verbal interview with Larry Ortega to determine the strengths and weaknesses of the internal control structure NIU has in place.
<b>ANALYSIS</b>	<p>Per Larry Ortega, the NIU are unable to provide documents to substantiate costs associated with the program. Mr. Ortega proclaims that these documents exist and that they are not available onsite and could be 1000’s of pages long.</p> <p>KCCD is the fiscal agent for NIU. As the fiscal agent for the NIU, KCCD provides the following services for the CASF program:</p> <ul style="list-style-type: none"> <li>• receive and review all requests for CASF payment from the NIU</li> <li>• Verify that the CASF program activities are progressing according to the approved work plan milestones</li> <li>• upon verification of CASF services rendered, a request for payment is sent to PUC</li> <li>• receive payments from the PUC;</li> <li>• disburse payments to the NIU</li> </ul> <p>Auditors were not granted access to KCCD employees or documents. Mr. Ortega has stated that all audit documentation and correspondence will be through him.</p>
<b>CONCLUSION</b>	<p>Auditors determined that NIU appears to have weaknesses in their Internal Control structure. Documentation practices were limited at best. There was a substantial lack of detail on invoices provided by the NIU. Copies of cancelled checks were provided but many were for partial payments and did not match with time periods on invoices, or were for individuals unrelated to the invoices provided. Per NIU Co-Founder Larry Ortega, there were no accounting records (AP, AR, and GL), cost allocations, timesheets, or cost codes available for review. It appears that the NIU has a lack of adequate internal controls over financial operations.</p> <p>Mr. Ortega appears to have complete financial control over funding provided to the NIU. He processed payroll, approved invoices, and signed checks.</p> <p>Auditors recommend that if the NIU plans to continue being a Grantee, PUC should require the NIU to establish policies, procedures, and internal control standards. <a href="#">&lt;see EPS 1 @ 1D&gt;</a></p> <p>*Auditors will attempt to conduct 3<sup>rd</sup> Party confirmations to substantiate invoices submitted for reimbursement.</p>

# **ATTACHMENT 7**

**Exit Conference dated 3/21/2015**

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California Public Utilities Commission (PUC)  
California Advanced Service Funds (CASF) for Broadband Awareness  
Fiscal Agent - Korean Churches for Community Development (KCCD)  
Consortia - CA One Million New Internet User's (NIU) Coalition  
Exit Conference  
Tuesday, March 21, 2015 @ 11:00  
For the period:

**Introduction** The purpose of this meeting is to discuss the audit results of the NIU Coalition's CASF program.

**Audit Purpose** The purpose of the audit was to determine whether the costs claimed are allowable, allocable, reasonable, and in compliance with state regulations and the contract provisions.

Purpose: Document Exit Conf.  
Source: Exit Conf. Agenda.  
Scope: See Agenda + to document Attachments. 23 p 8  
Conclusion: Exit Conference has been documented.

The PUC approved a \$450,000 CASF grant to NIU for Broadband Awareness, discussed below. The grant was approved for the period September 1, 2012 through March 1, 2015.

Via fiscal agent, KCCD, NIU submitted invoices/claims to PUC to seek reimbursement for cost incurred for CASF program services. PUC reimbursed NIU Coalition \$353,784 for CASF costs incurred for 10 quarters, September 1, 2012 through August 31, 2014. PUC withheld \$96,216 of the grant pending PUC's further review.

The SCO audit includes NIU Coalition's CASF program expenditures for the entire grant period, i.e. September 1, 2012 through March 1, 2015.

**Audit authority** The authority to conduct this audit is given by:

- Government Code section 12410, which states, "The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."
- Interagency Agreement; PUC entered into an agreement with the SCO to perform an audit of the NIU Coalition.

**CASF** The PUC authorized the CASF Grant in 2007 in accordance with Public Utilities (PU) Code section 701. The CASF provides grants to "telephone corporations," as defined under PU Code section 234, to bridge the "digital divide" (computer networks/broadband) in unserved and underserved areas in the state. In June 2011, the PUC implemented the Rural and Urban

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Regional Broadband Consortia Grant program to help fund activities promoting broadband deployment, access, and adoption, with a budget of \$10 million.

The PUC adopted procedures and guidelines for administering the Consortia Grant Program that included application, evaluation, and selection processes. As part of the screening process, the PUC required each consortium to submit a detailed action plan that described the goals, tasks, activities, measurable deliverables, expected outcomes, and specific timeline milestones necessary to meet the needs of the targeted region for broadband deployment, access, and adoption. Each applicant was to include detailed budgets for each of the activities identified in its work plan. If selected, a consortium was to comply with the grant terms, conditions, and requirements set forth by the PUC.

There are 16 consortiums located throughout the state that currently participate in the CASF program. Their primary purpose is to bridge the "digital divide" by using existing technology resources, such as available computer labs, in community common areas, such as schools, to promote adult and/or parent computer training. Through their curriculum, these consortiums hope to reach thousands of underprivileged parents by providing computer networks training, enabling them to improve their kids' academic lives.

On a quarterly basis, these consortiums, via, their PUC approved Fiscal Agents' submit claims for reimbursement, including records to support incurred costs.

#### KCCD

KCCD is the fiscal agent for NIU. KCCD, located in the City of Los Angeles, is a non-profit faith-based organization, which serves as a bridge between the Asian-American, specifically, the Korean community, and the greater community at large. Through private and public collaboration, KCCD with the assistance of community grants, promotes the local community participation, contribution, and influence through faith-based and community partnerships.

As the fiscal agent for the NIU, KCCD provides the following services for the CASF program:

- receive and review all requests for CASF payment from the NIU
- Verify that the CASF program activities are progressing according to the approved work plan milestones
- upon verification of CASF services rendered, a request for payment is sent to PUC
- receive payments from the PUC;
- disburse payments to the NIU

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As a fiscal agent, KCCD is authorized to seek administrative fees for costs incurred for above services

**NIU**

The NIU is one of the sixteen consortia currently participating in the CASF program. The NIU was formed by KCCD, located in the City of Los Angeles. KCCD is the fiscal agent of the consortia, meaning, all invoices for CASF related services rendered are submitted to reimbursement to PUC by KCCD. KCCD receives reimbursement from PUC, who, then sets aside a portion of the reimbursement for its administrative efforts, and dispenses the remainder of the funds to the NIU Consortia. The CASF is the source of revenue for the consortia.

Mr. Larry Ortega is the founder of the NIU and does business under business name; Community Union (CU). The NIU's mission is to bridge the "digital divide" by using existing technology resources, such as available computer labs, in community common areas, such as schools, to promote adult and/or parent computer training. Through its curriculum, during the grant period, NIU hopes to reach over 2,000 parents by providing computer networks training, enabling them to improve their kids' academic lives.

Mr. Ortega is the president of NIU. Due to a small organization, including Mr. Ortega and approximately three other NIU employees, all the business decisions of the NIU and CU are those of Mr. Ortega. The CASF related activities include:

- Public outreach to create awareness of available opportunities via Conference and Community Meetings.
- Consult with Community Members, School Administrators and Principals to help secure Empowerment Hubs for students to utilize.
- Conduct parent orientations with potential parents to inform them of the internet services and broadband resources that are available to them.
- Lead Trainers, NIU employees, to recruit and train trainers who can lead the parents through the curriculum in the class room and self-study settings.
- Conduct graduation ceremonies for graduates.
- Offer post graduate workshops to those parents who complete their course. The post graduate course help to solidify true adoption of broadband awareness.

**Objective  
/Methodology**

To determine whether the costs claimed are allowable, allocable, reasonable, and in compliance with state regulations and the contract provisions.

Methodologies include:

- Assess accounting system and to ensure that the system is able to accumulate, segregate, record, and report project costs.

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- Review account balances and details to determine whether CASF charges are properly classified. Test selected transactions (i.e. payments to teachers/instructors, equipment and materials, project costs, and timekeeping process) to ensure that controls are in place.
- On a sample bases, tests account balances and transactions to determine if the project outcomes and expenditures (costs incurred and reimbursed) during the audit period are in compliance with State Regulations, Contract Provisions, and any other applicable agreements.

**Results**

Our audit found the following:

Claimed costs: NIU submitted \$353,784 in claims for CASF services rendered. Quarterly invoices/claims were as follows:

Table 1

FY 2011-12	Quarter 1	\$21,857.17
	Quarter 2	\$38,176.93
	Quarter 3	\$33,583.83
	Quarter 4	\$41,419.07
FY 2012-13	Quarter 1	\$37,500.00
	Quarter 2	\$37,500.00
	Quarter 3	\$37,500.00
	Quarter 4	\$37,500.00
FY 2013-14	Quarter 1	\$37,500.00
	Quarter 2	\$31,247.00
	Total	\$353,784.00
	Pending	\$96,216.00
		\$450,000.00

These invoices/claims included the following costs:

Table 2

Coalition Member	\$53,165.00
NIU Liaison	\$79,569.00
Lead Trainers	\$73,745.00
CU Trainers	\$137,671.00
Supplies	\$5,166.00
Translation	\$1,612.00
Unidentified	\$2,856.00
Totals	\$353,784.00

**Services rendered:**

During the first 10 quarters, the NIU has graduated approximately 1,800 parents from their CASF program through technology sessions for broadband awareness by creating awareness in the region through

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Community Meetings, Orientations, and Conferences. Liaison and Coalition Members met with Representatives, Council Members, Administrators and Principals to help secure locations that they could utilize as Empowerment Hubs. NIU recruited and taught trainers to lead the parents through the curriculum that the NIU had developed. Upon completion of the program parents have undergone graduation ceremonies.

NIU plans to not only meet but exceed their goal of 2,000 parents who will have successfully completed their program.

**Unsupported costs**

Our audit determined that while the NIU has provided the CASF program related services i.e. Broadband Awareness, the claimant lacks accounting records and source documents to substantiate the incurred costs. Of the \$353,784 costs claimed, \$341,413 was unsubstantiated due to lack of related accounting records and source documents.

Documentation practices were limited at best. There was a substantial lack of detail on invoices provided by the NIU. There were no accounting records, such as, general ledgers, trial balances, financial statements, and supporting documents such as time cards available for review. In fact none of these documents were in existence; though, NIU claims to have an accountant that has provided accounting services and maintains accounting records. Neither the accountant nor the accounting records were available for our inquiry and review. No time records were maintained. As discussed below, all invoices and detailed costs for individuals' time and effort were prepared by the cofounder. There were no time records or other documents to substantiate time and effort identified on the NIU prepared invoices. Copies of cancelled checks were provided but many were for partial payments and did not match with time periods on invoices, or were for individuals unrelated to the invoices provided.

As shown in Table 2, many of these expenses were administrative in nature, and absent accounting records and source documents, we could not substantiate that these costs were grant related. The \$12,371 (Schedule 2) of allowable costs were determined via confirmations, specifically, our inquiry with the trainers.

In addition, even if the above mentioned records were available, as explained in detail below, we could not have determined that the claimed costs were incurred as reported. NIU's co-founder has complete financial control over funding provided to the NIU. All labor related invoices were generated by the co-founder and there is lack of time records that substantiate charges. The trainers communicated electronically to the cofounder time spent on the program related activities. These trainers were

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unaware if the NIU's invoices to PUC included complete and accurate time and effort.

KCCD, the fiscal agent, retained \$55,057 of the grant reimbursement. Per NIU, KCCD set aside a portion of the reimbursement for the reimbursement for administrative costs. KCCD forwarded NIU prepared invoice to PUC for reimbursement. Per NIU, KCCD's set asides are percentages of labor charge; however, no accounting records or source documents of KCCD were provided to substantiate the CASF services rendered and the extent of costs incurred. Per the KCCD director, the NIU's co-founder had the lead responsibility of the CASF program.

As no records were available, we attempted to contact all 70 trainers for whom the NIU claims to have compensated \$137,671 of teaching compensation. Of these, only 8 individuals responded to confirm their services to NIU. Our telephone inquiry with these 8 trainers revealed that compensations were untimely and they were unsure if they received the entire amounts due.

We compared the payments per canceled checks to individuals to the reported claims, invoices. We found that compensation to a few individuals agreed with the total invoice charges, Schedule 1. However, for a large number of individuals, compensation per canceled checks was much higher than the amounts per invoices. To illustrate, a few of the invoice and canceled check variances were as follows:

- The co-founder's compensation of \$68,105 per canceled checks \$29,032 (75%) more than the \$39,073 per the reported claims for the grant period.
- Neri Rivas, a lead trainer, per invoice shows compensation of \$47,843, but canceled checks revealed \$59,132 of compensation, an overcharge of \$11,289, approximately 24%.
- Deborah Farias Janes, a trainer, per invoice shows charges \$23,936 in compensation, whereas, the cancelled checks identified \$29,449 in compensation, an overcharge of \$5,513, for that time period, approximately 23%.
- \$34,630 of cancel check payees, approximately 11% of the invoiced charges were for individuals that were not identified on the invoices.
- Schedule 1 provides a list of all invoice and payee variances.

In all, while the cancelled checks identified \$431,875 of compensation for Broadband awareness, PUC reimbursement to NIU, net of KCCD charges,

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provided \$310,050.75 of invoice reimbursements, a deficit of \$121,824.69, (39%). NIU advised that CASF was the only revenue source and provided no records or source documents for any additional available funds. Thus, absent proper time records, source documents, and accounting records, we are unable to determine if the claims to PUC and resulting reimbursements were for the CASF program.

**Criteria**

*Grant funds will be disbursed in accordance with, and within the time specified in, California Government Code Section 927. The Commission's Communication Division has the authority to initiate any necessary audit, verification, and discovery of Consortium members relating to grant funding activities to ensure that CASF Consortia grant funds are spent in accordance with the Commission's adopted rules and standards. Each Consortia grantee shall maintain books, records, documents, and other evidence sufficient to substantiate expenditures covered by the grant, according to generally accepted accounting practices. Each Consortia grantee shall make these records available to the Commission upon request and agrees that these records are subject to a financial audit by the Commission at any time within three years after the Grantee incurred the expense being audited. A Consortia grantee shall provide access to the Commission upon 24 hours' notice to evaluate work completed or being performed.*

*PUC's CASF payment letters issued to KCCD, provides:*

*"...all payments are subject to audit and other verification for compliance with Commission orders and directives. If, at a later date, portions of the payment are found to be out of compliance, Communications Division will inform you, by letter, of the status of any adjustments. If this happens, Korean Churches for Community Development will be responsible for refunding the disallowed amount along with appropriate interest at rates determined in accordance with applicable Commission decisions..."*

**Recommendation**

We recommend that PUC promptly act to resolve and recover unsupported and or excessive CASF funds disbursed to NIU. Furthermore, we recommend that NIU develop policies, procedures, accounting records and internal control standards to ensure the CASF program related costs are properly authorized, approved, accumulated, recorded, and claimed. Doing so will ensure that future funding is claimed only for reasonable, allowable, and allocable costs.

**Audit Report**

Draft report process  
Auditee response and deadline for response  
Final audit report to PUC

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# **ATTACHMENT 8**

**Analysis of Services, dated 6/30/15**

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## ANALYSIS OF SERVICES

### Purpose:

To determine whether NIU provided services to students that were related to CASF grant funding.

### Source:

4B-1p.3 NIU submitted and approved Work Plan provided by cofounder Larry Ortega

4B-1p.7 Auditor prepared questionnaire for Students

4B-2 Auditor sample selection methodology

4C-1p.2 Database Attendance records provided by cofounder Larry Ortega on June 2015

### Scope:

The database attendance records contained columns with: attendees' name, site locations, Instructor's name, date of attendance and grant (CASF) graduation date.

Auditors used attendance records to determine if students completed graduations in accordance with the NIU submitted and approved Work Plan.

### Analysis:

Auditors were given access to view the records auditee placed in the online Dropbox. The records showed 125 classes had been completed during year 1, quarter (Q1) through year 3, Q3.

1. Auditors open each record
2. Auditors compiled all the data into one excel worksheet
3. Auditors filtered the worksheet to determine the number of attendees that graduated
4. Auditors' filtered list of all graduates totaled 1,779
5. Auditors used the filtered list of graduates' population size 1,779 of this sample size of 79 was generated. Sample selection methodology (see w/p 4B-2)
6. Auditors implemented alternative audit procedures to determine whether students attended the classes listed on the database attendance records as follows:
  - a. Auditor's develop a questionnaire (see w/p 4B-1 p.7)
  - b. Auditors called all 79 students
  - c. Auditors used questionnaire to interview students
  - d. Auditors were able to contact 15 students but two decline to answer our questions.
  - e. Of the two students that declined to answer auditor's questions, one stated she did take the class.
  - f. Auditors were unable to reach 64 students and messages were left for those with voicemail.
  - g. As a result, 13 of the 79 (16%) students responded to auditors questions.

7. Of the 13 students, auditors were able to substantiate 11 students attended the CASF related classes. One individual did not recall taking the class and the other individual dropped the class.
8. Some students were able to confirm the instructor's name and site location
9. Students confirmed information that was on databases that classroom sessions lasted about 20 hours not 40 hours.

(See w/p 4C-1 p.2)

#### Conclusion:

Due to time constraints and some student's unwillingness to answer auditors' questions, we were unable to question all 79 students. In addition, due to limited resources it was impossible to contact all 1,779 prospective graduates.

Auditors were able to confirm 11 (14%) of a sample, size of 79 students took a CASF grant related training during September 2012 through September 2014.

From this information, it appears reasonable that services were rendered to the listed students.

Based on auditors' discussion with students and NIU staff, it appears as if NIU reduced student's class room hours from 40 hours to 20 hours. The contract between CPUC and NIU, states any changes to the work plan needed to be submitted and approved by CPUC before they could be implemented. NIU did not comply with contract terms ([See W/P EPS 1 @ 1D](#)).

# **ATTACHMENT 9**

## **Sample Selection Methodology**

## Sample Selection Methodology

### Purpose:

To prepare a random number generation table from excel.

### Source:

**4B-2p.2** The data (worksheet) from sheet 1 provided by Chris Prasad, SMA, State Agency Bureau produce a random number generation using excel. John Galvin used to worksheet generate sample size

**4C-1p.2** Dropbox records complied by auditors to create worksheet.

### Scope / Data Analysis:

Auditor used the Random Number Generator within Excel to generate sample size of 79 as follows:

Random Seed No.: 624;

Columns A, C and D were used to identify the excel workbook line number that would correspond to sheet 2 column A, named Sample Item;

Numbers drawn: 100;

Duplicate random number 947;

Excel Selected: 100 lines; which included 1 duplicate, and 20 no lines representation.

### Conclusion:

We used random number generation table from excel to generate a sample size of 79 students.



# **ATTACHMENT 10**

**Analysis of Trainers, dated 7/17/15**

## ANALYSIS OF TRAINERS

<b>PURPOSE</b>	To determine that trainer hours and related costs are for the consortia program purpose and that the source documents and accounting records substantiate those amounts.
<b>SOURCE</b>	<ul style="list-style-type: none"> <li>• Prior review</li> <li>• Exit conference</li> <li>• Auditor generated matrix of selected trainer’s time sheets and invoices</li> <li>• Sample trainer time sheets and invoice</li> <li>• Post discussion with the consortia</li> </ul> <p style="text-align: right; color: red; margin-right: 20px;">2J 4C-1-1 p.2 4C-1-1 p.3</p>
<b>SCOPE</b>	<ul style="list-style-type: none"> <li>• Background:             <ul style="list-style-type: none"> <li>○ Previously, costs were disallowed due to a lack of records upon auditors’ request.</li> <li>○ Subsequently, the consortia later provided the documents, stating that because they were unavailable, they were unable to provide these records. They also stated that time sheets are employee prepared and maintained.</li> </ul> </li> <li>• Auditors were provided a list of sites that the consortia claims to have provided services for. From that list, auditors made a selection and requested the consortia to provide timesheets and documentation related to services provided. The consortia provided documentation to a select number of sites from the auditor’s request.</li> <li>• From the provided documents, auditors performed the following procedures:             <ul style="list-style-type: none"> <li>○ Auditors identified sample trainers, time sheets, invoices, and site logs.</li> <li>○ Auditors identified a population of 70 trainers and sampled 20 individual trainers. Auditors attempted to analyze 136 time sheets related to the 20 individual trainers from the documents provided by the consortia.</li> <li>○ Auditors compared the time sheets to the invoices that were given by the consortia. For documents that only contained time sheets, auditors compared those with invoices previously provided by the consortia. For documents that contained time sheets and invoices, auditors compared what was provided.</li> <li>○ Auditors noted the timesheet dates, hours specified on the timesheet, and commented on its relation to invoices provided.                 <ul style="list-style-type: none"> <li>▪ Auditors noticed 12 missing time sheets and 10 discrepancies between time sheets and invoices.</li> <li>▪ Auditors noticed hours that differ between time sheets and invoices.</li> <li>▪ Auditors noticed that 3 different trainers had time sheets that detailed the exact same message in the comments section.</li> <li>▪ Auditors noticed that 2 different trainers had invoices that detailed the exact same personal information.</li> <li>▪ Auditors noticed that a timesheet contained an incorrect signature in the signature line.</li> </ul> </li> </ul> </li> </ul>
<b>CONCLUSION</b>	<p>Auditors have concerning issues regarding the consortia’s internal control weakness involving record keeping. Auditors recommend that the consortia institute a better record keeping in order to make records more accessible.</p> <p>Despite the lack of internal controls regarding the consortia’s record keeping, auditors determined that the trainer hours and the related costs for the consortia program are allowable. Through comparing the provided school logs, trainer time sheets and trainer invoices, auditors were able to determine that services appeared to be rendered and thus all costs associated with trainers can be allowed.</p>

# **ATTACHMENT 11**

**Analysis of Lead Trainers, dated 7/17/15**

### ANALYSIS OF LEAD TRAINERS

<b>PURPOSE</b>	To determine if lead trainer hours and related costs are for the consortia program purpose and if the source documents and accounting records substantiate those amounts.
<b>SOURCE</b>  2F-3 2J 4C-1-2 p.3 4C-1-2 p.4 4C-1-2 p.5 4C-1-2 p.19 4C-1-2 p.21	<ul style="list-style-type: none"> <li>• Prior review</li> <li>• Exit conference</li> <li>• Auditor generated matrix of lead trainers' timesheets and invoices</li> <li>• Sample lead trainer invoices</li> <li>• Sample lead trainer timesheets</li> <li>• [REDACTED], Lead Trainer</li> <li>• [REDACTED], Lead Trainer</li> <li>• Post discussion with the consortia</li> </ul>
<b>SCOPE</b>	<ul style="list-style-type: none"> <li>• Background:                         <ul style="list-style-type: none"> <li>○ Previously, costs were disallowed due to a lack of accounting records.</li> <li>○ Subsequently, the consortia provided documents, stating that they were initially unavailable, so they were unable to provide these records. They also stated that timesheets are employee prepared and maintained.</li> </ul> </li> <li>• Auditors were provided a list of sites that the consortia claims to have provided services for. From that list, auditors made a selection and requested that the consortia to provide timesheets and documentation related to the services provided. The consortia provided documentation to a selected number of sites from the auditor's request.</li> <li>• From the provided documents, auditors performed the following procedures:                         <ul style="list-style-type: none"> <li>○ Auditors identified the lead trainers, timesheets, invoices, and site logs.</li> <li>○ Since auditors do not know how or when the timesheets were prepared, auditors planned to interview the lead trainers to substantiate the timesheets.</li> <li>○ Auditors identified 3 lead trainers and attempted to contact them.</li> <li>○ [REDACTED] were able to contact and interview 2 of the lead trainers, [REDACTED] r. and [REDACTED] s.                                 <ul style="list-style-type: none"> <li>▪ Both lead trainers confirmed that they have provided services relating to teaching classes and helping out classes with computer related issues for the consortia.</li> <li>▪ Francisco stated that his duties included writing the class curriculum and fixing hardware issues with computers.</li> <li>▪ Francisco also stated that the consortia held classes that was charging \$150 per student per class. The classes taught students how to fix and build computers. Francisco stated that 5 classes were held and each served 20 students. (Auditors did not find any costs to be included in the claims)</li> <li>▪ Teresa stated that her duties involved outreach to parents and doing promotions for the consortia program.</li> <li>▪ Both lead trainers confirmed that they turned in timesheets along with a detailed activity report and stated the amount of hours they worked as well as an explanation of what they did to justify those hours.</li> <li>▪ Francisco stated that he was a part of the consortia since the beginning of the California Advanced Services Fund (CASF) grant and left the consortia early January 2014.</li> <li>▪ Teresa stated that she joined the consortia in January 2014 as a trainer and gained lead trainer responsibilities during March 2014.</li> <li>▪ Through auditors' interview with Francisco, auditors were able to confirm that another lead trainer, [REDACTED], had the same</li> </ul> </li> </ul> </li> </ul>

responsibilities related to teaching classes and turning in timesheets.

**CONCLUSION**

Auditors have concerns/issues regarding the consortia's internal control weakness involving record keeping. Auditors recommend that the consortia institute a better record keeping system in order to make records more accessible.

Despite the lack of internal controls regarding the consortia's record keeping, auditors determined that the lead trainers' hours and the related costs for the consortia program maybe allowable. Since auditors do not know how or when the timesheets were prepared, auditors interviewed the lead trainers to substantiate the costs claimed. Through interviews with the lead trainers, auditors were able to determine that services appeared to be rendered and thus costs associated with the lead trainers can be allowed.

# **ATTACHMENT 12**

**Analysis of Liaison, dated 7/17/15**

### ANALYSIS OF LIAISON

<b>PURPOSE</b>	To determine if the liaison hours and related costs are for the consortia program purpose and if the source documents and accounting records substantiate those amounts.
<b>SOURCE</b>  2F-3 2J 4C-1-2 4C-1-3 p.2	<ul style="list-style-type: none"> <li>• Prior review</li> <li>• Exit conference</li> <li>• Interview with [REDACTED] Galvan, Jr. and [REDACTED] Cortes, Lead Trainers</li> <li>• Liaison’s Year 2 Quarter 4 Calendar Activity Report and invoices</li> <li>• Discussion with Larry Ortega, Co-Founder of NIU</li> </ul>
<b>SCOPE</b>	<ul style="list-style-type: none"> <li>• Background:                         <ul style="list-style-type: none"> <li>○ Auditors previously disallowed costs due to a lack of accounting records.</li> <li>○ The consortia subsequently provided documents, stating that because they were unavailable, they were unable to provide these records sooner. The cofounder also stated that timesheets are employee prepared and maintained.</li> </ul> </li> <li>• Auditors were provided timesheets and invoices for liaison member Larry Ortega.</li> <li>• From the provided documents, auditors performed the following procedures:                         <ul style="list-style-type: none"> <li>○ Auditors compared the time stated on the Calendar Activity Report to invoices provided.</li> <li>○ Auditors noted that the time stated on the Calendar Activity Report differs from the invoices.</li> <li>○ Through auditors’ interview with Larry Ortega, auditors understood that the hours stated on the Calendar Activity Report represent the actual time spent on all of the consortia’s program and the hours stated on the invoices represent time that can be charged to the CASF grant.</li> </ul> </li> <li>• Through interviews lead trainers and Larry Ortega, and through provided documents, the following are tasks and services that were provided by Larry Ortega:                         <ul style="list-style-type: none"> <li>○ Hiring of staff (see w/p 4C-1-2)</li> <li>○ Promotion and Outreach to schools and school officials (see w/p 4C-1-3 p.3)</li> <li>○ Hosting and preparing computer classes, graduation classes, graduation programs and certificates. (see w/p 4C-1-3 p.3)</li> <li>○ Recruitment and Coordination of Trainers (see w/p 4C-1-2)</li> <li>○ Handled employee timesheets, invoices, and disbursing payments (see w/p 4C-1-2)</li> </ul> </li> </ul>
<b>CONCLUSION</b>	<p>Our audit found that NIU internal controls over their accounting records were weak or nonexistent.</p> <p>Despite the lack of internal controls regarding the consortia’s record keeping, auditors determined that the liaisons’ hours and the related costs for the consortia program are allowable. Through interviews with the liaison, auditors were able to determine that services appeared to be rendered and thus costs associated with liaison maybe allowed.</p>