



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

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**OSCAR VALDEZ**  
AUDITOR-CONTROLLER

**CONNIE YEE**  
CHIEF DEPUTY AUDITOR-CONTROLLER

June 11, 2025

TO: Each Supervisor

FROM: Oscar Valdez  
Auditor-Controller

Robert G. Campbell  
Assistant Auditor-Controller / Chief Audit Executive

SUBJECT: **MANAGED CAREER SOLUTIONS, SPC – AN AGING AND DISABILITIES  
DEPARTMENT PROGRAM PROVIDER - CONTRACT COMPLIANCE  
REVIEW**

With the support and active participation of the Aging and Disabilities Department (AD), and Managed Career Solutions, SPC (MCS or Agency), we completed a contract compliance review of MCS. AD contracted with MCS to provide Access to Technology (ATT) Program services. The MCS' contract with AD to provide ATT Program services expired in September 2024. The purpose of our review was to determine whether the Agency appropriately accounted for and spent AD funds to provide the services outlined in their County contract.

We noted an opportunity for MCS to improve and strengthen their controls over financial reporting for their ATT Program expenditures and other non-compliance issues. Specifically, MCS did not maintain an adequate Cost Allocation Plan for the ATT Program. As a result, the Agency did not equitably allocate their indirect expenditures and inappropriately billed the ATT Program \$874,588 in indirect expenditures from February through August 2024 based on budgeted amounts.

For details of our review, please see Attachment I. MCS' response (included in Attachment II) indicates agreement with our finding and recommendation.

We thank MCS and AD management and staff for their cooperation and assistance during our review. If you have any questions please call us, or your staff may contact Jeffrey Ho at [jeho@auditor.lacounty.gov](mailto:jeho@auditor.lacounty.gov).

OV:CY:RGC:JH:SGD:hm

Attachments

c: Fesia A. Davenport, Chief Executive Officer  
Edward Yen, Executive Officer, Board of Supervisors  
Dr. Laura Trejo, Director, Aging and Disabilities Department

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**NUMBER OF  
RECOMMENDATIONS**

**PRIORITY 1**

**1**

**PRIORITY 2**

**0**

**PRIORITY 3**

**0**

**FAST FACTS**

*AD paid MCS approximately \$9.6 million on a cost-reimbursement basis from February through August 2024.*

*At the time of our review, MCS had offices in the First, Second, Third, and Fourth Supervisorial Districts and provided services to residents of all Supervisorial Districts.*

*Although not included in this review, MCS also contracted with the Department of Economic Opportunity.*

**REPORT #X24254**

# LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment I  
Page 1 of 2

**Robert G. Campbell**  
ASSISTANT AUDITOR-CONTROLLER

**Jeffrey Ho**  
DIVISION CHIEF

## COUNTYWIDE CONTRACT MONITORING DIVISION

Report #X24254

### AGING AND DISABILITIES DEPARTMENT MANAGED CAREER SOLUTIONS, SPC CONTRACT COMPLIANCE REVIEW

#### BACKGROUND AND SCOPE

We conducted a contract compliance review of Managed Career Solutions, SPC (MCS or Agency), at the request of the Aging and Disabilities Department (AD), in accordance with our Fiscal Year 2023-24 monitoring plan.

AD contracted with MCS to provide the Access to Technology (ATT) Program services, and the contract expired in September 2024. The ATT Program helped older adults and adults with disabilities gain digital access by providing a connected device, along with basic training and support to help reduce isolation, increase social connections, and enhance self-confidence.

We reviewed a sample of expenditures from February through August 2024 to determine whether MCS appropriately accounted for and spent ATT Program funds to provide the services outlined in their County contract and in accordance with federal and State guidelines. We also evaluated the Agency's financial records, internal controls over cash, revenue, disbursements, payroll and personnel, and compliance with their County contract and applicable guidelines. In addition, for a sample of clients, we reviewed documentation to support their eligibility and verified that required ATT Program services were provided. Our review covered one contract with MCS, for which AD paid the Agency approximately \$9.6 million on a cost-reimbursement basis from February through August 2024. At the time of our review, MCS had offices in the First, Second, Third, and Fourth Supervisorial Districts and provided services to residents of all Supervisorial Districts.

#### TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RECOMMENDATION
1	<b>Inappropriate Cost Allocation</b> - MCS did not maintain an adequate Cost Allocation Plan (CAP) as required by their County contract and the AD Contract Compliance Directive AD-CCD-18-01. Specifically, MCS' CAP covered their other agency programs but did not include the ATT Program. As a result, the Agency inappropriately billed the ATT Program \$874,588 in indirect expenditures from February through August 2024 based on budgeted amounts instead of actual conditions. MCS must reallocate these costs to ensure the indirect expenditures are appropriately allocated to all benefiting programs, as required by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Section 200.405. In addition, while MCS no longer operates the ATT Program, the Agency must ensure their written CAP always covers all their programs to ensure shared and indirect expenditures are appropriately allocated.	<b>Priority 1 - MCS management:</b>  a) <b>Reallocate the indirect expenditures from February through August 2024 based on an equitable and allowable cost allocation methodology, and repay AD for any overallocated amounts, if applicable.</b>  b) <b>Ensure indirect expenditures are equitably allocated based on actual conditions to all benefiting programs.</b>  c) <b>Ensure their written CAP always covers all Agency programs, as required.</b>  <b>Agency Response: Agree</b> Target Implementation Date: August 29, 2025

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>We noted similar cost allocation issues in our last three monitoring reports on MCS' contracts with the Department of Workforce Development, Aging and Community Services, issued on July 14, 2023, October 29, 2021, and March 17, 2020.</p> <p><b>Impact:</b> Increased risk of overcharges to the County, misappropriation of funds, and/or fraud, which can result in funding source disallowances and/or questioned costs.</p>	

For more information on our auditing process, including recommendation priority rankings and the resolution process, visit <http://auditor.lacounty.gov/contract-monitoring-audit-process-information/>.



June 6, 2025

Oscar Valdez, Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 525  
Los Angeles, CA 90012

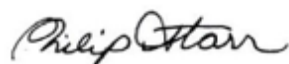
**Re: Action Plan and Response to the Auditor-Controller's Contract Compliance Review of  
Managed Career Solutions, SPC's (MCS) Aging and Disability Department Contract (AD)**

Dear Mr. Valdez:

Attached is MCS's response to the Contract Compliance Review conducted by the Auditor-Controller at the request of AD for our contract to provide AD Program services. MCS agrees with the recommendation made by the Auditor-Controller contained in their report and has taken corrective actions to address the recommendation as detailed in the attached Agency Action Plan/Response.

If you have any questions or require additional information, please contact Dr. Philip Starr at [pstarr@mcscareergroup.com](mailto:pstarr@mcscareergroup.com) or 213-272-8635.

Sincerely,



Philip Starr, PsyD  
Executive Director  
Managed Career Solutions, SPC

**AGING AND DISABILITIES DEPARTMENT (AD)  
MANAGED CAREER SOLUTIONS, SPC  
AGENCY ACTION PLAN/ RESPONSE**

<b>ISSUE 1: INAPPROPRIATE COST ALLOCATION</b>	
<b>A/C Recommendation</b>	<p>MCS management:</p> <ul style="list-style-type: none"> <li>a) Reallocate the indirect expenditures from February through August 2024 based on equitable and allowable cost allocation methodology, and repay AD for any overallocated amounts, if applicable.</li> <li>b) Ensure indirect expenditures are equitably allocated based on actual conditions to all benefiting programs.</li> <li>c) Ensure their written CAP always covers all Agency programs, as required.</li> </ul>
<b>Priority</b>	<b>PRIORITY 1</b>
<b>Agree/Disagree</b>	<b>Agree</b>
<b>Agency Action Plan<sup>1</sup></b>	<p>(1) MCS is currently revising its Cost Allocation Plan to include other non-federal programs (such as Access to Technology (ATT)) that it previously submitted to the County Aging &amp; Disabilities (AD) Department as part of its contract execution to ensure the document adequately meets the elements required per the County's contract. MCS will submit this revised Cost Allocation Plan to AD for their review and approval.</p> <p>(2) MCS will collaborate with the County AD Department to assess the feasibility of requesting a negotiated indirect cost rate agreement (NICRA) from the California Department of Aging and</p> <p>(3) MCS agrees that indirect expenditures should be allocated based on equitable and allowable cost allocation methodologies. Therefore, rather than reallocating indirect expenditures, MCS will conduct a detailed review of all indirect expenditures incurred for the ATT Program to ensure compliance with equitable and allowable cost allocation methodologies. Specifically, MCS is currently gathering and analyzing records to support its indirect expenses for the ATT Program, which exceeds the 10% budgeted rate, ensuring they are properly allocated. These records will be submitted to the County AD Department. After the review, MCS will determine whether any overallocated amounts exist, and, if necessary, repay AD Department.</p>
<b>Target Implementation Date</b>	MCS will implement the actions as described above by August 29, 2025.
<b>Additional Information (optional)<sup>2</sup></b>	

<sup>1</sup> In this section, the Agency should only describe the efforts they plan to take, or any steps already taken to implement the recommendation. Any other information should be included in the Additional Information section below.

<sup>2</sup> In this section, the Agency can provide any background or clarifying information they believe is necessary.