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Audit of
Pinellas Workforce Development Board's
Competitive Welfare-to-Work Grant
July 1, 1998 Through June 30, 2001

Report Number: 04-02-002-03-386
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ACRONYMS

Abilities	-	Abilities of Florida, Inc.
CEO	-	Chief Elected Official
CFR	-	Code of Federal Regulations
COPI	-	Career Options of Pinellas, Inc.
DOL	-	U.S. Department of Labor
ETA	-	Employment and Training Administration
HHS	-	U.S. Department of Health and Human Services
JTPA	-	Job Training Partnership Act
OIG	-	Office of Inspector General
OMB	-	Office of Management and Budget
PIC	-	Private Industry Council
PRWORA	-	Personal Responsibility and Work Opportunity Reconciliation Act
PWDB	-	Pinellas Workforce Development Board, Inc.
QFSR	-	Quarterly Financial Status Report
SDA	-	Service Delivery Area
TANF	-	Temporary Assistance for Needy Families
UI	-	Unemployment Insurance
WAGES	-	Work and Gain Economic Self-Sufficiency
WIA	-	Workforce Investment Act
WtW	-	Welfare-to-Work

EXECUTIVE SUMMARY

At the request of the U.S. Department of Labor (DOL), Employment and Training Administration (ETA), we have completed an audit of activities funded by a Competitive Welfare-to-Work (WtW) grant in Pinellas County, Florida. Our audit included grant activities that occurred during the period July 1, 1998 through June 30, 2001. ETA requested the audit because of concerns that WtW program participants, who were claimed to have been placed in unsubsidized jobs were, in fact, placed in another Federally-funded employment and training program.

Pinellas Workforce Development Board, Inc. (PWDB), received a $1.5 million WtW grant on June 30, 1998, to place 300 hard-to-serve individuals in unsubsidized employment over a 24-month period. PWDB received verbal approval from ETA to extend the grant for 12 months, through June 30, 2001. In January 2001, the grant's administration was transferred from PWDB to WorkNet Pinellas.

Our Findings

ETA's concerns were justified. A PWDB contractor, paid to place WtW participants in unsubsidized employment, instead placed the participants in another subsidized training program funded by the U.S. Department of Health and Human Services (HHS). Both the WtW and HHS contractors received payments for job placement and employment retention of the same individuals. Consequently, the contractor violated terms of its contract and duplicated services funded by another Federal program.

We also reviewed seven additional PWDB contracts and found a variety of procurement, financial, compliance and program delivery concerns. Because the contracts were not competitively procured, we questioned all expenditures totaling $858,674, for the eight contracts we examined. We also questioned $542,230 of the eight contracts' expenditures for reasons other than lack of competitive procurement. A summary of questioned costs related to the contracts is provided in Exhibit 1 of this report. Further information on each of the contracts we examined and our concerns are provided in Attachments A through G of this report.

We are also concerned that the grant did not achieve its intended purpose. Specifically, we found:

- contract terms were violated and contract charges were not properly documented;
- poor procurement practices inflated participant service costs;
- grant performance reporting and contractor monitoring was inadequate; and
- program delivery methods promised in the grant application were not used.

Recommendations

Although significant weaknesses were identified in PWDB's grant management procedures and controls, we are not recommending corrective action, because the grant has expired and PWDB no longer acts as administrative entity for Federal grant funds. However, we are recommending the Assistant Secretary for Employment and Training recover $858,674 in misspent WtW grant funds.

Pinellas County's Response

Pinellas County indicated that it was unable to respond to our report because, during most of our audit period, another entity was the WtW grant recipient, and Pinellas County does not have all the necessary files. Pinellas County stated that they did not agree to accept any liability for the grant.

Our Evaluation

We disagree with Pinellas County's contention they did not assume liability for the grant and did not have the files necessary to respond to our audit. A transition plan was prepared that indicates Pinellas County assumed responsibility for the grant on January 19, 2001. The plan also indicates Pinellas County took custody of program documentation prepared before the transition. Consequently, we continue to recommend that the Assistant Secretary recover $858,674 in misspent WtW funds.

BACKGROUND

Concerns With PWDB's Competitive WtW Grant Programs

During a recent audit[1] of Florida's cash management practices, we became aware of questionable practices related to a $1.5 million Competitive WtW grant awarded to the PWDB. We identified participants served under the WtW grant who were claimed as placed in unsubsidized employment when, in fact, they entered employment training activities funded by the Florida Work and Gain Economic Self-Sufficiency (WAGES) program.

HHS provided funding for the WAGES program. Contractors for both the WAGES Board and PWDB received compensation, in the form of fixed-price payments, for serving the same participants.

Upon notification of our concerns, the ETA conducted a program and fiscal monitoring review of the WtW grant. ETA's monitoring review substantiated that the questionable practices identified by the Office of Inspector General (OIG) had occurred. At ETA's request, we conducted an audit to determine if WtW grant funds awarded to PWDB were spent in accordance with WtW legislation and grant regulations.

Independent Auditors Identified Similar Problems

A public accounting firm audited the financial statements of PWDB for the period July 1, 2000 to January 31, 2001. The audit was performed in accordance with the Office of Management and Budget (OMB) Circular A-133. The auditors' tests of compliance with laws and regulations disclosed material instances of noncompliance that were reported. However, the accounting firm did not quantify misspent funds.

Many of the conditions reported by the accounting firm are similar to those discussed in this report. For example, the auditors found that grant subrecipients (contractors) billed more than one program for the same services and recommended recovery of unallowable cost. The auditors also noted that PWDB had failed to monitor subrecipients and submitted inaccurate Federal reports.

Administrative Entity Changed

At the time the WtW grant was awarded, on June 30, 1998, PWDB served as the administrative entity and fiscal agent for the Region 14 Workforce Development Board in Florida. During the same period, Career Options of Pinellas, Inc. (COPI), served as the administrative entity and fiscal agent for the WAGES Coalition, formed as part of Florida's WtW program.

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[1] OIG audit report number 04-00-004-03-340, "Florida's Cash Management Practices Have Increased the Federal Government's Interest Costs," dated September 20, 2000.

In 2000, the Florida Legislature enacted the Workforce Innovation Act of 2001 (Act). The Act abolished the local WAGES coalitions, mandated the appointment of new workforce development boards and folded the responsibilities of the WAGES coalitions into newly appointed regional workforce boards. The new workforce boards were established to administer programs under the Workforce Investment Act (WIA) of 1998.

During the transition to the new regional workforce board, PWDB and COPI continued their responsibilities as fiscal agents and administrative entities for the WtW, Welfare Transition and WIA programs. While still acting as the grantee for the WtW grant, PWDB received verbal approval from ETA to extend the grant by 6 months, through June 30, 2001.

Pursuant to WIA and the Act, Pinellas County, Florida, designated itself as the fiscal agent and appointed a new Regional Workforce Board. The new Board selected Pinellas County as the administrative agent for the Board. The State of Florida approved this transition on January 19, 2001. The Regional Workforce Board and Pinellas County, as the administrative agent, formed WorkNet Pinellas, a nonprofit corporation, to deliver the grant.

ETA issued Training and Employment Guidance Letter No. 4-00, on September 7, 2000. The Letter provided WtW grantees guidance about the WtW and WIA programs' interface. According to the letter, "With the implementation of WIA, the Chief Elected Official (CEO) determines who can now oversee the WtW formula or competitive grant programs previously overseen by the PIC." The Letter further provided "In most cases, the CEO will choose the successor entity local board to oversee the WtW Program(s). This is accomplished through a novation agreement by which a PIC transfers WtW funds, assets and responsibilities to the new local board." We were not provided with a novation agreement. However, a transition plan describing the assumption of financial and administrative responsibilities by WorkNet Pinellas was available.

Purpose of WtW Competitive Grants

On August 22, 1996, the President signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), under which the Temporary Assistance for Needy Families (TANF) program was established. The TANF program, administered by HHS, changed the Nation's welfare system from one of entitlement-based assistance payments to programs that intend to help welfare recipients find work. Generally, adult welfare recipients are expected to become self-sufficient within a 60-month period of time, through TANF programs' "work-first" focus.

On August 5, 1997, the President signed the Balanced Budget Act of 1997. This legislation amended certain TANF provisions of the Social Security Act and authorized the Secretary of Labor to provide WtW grants to state and local communities for transition employment assistance to move hard-to-employ TANF welfare recipients into unsubsidized jobs and economic self-sufficiency.

Approximately 75 percent of WtW funds in each fiscal year are distributed as "formula" grants to states. The states, in turn, pass a majority of the funds they receive to local service delivery areas (SDAs). ETA awards the remaining 25 percent of WtW funds to organizations, through a competitive grant process. Competitive grants are intended to provide "innovative and creative approaches" that successfully move hard-to-employ recipients into unsubsidized employment and self-sufficiency.

PWDB's Grant Proposal

The service strategy described in PWDB's grant proposal included providing case managers with "non-traditional client-focused" tools. Elements of the proposed strategy included: "Business Enclaves," consisting of small number of clients performing similar tasks within an industry under the direct supervision of a trained "Enclave Manager." Also, "Transition Coaches," were to act as participants' advocates to employers and provide on-the-spot guidance in addressing participants' basic deficiencies. Finally, "Job Buddies," were to assist clients with specific occupational performance skills and extend the role of Transition Coaches in dealing with personal skills and problems. Formal agreements were to be negotiated with each employer outlining the responsibilities of Job Buddies and payment conditions.

Procurement Requirements

Section 95.43 of 29 CFR Part 95 (Uniform Administrative Requirements for Non-Profit Organizations) require that "All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition."

Section VIII of PWDB's Administrative Plan establishes policies and procedures to be followed in the procurement of goods and services. The requirements provided that PWDB's procurement transactions are to be conducted in a manner that provides, to the maximum extent possible, open and free competition. According to the Plan, policies and procedures governing procurement should ensure that all goods and services are obtained in an effective and efficient manner and the procedures comply with all applicable Federal, State and local laws, rules and regulations.

Provisions of Section 95.45 of 29 CFR Part 95 (Uniform Administrative Requirements for Non-Profit Organizations), require that some form of cost or price analysis is completed and documented for every procurement action. Cost analysis is the review and evaluation of each element of cost to determine its reasonableness, allocability and allowability. Section 95.44 provides that the type of procuring instruments used (e.g., fixed-price, cost reimbursable or incentive contracts) will be determined by the recipient, but will be appropriate for the particular procurement and for promoting the best interest of the program or project involved.

The Plan requires that either a price analysis or a combination of cost and price analysis, be conducted for all procurements exceeding $2,500. A cost/price analysis is also required for all contract modifications resulting in a monetary impact. A price analysis is conducted for procurement of a vendor and a cost and price analysis is completed for procurement of a service provider. A cost analysis is completed to determine the allowability, necessity, reasonableness and allocability of each budgeted line item cost.

The Plan provides that the award of any contract or agreement will be contingent upon satisfactory completion of negotiations. The administrative entity is responsible for establishing and maintaining adequate procurement and fiscal records. Rationale for the method of procurement, agreement type, contractor selection or rejection and the basis for the contract price, are to be clearly defined for the record. The Plan cautions that extreme care is to be taken in justifying sole-source procurements.

Cost Criteria

Cost principles for Non-Profit Organizations are contained in OMB Circular A-122. PWDB's WtW grant agreement and WtW regulations provide that the Circular is to be followed in determining the allowability of costs.

OMB Circular A-122 provides that to be allowable, costs must be reasonable, allocable and adequately documented. To be reasonable, the cost must be ordinary and necessary for the performance of the grant award, and not exceed that which would be incurred by a prudent person. Costs are allocable to an objective to the extent benefits are received.

Administrative Requirements

Administrative Requirements for Non-Profit Organizations are codified in DOL regulations at 29 CFR Part 95. These regulations provide that grantees' financial management systems must have records that adequately identify the source and application of funds for Federally sponsored activities and accounting records that are supported by source documentation. Grantees must maintain a system for contract administration to ensure contractor conformance with the terms, conditions and specifications of the contract.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

Our objective was to determine whether PWDB spent WtW grant funds in accordance with WtW legislation, WtW grant regulations, and the PWDB's grant project synopsis, which was the basis for the grant award.

Scope

Our audit focused on PWDB's compliance with procurement and monitoring rules and regulations governing contracts funded with WtW grant monies. On June 30, 1998 DOL awarded PWDB a $1.5 million Competitive WtW grant. The primary objective of the grant was to expand the base of knowledge, through the development of innovative and creative approaches, and to successfully move hard-to-employ recipients into unsubsidized employment and self-sufficiency.

We selected for audit 8 of the 12 WtW grant contracts awarded to provide participant employment and supportive services. Our sample included all five contracts that provided participants job placement and retention services, and three contracts that provided participant supportive services. We audited the contracts to determine compliance with WtW legislation, WtW grant regulations, and PWDB's grant project synopsis.

We identified material weaknesses in PWDB's contract procurement and monitoring activities that are discussed in the "Results of Audit" section of this report. Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such tests as we considered necessary to satisfy the objective of our audit. We began our fieldwork in July 2001 and it continued intermittently through January 2002.

Methodology

We completed audit work to determine if funds had been misspent. We reviewed PWDB policies and procedures related to WtW grant activities. Service providers' contract scope of work was compared to the grant project synopsis. Using contract files, computerized participant tracking databases and participant data files, we reviewed eight contracts to evaluate adherence to WtW grant legislation and regulations. We obtained Quarterly Financial Status Reports (QFSRs) and evaluated the accuracy of reported performance data.

We used PWDB's computerized participant tracking files, contract payment records, participant files, and State Unemployment Insurance (UI) wage data to verify those participants who were placed and retained in unsubsidized employment. Contract files were reviewed to determine if Federal and State procurement regulations were followed. We analyzed contract payment documentation and reviewed the services provided, to evaluate the costs and effectiveness of serving WtW program participants. Our examination was limited to the administrative and accounting controls applicable to PWDB's WtW competitive grant.

RESULTS OF AUDIT

ETA requested we audit the WtW program's activities, because of indications program abuses had occurred. ETA was concerned that a PWDB contractor, who had been paid to place WtW program participants in unsubsidized employment, had instead, placed the participants in subsidized jobs funded by another Federal program.

We found that ETA's concerns were warranted. PWDB's contractor received a total of $168,635 for serving 74 participants who were enrolled into a training and job placement program funded by HHS. The HHS-funded service deliverer also received payments for placement and retention of the same participants. Further, we did not find evidence that the contractor used the intensive methodology discussed in its contract and in PWDB's grant proposal. Finally, the contract was not competitively procured, as was required. Consequently, the contractor did not satisfy the terms of its contract, procurement requirements were violated and the grant was charged for duplicative services.

We expanded our review to seven additional PWDB contracts and identified many related financial and compliance concerns involving other PWDB service providers. We questioned all grant expenditures totaling $858,674 for the eight contracts we reviewed, because there was no evidence any of the contracts were competitively procured, as was required. We also questioned $542,230 of the contracts' expenditures for other reasons. We found:

- contract terms were violated and contract charges were not properly documented;
- poor procurement practices inflated participant service costs;
- grant performance reporting and contract monitoring were inadequate; and
- PWDB did not use the program delivery methodology proposed in its grant application.

Summaries of the problems we identified are discussed in the following sections of this report. Costs we have questioned are summarized in Exhibit 1. A synopsis of the individual contracts we examined, our concerns with each contract, and a detailed description of the related questioned costs are presented in Attachments A through G of this report.

CONTRACT TERMS WERE VIOLATED AND CONTRACT CHARGES WERE NOT PROPERLY DOCUMENTED

We identified numerous instances where service providers did not comply with the terms of their contracts or available documentation was inadequate to substantiate the charges.

WtW Participants Were Placed in Another Training Program Funded by HHS

We found two service providers received payment for helping the same participants find jobs. We have questioned $208,386 paid Abilities of Florida, Inc. (Abilities), a WtW service provider who contracted with PWDB to find participants unsubsidized jobs.

PWDB contracted with Abilities to serve WtW program participants. Abilities was paid for assisting participants to find unsubsidized employment and their 180-day retention in jobs. Grant records indicate Abilities placed 87 participants with the Pinellas County Parks Department. Abilities received fixed-price payments totaling $168,635 for placing and retaining the participants. However, we found 74 of the 87 participants were actually enrolled in a HHS-funded training program administered by the Pinellas WAGES Coalition.

Under the HHS-funded program, wages participants received during the first 60 days of their training was paid them by the Pinellas WAGES Coalition. The 74 participants were placed with the Pinellas County Parks Department. Pinellas County, under a contract with the Pinellas WAGES Coalition, also received compensation for placing the participants with the Pinellas Parks Department. Therefore, the contractors were funded through Federal agencies for the same services.

In addition, our analysis of the 74 participant case files and State Unemployment Insurance wages records indicated that 20 of the participants who Abilities claimed to have placed with the Parks Department remained in the training program less than 60 days. Therefore, they never entered unsubsidized employment.

We have questioned $168,635 paid to Abilities that are associated with the 74 participants. The costs we have questioned were not in accordance with Abilities' contract or OMB Circular A-122, General Principles, Section A.2. (a), which provides that for cost to be allowable they must be ". . . reasonable." Grant charges for activities that did satisfy the contract's provisions and duplicated services provided through other Federal grants are not reasonable.

In addition to $168,635 in payments related to the WAGES program, we also questioned $39,751 in other payments Abilities received from WtW grant funds. Additional questioned costs include payments for placing and retaining participants on whom documentation was missing or claimed activities were not supported by UI wage history records. We have also questioned costs PWDB allowed Abilities to bill the program by modifying Abilities' contract to allow recovery of actual costs. Abilities was a performance-based, fixed fee contractor. Consequently, the revenue it received should have been based solely upon whether it satisfied performance benchmarks in its contract.

Payments made to a contractor did not meet the standard of being "reasonable" as required by OMB Circular A-122. Modifying a fixed-price contract to allow a contractor to claim cost reimbursements is not in accordance with OMB Circular A-122, General Principles, Section A.3. (a), which provides that for cost to be reasonable it must be, ". . . ordinary and necessary for the operation of the organization or the performance of the award." We do not believe that it was reasonable or necessary to modify the fixed-price contract and reimburse the contractor's cost.

Also, OMB Circular A-122, General Principles, Section A.2 (g) provides that for cost to be allowable they must be, ". . . adequately documented." Unsupported payments and missing participant files do not satisfy this standard.

Abilities' contract indicates it would employ an intensive, client assistance "Enclaves in Business" model in helping WtW program participants. However, we did not find any evidence that the contractor utilized the "Enclaves in Business" model as provided for in the contract scope of work. While the contract provided that enclave and "Job Buddy" agreements would be negotiated with the employer, written agreements between the contractor and employer (Pinellas County Parks Department) were not available for our review.

Finally, as further discussed in the section of this report titled "Poor Procurement Practices Inflated Participant Service Costs," that follows, we did not find evidence the Abilities contract was competitively procured. Both Federal requirements and PWDB's administrative procedures required it be bid. Consequently, we have also questioned all grant expenditures totaling $332,686, because PWDB did not comply with procurement requirements.

Participants Were Not Eligible for Services

PWDB contracted with Lockheed Martin IMS to provide transitional assistance to participants unable to participate in WAGES programs because of medical deferments. (See Attachment B.) Transitional assistance services were paid for with WtW grant funds.

We identified numerous instances where services were provided to individuals who did not meet the contract's definition of those eligible for the assistance. Lockheed's cost-reimbursable medical deferment contract defined participants as those individuals documented as eligible to receive WtW transitional services, who had entered unsubsidized employment and who had received a "good cause" deferral, based on medical evidence of incapacity.

Through review of computerized participant database and case management files, we identified a total of 164 participant enrollments under the contract. However, computerized participant records showed an employer for only 21 participants.

Case management files for 3 of the 21 participants were not available. We did not identify any services the remaining 18 participants received while enrolled under the contract. Case management notes were included in only four participants' files and they offered little information on services provided to participants enrolled in the medical deferment program.

We questioned $80,654 total expenditures under the contract because database records showed that only 21 of 164 enrolled participants were employed, as the contract required. Records were inadequate for us to evaluate services received by the 21 eligible participants. Payments to individuals who do not meet the contract's definition of eligible participants are inconsistent with OMB Circular A-122's standards that expenditures be "reasonable" and "necessary." Similarly, missing and inadequate case management notes do not meet requirements that expenditures be adequately supported.

Contract Payments Were Duplicated or Not Supported

We identified duplicate benchmark payments, lack of supporting documentation, and missing participant files that involved contracts with Gulf Coast Jewish Family Services, Inc., and Lockheed Martin IMS.

We questioned total expenditures of $224,317 for the contracts, because we did not find evidence the contracts were competitively procured. In addition, we questioned a total of $57,359 of the contract expenditures for other reasons.

Gulf Coast Jewish Family Services, Inc. PWDB had two contracts with Gulf Coast Jewish Family Services, Inc. Gulf Coast was paid for completing participant eligibility determinations, placing participants in jobs and participants' retention in their jobs for 180 days. The contractor was to serve noncustodial parents. (See Attachment C.)

We identified five duplicate placement payments occurred. Also, documentation was not available to support job retention payments Gulf Coast received for nine participants. Duplicate placement payments violate requirements that grant expenditures be necessary and reasonable, as required by OMB Circular A-122. The unsupported job retention payments do not meet Circular A-122 requirements that they be "adequately documented." We questioned $20,090 related to unsupported and inadequately documented payments. (See Attachment C.)

We also noted the earlier contract's scope of work provided that transition coaches would work with employers to identify staff members willing to serve as "Job Buddies." Job Buddies were to assist participants with occupational performance skills, help with employability skills development, and assist participants adjusting to employers' business cultures. Transition coaches were to negotiate formal agreements with employers willing to provide Job Buddy services. However, there were no Job Buddy agreements available for our review. Based on our participant case file reviews, the Job Buddy concept was not employed. Rather, routine case management techniques were used.

Lockheed IMS PWDB contracted with Lockheed IMS (see Attachment G) for Transition Coaches and Job Buddies to help WtW participants find and keep jobs. The contractor was to receive payments for placing participants in jobs and for participants remaining employed 180 days (retention).

We identified 10 duplicate enrollment payments and a duplicate retention payment. Also, documentation maintained in participant case files and our review of available UI wage data did not support two additional job placement payments and one additional retention payment made to Lockheed. In addition, 43 participant files were not available for our review.

We questioned payments of $37,269. (See Attachment G.) The duplicate placement payments violate "reasonable" and "necessary" standards of OMB Circular A-122, previously discussed.

We did not find evidence PWDB competitively procured the contract and have questioned all expenditures of $74,151 associated with the contract. In addition, we have questioned $37,269 of the expenditures, because of duplicate payments, inadequate support and missing documentation.

POOR PROCUREMENT PRACTICES INFLATED PARTICIPANT SERVICE COSTS

PWDB exercised poor stewardship over grant funds by not adhering to Federal, State and grant procurement requirements. As repeatedly mentioned, services were not competitively procured and contract files did not contain evidence of cost negotiations or cost/price analysis. We also found instances where fixed-price contracting was improperly utilized and contractors were paid profits in violation of grant guidelines. Poor procurement practices also inflated the cost of participant services. We have questioned total contract expenditures of $858,674 for the eight contracts we reviewed that were not competitively procured. (See Exhibit 1, Table A.)

Participant Services Were Not Competitively Procured

Federal and State procurement regulations, as well as WtW grant guidelines, mandate competitive procurement in selecting contractors to provide participant services. None of the contract files contained evidence of competitive procurement. In response to our concerns, WorkNet Pinellas (successor to PWDB) management stated that inclusion of service providers in the grant application constituted ETA's approval of their selection.

We disagree. Inclusion of service providers in the grant application does not relieve the grantee from following Federal requirements, its own competitive procurement policy or ETA's instructions. Section 95.43 of 29 CFR Part 95 (Uniform Administrative Requirements for Non-Profit Organizations) require that "All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition."

The WtW grant's project synopsis states that the uses made of WtW grant funds will be coordinated with activities funded by TANF, JTPA, WtW formula grant funds, and other community resources. It further provides that services will be procured through a competitive process.

ETA issued guidance on this subject and published it on the WtW website as follows:

> *If in preparing its grant proposal, an applicant for a competitive grant gets commitments from various partners to provide certain activities/services and names those partners in its grant application, is it then necessary for the applicant to go through a procurement process to select the providers subsequent to grant award?*

ETA Response: ETA's selection of an applicant does not constitute a blanket endorsement of the listed partners/providers or the process by which they were selected. ETA in its evaluation and selection process assumes that the partners/providers listed in the applicant's submission were or will be selected in accordance with the applicable procurement rules and other requirements. Listing the names of the partners/providers in its grant application does not relieve an applicant from compliance with these requirements.

PWDB's internal policies and procedures contained similar requirements. Section VIII of PWDB's Administrative Plan established policies and procedures for procurement of goods and services. The requirements indicated that all procurement transactions would, to the maximum extent possible, provide for open and free competition. The Plan indicated goods and services were to be procured in a manner that complied with applicable Federal and State laws and program guidance.

The Administrative Plan required that purchases exceeding $100,000 be competitively procured, through sealed bids or written proposals. All proposals were to be reviewed for duplication with other publicly funded services. Programs similar to those already operating were to be approved only if additional services were provided. Noncompetitive proposals (sole source) contracts were to be awarded only when it was appropriate, necessary, and in PWDB's best interests.

The Reasonableness of Contractors' Cost and Pricing Data Were Not Adequately Determined

Contract files did not contain evidence that the PWDB conducted cost negotiations or cost/price analysis to evaluate the reasonableness of contractors' costs. Cost analysis is a component-by-component evaluation of cost estimates.

Due to the absence of competitive procurement, analysis of contractors' proposed cost of providing services was critical. Section 95.45 of 29 CFR Part 95 (Uniform Administrative Requirements for Non-Profit Organizations) requires that some form of cost or price analysis shall be completed and documented for every procurement action.

PWDB used fixed-unit-price performance-based (fixed-price) contracting for participant services. PWDB contracted primarily with 3 service providers for these services. Although the contractors used similar methods to provide the services, we found significant differences in the amount of the fixed-price payments. The grant management file contained documentation related to calculations of fixed-price benchmark payments (see Exhibit 2). However, it is not evident these guidelines were followed.

Benchmark payments varied among contractors and among related contract modifications. Participant placement benchmarks ranged from $517.50 to $1,065.20, and 180-day retention benchmarks ranged from $858.20 to $2,504.62. While some contract files contained line item budgets, none of the files had documentation supporting calculation of the benchmark payment amounts.

To illustrate our concerns, PWDB entered into two contracts with Gulf Coast Jewish Family Services, Inc. (see Attachment C), to provide non-custodial parents with job placement and retention services. Although the first contract's scope of work and the numbers of anticipated placements and retentions remained the same, contract modifications increased placement payments from $517.50 to $860.49 (66 percent increase) and retention payments from $858.20 to $1,326.10 (55 percent increase). The cost of building occupancy, utilities, and equipment were included in the contractor's budget.

The second contract stipulated that office space, equipment, and computer/telephone access were to be provided to the contractor at no cost. Although administrative costs should have been lower, benchmark payments negotiated in the second contract were higher than those in the first. Placement payments (referred to by PWDB as enrollment payments) increased from $517.50 to $1,065.20, and retention benchmark payments climbed from $858.20 to $1,892. Contract files did not contain documentation justifying the increased payments.

We had similar concerns with the Abilities' contract (see Attachment A). While services to be provided participants remained the same, the contract's fifth modification increased enrollment payments from $1,275.78 to $1,502.77 (18 percent increase), and retention payments from $2,120.78 to $2,504.62 (18 percent increase). Again, the contract files did not justify the increases.

Fixed-Price Methodology Was Circumvented

We also identified an instance where the fixed-price contracting methodology was circumvented. PWDB contracted with Abilities (see Attachment A) to provide participant job placement and retention services. While the contract was awarded as fixed-price, the contract was modified to allow the contractor to claim and obtain reimbursement for $17,000 in costs.

The purpose of a performance-based fixed-price contract is to reward effective contractors with revenue increases as the number of participants who are served increases. Due to lack of participant enrollments, the contractor would not have recovered these expenditures had it not been for the contract modification.

Modification of the contract to allow a contractor to recover cost is inconsistent with the "reasonable" and "necessary" standards of OMB Circular A-122. Therefore, we have questioned the costs.

Fixed-Price Contracting Was Improperly Utilized

Federal procurement regulations require that, while the method of procurement is determined by the grant recipient, it will be appropriate for the particular procurement and promote the best interests of the program or project involved. We found two instances where fixed-price contracts were used, but were not appropriate and were not in the best interest of the WtW program.

Family Resources, Inc. PWDB contracted with Family Resources, Inc., to provide 200 voice mailboxes for use by Competitive WtW grant participants during a 15-month period. The contractor was compensated on a fixed-price basis for a total of $35,000 (5 quarterly payment of $7,000 based on $35 each quarter for each of 200 mailboxes). (See Attachment D.) Grant expenditure records showed total contract payments of $35,000. According to a mailbox assignment listing obtained from the contractor, only 89 of the 200 (45 percent) mailboxes were assigned.

Of greater concern is our verification that only 7 percent (14 of the 200) of the mailboxes were assigned to WtW grant participants. We were unable to verify WtW program participation for three individuals, because participant files were missing. In two other instances, the participants were referred to the WtW program, but they never enrolled. We were informed that the remaining 70 names included participants served by the WAGES program and participants certified eligible for WtW, but never enrolled.

Costs incurred by the WtW program for services that were not of benefit WtW participants do not meet the "reasonable," "necessary," or "allocable" standards of OMB Circular A-122. We questioned $32,550 costs not associated with WtW participants. Computation of the questioned cost is presented in Attachment D.

Bay Area Commuter Services Inc. PWDB contracted with Bay Area Commuter Services, Inc., to provide 9 vans for use by WtW grant participants during a 13-month period. Through contract modifications, the number of vans increased to 19. (See Attachment E.) The contractor was compensated monthly, on a fixed-price basis, for each van. Grant expenditure records showed total contract payments were $160,602.

The contract did not require, and neither PWDB nor the contractor maintained, data on van utilization. Consequently, we were unable to determine the extent to which the vans were needed or evaluate the benefits, if any, received by WtW grant participants. Therefore, we questioned the total contract payments of $160,602. The lack of utilization records does not satisfy the requirement that expenditures be "adequately documented," as required by OMB Circular A-122.

We believe that these two contracts should have been negotiated on a cost-reimbursable basis. This method of contracting would have helped ensure that costs charged to the WtW grant were reasonable and necessary.

Contractors Were Paid Profits in Violation of Grant Guidelines

We identified two instances where PWDB allowed a for-profit contractor to include profit in budgeted costs estimates and reimbursed the contractor for those profits. The profits were paid in violation of WtW guidelines.

DOL announced the availability of WtW grant funds in the December 30, 1997 Federal Register. The notice contained the following provision: "Profits are not an allowable use of grant funds." Potential grant applicants raised questions concerning the allowability of profits and ETA responded to these and other questions on its Internet site. In response to questions as to why profit was not allowed for WtW grants, ETA stated:

> *WtW competitive grants present an opportunity for private "for-profit" entities to collaborate with non-profit organizations as well as public agencies to provide effective services for hard-to-employ welfare recipients. To a certain extent, competitive grant funds will subsidize the research and development activities of "for-profit" entities, enabling them to test experimental employment strategies at no cost to themselves. "For-profit" entities are welcome to use the knowledge and experience they gain in profit-making enterprises funded through other sources, but the Department feels it is reasonable to disallow the earning of profit on competitive grant funds.*

Also, Uniform Administrative Requirements for Non-Profits (29 CFR Part 95) prohibit, in certain instances, contractor profits. Section 95.44(c) states that the "cost-plus-a-percentage-of-cost" method of contracting shall not be used.

PWDB contracted with Lockheed Martin IMS to provide job coaches to recruit churches to work in partnership with the WtW program (see Attachment F). The contract allowed for cost reimbursement, plus a profit margin of 10 percent of actual costs incurred. Contract payments totaled $25,415 including $2,678 in profits. We question the $2,678 of profits because the payment of profits is contrary to ETA's guidelines and the requirements of 29 CFR Part 95, Section 95.44 (c).

PWDB also contracted with Lockheed Martin IMS to provide transitional assistance to participants who were unable to participate in the WAGES program because of medical deferments (see Attachment B). The contract allowed for cost reimbursement, plus a profit margin of 10 percent of the actual costs incurred. Contract payments totaled $80,654 and included $8,057 in profits. We question the $8,057 because paying profits based on a percentage of actual costs is contrary to the rules at 29 CFR Part 95, Section 95.44 (c).

GRANT PERFORMANCE REPORTING AND CONTRACT MONITORING WERE INADEQUATE

Grant Performance Reporting Was Inadequate

Required Federal reports were sporadically submitted and those that were received were inaccurate. WtW grant modification number 01, effective July 1, 1998, required the use of Form ETA-9068 (WtW Competitive Grant Cumulative Quarterly Financial Status Report).

The first QFSR, covering activities from the inception of the grant through September 30, 1998, was due no later than November 14, 1998. Although the grant performance period began July 1, 1998, we found no evidence of any QFSR being submitted during 1998. The earliest QFSR available for our review was for the period that ended March 31, 1999. The final QFSR was submitted August 15, 2001, for the period that ended June 30, 2001.

QFSRs for June 30, 2000 and September 30, 2000, reported the same numbers of participants in activities. The final QFSR, for the period that ended June 30, 2001, reported no participants were terminated, and no participants were retained in unsubsidized employment for 180 days. However, the March 31, 2001 QFSR reported 248 participants were terminated and 188 participants were retained.

When we questioned the grantee concerning the inconsistencies, grantee staff told us that the QFSRs were incomplete and unreliable. Since we could not rely on the QFSR data, we utilized available data (computerized participant database files, case management files, contract payment records, and State Unemployment Insurance wage history records) to determine the numbers of participants served by the WtW grant.

Our analysis identified 299 participant enrollments (placements) and 105 participant 180-day retentions. However, we were unable to verify services provided to some participants because of missing files.

Contractor Monitoring Was Inadequate

We also are concerned with PWDB's lack of contractor oversight. Program management was unable to provide us any evidence that the contractor's activities had been monitored.

Section 95.51 of 29 CFR Part 95 (Uniform Administrative Requirements for Non-Profits) provides that recipients are responsible for managing and monitoring each project, program, sub-award, function or activity supported by the award. Also, section VI (Monitoring, Oversight and Evaluation Procedures) of PWDB's Administrative Plan for Program Years 1998 and 1999 provides that the Board Monitor is responsible for monitoring, oversight and evaluation of PWDB and all related programs and contracts.

According to the Administrative Plan, onsite monitoring of service provider contracts and internal monitoring was to be conducted at least once during each fiscal year. New service provider contractors with whom PWBD had no previous experience were to be monitored within 60 days of the start date of services. Monitoring of all contractors was to be initiated within 4 months of the start date of each contract. Written monitoring reports were required.

PWDB DID NOT USE THE PROGRAM DELIVERY METHODOLOGY PROPOSED IN ITS GRANT APPLICATION

PWDB's Competitive WtW grant program did not fulfill its promises of using innovative and creative approaches to successfully move hard-to-employ recipients into unsubsidized employment. PWDB's grant proposal called for novel approaches such as "Business Enclaves" and "Job Buddies" to assist participants in obtaining employment and economic self-sufficiency. Although PWDB's contracts with service providers also called for these intensive approaches, contractors did not use them. Instead, routine case management practices were used. We found no evidence that enclave or Job Buddy agreements were negotiated with employers, as required in the service provider contracts.

RECOMMENDATIONS

Although we identified weaknesses in PWDB's administrative and program controls, we have not made recommendations to correct administrative weaknesses because the grant has expired and PWBD is no longer an administrative entity for Federal grant funds.

However we have questioned $858,674 in expenditures related to the contracts we reviewed. We recommend that the Assistant Secretary for Employment and Training recover these costs, unless the grantee can provide documentation that establishes the costs are allowable. A summary of questioned cost related to each contract is provided in Exhibit 1 of this report.

PINELLAS COUNTY'S COMMENTS TO THE DRAFT AUDIT REPORT

Pinellas County indicated that it was unable to respond to the draft report because during most of the period covered by our audit, PWDB, not Pinellas County, was the grant recipient for WtW funds. Pinellas County stated that they do not possess the files necessary to respond to the draft report. Furthermore, the Pinellas County Board of County Commissioners has not agreed to assume any liability for the grant.

Exhibit 3 contains the complete text of Pinellas County's response to the draft audit report.

OIG'S CONCLUSIONS

We disagree with Pinellas County's contention they did not assume liability for the grant and did not have the files necessary to respond to the draft report. Pinellas County, doing business as "WorkNet Pinellas," assumed responsibility for operation of the WtW grant on January 19, 2001, and administered the grant until June 30, 2001, when it terminated.

ETA provided WtW grantees guidance concerning transitioning to a new workforce board, with the implementation of WIA. As explained in the "Background" section of this report, the guidance indicates that the Chief Elected Official of the political entity (Pinellas County) is responsible for choosing the successor board to oversee the WtW program. Transfer of WtW funds, assets and responsibilities to a new board was to be accomplished through a novation agreement.

Although a novation agreement was not available, WorkNet Pinellas did provide us a transition plan indicating administrative and fiscal responsibilities were transferred from PWDB to WorkNet Pinellas. It is our position that ETA's guidance required that the transferee (WorkNet Pinellas) assume all obligations and liabilities of, and all claims against, the transferor (PWDB).

The transition plan also indicated that all data (hard copy and electronic) related to WtW and WIA participants would be transferred to Pinellas County.

All data that we examined during our audit, including computerized participant tracking, participant, contracting, and contract payment files were provided by, and were in the possession of, WorkNet Pinellas. In previous correspondence to us, WorkNet Pinellas acknowledged that in January 2001 it took over as administrative entity for the WtW grant. Further, the previous correspondence also indicated WorkNet Pinellas had provided us with all of the predecessor's records that were available. Finally, the previous correspondence stated that after a through review, WorkNet Pinellas had no basis for disagreeing with the facts presented, except for instances we have considered in preparing this report.

Pinellas County did not provide us any information that would cause us to change our findings. We continue to recommend the Assistant Secretary for Employment and Training recover $858,674 in misspent WtW funds.

ATTACHMENT A

SYNOPSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMMARY

ABILITIES OF FLORIDA, INC. WtW COMPETITIVE GRANT CONTRACT NUMBER 98-WtW-01

Contract Synopsis

The contractor was to utilize the "Enclaves in Business" model to place and retain participants in unsubsidized employment. The enclave model included using: "enclave managers" to provide one-on-one training, as necessary to ensure that employer production and service performance schedules were met; "transition coaches" responsible for close contact with participants to assist them in overcoming barriers to successful job retention; and "Job Buddies" to assist participants in becoming acclimated to the employer's specific business culture and extend the role of the transition coach in dealing with participant life and employability skills development.

The contract's scope of work provided that enclave service agreements would be negotiated with each employer, and each enclave agreement had to be approved by the PWDB prior to implementation. Transition coaches were responsible for negotiating formal agreements with employers to provide Job Buddy services. The contract also provided that the contractor would work closely with the participants' WAGES program case managers.

The contract's initial period of performance, September 10, 1998 through December 31, 1999, was extended through contract modifications to June 30, 2001. Contract payment terms called for fixed-price payments, not to exceed a total of $326,600. Fixed-price payments were based on a maximum of 128 placement payments of $1,275.78 each ($163,300), and a maximum of 77 job retention payments of $2,120.78 each ($163,300).

Five modifications to the contract resulted in the addition of cost reimbursement expenses, increased the number of enrollments (placements) to 175 and the number of job retentions to 105, extended the period of performance to June 30, 2001, and increased the maximum contract payments to $581,611. The contract's fifth modification provided for 50 additional enrollments (placements), at a fixed-price of $1,502.77 each and 30 additional job retentions, at a fixed-price of $2,504.62 each. The fifth modification stated that contract activities would be funded with Competitive WtW funds through December 31, 2000, and with formula WtW formula funds from January 1, 2001 through June 30, 2001.

The contract files contained line item budgets for cost associated with the fixed-price elements of the contract. However, documentation to support the calculation of the placement and 180-day retention payment amounts was not in the files. Therefore, we were unable to determine the reasonableness of these payments.

OIG Concerns

ETA requested our audit because of concerns that WtW participants were placed in subsidized employment, although the contractor was paid to place the participants in unsubsidized jobs. We found that ETA's concerns were warranted. Abilities, a service provider who contracted with

SYNOPSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMMARY

ABILITIES OF FLORIDA, INC.
WtW COMPETITIVE GRANT CONTRACT NUMBER 98-WtW-01

PWDB to find participants unsubsidized jobs, received $168,635 for placing 74 participants in a subsidized training program.

The Pinellas WAGES Coalition contracted with Pinellas County, Florida to provide a work-focused delivery system that would effectively move people from welfare to work. The contract's period of performance was March 1, 1999 through February 28, 2001. HHS, through the WAGES program, provided $1,162,500 for the contract. Pinellas County was to match the grant and other support up to $2,000 per participant. The WAGES program or the State was to pay for employment drug testing, uniforms, safety shoes, transportation and childcare.

The contract's statement of work provided that Pinellas County would utilize a "Training to Work" program and "Steps Toward Employment Partnership" (STEPS) program for job training and placement services. Participants in the programs were to be assigned a job coach and supervisor, and were to be trained in the County Parks Department, with the opportunity to become regular employees of the Department or obtain employment in private enterprise.

Participant wages paid during the first 60 days of training were funded by WAGES grant monies, provided through HHS. Payments for services delivered under the contract were fixed-price, performance-based. The total amount that could be billed for each participant was $4,562.50. It was based on three benchmark payment points: acceptance into the training program (40 percent or $1,825.00), placement into suitable employment (50 percent or $2,281.25); and 180-day job retention (10 percent or $456.25).

We did not find evidence that the contract was competitively procured, a cost/price analysis or contract monitoring. We identified a total of 119 participant placements and 58 job retentions through review of available computerized participant files, case management files, and contract payment records.

Grant expenditure records showed total contract payments of $332,686, including $275,505 in fixed-price payments (119 for placement and 58 for job retention) and $57,181 of cost reimbursement payments. We were unable to verify 4 of the 58 job retention payments due to information on two invoices. Of the 119 participants reported as placed, 85 were placed with the Pinellas County Parks Department, 13 were placed with Morton Plant, 8 were placed with The Home Shopping Network, and the remaining 13 were placed with various other employers. Case file folders for 4 of the 119 participants were not available for our review.

We did not find any employer enclave service agreements or Job Buddy agreements. Based on our participant case file reviews, the "Enclaves in Business" model was not used. Rather, transition coaches used routine case management techniques.

ATTACHMENT A

SYNOPSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMMARY

ABILITIES OF FLORIDA, INC. WtW COMPETITIVE GRANT CONTRACT NUMBER 98-WtW-01

Of the 87 participants reported as placed in unsubsidized employment with the Pinellas County Parks Department (the first employer for 85 participants and the subsequent employer for 2), 74 participants were enrolled into training activities funded by the Pinellas WAGES Coalition. Participants' earnings during the first 60 days of training were paid with funds that were provided by HHS.

Our analysis of the budgets raised concerns. While the services to be provided participants remained the same, the contract's fifth modification increased fixed-price payment amounts (placement from $1,275.78 to $1,502.77 and retention from $2,120.78 to $2,504.62). While the contract was awarded as fixed-price, performance-based, the contract's first modification allowed the contractor $17,000 in cost reimbursement expenses. These cost appeared to be expenditures that were incurred by the contractor, but would not have been recovered because insufficient numbers of participants were served.

ATTACHMENT A

SYNOPSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMMARY

ABILITIES OF FLORIDA, INC.
WtW COMPETITIVE GRANT CONTRACT NUMBER 98-WtW-01

PROCUREMENT VIOLATIONS

Total contract cost questioned because contract was not competitively procured		$332,686

COSTS QUESTIONED FOR ADDITIONAL REASONS

Fixed-price payments for 74 participants Abilities claimed were placed with, or retained by, the Pinellas County Parks Department, however, were enrolled in WAGES-funded activities		$168,635*
Fixed-price retention payments that were not supported (4 participants)	8,484	
Fixed-price payments associated with missing participant files (4 participants)	5,784	
Fixed-price retention payments for Individuals whose 180-day job retention success was not supported (4 participants)	8,483	
Expenses reimbursed although contract payments based on fixed-price performance benchmarks	17,000	
Subtotal		39,751
Total Questioned Costs		$208,386

* This amount also includes $25,515 of fixed-price payments to Abilities for 20 participants that were enrolled in the WAGES program and UI wage history files indicated did not remain employed 60 days. Therefore, the participants were not placed in unsubsidized employment.

ATTACHMENT B

SYNOPSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMMARY

LOCKHEED MARTIN IMS WtW COMPETITIVE GRANT CONTRACT NUMBER 98-WtW-13

Contract Synopsis

The contractor was to provide transitional assistance to participants who were unable to participate in the WAGES program because of medical deferments. Participants were defined as individuals who had been documented as eligible to receive WtW transitional services, had entered unsubsidized employment, and had received a “good cause” deferral, based on medical evidence of incapacitation.

A nurse practitioner, skilled in evaluating medical deferral documentation, was to review participants’ records, meet with participants, their physicians and attorneys, and develop a plan of remediation, or a plan for expediting a Supplemental Security Income (SSI) application for the participant. Participant plans were to be monitored by a WtW case manager who specialized in medical deferments. The case manager was to work with the nurse to ensure the plan served the participants’ best interest and was achieving expected results.

OIG Concerns

The contract allowed for cost reimbursement payments for actual expenses incurred plus a profit margin of 10 percent of actual expenses incurred. Maximum total reimbursement during the contract period of performance, June 14, 1999 through December 31, 1999, was $116,789 including a 10 percent fee (profit) of $10,617.

We did not identify any evidence that the contract was competitively procured, that a cost/price analysis was conducted, or contract monitoring had occurred. Grant expenditure records showed total contract payments of $80,654, including $8,057 in profit.

Through review of computerized participant and case management files, we identified a total of 164 participant enrollments. Of the 164 participant enrollments, the records indicated employers for 21 participants. Case files for 3 of the 21 participants were not available. There were no case management notes in 14 of the 18 participant case files reviewed. Case management notes in the remaining 4 participant files included little information on services provided to the participants while they were in the medical deferment program. Unemployment Insurance wage history records did not support the participants’ employment for 7 of the 18 case files reviewed.

At the time this contract was entered into, State WAGES Coalition guidelines provided for the operation of a medical deferral program. The program allowed local WAGES coalitions and service providers to require individuals cooperate in an independent, third party medical and vocational assessment. The assessment was necessary to evaluate individuals’ ability to participate in work activities. An individual for whom there was medical verification of limitations to participate in work activities was to be assigned to work activities consistent with his or her limitations. Based on our review of the contract’s scope of work and position

SYNOPSIS OF CONTRACT, OIG CONCERNS
AND QUESTIONED COST SUMMARY

LOCKHEED MARTIN IMS
WtW COMPETITIVE GRANT CONTRACT NUMBER 98-WtW-13

descriptions of staff funded by the WtW grant contract, services provided by the contract duplicated those provided under the WAGES Coalition guidelines.

QUESTIONED COSTS SUMMARY

Total contract cost questioned because contract was not competitively procured	$80,654

OTHER QUESTIONED COST

Total contract cost questioned because participants were not eligible and inadequately documented records	$80,654
Profit included in reimbursement	$8,057
Net Other Questioned Cost	$80,654

SYNOPSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMMARY

GULF COAST JEWISH FAMILY SERVICES, INC. WtW COMPETITIVE GRANT CONTRACT NUMBERS 98-WtW-04 AND 00-WtW-01

CONTRACT 98-WtW-04

Contract Synopsis

The contractor was to use “Transition Coaches” to facilitate placement and 180-day unsubsidized job retention for WtW grant participants by assisting them in overcoming barriers to successful job retention. Job Buddy functions were to assist the participant in acclimatizing to employers’ culture and extend the role of the Transition Coach in dealing with participant life and employability skills development. Transition Coaches were to work with employers to identify staff members willing to serve as “Job Buddies”. Formal agreements, outlining Job Buddy activities and responsibilities, as well as employer's reimbursement, were to be developed. Transition Coaches were to discuss the formal agreements with employers willing to provide Job Buddy services.

The initial contract period of performance was November 16, 1998, through December 31, 1999. The contract period was extended, by modifications, until May 31, 2000. Initial contract payment schedules provided for fixed-price payments not to exceed a total of $75,102.60. Fixed-price payments were based upon expectations of 136 eligibility determinations; 68 placements; and 41 participants retained in unsubsidized employment for 180 days. The contract was modified three times. Although the scope of work and numbers of placements and retentions remained the same, placement payments increased from $517.50 to $860.49 (66 percent), and retention payments from $858.20 to $1,326.10 (55 percent). The maximum contract amount was increased to $111,100.60.

OIG Concerns

We did not identify any instances of Job Buddy agreements with employers and our review of participant case file indicated Job Buddy agreements were not used. Rather, Transition Coaches used traditional case management techniques.

Based on our review of available computerized participant database files, case management files, and contract payment records, we identified a total of 52 participant eligibility determinations, 46 participant placements, and 21 job retentions (180-day). Grant expenditure records indicated contract payments, totaled $65,094.17. Payments included 52 eligibility payments of $34.73, 46 placement payments (24 at $687.90 and 22 at $860.49), and 21 retention payments of $1,326.10 each.

SYNOPSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMMARY

GULF COAST JEWISH FAMILY SERVICES, INC. WtW COMPETITIVE GRANT CONTRACT NUMBERS 98-WtW-04 AND 00-WtW-01

CONTRACT 00-WtW-01

Contract Synopsis

The contract was signed on September 11, 2000, and the period of performance was September 1, 2000 through August 31, 2001. The scope of work remained the same as in contract 98-WtW-04, except the Job Buddy concept was excluded. PWDB was to provide office space, equipment, and computer/telephone access to the contractor at no cost. Contract payment schedules provided for fixed-price payments totaling $113,520. Benchmark payments included 100 eligibility determinations at $35 each, 50 placement payments of $1,065.20, and 30 retention payments of $1,892 each.

OIG Concerns

By reviewing available computerized participant database files, case management files and contract payment records, we identified a total of 34 eligibility determinations, 45 placements, and 19 job retentions. Grant expenditure records showed contract payments totaling $85,072. The total consisted of 34 eligibility payments of $35 each, 45 placement payments of $1,065.20 each, and 19 retention payments of $1,892 each.

We did not identify any evidence that either of the two contracts were competitively procured, contracting files did not contain evidence of cost negotiations or price analysis, and there was not any evidence of post contract monitoring. Contracting files contained a line item budget which supported contractor cost included for contract 98-WtW-04. However, we did not identify a line item budget that supported contractor cost included for contract 00-WtW-01. Building occupancy, utilities, and equipment were included in the calculation of fixed-price benchmark payments for contract 98-WtW-04.

Although office space, equipment, and computer/telephone access were provided to the contractor free of cost for contract 00-WtW-01, fixed-price payments increased. Placements payments increased from $517.50 to $1,065.20 (106 percent) for each participant and retention payments increased from $858.20 to $1,892 (121 percent). The contracting files did not contain documentation supporting these increased benchmark payments.

ATTACHMENT C

SYNOPSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMMARY

GULF COAST JEWISH FAMILY SERVICES, INC.
WtW COMPETITIVE GRANT
CONTRACT NUMBERS 98-WtW-04 AND 00-WtW-01

QUESTIONED COSTS SUMMARY

Total contract cost questioned because contract was not competitively procured	$150,166

OTHER QUESTIONED COST

Lack of invoice payment support for one job retention payment (98-WtW-04)	$1,326
Five duplicate enrollment payments	5,326
Lack of documentation to support retention payments for three participants (98-WtW-04)	3,978
Lack of documentation to support retention payments for five participants (00-WtW-01)	9,460
Total Other Questioned Cost	$20,090

SYNOPSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMMARY

FAMILY RESOURCES INC. WtW COMPETITIVE GRANT CONTRACT NUMBER 98-WtW-06

Contract Synopsis

This contract was to provide 200 community voice mailboxes, for the WtW grant projects use during the 15-month period October 1, 1998, through December 31, 1999. The contractor was to be compensated on a fixed-price basis for a total of $35,000. There was to be 5 quarterly payment points of $7,000 each. The $7,000 quarterly payment consisted of 200 voice mailboxes at $35 each. Grant expenditure records indicate total contract payments were $35,000.

OIG Concerns

The contracted services were not competitively procured, and the contracting files did not contain evidence of a cost or price analysis. Data related to assignment of the voice mailboxes to WtW participants were not maintained by the grantee, and we found no evidence PWBD had monitored the contractor.

We obtained a voice mailbox assignment listing from the contractor. The listing showed that 89 of the 200 mailboxes had been assigned. Of the 89 names that appeared on the listing, we were able to match only 19 names to participant files for the WtW grant. However, 3 participants' files were missing and 2 participants were referred, but never enrolled into the program. In summary, we were only able to verify a total of 14 voice mailboxes that were used by WtW program participants.

QUESTIONED COSTS SUMMARY

Total contract cost questioned because contract was not competitively procured	$35,000

OTHER QUESTIONED COST

Cost of voice mailboxes not utilized by WtW grant participants:	
Total contract expenditures	$35,000
Less cost of mailboxes utilized by WtW grant participants-$175 per mailbox ($35 x 5 quarters) for 14 participants	(2,450)
Total Questioned Cost	$32,550

ATTACHMENT E

SYNOPOSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMMARY

BAY AREA COMMUTER SERVICES, INC. WtW COMPETITIVE GRANT CONTRACT NUMBER 98-WtW-09

Contract Synopsis

This contract was to provide nine passenger vans for use by the WtW grant project, during the 13-month period December 1, 1998, through December 31, 1999. The contractor was to be compensated on a fixed-price basis, for a total of $76,195. The contract was modified four times.

The first modification, effective March 2, 1999, reduced the monthly cost of each van, thereby reducing the contractor's total compensation to $65,730. The second modification, effective June 21, 1999, increased the number of vans from 9 to 15, which increased the contractor's compensation to $88,880. The third modification, effective August 30, 1999, increased the number of vans from 15 to 19, which increased the contractor's compensation to $103,380. Finally, the fourth modification, effective January 1, 2000, extended the contract through June 30, 2000 and increased the contractor's compensation to $162,330. Grant expenditure records indicated the contractor received a total of $160,602.

OIG Concerns

The contracted services were not competitively procured. Contracting files did not contain documentation of a cost or price analysis and we did not identify evidence of contract monitoring. The contract did not require that records were to be kept on the number of participants who used the vans. Neither the contractor nor PWDB maintained data related to the use of the vans. Therefore, we were unable to evaluate the benefits received by WtW participants.

QUESTIONED COST SUMMARY

Total contract cost questioned because contract was not competitively procured	$160,602

OTHER QUESTIONED COST

Lack of supporting documentation to support van utilization by WtW participants	$160,602

ATTACHMENT F

SYNOPSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMMARY

LOCKHEED MARTIN IMS WtW COMPETITIVE GRANT CONTRACT NUMBER 98-WtW-14

Contract Synopsis

The contract's scope of work provided Job Coaches to recruit churches. The churches were to work in partnership with the WtW program and support participants who were at risk of losing their jobs. In addition to recruiting churches, the Job Coaches were to coordinate with case managers and other service providers and address family issues.

OIG Concerns

The contract allowed for reimbursement of actual expenses incurred, plus a profit margin of 10 percent. The total amount to be paid under the contract was $76,865, which included a 10 percent profit of $6,988. Grant expenditure records indicated contract payments totaled $25,415.10 and included $2,677.71 in profits.

The contract services were not competitively procured, and we found no evidence of a cost or price analysis. We did not identify any evidence of contract monitoring by PWDB.

QUESTIONED COSTS SUMMARY

Total contract cost questioned because contract was not competitively procured	$25,415

OTHER QUESTIONED COST

Profits paid to contractor in violation of Federal grant guidelines	$2,678

SYNOPSIS OF CONTRACT, OIG CONCERNS AND QUESTIONED COST SUMARY

LOCKHEED MARTIN IMS
WtW COMPETITIVE GRANT CONTRACT NUMBER 98-WtW-11

Contract Synopsis

The contractor was to use Transition Coaches to help place and retain WtW participants, by assisting them in overcoming barriers to successful job retention. Transition Coaches were to work with employers, to identify staff members willing to serve as "Job Buddies." Formal agreements, outlining Job Buddy activities and responsibilities, as well as employer reimbursement, were to be developed. Transition Coaches were to discuss the formal agreements with employers willing to provide Job Buddy services. Job Buddy functions were to assist the participant in becoming acclimatized to employers' culture and extend the role of the Transition Coach in dealing with participant life and employability skills development.

The contract's period of performance was December 1, 1998 through December 31, 1999. Initial contract payment schedule provided for fixed-price payments not to exceed a total of $105,570.16. Fixed-price payments were based on a maximum of 102 enrollment benchmark payments totaling $52,785.08, and 62 job retention benchmark payments totaling $52,785.08. The contract, modified on April 19, 1999, added cost reimbursable participant transportation expenses totaling $30,720, which increased the maximum payments to $136,290.16.

OIG Concerns

There was no evidence that the contract was competitively procured, contracting files did not contain evidence of a cost or price analysis, and we did not find evidence of monitoring by PWDB. We did not identify any instances where employers had entered into Job Buddy agreements. Based on participant case file reviews, Job Buddy agreements were not used.

Contract payments totaled $74,150.98. The payments included $55,537.96 in fixed-price payments, consisting of 76 placement payments totaling $46,640.24 and 13 retention fixed-price payments totaling $8,897.72. Cost reimbursement payments totaled $18,613.02. By reviewing available computerized participant database files, case management files, and contract payment records, we identified a total of 71 individual participant placements and 12 participants who retained their jobs 180 days.

Our analysis of payment invoices for the 71 individual participants identified 10 duplicate enrollment payments (5 payments of $684.44 each, and 5 payments of $236.34 each) totaling $4,603.90. Case file folders were not available for 43 of the 71 participants. Documentation maintained in participant case files and our review of available Unemployment Insurance Wage History data did not support placement of 2 participants or the job retention of another participant.

ATTACHMENT G

SYNOPSIS OF CONTRACT, OIG CONCERNS
AND QUESTIONED COST SUMARY

LOCKHEED MARTIN IMS
WtW COMPETITIVE GRANT CONTRACT NUMBER 98-WtW-11

QUESTIONED COSTS SUMMARY

Total contract cost questioned because contract was not competitively procured	$74,151

OTHER QUESTIONED COST

Duplicate enrollment (placement) payments	$ 4,604
Duplicate job retention payment	684
Lack of documentation to support two placements	921
Lack of documentation to support one job retention	684
Placement and job retention payments associated with the 43 missing participant case files	30,376
Total Questioned Cost	$37,269

EXHIBIT 1

PINELLAS WORKFORCE DEVELOPMENT BOARD
COMPETITIVE WELFARE-TO-WORK GRANT
SUMMARY OF QUESTIONED COSTS

TABLE A
TOTAL COST QUESTIONED BECAUSE OF NO COMPETITIVE PROCUREMENT AND INADEQUATE COST/PRICE ANALYSIS

ATTACHMENT	CONTRACTOR	CONTRACT	QUESTIONED
A	Abilities of Florida, Inc	98-WtW-01	$332,686
B	Lockheed Martin IMS	98-WtW-13	80,654
C	Gulf Coast Jewish Family Services, Inc.	98-WtW-04 00-WtW-01	65,094 85,072
D	Family Resources, Inc.	98-WtW-06	35,000
E	Bay Area Commuter Services, Inc.	98-WtW-09	160,602
F	Lockheed Martin IMS	98-WtW-14	25,415
G	Lockheed Martin IMS	98-WtW-11	74,151
TOTAL			**$858,674**

TABLE B
COST QUESTIONED BECAUSE OF OTHER VIOLATIONS

ATTACHMENT	CONTRACTOR	CONTRACT	QUESTIONED
A	Abilities of Florida, Inc	98-WtW-01	$208,386
B	Lockheed Martin IMS	98-WtW-13	80,654
C	Gulf Coast Jewish Family Services, Inc.	98-WtW-04 00-WtW-01	20,090
D	Family Resources, Inc.	98-WtW-06	32,550
E	Bay Area Commuter Services, Inc.	98-WtW-09	160,602
F	Lockheed Martin IMS	98-WtW-14	2,678
G	Lockheed Martin IMS	98-WtW-11	37,270
TOTAL			**$542,230**

EXHIBIT 2

PINELLAS WORKFORCE DEVELOPMENT BOARD
COMPETITIVE WELFARE-TO-WORK GRANT

DOCUMENTATION RELATED TO COMPUTATION OF FIXED-UNIT-PRICE CONTRACT PERFORMANCE-BASED BENCHMARK PAYMENTS

The following documents are excerpts from PWDB's contracting files and is the only information available showing how fixed-price benchmark payments were calculated.

EXHIBIT 2

PINELLAS WORKFORCE DEVELOPMENT BOARD
MEMORANDUM

TO:	**Welfare-to-Work Service Providers**
FROM:	**Rod Cyr, PWDB Technical Services Coordinator**
DATE:	**December 1, 1998**
SUBJECT:	**Optional Payment Schedule & Revised Policy Regarding the Number of Transitional Coaches Required**

The PWDB Executive Committee has approved an optional tiered payment structure. Service Providers may elect to maintain the payment structure originally offered or may chose to contract for the following tiered payment structure:

> Establishes tiered unit prices for enrollments as follows:
> first 63% of enrollments pay 100% of the unit price for enrollments or $706.50;
> remaining 37% of enrollments pay 0.325378 of the unit price for enrollments or $229.88.
> Establishes tiered unit prices for outcomes as follows:
> first 37% of outcomes pay 100% of the unit price for outcomes or $706.50;
> remaining 63% of outcomes pay 1.3978 of the unit price for outcomes or $987.59.

The payment structure for enrollments places the highest value on initial enrollments assuming that the service provider accepts greatest risk due to startup costs and risk of not receiving sufficient enrollments. The payment structure for outcomes places the highest value on total outcomes needed by the PWDB (300). Both the original payment structure and the optional tiered payment structure comply with 20 CFR Part 645.230 requiring that at least 50% of the payments be based upon achievement of 180 day job retention. Attached is a spread sheet that demonstrates the two payment structures for various service and outcome levels. It is possible that the Contractor will earn a little more by way of the tiered payment structure, however the Contractor is at greater risk of losing potential earnings if not all outcomes are attained.

Please note that the unit price structure is different for those Service Providers involved in Enclaves.

The Executive Committee has also approved contract language that allows the Service Provider to determine how many and when to hire Transition Coaches. The policy requires that a full-time Transition Coach may not have more than 15 active participants at any one time. An active participant is a participant that has been enrolled and is working toward 180 day job retention, but has not yet been terminated (successfully or not) from the project. References to the number of Transition Coaches and/or the number of hours a Transition Coach is charged to the contract will be deleted.

Please notify me in writing ASAP as to which payment option you prefer. A contract modification, as necessary, will be completed. If you have questions and/or would like to discuss these issues with me please call 524-4335. Thank you.

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EXHIBIT 2

Second Optional Tiered Payment Structure (Transition Coaches Only)

First 63% of enrollments and outcomes are paid at the same unit price.
Remaining 37% of enrollments paid a lower unit price while the remaining 37% of outcomes paid a higher unit price.

Benchmark	Based upon 102 enrollments	Based upon 68 enrollments	Based upon 34 enrollments
1st 63% of enrollments paid as follows	.63 x 102 = 64 x $684.44 = $43,804.16	.63 x 68 = 43 x $687.90 = $29,579.70	.63 x 34 = 21 x $677.68 = $14,231.28
Remaining 37% of enrollments paid as follows	.37 x 102 = 38 x $236.34 = $8,980.92	.37 x 68 = 25 x $224.41 = $5,610.30	.37 x 34 = 13 x $258.75 = $3,363.75
Total maximum paid for enrollments	$52,785.08	$35,190.00	$17,595.03
1st 63% of outcomes paid as follows	.63 x 62 = 39 x $684.44 = $26,693.16	.63 x 41 = 26 x $687.90 = $17,885.40	.63 x 21 = 13 x $677.68 = $8,809.84
Remaining 37% of outcomes paid as follows	.37 x 62 = 23 x $1,134.43 = $26,091.84	.37 x 41 = 15 x $1,153.64 = $17,304.60	.37 x 21 = 8 x $1,098.15 = $8,785.20
Total maximum paid for outcomes	$52,785.08	$35,190.00	$17,595.04
Total contract value with 2nd optional tiered payments	$105,570.16	$70,380.00	$35,190.07
Total contract value originally	$105,570.00	$70,380.00	$35,190.00

Second Optional Tiered Payment Structure (Enclave Coordinator/Managers/Transition Coaches)

Benchmark	Abilities serving 128	Healthy Start serving 34
1st 63% of enrollments	.63 x 128 = 81 x $1,698.28 = $137,560.68	.63 x 34 = 21 x $1,328.79 = $27,904.59
Remaining 37% of enrollments	.37 x 128 = 47 x $547.65 = $25,739.55	.37 x 34 = 13 x $507.34 = $6,595.42
Total maximum paid for enrollments	$163,300.23	$34,500.01
1st 63% of outcomes	.63 x 77 = 49 x $1,698.28 = $83,215.72	.63 x 21 = 13 x $1,328.79 = $17,274.27
Remaining 37% of outcomes	.37 x 77 = 28 x $2,860.15 = $80,084.20	.37 x 21 = 8 x $2,153.22 = $17,225.76
Total maximum paid for outcomes	$163,299.92	$34,500.03
Total contract value with 2nd optional tiered payments	$326,600.15	$69,000.04
Total contract value originally	$326,600.00	$69,000.00

EXHIBIT 2

PINELLAS WORKFORCE DEVELOPMENT BOARD
MEMORANDUM

TO: Welfare-to-Work Service Providers
FROM: Rod Cyr, PWDB Technical Services Coordinator
DATE: December 7, 1998
SUBJECT: Second Optional Payment Schedule

Last week I distributed an optional payment structure for our Welfare-to-Work contracts. A second optional payment structure is also available. This second optional payment structure allows the Contractor to earn the same unit price for the first 63% of enrollments and outcomes, a lower unit price for the remaining 37% of enrollments, and a higher unit price for the remaining 37% of outcomes.

Attached is a breakout of the various unit prices. Please let us know as soon as possible which payment structure you prefer. Thank you.

Computation of Costs

Three Transition Coaches:

Salary	$24,500 X 3 TC =	$73,500
Fringes	20% $4,900 X 2 TC =	$14,700
Travel	$100 per month X 12 months X 2 TC =	$ 3,600
Total grant costs for 3 TC		$91,800

Other Costs 15% of total grant costs for 3 TC $13,770

Total Grant Coast for 3 Transition Coaches $105,570

Other costs include all other Welfare-to-Work (WtW) allowable costs. Administrative costs charged to this project may not exceed 7% of the total contract costs.

Transition Coach salaries are based upon 2080 hours or twelve months. The contracted period of performance exceeds twelve months. The addition time allows the Contractor flexibility to recruit staff and/or work staff less than 40 hours per week.

The case load of each Transition Coach may not exceed 15 active participants at any one time. Participants remain active until they attain 180 day job retention. It is expected that 60% of the participants served will attain this objective. Participants who do not attain this objective are expected to be terminated from the project. Each Transition Coach is expected to serve approximately 34 customers over a twelve month period.

WtW regulations require that at least 50% of the contract payment be based upon attainment of 180 day job retention. Half of $105,570 is $52,785. The PWDB has agreed to pay Contractors a fixed unit price payable in two benchmark payments. The first upon enrollment and the second upon attainment of 180 day job retention. The fixed unit price is computed as follows: $52,785 divided by 102 enrollments = **$517.50 per enrollment**; since 60% of all enrollments are expected to attain 180 day job retention, $52,785 divided by 62 outcomes = **$851.37 per 180 day job retention.**

corp/wtw-comp/cost3tc

EXHIBIT 3

THE COMPLETE TEXT OF PINELLAS COUNTY'S RESPONSE TO THE DRAFT AUDIT REPORT

Following this title page is the complete text of Pinellas County's response to our draft audit report, issued to them on February 12, 2002.

EXHIBIT 3

WORK Net PINELLAS

March 11, 2002

Robert R. Wallace
Regional Inspector General for Audit
U.S. Department of Labor, OIG
61 Forsyth Street, S.W., Room 6T20
Atlanta, Georgia 30303-3104

RE: Report No. 04-02-002-03-386

Dear Mr. Wallace:

We have reviewed the above referenced draft report titled, "Audit of Pinellas Workforce Development Board's Competitive Welfare-to-Work Grant" ("Draft Report"). As you are aware, during the period of the Competitive Welfare-to-Work Grant which is the subject of the Draft Report ("Grant"), Pinellas Workforce Development Board, Inc. ("PWDB"), the old private industry council, was the grant recipient for both JTPA and WIA funds. PWDB was also the direct recipient of the Grant, which is the subject of the Draft Report.

Based upon the information provided to us in the Draft Report, we are unable to respond because Pinellas County does not currently possess all the necessary files to respond to the Draft Report. During the period of the Grant, PWDB, not Pinellas County, was responsible for, and had custody of, any files related to the Grant. The County stepped in to respond to the findings in the interest of seeing the review expeditiously resolved. However, the Pinellas County Board of County Commissioners has not agreed to assume any liability in connection to the Grant, the award of which the County was not privy to, was not consulted about and did not agree to accept.

We would also like to take the opportunity to formally inform the USDOL OIG that PWDB is still in existence. Its address is 14605 49th Street North, #3, Clearwater, FL, 33762. It is operating under the name Fresh Start, Inc. We request that they also be contacted for the purpose of providing a response to the report.

To the extent that the books of account indicate that payments may have been made contrary to the intent of the law, we are requesting that you take notice that (1) Pinellas County, which was designated Administrative Entity in January 2001, retained KPMG to conduct a Close-Out Audit of PWDB, and (2) Pinellas County is involved in a legal dispute with its former one stop operator under whose auspices many of the Grant services occurred. In connections with both the Close-Out Audit and the litigation, Pinellas has already notified the former one stop operator that it is deducting from any final pay the amounts questioned in the Close-Out Audit.

4525 140th Avenue North, Suite 906 · Clearwater, Florida 33762
(727) 524-4344 · Fax (727) 524-4350

Jobs. Careers. Beyond.

EXHIBIT 3

Because of the above reasons, we are not able to comment at this time. We reserve, however, the right to make such comments as may be appropriate at a later date. Please let us know when we might expect an initial determination in this matter so that we may plan on responding by the time the document reaches the next level.

Sincerely,

BMoore

Bonnie Moore
Executive Director

cc: Leroy Sullivan, Chairman
WorkNet Pinellas Board

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