

U.S. Department of Labor
Office of Inspector General
Office of Audit

Financial and Performance Audit of
City of Gary
Welfare-to-Work Competitive Grant
For the Period
January 4, 1999 through March 31, 2001

Audit Report No. 05-02-001-03-386
Date Issued: March 18, 2002

CITY OF GARY

Response to Draft Report

Crosswalk from City of Gary Response to Report Findings	
Finding Number in City of Gary Response	Finding Number in Report
1A and 1B	1F
1C	4B
2	1A, 1B, 1C, 1D, and 1E
3	2A
4	2B
5A and 5B	3A and 3B
6	4A



OFFICE OF THE MAYOR
GARY, INDIANA 46402 - 1236

SCOTT L. KING
MAYOR

(219) 881-1301
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December 6, 2001

Preston Firmin
Regional Inspector General For Audit
Office of the Inspector General
230 South Dearborn Street – Room 744
Chicago, Illinois 60604

Re: Response to Audit

Dear Mr. Firmin:

Attached is the City of Gary's response to the audit findings delineated in your correspondence dated November 27, 2001.

Should you have questions/comments or need any additional information, please do not hesitate to contact Ms. Jewell Ross-Brown, Program Administration, at 219.881.5202.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott L. King".

Scott L. King, Mayor
City of Gary

FINDING 1 – INADEQUATE CONTRACT ADMINISTRATION SYSTEM

A. No Segregation of Duties

CGFP follows policies mandated by the City of Gary Policies and Procedures No. FP206.1 section 4.2.2 in the procurement of program services. The establishment of an additional independent unit outside of the City's Law Department, Department of Finance and Board of Public Works and Safety would not be in the best interest of the City of Gary for the following reasons:

1. The process that the WtW program follows in order to procure services, while not infallible, does work. In order to establish an independent unit, we would have to create another department with staff. This would not be economically feasible.
2. The Board of Public Works and Safety does in fact evaluate, make the award and maintain possession of original service provider agreements.
3. The process for securing and awarding agreements is:

CGFP:

- a. Request for proposals issued by WtW staff
- b. Pre-proposal conference
- c. Proposals received and evaluated
- d. A meeting with the service provider with the lowest-best proposal. Though it has not in the past been reduced to writing, negotiations on costs are done at this point.
- e. The agreement is drafted and forwarded to the service provider for review.

FINANCE DEPARTMENT:

- f. If funds are available, the finance department signs off.

LAW DEPARTMENT:

- g. The agreement is submitted to the law department, and if it meets the legal standards, the law department signs off.

BOARD OF PUBLIC WORKS & SAFETY:

- h. The agreement is given to the staff of the Board of Public Works and Safety for review. If more than one proposal was received, the WtW staff in a cover letter indicates who the other provider(s) were and the costs of their services along with a recommendation.
- i. The Deputy Mayor reviews all items prior to them being placed on the agenda. If there are questions/concerns, they are addressed at this time. If additional information is required that cannot be obtained in a timely manner, the Deputy Mayor will not allow the agreement(s) to be placed on the agenda.

B. Inadequate Service Provider Agreements

Changes were made to the agreements, that are still in effect, which reflect your recommendations. The agreement for Workforce Development will be forwarded as soon as it is returned. (See attachment I)

C. Profit Not Negotiated as a Separate Element

We will comply.

FINDING 2 – EXCESSIVE, UNSUPPORTED AND UNALLOWABLE SERVICE PROVIDER CLAIMS

1. Multiple or Excessive Claims (\$50,958):

The agreement with New Generations (NGI), by oversight, contained the monthly costs versus the total costs for Job Readiness, Life Skills and Job Coaching. The costs should have been recorded in the agreement as follows:

- a. Life Skills \$1,020 (\$170.00/month for 6 months)
- b. Job Readiness \$1,020 (\$170.00/month for 6 months)
- c. Job Coaching \$1,311 (\$218.50/month for 6 months)

The agreement has been corrected reducing the questioned costs from \$48,615 to \$340. The cost of \$340.00 for the two participants who received seven job readiness training sessions will be deducted from the next invoice and adjustments will be made to the next QFSR.

2. Unsupported Claims for Transportation (\$38,344), Medical Careers Assessments (\$33,245), and Supplies (\$679)

Copies of the 61 medical career assessments with the physician's evaluations attached are included. The supporting documentation for the invoices processed on October 15, 1999 (\$9,021) and on June 1, 2001 (\$9,021) verify that we were not billed twice for the same period. The dates on the printouts are different. (See attachment II, III)

3. Unsupported Claims for OJT instruction (\$4,260)

We are continuing to gather this information.

4. Unallowable Placements Costs & Provider Services not included in Service Provider Agreements (\$5,935)

While it is true that thru error 1/2 of the O.J.T. costs plus fringes were withheld versus 1/2 of the job placement costs, all but one participant is currently employed (See attachment IV). Once the error was discovered it was immediately rectified.

FINDING 3 – SERVICE PROVIDER CLAIMS NOT OFFSET BY REFUNDS

Reimbursements of \$1,886 resulting from previously billed WTW participant services by service providers (New Generations and Staff Source) have been posted to offset expenditures. These changes will be reflected in the next QFSR.

FINDING 4 – CLAIMED FRINGE BENEFITS RATE NOT SUPPORTED

East Chicago officials misinterpreted fringe benefit information. The maximum allowable rate of 18.65% was billed versus their actual expenditure rate of 12.9%. The overage paid to East Chicago in fringes was deducted from their June 26, 2001 invoice. The amount deducted was \$3,645.99 for the period June 2000 to March 2001. Current invoices are billed at the correct rate of 12.9%. (See attachment V)

FINDING 5 – INADEQUATE PARTICIPANT ELIGIBILITY & DOCUMENTATION

A. Ineligible Participants

Two of the ineligible participants we take issue with, in that, at that time drug screens were a part of our eligibility determination.

B. Misclassified Participants

Costs for the two misclassified participants will be transferred and reflected in the next QFSR.

We will follow the recommendation for A & B.

FINDING 6 – QFSR DETAIL LINE ITEMS NOT SUPPORTED

We will heed the recommendations.