

# Department of Labor

Office of Inspector General—Office of Audit

**EMPLOYMENT AND TRAINING  
ADMINISTRATION**



**DISLOCATED WORKER RETRAINING  
DEMONSTRATION GRANT AWARDED TO  
CONSORTIUM FOR WORKER EDUCATION, INC.**

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## **Executive Summary**

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This report summarizes the results of our performance audit of a \$1.7 million Dislocated Worker Retraining Demonstration Grant awarded to the Consortium for Worker Education, Inc. (CWE). The purpose of the grant was to create a skill development pathway in the artisan baking industry in New York City that would be sustained by the partners and replicated in other locations.

The audit objectives were to determine if:

- a baking training facility was established;
- participants served were eligible for the program;
- applicable cost principles were followed; and
- program outcomes were measured, achieved, and reported.

We found that a baking facility was established as stipulated in the grant and sampled costs claimed by CWE were reasonable, allocable, and allowable in accordance with applicable cost principles. In addition, sampled participants were eligible for the program, and goals for participants served and wage replacement were achieved. However, CWE officials stated that placement goals were not achieved due to the downturn of the economy after the terrorist attacks of September 11, 2001.



## **Assistant Inspector General's Report**

Ms. Emily Stover DeRocco  
Assistant Secretary for  
Employment and Training  
U. S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington, DC 20210

This report provides the results of our performance audit of a \$1.7 million (Exhibit A) Job Training Partnership Act (JTPA) demonstration grant awarded to the Consortium for Worker Education, Inc. (CWE). The purpose of the grant was to create a skill development pathway in the artisan baking industry in New York City that would create jobs for 310 New Yorkers, be sustained by the partners, and be replicable in other locations.

The audit objectives were to determine if:

- a baking training facility was established;
- participants served were eligible for the program;
- applicable cost principles were followed; and
- program outcomes were measured, achieved, and reported.

### **AUDIT RESULTS**

#### **I. Was a baking training facility established?**

A baking training facility was established in Long Island City, New York. We verified the existence and cost of a judgmentally selected sample of training equipment purchased under the grant.

#### **II. Were participants eligible for the program?**

Sampled participants served were eligible for the program. CWE's grant stipulated that participants would be eligible based on whether applicants were either dislocated workers referred from Worker Career Centers or non-managerial incumbent workers from the baking industry referred by participating employers or unions. A sample of 34 participant files revealed that participants served came from these designated areas.

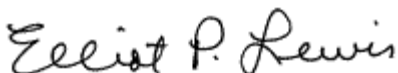
**III. Were applicable cost principles followed?**

Sampled costs claimed by CWE for the period June 30, 2000, to June 30, 2002, were reasonable, allocable, and allowable in accordance with Office of Management and Budget, Circular A-122 and 29 CFR 95.

**IV. Were program outcomes measured, achieved and reported?**

Enrolled participants at the Artisan Baking Center (ABC) received training to obtain, retain and improve employment experience in the New York City baking industry. CWE exceeded its goals for participants served and dislocated worker average hourly wage for participants that were placed. However, CWE fell significantly short of achieving its goals in average number of hours of training, and job placement. (See Exhibit B.) CWE officials stated the main reason goals were not achieved was the devastating impact on the baking industry as a result of the terrorist attacks on September 11<sup>th</sup>, precisely when the center was about to open. Other reasons cited by CWE officials for not meeting the grant's goals included:

- Goals for participants receiving retraining after 3 months, course completion, and off-site training hours at the ABC were reduced due to limited participation of students who could not receive training during work hours, as employers required their employees to fulfill business needs when bakeries were downsizing in reaction to the poor economy;
- The dislocated worker job placement goal was not achieved due to an economic downturn resulting in bakery closings and lay-offs; and
- On-the-job training was canceled because employers were reluctant to train in their respective bakeries for fear of exposing industry trade secrets.



Elliot P. Lewis  
February 20, 2004

## **Exhibits**

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**Consortium for Worker Education, Inc.**  
**Dislocated Worker Retraining Demonstration Grant**  
**Schedule of Reported Costs**  
**For the Period June 30, 2000 to June 30, 2002**

<b>Category</b>	<b>Budget</b>	<b>Costs</b>
Staff Salaries	\$355,787	\$115,679
Staff Fringe Benefits	135,199	43,958
Bakers Instructions		42,465
Professional Services		443,070
Contractual	862,220	390,456
Equipment	253,000	267,393
Rent		124,586
Supplies	98,574	121,869
Consultants		56,145
Maintenance & Repairs		27,638
Utilities & Telephone		30,725
Furniture & Fixture		19,482
Security		7,074
Printing		13,215
Miscellaneous	<u>37,120</u>	<u>32,255</u>
<b>Total</b>	<b><u>\$1,741,900</u></b>	<b><u>\$1,736,010</u></b>



**Exhibit B**

**Consortium for Worker Education, Inc.  
Dislocated Worker Retraining Demonstration Grant  
Program Outcomes  
For the Period June 30, 2000 to June 30, 2002**

<b>Category</b>	<b>Grant Goals</b>	<b>Results</b>
Participants Served	310	336
Dislocated Workers Average Hourly Wage	\$8.99	\$9.57
Average Number of Training Hours Off-site	160	38
Dislocated Worker Job Placement	60	24
Number of On-the-Job Training Hours	100	0

## **Appendices**

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## **Background**

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On June 28, 2000, ETA issued grant agreement number AN-10810-00-60 in the amount of \$1.7 million to the CWE for a project entitled Dislocated Worker Retraining Demonstration Grant. This grant was authorized under the authority of the Job Training Partnership Act, Title III. The purpose of the grant was to create a skill development pathway in the artisan baking industry in New York City that would create good jobs, be sustained by the partners, and be replicable in other locations.

Founded in 1985, CWE is a private, not-for-profit agency committed to enriching the lives of all workers, their families, and their communities through both traditional and web-based education, economic development, and empowerment programs locally, nationally, and globally. CWE offers a variety of employment, education, training and child care programs for union members, dislocated workers and public assistance recipients. CWE is a consortium of 46 New York City Central Labor Council affiliated unions and locals.

The grant stated the program would provide training for 310 participants: 75 dislocated workers, 75 skill-upgrade workers, 150 incumbent semi-skilled workers, and 10 journeymen bakers. Also, CWE planned for participants to receive 160 hours of instruction over a 6-month period and 100 hours on-the-job training over 18 months. The curriculum would build on apprenticeship standards, which had been developed in the past by the Baking Industry Labor Management Apprenticeship Council of Greater New York.

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# Objectives, Scope, Methodology, and Criteria

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## Objectives

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The audit objectives were to determine if:

- a baking training facility was established;
- participants served were eligible for the program;
- applicable cost principles were followed; and
- program outcomes were measured, achieved, and reported.

## Scope

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The U.S. Department of Labor, Office of Inspector General (OIG), conducted a performance audit of the Dislocated Worker Retraining Demonstration Grant awarded to CWE for the period June 30, 2000, to June 30, 2002, under grant number AN 10810-00-60. We audited cumulative costs and performance outcomes reported through June 30, 2002. Cumulative costs reported by CWE for the period were \$1,736,010. CWE served a total of 336 participants.

To test the allowability of costs, we obtained the general ledger and judgmentally selected and tested \$704,592, or 41 percent, of reported costs of \$1,736,010 allocated to the grant.

To determine if eligibility requirements had been properly followed, we selected a statistical sample of 34 participants, from among the 336 enrolled in the program, and tested support for eligibility.

We conducted audit fieldwork from October through November 2003 at CWE headquarters located in New York, NY, and the ABC located in Long Island City, NY.

## **Appendix B, Continued**

### **Methodology**

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We obtained an understanding of internal controls regarding invoice approval and eligibility through inquiries with appropriate personnel, inspection of relevant documents, and observations of CWE's operations. The nature and extent of testing was based on the auditors' judgment.

For CWE's costs, we examined vouchers and supporting documentation including invoices and payroll records. We used judgmental sampling to test individual account transactions.

For equipment purchases, we obtained a listing of all equipment purchased by CWE under this grant, and judgmentally selected a sample of purchases to test. For our sample we obtained a copy of the invoice noting the date, invoice amount, description of equipment, and delivery location. We performed a physical inventory, at the ABC, of the sampled purchases.

To determine if eligibility requirements had been properly applied, we statistically selected a sample of 34 participants from among the 336 enrolled in the program. We selected 10 percent from each of the four categories (dislocated workers, journeymen level bakers, semi-skilled and skill-upgrade workers). CWE's grant stipulated that participants would be eligible based on two determining factors - whether applicants were (1) dislocated workers referred from Worker Career Centers or (2) non-managerial incumbent workers from the baking industry referred by participating employers or the union. CWE provided us with a copy of the sampled participants' files. For dislocated workers, we determined if there was a referral from the One-Stop Career Center. For journeymen level bakers and incumbent workers, we verified that the participants were from a member organization.

The audit was performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Audit results were discussed with CWE management on February 20, 2004.

### **Criteria**

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The following criteria were used in accomplishing our audit:

The Job Training Partnership Act

Code of Federal Regulations, Title 29

Office of Management and Budget, Circular A-122

## **Acronyms and Abbreviations**

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<b>ABC</b>	Artisan Baking Center
<b>CWE</b>	Consortium for Worker Education, Inc.
<b>ETA</b>	Employment and Training Administration
<b>JTPA</b>	Job Training Partnership Act
<b>OIG</b>	Office of Inspector General