

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

BRIEFLY...

Highlights of Report Number: 02-05-203-03-390, to the Assistant Secretary, Employment and Training. September 2, 2005

WHY READ THE REPORT

Chinatown Manpower Project, Inc. (CMP) received a \$1.1 million contract under a \$25 million Workforce Investment Act National Emergency Grant (NEG) that the U. S. Department of Labor (Department) awarded the New York State Department of Labor (NYSDOL) after the September 11, 2001, attack on the World Trade Center (WTC). The purpose of the NEG was to provide core, intensive, and training services for workers who lost their jobs as a result of the WTC attack. A complaint was filed with the Office of the Secretary of Labor alleging misuse of departmental funds by CMP. This report discusses issues surrounding the hotline complaint, participant eligibility, whether cost principles and procurement regulations were followed.

WHY OIG DID THE AUDIT

The Office of Inspector General (OIG) initiated an audit in response to a hotline complaint referred to us by the Office of the Secretary of Labor alleging misuse of departmental funds by CMP including delays in paying teachers, employment assistance not being provided to participants, and teachers not being present or qualified to teach English as a Second Language classes. The OIG conducted a performance audit of CMP to determine if these allegations were valid.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to: <http://www.oig.dol.gov/publicreports/oa/2005/02-05-203-03-390.pdf>.

September 2005

WORKFORCE INVESTMENT ACT NATIONAL EMERGENCY GRANT - CHINATOWN MANPOWER PROJECT

WHAT OIG FOUND

The audit found that the allegations of delays in paying teachers, employment assistance not being provided to participants, and teachers not being present or qualified to teach English as a Second Language classes were without merit.

However, the audit identified three areas of reportable conditions. First, CMP did not maintain a system to properly allocate direct and indirect costs to final cost objectives. Costs were allocated using predetermined estimates based on budgeted amounts, and not based on benefits received. Second, CMP and its subcontractors were unable to provide verification of eligibility for participants served. Based on the information provided NYSDOL could not certify whether participants were dislocated or unable to find work as a result of the WTC disaster or other reasons. Third, CMP did not follow procurement regulations when awarding subcontracts under the NEG. There were no solicitations to obtain competition, nor technical and cost evaluations, as required by Federal regulations.

WHAT OIG RECOMMENDED

We recommended that Assistant Secretary for Employment and Training require NYSDOL to: 1) obtain an accounting of actual costs incurred under the CMP contract and subcontracts; 2) obtain documentation of a system that properly allocates CMP costs to final cost objectives; 3) consider having NYSDOL verify participant eligibility when self-certifications are used to expedite the eligibility process; 4) ensure that on future awards that include self-certification processes, regular eligibility verification is performed; and 5) ensure that NYSDOL follow applicable procurement regulations on future awards.

In its response to the draft report, NYSDOL respectfully declined to comment other than to say that they feel strongly that overall the program was effective.