

AUDITEE RESPONSE TO DRAFT REPORT


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Workforce Investment Board

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March 8, 2007

Mr. Michael K. Yarbrough
Regional Inspector General for Audit
U.S. Department of Labor
Office of Inspector General
Atlanta Regional Audit Office
61 Forsyth Street, SW
Atlanta, GA 30303

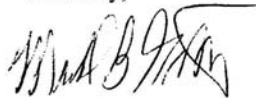
Dear Mr. Yarbrough:

By this letter I wish to offer formal comments to the draft report of the performance audit of KentuckianaWorks' Welfare to Work Grants for PY 1998. I received the draft report (OIG Report Number 04-07-001-03-386) on February 27, 2007.

Unfortunately, the February 26, 2007 draft report repeats almost all of the errors that were included in the December 12, 2006 discussion draft report. This draft – like the earlier one – fails all three tests set out in your cover letter to me of December 12, 2006. 1) The draft report is not factually accurate – in fact, it is replete with inaccuracies that I have pointed out, orally and in writing, on multiple occasions. 2) The draft report is incomplete – it repeatedly leaves out key facts that make clear that KentuckianaWorks and its contractors managed this grant professionally and in full partnership with our federal funders at the Department of Labor's Employment and Training Administration. 3) The draft report is unrealistic – the recommendations to "recover" over \$3 million from local government and non-profit partners who managed the grant to the best of their abilities under the direct supervision of the DOL/ETA is neither appropriate nor feasible.

I am attaching a point-by-point set of comments that I would ask be considered as part of our official reply to this draft report. If you require any further information, please feel free to contact me at 502-574-3069.

Sincerely,



Michael B. Gritton
Executive Director



Jerry E. Abramson
Mayor
Louisville Metro Council



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Finding 1 – KentuckianaWorks did not comply with regulatory requirements to conduct full and open competition.

This finding is false and purposefully misleading. It leaves out crucial information – information we pointed out in our response to the draft statement of facts dated August 29, 2003 and again in our response to the draft discussion report dated January 17, 2007.

Fact 12 in the Office of Inspector General (OIG) Statement of Facts dated August 4, 2003 and the KentuckianaWorks Response to Fact 12 in our Response to the Statement of Facts dated August 29, 2003 cover this issue completely. We stated in our response:

There was no need for competitive procurement as stated by the “Frequently Asked Questions” DOL/ETA website Question and Answer CG17 dated 9/03/98. Refer to Attachment D.

Attachment D contains a printed copy of Question and Answer CG17 dated 9/03/98. It states:

CG 17. If in preparing its grant application a competitive grantee gets commitments from various partners to provide certain of the grant activities/services and then actually names those partners (subrecipients) as the entity which will provide the service/activity in its grant application, is it then necessary for the grantee to go through a competitive procurement process to select the provider? (9/03/98)

A. NO! ETA’s approval and funding of the grant application has the effect of approving the grantees (sic) selection of the named partner/subrecipient to provide the specified service/activity.

As shown in Attachment D, this guidance from ETA came after KentuckianaWorks and numerous others across the country sought clarification on this basic question. Attachment D provides documentation that KentuckianaWorks staff received oral guidance from DOL/ETA staff along the lines of the written guidance quoted above in the summer of 1998. To make sure this guidance was accurate and would be something KentuckianaWorks could rely upon if our actions were ever questioned (as they now are), KentuckianaWorks wrote DOL/ETA and asked it to put in writing the oral guidance that had been offered earlier in the summer of 1998. That letter stated, in relevant part:

While in Baltimore for the Welfare-to-Work Competitive Grant Orientation, Mr. Willie Harris stated in a question/answer period that if partners had been written into our competitive grants, we did not need to procure the activity to be provided by the partners, only that activity that was planned but not yet assigned to a provider. At this time, I am requesting a written confirmation of the verbal information provided by Mr. Harris. We are quite anxious to get started with the competitive grant activities in Louisville and Jefferson County, but really need this answer before we can begin.

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Rather than writing KentuckianaWorks back directly, DOL/ETA chose instead to publish on its website the guidance quoted above – a copy of which has been attached in each of our responses to these inquiries. KentuckianaWorks acted in good faith in relying on this unequivocal, written guidance from DOL/ETA – and it is amazing that almost 9 years later, your office would argue that we should not have done so.

The February 26, 2007 draft report – like the earlier discussion draft report dated December 12, 2006 -- fails to mention this guidance or to quote from it – thus leaving out crucial facts that are relevant and significant. It fails to note that we wrote ETA asking for express written guidance on this exact question – again leaving out crucial facts that are relevant and significant, because leaving it out suggests that we willfully ignored federal regulations, when the truth is we sought written clarification from ETA and proceeded only after we received that clarification on their website and printed a copy to retain for our records.

The February 26, 2007 draft report instead cites guidance from ETA – guidance that was undated in the December 12, 2006 draft discussion report but which is now claimed to have been “Revised 1/29/99” – months after KentuckianaWorks and other grant recipients received the written guidance quoted above and relied on it to begin delivering services to Welfare-to-Work customers. By leaving out any mention of our earlier correspondence with DOL/ETA and the written, unequivocal response to our correspondence that was posted on the DOL/ETA website (a copy of which has been made available to you on numerous occasions), the draft report makes it appear that KentuckianaWorks ignored clear written guidance from DOL/ETA when in fact just the opposite is true. This is untrue and misleading.

The February 26, 2007 draft report also cites a TEGL (No. 15-01) issued on March 22, 2002 – almost four years after the Welfare-to-Work grants were issued – as if it should have governed our behavior in the fall of 1998. Again, this is misleading – giving the false impression that KentuckianaWorks willfully ignored direct written guidance from DOL/ETA. Nothing could be further from the truth. In fact, we followed the written guidance of DOL/ETA, as noted above.

Finally, even your own Office of Inspector General paid us a visit in October, 1998 and wrote us a letter from Robert R. Wallace, Regional Inspector General for Audit dated December 4, 1998 (I have attached the letter for your review). That letter raised no questions about our service delivery plans. Instead, it expressed concern “that your WtW competitive grant program was in danger of falling behind the implementation schedule included in your approved grant award. However, your assurance of full compliance with the plan by the end of the second quarter eased our concern regarding this matter.” If the black letter regulations required us to bid out the work before we proceeded, as the draft report contends, isn’t it odd that your own office failed to point this out as a concern after a ten day visit from October 19-29, 1998?

The letter from your office concluded thusly:

Based on our examination, and except for the issues discussed above, we believe that the Louisville and Jefferson County PIC has a potentially low risk of failure or poor performance under the WtW competitive grant. Your emphasis on work retention through creative solutions to participant child care and transportation problems meets the

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objectives and intent of the WtW legislation. We believe you have adequate plans, internal control structure, financial and programmatic systems, and the capacity to administer the grant properly in accordance with legal and regulatory requirements.

There is nothing funny about federal auditors coming in asking for more than \$3 million to be returned more than 3 years after a grant close-out and almost 9 years after the grant award. But it is certainly comical that your office is now arguing – 8 years after first reviewing our plans and blessing them – that some of the same fundamental decisions made then that received your blessing at that time stand now are now so much in error and violation of DOL regulations that they require us to give back over \$3 million.

Finding 2 – KentuckianaWorks did not ensure costs claimed by four of its grant partners were necessary and reasonable.

As stated clearly on Page 2 of our August 29, 2003 response to the Statement of Facts, programmatic/financial monitoring was conducted repeatedly by both federal and state monitors with respect to both the WtW Formula Grant and the WtW Competitive Grant. The state visited five times between April 1999 and April 2003 with respect to the WtW Formula Grant. There were **no findings** at any of the last four visits. On the first, in April 1999, **corrective action was taken and the findings resolved.**

The Department of Labor/Employment and Training Administration conducted three monitoring visits with respect to the WtW Competitive Grant between September 1999 and June 2002. At the first, **there were no findings and corrective action was taken on the areas of concern expressed.** After both the April 2001 and June 2002 reports, **corrective action was taken and the findings resolved.**

In addition, quarterly narrative progress reports and quarterly financial status reports were submitted to the regional GOTRs for the Competitive Grant according to instructions provided by DOL/ETA. KentuckianaWorks was never contacted regarding issues outlined in the quarterly narrative progress reports under sections entitled “Technical Assistance Needed,” “Challenges Encountered,” or “Outstanding Issues/Challenging Opportunities,” with one exception that occurred after grant expiration of June 30, 2003.

One additional comment that is important to keep in mind with respect to each of the four charges that are made in Section 2. The WtW grant was never structured as a performance-based contract whereby we set numerical targets and then were required to meet them or we would have to give back the funding we had received. Nor were they structured in such a way that we had to hit all of those numerical targets in order to continue receiving federal funding.

Instead, we were repeatedly urged by DOL/ETA – in their monitoring visits and in communications from Washington – to set aggressive goals for things like the number of people we would serve, the number that would be reached by Adult Ed, etc. On each of these contracts, we and our contractors made our best efforts to set aggressive goals and then did all we could to

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meet those aggressive goals. The DOL/ETA was an active partner in this goal-setting and performance review and repeatedly approved our plans and sanctioned our efforts.

Finding 2a – Reimbursement of \$1,375,940 to Career Resources, Inc. (CRI) to provide case management services to custodial parents was unreasonable and the services provided were inadequate.

The OIG's fundamental contention in the February 26, 2007 draft report with respect to Career Resources, Inc. (CRI) appears to be that, because CRI ultimately ended up serving a smaller number of WtW customers than originally envisioned, all of the money awarded to it ought to be returned.

It should come as no surprise to you that our WtW effort ultimately served far fewer people than originally envisioned. The National Evaluation of the Welfare-to-Work Grants Program: Final Report, dated September, 2004 and prepared by Mathematica Policy Research, Inc. cited (on page xix of the Executive Summary) "six lessons regarding the design and implementation of employment programs for TANF recipients and individuals with significant labor market liabilities." Lesson #1 was:

Effective inter-agency partnerships are important. The WtW legislation required local programs to be implemented within a framework of partnership with local TANF agencies. However, effective partnerships were often slow to develop. In combination with falling welfare caseloads, this often resulted in low numbers of referrals of welfare recipients by TANF agencies to WtW programs, thereby exacerbating the difficulties that many local WtW programs experienced in achieving their enrollment targets (underlining added). In sites where effective partnerships ultimately did develop, they resulted in improved access for welfare recipients to the workforce development system.

Lesson #4 from that same report reads as follows:

Stringent eligibility criteria and fiscal requirements can result in low program enrollment. WtW grantees had to spend at least 70 percent of their grant funds on services for enrollees who met detailed, restrictive eligibility requirements. This requirement contributed to the widespread problems that grantees experienced in achieving enrollment targets during the early years of the WtW program. (underlining added).

Lesson #5 from that same report reads as follows:

Correcting the rules governing a temporary program may be ineffective. The 1999 amendments to the BBA loosened the criteria that defined the enrollees on whom at least 70 percent of grant funds had to be spent. They also expanded the list of allowable pre-employment program activities to include more use of vocational education and job training. However, these changes had limited effect, because the final rules reflecting the amendments were published late in the life of the program (underlining added), and

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grantees were reluctant to revise existing procedures and referral agreements with local TANF agencies.

Like many of our colleagues across the country, we were ultimately not able to serve the number of WtW customers that we originally targeted. This was no surprise to DOL/ETA. In fact, it was a subject of conversation during each of the last two monitoring visits from DOL/ETA. However, at the end of each of those visits, **corrective action was taken and the findings resolved.** To the extent that our contracts with CRI ultimately reduced the number of clients to be served by them, DOL/ETA was completely in the loop about those decisions – and ultimately signed off on them by continuing to approve our yearly submissions for funding and by not raising them in their monitoring visits. For you to raise them now – 3 ½ years after the grant has been closed out – is deeply objectionable.

Enrolling participants proved to be more of a challenge than had been expected for several reasons here at the local level. First of all, TANF recipients had other services available to them through the TANF agency. These services included work bonuses for retaining employment as well as Employment Retention Assistance that provided emergency funding for needs that arose that could have led to loss of employment. TANF recipients tended to exhaust these benefits prior to engaging in WtW. Secondly, many persons certified for WtW services chose not to engage with an additional agency when they were so newly removed from the TANF rolls and may still have been working with their TANF case manager. Thirdly, there were numerous difficulties in reaching those who may have been eligible due to changes in address, changes in or lack of a phone number, work schedule, family barriers such as domestic violence, etc. Considerable energy was spent on reaching participants both prior to and after enrollment. Finally, WtW was a service available to eligible persons, but was not mandated for any of the TANF population.

The February 26, 2007 draft report is factually inaccurate and incomplete in leaving out the dialogue that KentuckianaWorks had with DOL/ETA regarding these enrollment numbers. To continue to measure CRI's effectiveness against the total number of people targeted for service in the first contract (3,270) without mentioning our acknowledged difficulties in meeting these aggressive enrollment numbers, our contract modifications to adjust those numbers to more realistic ones, and the DOL/ETA's approval of those modifications leaves out facts that are relevant and significant to any fair consideration of this matter.

The last three paragraphs of this section appear to repeat the argument first offered in Finding 1 of the August 3, 2003 OIG Statement of Facts – that WtW clients did not receive services from the WtW program. This time, it is phrased as “we conclude that services received from CRI only indirectly related to post-employment services. Based on a review of the custodial parent case files, case managers did not enroll participants in post-employment activities....”

As we stated in our response to Fact 1 on August 29, 2003:

20 CFR 645.220 cites *examples* for allowable post-employment services with the following statement: “Post-employment services include such services as:

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2. Occupational skills training;
3. English as a second language training; and
4. Mentoring.

Our local WtW program did not read this as “Post employment services must be one of the following....” Additional post-employment services other than those stated in 20 CFR Part 645.220 were provided through contracts with KentuckianaWorks to best meet the local needs of eligible participants.

Stated in all Competitive Grant Quarterly Narrative Progress Reports and local plans approved for the Formula Grant, KentuckianaWorks WtW post-employment services included intensive case management services. Furthermore, post-employment “intensive case management services” was approved by DOL/ETA as a service in the May 2001 request (and June 2001 award) for a no-cost 2-year extension to the WtW Competitive Grant. Neither DOL/ETA GOTRs nor state monitors provided technical assistance to inform the grantee that this service was unallowable as an identified post-employment service.

Finding 2b – WtW funds in the amount of \$397,687 were not expended effectively by the Jefferson County Public Schools Department of Education.

The core contention cited by the February 26, 2007 discussion draft is that Jefferson County Public Schools Adult Education (JCPS Adult Ed) was paid \$397,687 to provide adult education training to Welfare-to-Work participants “similar to training offered free to citizens of Jefferson County.” This is factually inaccurate. W-t-W clients were provided a customized, individualized, intense set of educational learning opportunities with one-on-one instruction delivered either at their home or at their worksite. Nothing like this was available through the normal Adult Ed classes taught by JCPS.

JCPS Adult Ed provides Adult Education classes that are open to the public. These classes typically meet twice a week for a total of 4-5 hours. Class size varies from 12-30. As noted in Attachment H of our August 29, 2003 response to the OIG statement of facts, “standard materials/software provided through the community-based GED instruction program classroom were for classroom use only and could not be taken home by students.”

The Adult Education component of our Welfare-to-Work grant focused on serving welfare recipients with the least skills, education and employment experience. It was designed to deliver instruction in a fundamentally different way from the normal Adult Ed classes in order to address three key barriers for the target population:

- It was delivered in the home and at the workplace – thus eliminating the time barrier for many participants who were working in part-time jobs or in jobs with varying shifts which made their attendance in formalized/scheduled classes very difficult.
- Delivering it in the home and at the workplace also eliminated the child care barrier. Nearly all licensed child care facilities close by 6:00 p.m., making it very difficult for

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customers to attend the evening sessions of normal Adult Ed classes that typically start at 5:30 p.m.

- This delivery model also eliminated the transportation barrier that particularly affected participants who did not live on a bus line and for those in outlying counties where public transportation was not available or was very limited. Transportation was also a barrier for women at night who lived in high crime areas.

The services provided to W-t-W customers were fundamentally different from those provided the normal Adult Ed student. As Attachment H made clear, specialized software was purchased that “was designed specifically for customizing instruction for the welfare-to-work participants in order to upgrade basic academic skills, such as reading, mathematics, and writing, in preparation for the GED test. This software was loaded onto computers so it could be used for both in-home and workplace instruction purposes for welfare-to-work participants.” Nothing like this was available to participants in the normal Adult Ed classes.

As Attachment H notes, “The software purchased also allowed instructors to individualize instruction to meet the needs of the welfare-to-work participants in specific occupational areas.” This kind of contextualized learning, focused on specific occupational areas, was not available in normal Adult Ed classes.

The Adult Ed component of our W-t-W effort provided a whole range of services that were not available to ordinary Adult Ed students. These included:

- Home visits by instructors that were arranged to meet the participants’ schedules.
- Development of a Career Plan with documented employment and career goals based on results from the System for Assessment & Group Evaluation (or S.A.G.E.) test.
- Individualized instruction tailored to the work and Career Plan of the individual. This individualized, contextualized instruction encompassed not only computerized instruction, but also additional assignment and tutoring that JCPS customized to the participants’ individual Career Plans.
- Assessment of attitude, motivation, learning styles, job retention strategies, knowledge, computer skills and adaptability to ensure that the offered services meet the needs of individual participants.
- Use of the WtW participants’ worksites as a location for providing customized, individualized services contextualized to the worksite. This kind of instruction at the worksite is not provided as part of the normal Adult Ed classes. It is provided only when a fee is charged (usually to the employer).
- Refurbished computers equipped with licensed educational programs customized to the participants’ individual needs were installed in participants’ homes, allowing computer aided instruction anytime.
- Ongoing in-home technical support for computers and assistance in completing assignments.
- Computers and computer skills training sessions provided computer skills to enable participants to benefit from computer assisted basic skills software and become more employable in the 21st Century jobs.

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- Marketing of services outlined in the KentuckianaWorks grant to 200 employers, including information regarding tax credits associated with worksite training.

None of these services were available through the normal Adult Ed classes. To imply that they were is untrue and misleading.

With respect to staffing, the February 26, 2007 draft report states on page 9 that:

Based on our review of the contract, 79 percent of the charges were for agency personnel. Three of the four staff members assigned to the initial contract were already employed by Jefferson County Public Schools Department of Adult Education.

By this statement, the February 26, 2007 draft report appears to imply two things: 1) that we shouldn't have spent 79% of these funds on personnel; and 2) that JCPS Adult Ed somehow did something wrong by assigning personnel already employed by them to work on the WtW project. Both of these contentions are factually incorrect.

First, the Adult Ed component of the WtW grant focused on eliminating barriers to welfare participants improving their basic skills and attaining their GED. The strategy – reviewed and approved multiple times by DOL/ETA monitors – was to provide home-based and work-based instruction. Because this was a labor intensive approach – often requiring one-on-one interactions between instructors and WtW participants, it is neither surprising nor objectionable that 79% of the grant funds went to personnel costs on this contract. That is exactly what we were paying for – the time of instructors who could work with individual clients to help them succeed.

Secondly, there is nothing objectionable about the fact that JCPS Adult Ed turned to experienced staff members to implement this effort. The Adult and Continuing Education Unit is a self supporting entity within the Jefferson County Board of Education District. Adult and Continuing Education personnel costs are covered by funding from the programs in which they are scheduled to work. The Unit hires highly qualified full-time employees. The innovative model that was designed for WtW participants required intensive, individualized and ongoing training and support by staff members of the Jefferson County Board of Education. Due to the need to start services quickly in order to meet aggressive service goals and outcomes, qualified fulltime, experienced personnel were reassigned to these grants.

The February 26, 2007 draft report concludes by stating that, “Based on the limited training results reported in relation to the cost incurred, and because similar free services were available to the citizens of Jefferson County through the Jefferson County Public Schools Department of Adult Education, we conclude that WtW grant expenditures were not necessary or reasonable.” The report provides no explanation at all – nor any foundation for – the claim that the contract produced “limited training results.”

The report cites the fact that 61 participants were enrolled in customized training and that 49 completed it. This is a success rate of 79% -- hardly the kind of performance that could be called “limited.” Similarly, the report notes that “only 15 of the 61 participants enrolled used their

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computers at work,” but because so many participants had low literacy and overall educational levels, this was not a surprise. The computer training was provided to participants not just so it could help them in their current job, but so it could help them prepare themselves to get the next one as well.

These are the only two “performance issues” raised. Neither states any case at all that would justify the contention that grant funds should be returned because of poor performance.

In the study titled Understanding Cost of the DOL Welfare to Work Grants Program, the costs per placement ranged from \$3,251 to \$13,778. We are not sure how the cost per completion was calculated; however, it appears the combined cost of the three JCPS contracts was used but only the number of participants served in one contract was used in determining completions. According to our calculation, the cost per completion is \$5,099. (\$397,687 divided by 78 participants completing training.) The cost per participant was within a reasonable range.

Finding 2c – KentuckianaWorks did not conduct an appropriate analysis of the benefits to WtW participants prior to awarding contracts to the Transit Authority of River City (TARC).

The core contention in Finding 2c of the February 26, 2007 draft report appears in the first paragraph: “The contract files did not support whether KentuckianaWorks conducted an evaluation to determine if the services were needed, projected how many participants would utilize the bus service, or considered other transportation options.”

As we stated in our August 29, 2003 response to Fact 21:

Alternatives to transportation for WtW participants were explored. As an example, KentuckianaWorks explored the possibility of obtaining donated automobiles to include in program implementation for eligible participants, however, technical assistance from DOL instructed this was not permissible.

It should be obvious to anyone that transportation issues were a serious barrier to WtW participants – in Louisville and across the country. In fact, the grant application to DOL stated on page 11 that:

According to a survey of nonprofit employment specialists who work with welfare recipients, transportation was cited as the single greatest challenge in matching clients with jobs. Particularly problematic is transportation in the evenings and at night. Bus service is greatly reduced at night in many of the areas and there is no light rail or subway system. This is critical for the TANF population because many of the lower skilled jobs are in industries with night shifts and high demand for low-skilled labor. In addition, most of these industries are located closer to the edge of the county while most of the TANF population is concentrated in the South Central and West End of the city. Conversely, these areas are particularly lacking in employment opportunities, even to the extent of having few local retail stores, groceries, dry cleaners, and so on.

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Thus, it is clear from the plain language of our application for the WtW grant that KentuckianaWorks conducted an evaluation to determine if the services were needed and considered other transportation options. To continue to refer to the “contract files” not supporting whether KentuckianaWorks conducted an evaluation to determine if the transportation services were needed – when evidence of that fact is clear and incontrovertible in the grant application itself – is misleading and erroneous.

To contend that KentuckianaWorks should have “projected how many participants would utilize the bus service” is also in error. We would have had no way of projecting in advance how many participants would utilize the night time bus service. Instead, we chose to utilize the WtW grant funds to provide the opportunity to all of the WtW customers who would be served by the grant – a fact that we made plain and clear in our grant application, which said:

In a unique adaptation of a program started by Transit Authority of River City (TARC) and others, Competitive funds will be used to expand the Night Owl service. Night Owl fills a gap in evening and night public transportation. Currently, the Jefferson County Enterprise Community is being served under a pilot project with the River City Transit Authority (TARC) with enhanced nighttime public transit. Through WtW Competitive funds we will leverage an already successful program and expand the services throughout the County.

The goal is to provide bus service during the night hours to enable recipients to accept, and keep, jobs at later hours. Night Owl, which runs between 11 p.m. and 5 a.m., will be expanded to allow people from all areas of the county to receive bus service at these hours.

The February 26, 2007 draft report in paragraph 3 on page 10 repeats the introduction of new facts that were not previously presented in the August 3, 2003 Statement of Fact. Instead, these facts first appeared 3 ½ years later in the December 12, 2006 draft discussion report. The February 26, 2007 draft report states:

According to KentuckianaWorks, from July 1, 1998 through June 30, 2003, 930 personalized applications were received. Of the 930 personalized applications, only 39, or 4.2 percent, were submitted by WtW participants.

We object to the introduction of new facts that were not mentioned in the original August 3, 2003 Statement of Facts.

Before July 1, 2002 we had developed no mechanism for tracking the individual usage of the Nia Night Owl service by WtW clients. Thus, the records from TARC that have been provided to you show what was being tracked at the time: the total number of rides provided by the service each month and the total number of new people who were taking advantage of the service.

Beginning July 1, 2002, KentuckianaWorks began providing officials at TARC with a list of WtW participants. TARC officials compared that list against the list of people who had registered to ride on the Nia Night Owl service. They then provided KentuckianaWorks with a

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monthly count of the number of WtW participants who had applications on file to use the service. These reports demonstrate that, in the last year of a five year grant that was winding down, 39 WtW clients utilized the Nia Night Owl service to get to work.

Finding 2d – KentuckianaWorks paid an excessive amount to Seven Counties Services for services that were not adequately measured and were provided free to citizens of the area.

The core contention of the February 26, 2007 draft report is that KentuckianaWorks paid Seven Counties Services for something that Seven Counties already provided free to citizens of the area. The report concludes that, “WtW funds were used to pay salaries for employees already employed by Seven Counties Services, as well as other expenses associated with operating the crisis hotline, which already existed and provided services free of charge to the citizens of the respective counties.” This is factually inaccurate.

Seven Counties’ Crisis and Information Center (SCS/CIC) offered around the clock mental health outreach and response to Welfare-to-Work participants, their employers, and collaborating agencies on a line designated specifically for Welfare-to-Work participants and employers. Welfare-to-Work clients received numerous services that were not available to the public, including:

- For the first two years of the contract, two psychiatric social workers were assigned solely to work face-to-face with Welfare-to-Work participants and their employers. They trained and consulted with crisis line staff, other Welfare-to-Work contractors, and employers to identify and treat participants with substance abuse and mental health needs. These two psychiatric social workers worked with participants on issues prompting resource bank requests to resolve the current problem and to develop crisis plans. They attempted to develop resources (for example, sick child care) when it became apparent that none existed.
- For the life of the grant, 24/7 access to the Resource Bank operated by Jefferson County Human Services for same-day access to funds to maintain employment. All bank requests came through the crisis line for the life of the grant, and during the first two years of the grant these requests were reviewed and approved first by the Welfare-to-Work social workers employed by SCS/CIC.
- For the life of the grant, 24/7 access to emergency resources available only to Welfare-to-Work participants and employers (i.e., child care, legal assistance, transportation).

In the period prior to January 2001, the Seven Counties contract paid for the portion of Seven Counties’ staff time required to develop the 24/7 line that was set up only for WtW clients. It paid for the services of the two psychiatric social workers who were dedicated 100% of the time to working with and on behalf of WtW clients. It paid to provide the special training required to staff a specialized line and to follow the unique procedures and documentation associated with it. Up until June 30, 2000, the contract also provided for a \$10 per call fee to be provided to Seven Counties for each call received through the special WtW line. Thus, KentuckianaWorks paid for the development of a special product for WtW customers, two staff people who served no one but WtW customers, the training of Seven Counties staff to be able to meet the needs of the customers calling in on the special line, and a per call fee for usage. This in no way can be fairly characterized as paying for something that was otherwise available for free.

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Beginning July 1, 2000, KentuckianaWorks agreed to provide a flat amount to offset a portion of the overall cost of running the crisis line, because the same crisis intervention counselors who answered calls from the general public also answered the calls from the special number for WtW customers. In this sense, KW paid for a portion of the overall capacity of the crisis line because a portion of that overall capacity was being dedicated to the needs of the WtW clients. Funding also supported the special training requirements that crisis intervention counselors needed in order to meet the needs of WtW clients when they called the special number set aside for them.

The February 26, 2007 draft report also contends that KentuckianaWorks “paid an excessive amount” for the services that were offered to WtW clients. This argument is made primarily by highlighting the gap between the aggressive goals that were set for the number of calls that would be received and the actual number of calls that were received.

As stated in our response to Section 2a above, national reviews of the WtW grant have made abundantly clear that KentuckianaWorks was not alone in setting aggressively high targets for the number of customers to be served, only to have rigid eligibility criteria and other barriers lead to a much smaller number of customers ultimately enrolled. This same dynamic – setting aggressive goals for usage, only to have to readjust them downward as our on-the-ground efforts made clear how difficult it would turn out to be to enroll WtW participants in the program – clearly affected the call volume received by Seven Counties.

Here again, it is important to point out that repeated monitoring visits from the DOL/ETA reviewed the call volume and other performance indicators of this contract and did not present any findings to KentuckianaWorks. Instead, DOL/ETA monitors continued to urge us to set aggressive goals for enrollment – and therefore also for the kinds of crisis intervention services that Seven Counties was prepared to provide. Nothing in any of those monitoring visits suggested that we should abandon the infrastructure built at Seven Counties to provide these services.

Section 2. Did KentuckianaWorks comply with participant reporting requirements by submitting accurate and reliable performance reports?

Performance data were inaccurately reported. This section repeats the error that we have already discussed above on pages 6 and 7, claiming wrongly that intensive case management services were not an allowable post-employment service.

As we stated in our response to Fact 1 on August 29, 2003:

20 CFR 645.220 cites *examples* for allowable post-employment services with the following statement: “Post-employment services include such services as:

5. Basic education skills training;
6. Occupational skills training;
7. English as a second language training; and
8. Mentoring.

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Our local WtW program did not read this as “Post employment services must be one of the following....” Additional post-employment services other than those stated in 20 CFR Part 645.220 were provided through contracts with KentuckianaWorks to best meet the local needs of eligible participants.

Stated in all Competitive Grant Quarterly Narrative Progress Reports and local plans approved for the Formula Grant, KentuckianaWorks WtW post-employment services included intensive case management services. Furthermore, post-employment “intensive case management services” was approved by DOL/ETA as a service in the May 2001 request (and June 2001 award) for a no-cost 2-year extension to the WtW Competitive Grant. Neither DOL/ETA GOTRs nor state monitors provided technical assistance to inform the grantee that this service was unallowable as an identified post-employment service.

Retention data were inaccurately reported or missing from files. Retention data were gathered, tracked and reported in relation to availability of definitions and clarity from the U.S. Department of Labor. Availability and consistency of guidelines and technical assistance from the U.S. Department of Labor were overwhelmingly lacking. When definitions, clarity and consistency of definitions were not available, KentuckianaWorks had no choice but to record, track and report data to the best of their abilities. The receipt of technical assistance well into the years of the grant did not allow for consistency and accuracy of reporting over the entire grant period. At one point near the end of the grant, a nationally automated reporting system for WtW was in development, but it not-so-surprisingly got scrapped due to the complexity and inconsistency of definitions for reporting elements and, subsequently, the inability to report accurately.

Wage gains were inaccurately reported. Wage gains were gathered, tracked and reported in relation to availability of definitions and clarity from the U.S. Department of Labor. Availability and consistency of guidelines and technical assistance from the U.S. Department of Labor were overwhelmingly lacking. When definitions, clarity and consistency of definitions were not available, KentuckianaWorks had no choice but to record, track and report data to the best of their abilities. The receipt of technical assistance well into the years of the grant did not allow for consistency and accuracy of reporting over the entire grant period. At one point near the end of the grant, a nationally automated reporting system for WtW was in development, but it not-so-surprisingly got scrapped due to the complexity and inconsistency of definitions for reporting elements and, subsequently, the inability to report accurately.