

Auditee Response

MEMORANDUM FOR: Paula N. Denman
Audit Director, OIG

Dwight E. Gates
Audit Manager, OIG

FROM: Deborah Lum,
AWDA Executive Director

DATE: October 24, 2008

SUBJECT: The City of Atlanta, Georgia Did Not Adequately Manage
Welfare-to-Work and Workforce Investment Act Grants
Draft Audit Report No. 04-08-001-03-001

The Atlanta Workforce Development Agency (AWDA) has had an opportunity to review the Office of the Inspector General's findings and recommendations contained within the performance audit of the City of Atlanta, Georgia's management of Welfare-to-Work (WtW) and Workforce Investment Act (WIA) grant funds between 1998 and 2003. AWDA appreciates the Office of Inspector General's approval of a thirty (30) day extension which allowed AWDA the opportunity to analyze and evaluate the underlying documentation associated with the performance audit to substantiate the validity of the findings noted by your office. Based upon our analysis and review of existing documentation, AWDA strongly disagrees with the two (2) primary findings of the audit report and the recommendations for full recovery of questioned costs related to WtW and WIA grants in a total amount of \$11.3 million. AWDA's response to the two (2) findings and six (6) recommendations is provided below.

FINDING NO. 1 - Atlanta did not have effective financial management systems for managing its WtW and WIA grant funds.

RESPONSE NO. 1:

AWDA disagrees with the assertion that Atlanta failed to comply with federal procurement requirements ensuring full and open competition of vendor contact awards. The City of Atlanta, Georgia is committed to an ongoing policy of ensuring the fair and equitable treatment of all persons who deal with the procurement system and real estate transactions

of the city, while fostering effective broad based competition for public procurement within the free enterprise system. In this vein, the City of Atlanta has codified Chapter 2, Article X, "Procurement and Real Estate Code", Section 2-1101 et seq. of the Code of Ordinances of the City of Atlanta, Georgia. During the time period under review as the basis of the performance audit, AWDA followed the general procurement parameters prescribed within these defined ordinances. Notably, AWDA's document review established that solicitations for WtW proposals were in fact conducted in accordance with the parameters of a full and open competitive procurement process, including but not limited to notices inviting bids via publication within a newspaper of general circulation. Moreover, AWDA's document review established that eligible bids were in fact reviewed and rated by a team of AWDA personnel in compliance with a full and open competitive procurement process.

Furthermore, the City of Atlanta conducted an extensive analysis and audit of our records and determined that as the recipient of the grant:

- The City of Atlanta has established and maintained a system of accounting and internal controls and has ensured that an adequate system was in place for each sub-recipient, contractor and for all delegated programs.
- The City Of Atlanta established and maintained a system of internal controls to adequately safeguard grant funds and resources; to check the accuracy and reliability of the grant accounting and financial data; to promote its operational efficiency; and to encourage adherence to prescribed managerial policies.

The City of Atlanta's approach to the Audit was as follows:

1. Determine the Major Vendors Paid

The major vendors for the Welfare-to-Work (WtW) and Workforce Investment Act (WIA) grant funds were:

- a. Special Touch
- b. Diversified Acclimated Workforce
- c. Career Works
- d. Creative Life
- e. Blessing Ministries
- f. E.C. London
- g. Office Automation
- h. Premier Training
- i. Clinical Group
- j. Grant Associates
- k. Millennium Training
- l. Norman H. Ross
- m. Legal Tech.
- n. AT&T

2. Perform Random Tests

From the aforementioned list of vendors, we randomly tested 151 disbursement requests made by the City of Atlanta. In this test, it was determined that each invoice contained supporting documentation and in many instances, (i.e. Premier Training) documents included the name of the recipients served, social security numbers, enrollment dates, amount requested, employment/retention verification post-hire follow-up tracking forms for each person paid by the invoice. Each invoice was grouped by the Vendor Group #, invoice #, Invoice amount, Fund #, Account #, and Project Center # and paid check #.

3. Verify Vendor Contracts

We were able to locate, test and verify 80 major contracts totaling 10,543,376.18.

4. Monitoring and Progress Reports

Atlanta Workforce Development Agency performed Monitoring and issued progress reports that are located in some major vendor contract folders.

5. Copies of Checks

From the City of Atlanta's Financial Accounting System, MARS-G, we were able to research and pull copies of cancelled checks, both front and back.

6. Payroll Registers/ Personnel Records

Included in our findings are the payroll registers and payroll trial balances.

After conducting the audit of the above referenced vendors, the City of Atlanta is confident that the City's financial system was able to provide the recipient with reliable financial data for planning, control, measurement, and evaluation of AWDA's projects required for efficient and economical operation of the grant funded programs.

The City's controls provided sufficient controls to ensure that the expenditures of funds and use of property were in conformance with Federal regulations and requirements.

In addition, we were able to locate "Financial Status Report" for the grants in question and payroll documentation for employees assigned to work on the program. This additional documentation is confirmation that the City met the prescribed requirements for periodic financial reporting of operations of grant funds.

As an ancillary note, AWDA's review of ETA's monitoring reports during this time period which identified minor issues with administration of the grants, failed to identify any competitive procurement irregularities with Atlanta's process and procedures.

NOTE: Atlanta has possession of and has provided representative documents to support the validity of our response.

FINDING NO. 2 - Atlanta could not demonstrate that it always complied with eligibility requirements when enrolling individuals into WtW and WIA Youth programs.

RESPONSE NO. 2:

AWDA disagrees with the assertion that eligibility requirements for participants was not adequately validated or supported by sufficient documentation. AWDA is in possession of and has reviewed its participant files to assess the processes for determining participant eligibility. Notably, AWDA's document review established that participants were deemed eligible for WtW programs based on the seventy percent (70 %) or thirty percent (30 %) eligibility criteria/categories. Several participants whose files were identified as missing were enrolled in the GoodWorks! Program to receive assessment, work evaluation, work adjustment, job placement and retention services. Moreover, AWDA's document review established identified one (1) youth listed as "Not Registered for Selective Service" with an active registration. The remaining youth were not registered because they were high school drop-outs and incarcerated.

NOTE: Atlanta has possession of and has provided representative documents to support the validity of our response.

RECOMMENDATION NO. 1 - [The Deputy Assistant Secretary for Employment and Training] recover questioned costs related to WtW grants totaling \$10.1 million.

RESPONSE NO. 3:

See Response No. 1 and 2.

RECOMMENDATION NO. 2 - [The Deputy Assistant Secretary for Employment and Training] recover questioned costs related to WIA grants totaling \$1.2 million.

RESPONSE NO. 4:

See Response No. 1 and 2.

RECOMMENDATION NO. 3 - [The Deputy Assistant Secretary for Employment and Training] ensure that ETA conducts timely follow ups to determine whether grantees have implemented effective corrective actions in response to problems identified in monitoring reports.

RESPONSE NO. 5:

N/A.

RECOMMENDATION NO. 4 - [Atlanta develops and implements effective policies and procedures to] maintain support, including QFSRs, for WIA grant expenditures in compliance with Federal regulations.

RESPONSE NO. 6:

AWDA has existing policies and procedures to ensure compliance with all federal regulations to maintain support, including QFSRs, for WIA grant expenditures.

RECOMMENDATION NO. 5 - [Atlanta develops and implements effective policies and procedures to] reconcile WIA grant expenditures with draw downs.

RESPONSE NO. 7:

AWDA has existing policies and procedures to ensure compliance with all federal regulations to reconcile WIA grant expenditures with draw downs.

RECOMMENDATION NO. 6 - [Atlanta develops and implements effective policies and procedures to] comply with program eligibility requirements when enrolling individuals in WIA funded programs and maintain support documentation, including QFSRs.

RESPONSE NO. 7:

AWDA has existing policies and procedures to ensure compliance with all federal regulations to maintain support documentation, including QFSRs, and validation of program eligibility requirements when enrolling individuals in WIA funded programs.