

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

BRIEFLY...

Highlights of Report Number 03-14-002-03-390, issued to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

OIG received an anonymous complaint in September 2011 alleging fraud, waste, and abuse of \$1 million of Workforce Investment Act (WIA) Title IB funds by Charlotte Works Workforce Development Board related to the reorganization of its one-stop delivery system. Specifically, the complainant alleged Charlotte Works improperly spent WIA Title IB funds developing a new facility and website for employers, constructing a new facility within the one-stop delivery system, having an inflated number of staff and staff salaries that resulted in holding back funds to train participants, and incurring extravagant travel. For the period July 1, 2009, through June 30, 2012, Charlotte Works reported more than \$15 million in expenditures of WIA Title IB funds.

WHY OIG CONDUCTED THE AUDIT

Our audit objective was to answer the following question:

Did Charlotte Works comply with WIA requirements in reorganizing its one-stop delivery system and establishing an employer website, and properly expend WIA Title IB funds?

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to: <http://www.oig.dol.gov/public/reports/oa/2014/03-14-002-03-390.pdf>.

September 2014

THE CHARLOTTE WORKS REORGANIZED ONE-STOP DELIVERY SYSTEM MET MOST WORKFORCE INVESTMENT ACT REQUIREMENTS

WHAT OIG FOUND

The OIG found that, with few exceptions, Charlotte Works complied with WIA requirements in reorganizing its one-stop delivery system and establishing an employer website, and properly expended WIA Title IB funds. Charlotte Works' number of staff and related salaries were reasonable and it properly used WIA funds for travel. However, we found that Charlotte Works did not properly update a memorandum of understanding (MOU) with its workforce development partners, did not obtain approval to provide WIA services at the new Employer Engagement Center, mischarged WIA funds related to the Center's creation, charged costs that exceeded the 10 percent WIA limitation for administrative costs, and enrolled fewer participants and spent less on training after it reorganized its one-stop system. While we concluded these exceptions did not rise to the level of fraud, waste, and abuse of WIA Title IB funds as alleged in the complaint, we identified \$126,159 in WIA funds that Charlotte Works improperly spent.

WHAT OIG RECOMMENDED

The OIG recommended that the Department require Charlotte Works to update its MOU with partner agencies and procure a contractor to provide WIA services and operate the Employment Engagement Center. We also recommended that the Department require Charlotte Works to implement policies and procedures to address the remaining issues we found, and recover \$126,159 in WIA funds that were improperly used.

Charlotte Works disagreed with our findings related to improper expenditures for the renovation of the Employer Engagement Center, and stated it had identified program costs improperly classified as administrative costs that would more than offset the amount we identified as exceeding the 10 percent WIA administrative costs limitation.

ETA stated it will pursue necessary corrective actions through its normal audit resolution procedures.