



BRIEFLY...

EXPERIENCE WORKS, INC. MISUSED MORE THAN \$4 MILLION IN SCSEP GRANT FUNDS

September 28 2018

WHY OIG CONDUCTED THE AUDIT

We conducted an audit of Experience Works, Inc. (EW) – a Senior Community Service Employment Program (SCSEP) grantee – to address numerous complaints alleging misuse of federal funds. We also received Congressional and agency requests to audit possible misuse of federal funds.

SCSEP is administered by the U.S. Department of Labor's Employment and Training Administration (ETA). During program years 2012-2015, EW was the largest recipient of SCSEP federal grant funds. EW annually received about \$84 million directly from ETA to provide job skills training to thousands of unemployed seniors who have little or no income so they can obtain unsubsidized employment.

WHAT OIG DID

We conducted a performance audit to determine the following:

Did Experience Works, Inc. properly use SCSEP grant funds?

Our work included analyzing EW's general ledger accounts, bank records, and financial reports; reviewing supporting details; and interviewing EW and ETA officials.

READ THE FULL REPORT

<http://www.oig.dol.gov/public/reports/oa/2018/26-18-002-03-360.pdf>

WHAT OIG FOUND

EW significantly misused SCSEP grant funds totaling \$4.2 million from 2012 through 2015. We found EW improperly used \$2.35 million from its grant-funded employee leave account for unauthorized expenses. EW's actions so depleted the account that it was unable to meet its obligations to pay earned leave to 175 separated employees, shortchanging them a total of \$294,577.

EW also misused \$1.83 million, which was comprised of \$759,875 in unreasonable expenses for EW's former Board of Directors' Chairman and other former high-level executives' compensation; \$679,094 in unreasonable severance payments; and \$392,197 on unreasonable and unsupported travel and other expenses.

A significant factor that contributed to the misuse of funds was the lack of an effective control environment. EW's former executives fiscally mismanaged federal grant funds and disregarded or overrode key internal controls. ETA was also culpable due to its inadequate oversight of EW, which allowed the misuse of grant funds to go unchecked for years. By the time ETA initiated a comprehensive review of EW in 2015, EW had already misused millions of dollars in grant funds. Subsequently, in October 2016, ETA reduced EW's direct SCSEP grant funds from \$84 million to \$11.5 million.

WHAT OIG RECOMMENDED

We recommended the Principal Deputy Assistant Secretary for Employment and Training require EW to repay \$1.3 million to its leave account, pay \$294,577 in owed annual leave to former employees, reimburse \$1.83 million to DOL for questioned costs, and improve internal controls. We also recommended ETA improve its oversight and monitoring of SCSEP grant funds, and ensure EW's corrective actions are adequate to safeguard federal funds.

ETA agreed with our recommendations and said it has taken corrective actions. EW said that we overstated the amount of misused SCSEP grant funds, but will work with ETA to resolve questioned costs listed in the report.