

U.S. Department of Labor

Office of Inspector General – Office of Audit

**EMPLOYMENT AND TRAINING
ADMINISTRATION**



**THE CITY OF ATLANTA, GEORGIA
DID NOT ADEQUATELY MANAGE
WELFARE-TO- WORK AND
WORKFORCE INVESTMENT ACT GRANTS**

Date Issued: November 17, 2008
Report Number: 04-09-001-03-001

**Department of Labor
Office of Inspector General
Office of Audit**

BRIEFLY...

Highlights of Report Number 04-09-001-03-001, report to the Deputy Assistant Secretary for Employment and Training, dated November 17, 2008.

WHY READ THE REPORT

The City of Atlanta was awarded Welfare-to-Work (WtW) and Workforce Investment Act (WIA) funds to assist eligible participants in obtaining employment. WtW participants received job readiness training, job placement services, and job retention assistance. WIA provided participants with services such as job search, placement, counseling, job readiness, and training.

Atlanta spent \$10.1 million in WtW grant funds between 1998 and 2004. During 2001 through 2003, Atlanta spent \$9.7 million of WIA Youth and Adult grant funds.

WHY OIG DID THE AUDIT

OIG conducted a performance audit of Atlanta's management of the WtW and WIA grant funds. We conducted this audit because an independent public accounting firm reported material weaknesses in Atlanta's cash management, financial reporting and participant eligibility for DOL programs in 2002. The audit focused on whether Atlanta adequately managed its WtW and WIA grant expenditures and complied with eligibility requirements when enrolling individuals into WtW and WIA programs.

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/2009/04-09-001-03-001.pdf>

November 2008

The City of Atlanta, Georgia Did Not Adequately Manage Welfare-to-Work and Workforce Investment Act Grants

WHAT OIG FOUND

We found that Atlanta did not have effective financial management systems for managing WtW and WIA funds. Specifically, Atlanta did not provide evidence that it complied with Federal procurement requirements. Atlanta also made payments to contractors that were not adequately supported. As a result, we questioned a total of \$10.1 million related to unsupported WtW grant expenditures

Atlanta paid WIA contractors for program services without adequate support, posted expenses to a general ledger account without proper support, and commingled WIA funds and non-DOL funds without the ability to trace or support the disbursements of the commingled funds. We questioned a total of \$1.2 million for unsupported costs related to WIA grant expenditures.

Atlanta did not have effective controls for tracing of WIA and WtW draw downs and expenditures to specific grants. In addition, Atlanta could not demonstrate that it always complied with eligibility requirements when enrolling individuals into WtW and WIA Youth programs.

WHAT OIG RECOMMENDED

The OIG recommended that the Deputy Assistant Secretary for Employment and Training:

- Recover \$11.3 in questioned costs related to unsupported WtW and WIA grant expenditures.
- Conduct timely follow-ups when grant monitoring reports identify problems.
- Ensure that Atlanta develops effective policies and procedures to maintain support for WIA grant, expenditures, reconcile grant expenditures with draw downs, and comply with program eligibility requirements.

The Executive Director of the Atlanta Workforce Development Agency (AWDA) strongly disagreed with the report's primary findings and recommendations to recover \$11.3 million of questioned costs. As appropriate, we made adjustments based on the information provided. However, the additional information did not cause us to revise our recommendations.

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Executive Summary

The Office of Inspector General conducted a performance audit of the City of Atlanta, Georgia's (Atlanta) management of Welfare-to-Work (WtW) and Workforce Investment Act (WIA) grant funds. We conducted our audit because an independent public accounting firm reported material weaknesses in Atlanta's cash management, financial reporting and participant eligibility for Department of Labor's (DOL) programs in 2002. Our audit covered \$19.8¹ million of WtW and WIA grant funds. Atlanta spent \$5 million for one WtW competitive grant and \$5.1 million for two WtW formula grants between 1998 and 2004. During 2001 through 2003, Atlanta spent \$9.7 million for WIA Youth and Adult grants. The Atlanta Workforce Development Agency (AWDA) administered the grants while Atlanta was the grantee.

Our audit was designed to answer the following questions:

1. Did Atlanta adequately manage its WtW and WIA grant funds?
2. Did Atlanta comply with eligibility requirements when enrolling individuals into the WtW and WIA Youth programs?

Results

We question a total of \$11.3 million dollars because Atlanta did not have adequate management controls to ensure: 1) WtW and WIA grant funds were spent in compliance with Federal laws and regulations, and 2) individuals enrolled in these programs met eligibility requirements. Atlanta lacked policies, procedures and oversight; which are key components of an effective financial management system. In addition, the Employment and Training Administration (ETA) raised concerns during its oversight visits. However, Atlanta did not document implementing any of ETA's corrective actions. ETA did not adequately follow-up on its monitoring concerns.

The Code of Federal Regulations (CFR) titled "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; Standards for Financial Management Systems" 29 CFR, Sec. 97.20 (29 CFR, Sec 97.20), states that grantees and subgrantees must have an adequate financial management system that includes internal and management controls necessary to ensure grant fund expenditures are allowable and authorized. Atlanta could not support that WtW and WIA funds were spent on allowable activities or on eligible participants. Therefore, Atlanta did not meet the standards for internal controls and allowable costs. Both WtW and WIA regulations required grantees to submit financial and participant summary information on a cumulative quarterly basis to their state or directly to ETA.

¹ Dollar figures in the executive summary have been rounded to the nearest hundred-thousand dollar. The exact amounts are contained in the body of the report.

1. Atlanta did not have effective financial management systems for managing its WtW and WIA grant funds.

For WtW grants, Atlanta did not provide evidence that it complied with Federal procurement requirements to ensure full and open competition of vendor contract awards. In addition, Atlanta made payments to contractors that were not supported by contracts, invoices or detail records for services provided to individuals. As a result, we question \$10.1 million of WtW grant expenditures.

For WIA grants, Atlanta paid contractors for program services without supporting documentation, posted expenses to the “Board of Directors” WIA Adult general ledger account without proper support, and commingled WIA funds² and non-DOL funds without the ability to trace or support disbursements. As a result, we question \$1.2 million of WIA grant expenditures.

In addition, Atlanta did not have effective controls to permit the tracing of WIA and WtW drawdowns and expenditures to specific grants. Nor could Atlanta reconcile grant expenditures with drawdowns. Further, neither ETA nor Atlanta was able to provide all of Atlanta’s Quarterly Financial Status Reports (QFSRs) for WtW or WIA.

2. Atlanta could not demonstrate that it always complied with eligibility requirements when enrolling individuals into WtW and WIA Youth programs.

Atlanta could not demonstrate that it always complied with eligibility requirements when enrolling individuals into WtW and WIA Youth programs. Atlanta could not locate all participant files and, in other cases, files lacked sufficient documentation to validate eligibility. The QFSRs for Atlanta’s WtW and WIA Youth programs as of December 2002 were not provided. We also determined individuals were ineligible to receive WIA Youth services.³ Without the records to determine participant eligibility, Atlanta was unable to determine if reimbursements to contractors for services provided to individuals were allowable.

Auditee Response

In response to our draft report, the Executive Director of AWDA strongly disagreed with the report’s two primary findings. Regarding the first finding, AWDA specifically challenged OIG’s determination that Atlanta did not comply with Federal procurement requirements ensuring full and open competition of vendor contract awards. AWDA provided a notice in a general circulation newspaper inviting bids for one contract and evidence that eligible bids for 8 of the 36 WtW contracts were rated by AWDA personnel. Additionally, AWDA disagreed with OIG’s conclusion that Atlanta could not validate the correctness of disbursements to vendors. To support this claim, AWDA provided OIG with a spreadsheet listing 14 major WtW and WIA vendors and 151 randomly selected disbursements.

² This finding includes questioned costs pertaining to both WIA and WtW grant funds.

³ Questioned costs related to contracted services are included in Finding 1.

AWDA also disagreed with the second finding stating it disagreed that eligibility requirements for participants were not adequately validated or supported by sufficient documentation. AWDA provided OIG with missing files and additional support for participant eligibility for some but not all WtW and Youth participants in OIG's sample.

Regarding documentation, AWDA noted it had possession of and had provided OIG with representative documents to support the validity of its response.

OIG Conclusion

We have considered AWDA's response in its entirety and found no additional information that would materially affect our findings and recommendations. The recommendations will be resolved as part of ETA's audit resolution process.

The additional information AWDA provided to support its assertion that Atlanta complied with federal procurement regulations was not sufficient to make a complete evaluation on the full and open competition of its procurement process when it awarded WtW contracts. To make a reasonable determination, copies of the requests for proposals, contractors' responses to the same and copies of the awarded contracts would be required. We repeatedly requested this documentation throughout our audit, but Atlanta did not provide the information.

We could not evaluate AWDA's random test of disbursements to 14 of its major WtW and WIA vendors due to insufficient supporting documentation. Regarding documentation that AWDA claimed it had in its possession, an Atlanta official told the auditors it would take at least a year to sort through the files to locate information to dispute our findings.

We reviewed the files and additional information AWDA provided to support participant eligibility for certain individuals in the audit sample. As appropriate, based on the information AWDA provided, we adjusted the number of missing files and any related questioned costs.

AWDA's response to the draft report is included in its entirety as Appendix D.

Recommendations

We recommend that the Deputy Assistant Secretary for Employment and Training:

1. Recover questioned costs related to Welfare-to-Work grants totaling \$10.1 million;
2. Recover questioned costs related to Workforce Investment Act grants totaling \$1.2 million; and
3. Ensure that Employment and Training Administration (ETA) conducts timely follow ups to determine whether grantees have implemented effective corrective actions in response to problems identified in monitoring reports.

We also recommend that the Deputy Assistant Secretary for Employment and Training ensure that Atlanta develops and implements effective policies and procedures to:

4. Maintain support, including Quarterly Financial Status Reports, for Workforce Investment Act grant expenditures in compliance with Federal regulations;
5. Reconcile Workforce Investment Act grant expenditures with draw downs; and
6. Comply with program eligibility requirements when enrolling individuals in WIA funded programs and maintain support documentation, including Quarterly Financial Status Reports.

U.S. Department of Labor

Office of Inspector General
Washington, DC 20210



Assistant Inspector General's Report

November 17, 2008

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Deputy Assistant Secretary for
Employment and Training
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

We conducted a performance audit of Atlanta's management of WtW and WIA grant funds. We conducted our audit because an independent public accounting firm reported material weaknesses in Atlanta's cash management, financial reporting and participant eligibility for DOL programs in 2002. Our audit covered WtW and WIA grant funds of \$19.8 million. Atlanta spent \$5 million for one WtW competitive grant and \$5.1 million for two WtW formula grants between 1998 and 2004. During 2001 through 2003, Atlanta spent \$9.7 million for WIA Youth and Adult grants. AWDA administered the grants while Atlanta was the grantee.

Our audit was designed to answer the following questions:

1. Did Atlanta adequately manage its WtW and WIA grant funds?
2. Did Atlanta comply with eligibility requirements when enrolling individuals into its WtW and WIA Youth programs?

Atlanta did not have adequate management controls. They lacked adequate policies, procedures and effective oversight necessary to properly manage its WtW and WIA grant funds, or to comply with reporting and participant eligibility requirements. In addition, while ETA raised concerns during their Atlanta oversight visits, they did not adequately follow up to ensure Atlanta took effective corrective actions. Consequently, we question a total of \$11.3 million because Atlanta did not comply with Federal procurement requirements and could not support that WtW and WIA funds were spent on allowable activities or on eligible participants. Of this amount, \$10.1 million relates to WtW competitive and formula grant funds and \$1.2 million relates to WIA grant funds.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Our audit objectives, scope, methodology, and criteria are detailed in Appendix B.

Results and Findings

Objective 1 - Did Atlanta Adequately Manage Its WtW and WIA Grant Funds?

Atlanta did not have effective financial management systems for managing its WtW and WIA grant funds. Atlanta lacked adequate policies, procedures and oversight, which are key components of an effective financial management system. In addition, ETA raised concerns during its oversight visits. However, Atlanta did not document implementing any of their corrective actions. ETA did not adequately follow-up on its monitoring concerns.

For WtW grants, Atlanta spent grant funds for program and administrative services that were unallowable or unsupported because: (a) Federal procurement requirements were not followed to ensure full and open competition of vendor contract awards, and (b) the disbursements were not adequately supported. As a result, we question \$10,114,972 of WtW grant expenditures.

For WIA grants, Atlanta lacked documentation to support program expenditures, support expenses to the "Board of Directors" WIA Adult general ledger account, and commingled WIA grant funds⁴ and non-DOL funds without the ability to trace or support disbursements. As a result, we question \$1,228,281 of WIA grant expenditures. Exhibit A charts the amount of questioned costs for the WtW and WIA grants according to the type of finding.

In addition, Atlanta did not have controls in place to ensure funds drawn from a particular WtW or WIA grant were used to cover related expenditures. Further, neither ETA nor Atlanta was able to provide all of Atlanta's Quarterly Financial Status Reports (QFSRs) for WtW or WIA.

According to 29 CFR, Sec. 97.20, grantees and subgrantees must have an adequate financial management system that includes internal and management controls necessary to ensure grant fund expenditures are allowable and authorized. Atlanta could not support that WtW and WIA funds were spent on allowable activities or on eligible participants. Therefore, Atlanta did not meet the standards for internal controls and allowable costs.

A. Atlanta did not always conduct full and open competition when awarding WtW contracts.

Atlanta did not conduct full and open competition as required by Federal regulations when it awarded \$5,916,731 in contracts for WtW competitive and formula grants. We determined \$5,916,731 of WtW grant funds were spent for contracted program services. Of the \$5,916,731 expended \$3,097,373 of WtW competitive grant funds and \$2,819,358 of WtW formula grant funds for contracted program services.

For 36 WtW contractors, Atlanta did not provide any evidence to support that the related contracts were competitively bid. The WtW grant agreements required services to be

⁴ This finding includes questioned costs pertaining to both WIA and WtW grant funds.

procured through a competitive process. In addition, within the grant agreement, Atlanta specifically provided assurance that it would fully comply with the 29 CFR, Sec. 97.36(c) (Competition), which states: “All procurement transactions will be conducted in a manner providing full and open competition.”

Atlanta could not provide evidence that it awarded the WtW program contracts in compliance with its grant agreements and Federal procurement regulations. Atlanta was unable to effectively explain the lack of documentation to support the full and open competition of the 36 WtW contractors. AWDA’s Financial Manager told us the personnel responsible for awarding these contracts are no longer employed by Atlanta. The absence of personnel does not mitigate the requirement or accountability to maintain adequate financial management systems that include records to support compliance with Federal and grant requirements.

Consequently, we question a total of \$5,916,731 for contracts awarded without evidence of full and open competition to WtW competitive and WtW formula grant contractors.

B. Atlanta reimbursed WtW contractors for costs that were unsupported or unallowable.

While we question \$5,916,731 related to a lack of full and open competition of awarded contracts, we also question \$5,164,955 of these same costs as unsupported or unallowable costs, as follows:

- In 20 of 36 contracts for reported program expenditures Atlanta could not provide any evidence (contracts or invoices) to support \$2,514,789;
- In 16 contracts, Atlanta expended \$1,992,701 for contract payments without invoice support; and
- In 16 contracts, 432 invoices provided to support reimbursements to contractors, contractors were improperly reimbursed \$657,465 for unallowable or unsupported costs, as detailed below:⁵
 - \$485,311 for payments to contractors for services that contractors provided to individuals who were not on Atlanta’s list of eligible participants;
 - \$219,849 for 101 disbursement forms without invoices, or invoices without supporting documents;
 - \$21,225 for 6 invoices with duplicated payments;
 - \$18,650 for 3 invoices without evidence of payment approval;

⁵ The maximum amount of questioned costs that may be recovered is limited to \$657,465. The sum of the amounts listed for each unallowable cost will exceed the \$657,465 because some invoices contained more than one unallowable cost and would be listed under each type of error.

- \$12,927 for 3 invoices for services outside of contract terms; and
- \$529 for 5 invoices with incorrect payment amounts.

Concerns raised by ETA and Atlanta officials

In December 2001, ETA raised concerns in its monitoring report about Atlanta's lack of support documentation for costs claimed by WtW service providers. ETA officials stated in their monitoring report that they "encountered major difficulty in obtaining requested records." Atlanta officials responded to ETA's inquiries for documentation by stating that "requested items were boxed in the basement." ETA noted it could not determine what services had been received by participants in order to validate payments for two of Atlanta's WtW service contractors. In addition, after a review of files at the contractor site, ETA did not find any documentation to support participants had actually received such services or whether a contract was for the competitive, formula or both grants.

After AWDA's administration changed in February 2003, the Executive Director terminated WtW contracts prior to the end of the grant periods. According to the Executive Director, lack of contractor monitoring by the previous administration led to this decision. AWDA reviewed the contracts and concluded that "it appeared that contractors were going to overspend based on the numbers of clients they had enrolled."

Overall, Atlanta did not comply with:

- 29 CFR, Sec. 97.20 (b)(6) requiring accounting records be supported with source documentation, such as invoices, cancelled checks and payroll records.
- Office of Management and Budget (OMB) Circular A-87(Cost Principles for State, Local and Indian Tribal Governments), Attachment A, Part C – Basic Guidelines, which states that, in order for Federal costs to be allowable it must be necessary and reasonable, and adequately documented.

Consequently, we question \$5,164,955 of unsupported or unallowable WtW program expenses for the reasons described above and illustrated in Exhibit A.

C. Atlanta spent WtW grant funds for other program expenses and administrative expenses without adequate support.

Atlanta did not have support for other WtW program and WtW administrative costs in the amount of \$2,813,856 and \$1,359,385, respectively. Other program costs cover program activities not provided by contractors, such as salaries, operational costs and participant supportive services. WtW administrative costs cover costs such as for salaries, fringe benefits, office space, and non-personnel service cost. See Exhibit A for details of these questioned costs.

Atlanta provided the following records and documents to support administrative and other program costs:

- Excel spreadsheets of expenditures broken down by type of WtW grant and expense;
- Copy of a journal entry listing the transfer of expenses from cost pools to respective grants; and
- Time and attendance records, timesheets, and leave request forms.

However, no invoices or source documents were provided for any direct costs. As well, no documentation was provided to support the spreadsheets or journal entry. The time and attendance records merely indicated the total number of hours worked by the staff, and did not include the rate of pay and associated costs of fringe benefits. This documentation is inadequate because it does not provide the level of detail necessary to validate the direct costs and the allocation of salaries and other costs to the appropriate grant.

The standards for financial management systems codified in 29 CFR, Sec. 97.20 (b)(6) require accounting records to be supported with source documentation. Additionally, OMB Circular A-87 Attachment C states that local governments “claiming central service costs must develop a [cost allocation] plan . . . and maintain the plan and related supporting documentation for audit.”

Consequently, we question \$2,813,856 for other WtW program expenses and \$1,359,385 for WtW administrative expenses which lacked adequate support.

D. Atlanta reimbursed WIA contractors for unsupported or unallowable costs.

Of \$1,904,573 reimbursed to 11 WIA contractors we question \$828,281 of these WIA contract costs for the following reasons:

- \$372,649 were not supported by any financial records; and
- \$455,632 paid to 9 of the 11 contractors was unsupported or unallowable. When totaled by type of error,⁶ our testing revealed that Atlanta paid its contractors:
 - \$237,768 for 45 invoices that reimbursed contractors for services provided to individuals who were not on Atlanta’s list of WIA participants served;
 - \$198,276 for 27 invoices which lacked sufficient supporting documentation;
 - \$26,500 for 3 invoices for services performed outside the terms of the contract; and

⁶ The maximum amount of questioned costs that may be recovered is limited to \$455,632. The sum of the amounts listed for each unallowable cost will exceed the \$455,632 since some invoices contained more than one unallowable cost and would be listed under each type of error.

- \$1,500 for 2 invoices duplicating a payment for the identical service provided on the same day to the same individual.

Atlanta did not comply with the standards for financial management systems codified in 29 CFR, Sec. 97.20 (b)(6) that requires accounting records to be supported with source documentation, and OMB Circular A-87, which requires costs to meet the standards of “necessary and reasonable” and be properly authorized. Consequently, we question \$828,281 of WIA program costs.

E. Atlanta did not provide support for WIA Adult funds charged to Atlanta’s General Ledger Account titled “Board of Directors.”

Atlanta did not provide documentation to support \$300,000 charged to the WIA Adult program in an account titled “Board of Directors.” Without support documentation for the expenditures from the “Board of Directors” account, we could not determine whether the \$300,000 was allowable or properly classified as administrative or program costs. The distinction between administrative and program costs is important since WIA regulations limit administrative expenses to 10 percent of the total grant award. As a result, we question \$300,000 for unsupported costs posted to Atlanta’s “Board of Directors” general ledger account charged to the WIA Adult program.

F. Atlanta commingled DOL funds with non-DOL funds without support or a mechanism to trace disbursements.

Atlanta opened a checking account in February 1999 with an initial deposit of \$25,000 from the WtW competitive grant funds. In July 2000, Atlanta deposited \$100,000 into the account from the WIA Adult Job Training program funds. These funds were commingled with non-DOL funds. According to Atlanta officials and available bank documents, non-DOL funds deposited into the checking account included parking fees collected during Atlanta Braves baseball games, as well as funds from AWDA board members and other unidentified sources.

Atlanta disbursed the commingled funds without any mechanism to trace or support the transactions. Therefore, Atlanta did not comply with the tracing of grant expenditures required by the WtW grant agreement, WIA regulations, and 29 CFR, Sec. 97.20, (a)(2) which states that:

... the entity permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

On April 15, 2003, Atlanta officials closed the checking account and transferred the account balance of \$31,959 into the City’s Miscellaneous Account. However, due to the lack of supporting records, Atlanta could not determine if any of the balance belonged to DOL programs. Atlanta could not verify that the \$125,000 deposited in the account had been

properly spent on DOL programs. Therefore, we question \$125,000 because Atlanta could not account for DOL funds after they were commingled with non-DOL funds.

G. Grant expenditures could not be traced to specific grants or reconciled to drawdowns.

Atlanta did not have effective controls over the maintenance of records and the reconciliation of drawdowns to expenditures. Atlanta was unable to provide QFSRs for CY 2002 in order to readily trace expenditures to specific grants. When requesting draw downs, Atlanta batch-processed receipts without identifying the associated grant. In addition, drawdown requests were based on the difference between the total expenditures in the general ledger and the previous drawdowns. These practices precluded Atlanta from reconciling drawdowns to expenditures for each grant.ch grant.

.According to 29 CFR, Sec. 97.20:

(b) The financial management systems of other grantees and subgrantees must meet the following standards . . .

(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

As a result of these ineffective controls, Atlanta could not ensure that funds drawn from a particular grant were used to cover expenditures for that grant instead of being used for another program. However, based on ETA's Notification of Closeout, Atlanta's expenditures did not exceed the WtW grant award amounts.

Lack of Required Financial Reports

Federal regulations at 20 CFR Sec. 645.240 require WtW grant recipients to report cumulative financial information to their state or directly to ETA by submitting QFSRs. According to WIA Sec 185 "Reports; Recordkeeping; Investigation" grant recipients shall "submit quarterly financial reports to the Governor." The required information included total award amount and costs categorized as administrative or programmatic costs. This information assisted ETA's monitoring of grantees financial activities, especially to determine if the grantee was complying with administrative cost limitations. Both Atlanta and ETA were unable to provide evidence that all quarterly reports during our audit period had been submitted to the appropriate entities. Therefore, Atlanta did not comply with these financial reporting requirements and monitoring Atlanta's financial activities was compromised.

Auditee Response

The AWDA Executive Director strongly disagreed with OIG's finding that Atlanta did not have effective financial management systems for managing its WtW and WIA grant funds. In its response, AWDA specifically challenged OIG's determination that Atlanta did not comply with Federal procurement requirements ensuring full and open competition of vendor contract awards. AWDA asserted that its own 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. AWDA stated that supporting documentation included, but was not limited to, a notice inviting bids for one contract in a newspaper of general circulation; and evidence that eligible bids for 8 of the 36 WtW contracts were rated by AWDA personnel.

Regarding OIG's conclusion that Atlanta could not validate the correctness of disbursements to vendors, AWDA stated that it performed a random test of disbursements to 14 major vendors of the WtW and WIA program. As a result of this effort, the AWDA expressed confidence that Atlanta's financial system was able to produce reliable financial data for planning, control, measurement, and evaluation of AWDA's projects. To support this claim, AWDA provided OIG with a spreadsheet listing 14 major WtW and WIA vendors and 151 randomly selected disbursement transactions.

Regarding documentation, AWDA noted it had possession of and had provided OIG with representative documents to support the validity of its response.

OIG Conclusion

We have considered AWDA's response in its entirety and found no additional information that would materially affect our findings and recommendations. The recommendations will be resolved as part of ETA's audit resolution process.

The additional information AWDA provided to support its assertion that Atlanta complied with Federal procurement regulations was not sufficient to make a complete evaluation on the full and open competition of its procurement process when it awarded WtW contracts. We view the newspaper article referred to in AWDA's response for one WtW contract award and the rating sheets prepared by AWDA's personnel for 8 of 36 contactors as relevant, but not sufficient to determine whether contracts were competitively bid. Also, in order to make a reasonable determination, copies of the requests for proposals, contractors' responses to the same and copies of the awarded contracts would be required. We repeatedly requested this documentation throughout our audit, but Atlanta did not provide the information.

We could not evaluate AWDA's random test of disbursements to 14 of its major vendors due to insufficient support. AWDA provided a spreadsheet of transactions it tested with no supporting documentation. Regarding documentation which AWDA claimed it had in its possession, an Atlanta official told the auditors it would take at least a year to sort through the file to locate information to dispute our findings.

Recommendations

We recommend that the Deputy Assistant Secretary for Employment and Training:

1. recover questioned costs related to Welfare-to-Work grants totaling \$10.1 million;
2. recover questioned costs related to Workforce Investment Act grants totaling \$1.2 million; and
3. ensure that the Employment Training Administration conducts timely followups to determine whether grantees have implemented effective corrective actions in response to problems identified in monitoring reports.

We also recommend that the Deputy Secretary for Employment and Training ensure that Atlanta develops and implements effective policies and procedures to:

4. maintain support, including Quarterly Financial Status Reports, for Workforce Investment Act grants expenditures in compliance with Federal regulations; and
5. reconcile grant expenditures with draw downs.

Objective 2 - Did Atlanta comply with eligibility requirements when enrolling individuals into WtW and WIA Youth programs?

Atlanta could not demonstrate that it always complied with eligibility requirements when enrolling individuals into WtW⁷ and WIA Youth programs. Due to missing participant files or the lack of sufficient documentation, eligibility determinations could not always be validated. As well, officials at ETA and Atlanta were unable to locate Atlanta's QFSRs which reported cumulative participant activities for the period ending December 2002.⁸

Atlanta claimed that 615 individuals were WtW "General Eligibility" participants. However, we project that a maximum of 590 individuals' eligibility were valid. According to Atlanta's records, 212 individuals were WtW "Other Eligibles" participants. We project that no more than 191 of these individuals were valid participants. As well, Atlanta claimed that 675 individuals were eligible WIA Youth participants. We project that, at most, participant files for only 574 of these individuals validated their eligibility. See Exhibit B for details of the statistical projections.

⁷ WtW classified participants as either "General Eligibility" or "Other Eligibles," each with separate eligibility requirements.

⁸ Due to limited data availability, our WtW eligibility tests reviewed participant files from the beginning of the WtW programs through December 31, 2002. However, the WIA tests only covered the Program Year 2002, July 1, 2002 through June 30, 2003.

Eligibility requirements for WtW “General Eligibility” and “Other Eligibles” participants are cited in 20 CFR, Sec. 645.212 and 20 CFR, Sec. 645.213, respectively. WIA Youth program eligibility requirements are cited in 20 CFR Sec. 664.200.

A. WtW “General Eligibility” participants’ eligibility could not be validated.

Atlanta’s list contained 615 WtW “General Eligibility” participants. Of the 86 individuals randomly selected for eligibility testing, participant files for 13 individuals (15 percent) lacked adequate support to validate eligibility. Based on a statistical projection, we estimate that between 25 and 68 of the 615 participants’ eligibility could not be validated.

B. WtW “Other Eligibles” participants’ eligibility could not be validated.

Atlanta’s list contained 212 WtW “Other Eligibles” participants. Of the 68 individuals randomly selected for eligibility testing, participant files for 20 individuals (29 percent) lacked adequate support to determine their eligibility. Based on a statistical projection, we estimate that between 21 and 40 of the 212 participants’ eligibility could not be validated.

Atlanta officials stated that Temporary Assistance for Needy Families participants were automatically enrolled in the WtW programs and later determined if they should be characterized as “General Eligibility” participants or “Other Eligibles” participants. Without adequate supporting documentation, we were unable to determine if Atlanta actually followed the appropriate eligibility criteria for WtW participants.

C. WIA Youth participants’ were ineligible or their eligibility could not be validated.

According to 20 CFR, Sec. 664.200 titled “Who is Eligible for Youth Services,” individuals are eligible to receive WIA Youth services if they are between 14 and 21 years old, are classified as low-income and fall within one or more high-risk categories, such as pregnancy or school dropout.

Atlanta’s list contained 675 WIA Youth participants for PY2002. Of the 87 individuals randomly selected for eligibility testing, participant files for 50 individuals (58 percent) were either ineligible or lacked adequate support to determine their eligibility. Based on a statistical projection, we estimate that between 101 and 155 of the 675 participants’ eligibility could not be validated.

The prevailing errors detected during each of the three eligibility tests resulted either because the participant files could not be located or there was no support or insufficient support documentation to determine eligibility. According to WIA Section 185 “recipients shall maintain standardized records for all individual participants and provide to the Secretary a sufficient number of such records to provide for an adequate analysis of the records.” Furthermore, without the records to determine participant eligibility, Atlanta is unable to determine if reimbursement requests from contractors for services provided to individuals are allowable. In addition, lack of QFSRs restricts grantees and ETA or state officials from

monitoring Atlanta's participant activity against anticipated levels. Exhibit B details the statistical projection of the three eligibility tests.

D. Atlanta reimbursed contractors for serving participants that did not meet WIA Out-of-School Youth program eligibility requirements or eligibility could not be validated.

Atlanta reimbursed contractors \$25,737⁹ for participants that did not meet WIA Out-of-School Youth program requirements, or for whom Atlanta could not provide documentation of their eligibility. Based on invoices submitted between January 1, 2001, and December 31, 2002, Atlanta served a total of 34 WIA Out-of-School Youth participants. We reviewed all available invoices from the two contractors totaling \$75,877 for benchmark services. Atlanta reimbursed contractors:

- \$4,204 for 3 individuals who did not register for Section 3 Military Selective Services making them ineligible to receive WIA Out-of-School Youth services,
- \$9,630 for 4 individuals whose official participant files could not be located even though their names appeared on Atlanta's list of participants, and
- \$11,903 for 7 individuals whose files could not be located and whose names were not included on Atlanta's list of participants.

Atlanta did not provide sufficient documentation to confirm eligibility status of individuals and did not ensure that male participants at least 18 years of age registered with the selective service. This requirement is stated in WIA Section 189(h) which requires each enrolled male participant to present themselves for registration according to Section 3 of the Military Selective Service Act.

Auditee Response

The AWDA Executive Director strongly disagreed with OIG's finding that Atlanta could not demonstrate that it always complied with eligibility requirements when enrolling individuals into WtW and WIA Youth programs. Specifically, AWDA disagreed that eligibility requirements for participants were not adequately validated or supported by sufficient documentation. AWDA provided OIG with missing files and additional support for participant eligibility for some, but not all, WtW and Youth participants in OIG's sample. AWDA also stated that it had 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.

⁹ \$25,737 is included in the questioned costs of Objective 1, Finding D.

OIG Conclusion

We considered AWDA's response to the draft report and reviewed the files and additional information AWDA provided to support participant eligibility for the individuals in OIG's sample. As appropriate, based on the information AWDA provided, we adjusted the number of missing files and any related questioned costs. The recommendation will be resolved as part of ETA's audit resolution process.

Recommendation

We recommend that the Deputy Assistant Secretary for Employment and Training Administration ensure that Atlanta develops and implements effective policies and procedures to:

6. Comply with program eligibility requirements when enrolling individuals in WIA funded programs and maintain support documentation, including QFSRs.



Elliot P. Lewis

Exhibits

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EXHIBIT A

\$11.3 Million in Questioned Costs for Atlanta By Type of Department Of Labor Grant and By Finding May 1998 – September 2004						
Finding		WtW Competitive	WtW Formula	Combined Competitive and Formula WtW	WtW Total	WIA Total
1(a)	Non-Competitively Bid Contracts	\$3,097,373	\$2,819,358		\$5,916,731	
1(b)**	Unsupported Contract Expenditures	\$1,205,504	\$1,309,285		\$2,514,789	
	Unsupported Invoice Expenditures	1,041,307	512,811	\$438,583	1,992,701	
	Unallowable Contractor Reimbursements	323,290	208,634	125,541	657,465	
	Total 1(b)	<u>\$2,570,101</u>	<u>\$2,030,730</u>	<u>\$564,124</u>	<u>\$5,164,955</u>	
1(c)	Lack of Support for Other Program Costs	1,127,627	1,686,229		2,813,856	
	Lack of Support for Administrative Costs	750,000	609,385		1,359,385	
1(d)	Unallowable Contractor Reimbursements					\$828,281
1(e)	Lack of Support for Board of Directors Costs					300,000
1(f)	Lack of Support for Commingled Funds	25,000			25,000	100,000
Questioned Costs		<u>\$5,000,000</u>	<u>\$5,114,972</u>		<u>\$10,114,972</u>	<u>\$1,228,281</u>
Total Questioned Costs					<u>\$11,343,253</u>	

** The \$5,164,955 of questioned costs detailed in Finding 1(b) is included in the \$5,916,731 questioned costs identified in Finding 1(a) for WtW non-competitive bid contracts.

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EXHIBIT B

CITY OF ATLANTA INVALID PARTICIPANT ELIGIBILITY PROJECTION OF ERRORS (95 Percent Confidence Level)				
Type of Participant		WtW "General Eligibility"	WtW "Other Eligibles"	WIA Youth
Universe Size		615	212	675
Sample Size		86	68	87
Number of Errors in Sample		13	20	50
Percent (Rounded) of Universe Projected with Errors	Average	8%	15%	19%
	Between	4%	10%	15%
		11%	19%	23%
Number of Errors Projected to Universe (Rounded)	Average	49	32	128
	Between	25	21	101
		68	40	155
Total Universe (Least Number of Projected Errors)		615	212	675
Projected Maximum Number of Eligible Participants		<u>(25)</u> 590	<u>(21)</u> 191	<u>(101)</u> 574

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Appendices

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BACKGROUND

Purpose of the Welfare-to-Work (WtW) Grant

Provisions of the Balanced Budget Act of 1997 authorized the DOL to award \$3 billion in WtW grants to states and other organizations. The WtW program, administered by ETA, assisted states and local communities by providing transitional employment assistance to move hard-to-employ recipients of Temporary Assistance to Needy Families into lasting unsubsidized jobs and economic self-sufficiency.

ETA provided WtW funds directly to local and community-based organizations through WtW competitive grants. Interested organizations competed by submitting proposals to serve WtW participants. ETA also provided participating states with WtW formula funds which they passed-through to local entities. Subgrantees designated by states to receive WtW formula grants, such as Atlanta, assumed all responsibilities required to manage the Federal funds.

WtW participants received job readiness training and job placement services. To assist in job retention, WtW funds also provided participants with support services, such as transportation or child care.

Purpose of the Workforce Investment Act Grant (WIA)

Enacted in 1998, WIA reformed Federal job training programs creating a comprehensive workforce investment system. Intended to be customer focused, key components include streamlining services through a One-Stop delivery system, providing universal access to core services, ensuring a strong role for Local Workforce Investment Boards (LWIB), and improving youth programs. LWIBs focus on strategic planning, policy development, and oversight of the local workforce investment system.

WIA participants and associated program services are generally classified as Adult, Dislocated Workers, or Youth. Persons seeking help are initially referred to a One-Stop center that provides services at three levels: core, intensive and training. Adult and Dislocated Workers must complete a core services; such as initial assessment, job search and placement assistance; before receiving intensive services. Intensive services include counseling and job-readiness activities. Adults who are unsuccessful in finding or retaining employment that allows self-sufficiency after receiving core and intensive services may be referred to training.

WIA tailors services provided for eligible youths by focusing on completing secondary or alternative secondary school; gaining work experience through internships or job shadowing; obtaining summer employment; participating in leadership development opportunities, including community service experience; and receiving adult mentoring.

City of Atlanta’s (Atlanta) WtW and WIA Grant Programs

As the official grant recipient of the WtW and WIA funds, Atlanta assumed fiduciary responsibility. The Atlanta Workforce Development Agency (AWDA), a department of Atlanta, served as the administrative entity and handled day-to-day operations.

Atlanta was awarded the following DOL funds during our audit period according to Table 1 and Table 2 below:

Table 1

WtW Competitive and Formula Grant Funds Awarded to Atlanta			
Grant Type	Grant Amount	Grant Number	Grant Period
Competitive	\$5,000,000	Y-6788-8-00-81-60	July 1, 1998 to June 30, 2003
Formula	2,629,952	80-98-00-0-0-14	May 6, 1998 to May 5, 2001
Formula	2,485,020	80-99-00-1-1-14	September 29, 1999 to September 28, 2004
Total	<u>\$10,114,972</u>		

Table 2

WIA Funds Awarded to Atlanta CY 2001 through CY 2003				
Program	2001	2002	2003	Total
Adult	\$2,059,547	\$1,771,968	1,649,360	\$5,480,875
Youth	2,137,815	1,998,340	1,773,605	5,909,760
Total	<u>\$4,197,362</u>	<u>\$3,770,308</u>	<u>\$3,422,965</u>	<u>\$11,390,635</u>

OBJECTIVES, SCOPE, METHODOLOGY, AND CRITERIA

Objectives

Our audit was designed to answer the following questions:

1. Did Atlanta adequately manage its WtW and WIA grant funds?
2. Did Atlanta comply with eligibility requirements when enrolling individuals into the WtW and WIA Youth programs?

Scope

The Office of Inspector General conducted a performance audit of \$19,856,247 in WtW and WIA grant funds spent by Atlanta. The audit was conducted because an independent public accounting firm reported material weaknesses regarding Atlanta's cash management, financial reporting and participant eligibility of the DOL programs in CY 2002. Atlanta spent \$5,000,000 for one WtW competitive grant and \$5,114,972 for two WtW formula grants between 1998 and 2004. During CY 2001 through 2003, Atlanta spent \$9,741,275 of the \$11,390,635 grant awards for WIA Youth and Adult grants. In addition, we performed specific testing of WIA program costs spent beyond the audit period as necessary.

Fieldwork was conducted at the AWDA office, located at 818 Pollard Boulevard, Southwest, Atlanta, Georgia.

In planning and performing our audit, we considered Atlanta's internal controls over their administration of WtW and WIA funds and eligibility determination by obtaining an understanding of the programs' internal controls. The objective of our audit was not to provide assurance on the internal controls. Consequently, we did not express an opinion on the internal controls as a whole, but rather how they related to our objective. Therefore, we evaluated the internal controls as they pertained to awarding contracts, verifying accuracy of disbursements, classification of general ledger accounts, reconciling drawdowns with expenditures, and determining eligibility.

Methodology

To gain an understanding of the WtW and WIA grants, we reviewed the grant agreements, and applicable laws and regulations for financial and eligibility compliance requirements. We interviewed officials with the ETA, Georgia Department of Labor (GDOL), and Atlanta to gather additional information. To ensure that contracted goods and services were procured in accordance with Federal regulations and to determine if services provided were allowable, we reviewed WtW contracts (in effect between 1998 and 2004) and WIA Youth contracts (in effect between 2001 and 2003). These contracts were for providing program services or support services for eligible participants.

We reviewed management's internal controls for providing reasonable assurance that the operations were in compliance with applicable laws and regulations and that the financial and eligibility data reported was reliable.

We relied on computer-processed data contained in Atlanta's general ledgers only for reporting of total expenditures for the WtW grants. These amounts were verified against grant close-out packages without discrepancies. Based on these tests and limited reliance, we conclude the data are sufficiently reliable to be used in meeting our objective.

We reviewed Single Audit Reports for CY 2002 and the supporting work papers for CYs 2002 and 2003. Relying on the independent auditors' work papers and Single Audit Reports, we followed up with testing and interviews with the external auditors, as necessary, to gain a better understanding of the work performed. We also reviewed monitoring reports by oversight agencies for issues that could have an effect on our audit. Specifically, we reviewed ETA's 2001 and 2002 monitoring reports of Atlanta's WtW competitive grant and the GDOL's monitoring reports of the WtW formula and WIA grants.

Financial Management

Audit tests of Atlanta's financial management practices, as it related to WtW and WIA funds, focused on testing procurement, expenditures, discretionary bank accounts, and reconciliation of drawdowns with expenditures. Through interviews with Atlanta's staff we identified Atlanta's management controls over administrative and accounting functions. We also reviewed Atlanta's policies and procedures manuals and the WtW and WIA grant agreements in order to determine if Atlanta's policies complied with Federal regulations and OMB Circulars related to WtW and WIA grants. Our methods used to examine each area and specific information about each test is presented below:

Procurement – We reviewed Atlanta's list of all 36 WtW contractors that made up the total contractor reimbursements reported in Atlanta's WtW competitive and formula grant general ledger program accounts. Atlanta was only able to provide 16 WtW contractor files for us to determine if they were competitively bid. We reviewed Atlanta's WtW competitive grant general ledger program account and determined that \$3,097,373 had been charged to contract services. Review of Atlanta's WtW formula grant general ledger program account revealed that \$2,819,358 had been spent for contracted services. Through interviews with Atlanta staff and review of contractor files, the combined amount of \$5,916,731 was tested to determine if the contracts were competitively bid.

Expenditures – Neither Atlanta nor ETA could locate all Quarterly Financial Status Reports (QFSRs) for our review. In order to determine the amount of administrative, contract program and other program (non-contracted) expenditures, we reviewed the general ledger and used the chart of accounts to determine how WtW competitive and formula grant funds were spent. Atlanta did not provide sufficient detailed documentation to test administrative or other program costs. We did, however, test expenditures related to the 16 WtW contracts awarded for \$3,401,942 and 11 WIA contracts awarded for a total of \$1,904,573. All contracts were in place between January 1, 2001, and December 31, 2003. Our tests were

to determine compliance with allowable cost principle requirements codified in 29 CFR, Sec. 97.20, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; 20 CFR, Sec. 645.200 for WtW cost requirements; 20 CFR, Sec. 666.230 for WIA grant requirements; and OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments.

Atlanta provided 432 WtW invoices totaling \$1,409,241 and 130 WIA invoices totaling \$1,531,924 paid between January 1, 2001, and December 31, 2003. Contractors submitted these invoices to Atlanta for providing program services to participants. We reviewed all available WtW and WIA contracts, the available invoices and their support to determine compliance with Federal cost principles and grant requirements.

WtW Contract Testing: The testing involved comparing individuals claimed by contractors for attaining performance benchmarks or for reimbursement of support services against names listed as WtW participants compiled by Atlanta. Individual names not appearing on Atlanta's lists were considered ineligible to receive WtW services. We confirmed these results by inputting their Social Security Numbers (SSNs) into the Georgia Workforce System (GWS) database.

In addition, we tested each invoice to ensure that they were approved for payment, complied with contract terms, were not duplicate payments, and had support for reimbursement requests.

WIA Contract Testing: We performed the same attribute tests as those for the WtW invoices; however, names appearing on the WIA invoices for benchmark payments or reimbursement were compared against Atlanta's list of WIA participants and no SSNs were entered into GWS.

In both the WtW and WIA invoice testing, for every invoice that had at least one attribute error, the maximum amount of questioned cost for that invoice was determined. For every attribute that resulted in an "N" answer, or attribute error, the associated cost was identified for that specific attribute.

Commingled Funds - DOL and non-DOL funds were commingled in bank accounts and used for a variety of purposes. We interviewed the internal auditors and reviewed their work papers, which included bank statements, limited cancelled checks, and documents regarding the opening and closing of the bank accounts. The work papers did not include support of all transactions. We performed these steps to determine if expenditures were in compliance with DOL regulations.

Administrative Costs – Administrative costs for both WtW and WIA grants were reviewed for compliance with cost limitation requirements and to determine if costs were charged appropriately to administrative or program costs.

Reconciliation of Drawdowns with Expenses – We reviewed Atlanta’s general ledger, drawdown history and other financial records in an attempt to reconcile expenditures and drawdowns for both WtW and WIA grant funds.

Participant Eligibility

We selected a statistical sample of WtW and WIA Youth participants as of December 2002, to determine if their eligibility determination was correct. Our sample was selected in order to project the errors against their respective universes at a 95 percent confidence level. We determined that 86 samples out of a universe of 615 individuals classified as WtW “General Eligibility” participants; 68 samples out of a universe of 212 individuals classified as WtW “Other Eligibles” participants; and 87 samples out of a universe of 675 individuals classified as WIA Youth participants served were necessary to test for eligibility. Because Atlanta could not locate QFSRs for the period ending December 2002, we relied on Atlanta’s WtW and WIA participant lists as a basis for each program’s universe.

In addition, we tested eligibility of all 34 WIA Out-of-School Youth participants. Our eligibility tests included determining whether individuals complied with Section 3 of the Military Selective Service Act by registering.

Documents within each participant file sampled were reviewed to determine if the individuals’ eligibility determination complied with WtW and WIA regulations.

Criteria

Federal regulations that define procurement standards for government entities are codified in 29 CFR, Sec. 97, known as the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments. 29 CFR, Sec. 97.42 – Retention and Access Requirements for Records defines the retention period for financial records, supporting documents, statistical records, and other records of grantees or subgrantees which are “reasonably considered as pertinent to program regulations or the grant agreement.”

29 CFR, Sec. 97.20 defines the Standards for Financial Management Systems which require grantees and subgrantees have adequate financial management systems to permit the preparation of accurate financial reports due at the end of each quarter; and permit the tracing of funds to all related program expenditures. This includes internal and management controls that ensure grant expenditures are allowable and authorized. Specifically,

Allowable Cost: Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

Internal Control: Effective control and accountability must be maintained for all grants and subgrants cash, real, and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

OMB Circular A-87 (Cost Principles for State, Local and Indian Tribal Governments) requires that expenses are allowable and reasonable and that support documentation be maintained for cost allocation plans.

Youth activities under Title 1 of the Workforce Investment Act of 1998 are codified in 20 CFR, Sec. 664 published August 11, 2000. Title IV, Part A of the Social Security Act defines the grant provisions of Welfare-to-Work which are codified in 20 CFR, Sec. 645, published January 11, 2001.

Auditing Standards

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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ACRONYMS AND ABBREVIATIONS

AWDA	Atlanta Workforce Development Agency
CFR	Code of Federal Regulations
CY	Calendar Year
DOL	Department of Labor
ETA	Employment and Training Administration
GDOL	Georgia Department of Labor
GWS	Georgia Workforce System
LWIB	Local Workforce Investment Board
OMB	Office of Management and Budget
QFSR	Quarterly Financial Status Report
SSN	Social Security Number(s)
WIA	Workforce Investment Act
WtW	Welfare-to-Work

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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 contract 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.

IN ORDER TO REPORT FRAUD, WASTE OR ABUSE, PLEASE CONTACT:

Online: <http://www.oig.dol.gov/hotlineform.htm>

Email: hotline@oig.dol.gov

Telephone: 1-800-347-3756
202-693-6999

Fax: 202-693-7020

Address: Office of Inspector General
U.S. Department of Labor
200 Constitution Avenue, N.W.
Room S-5506
Washington, D.C. 20210

