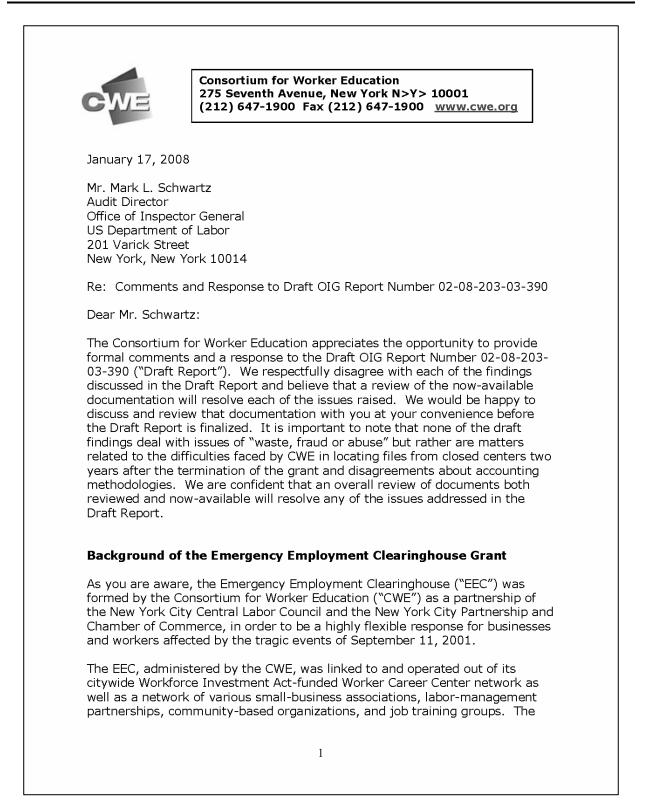
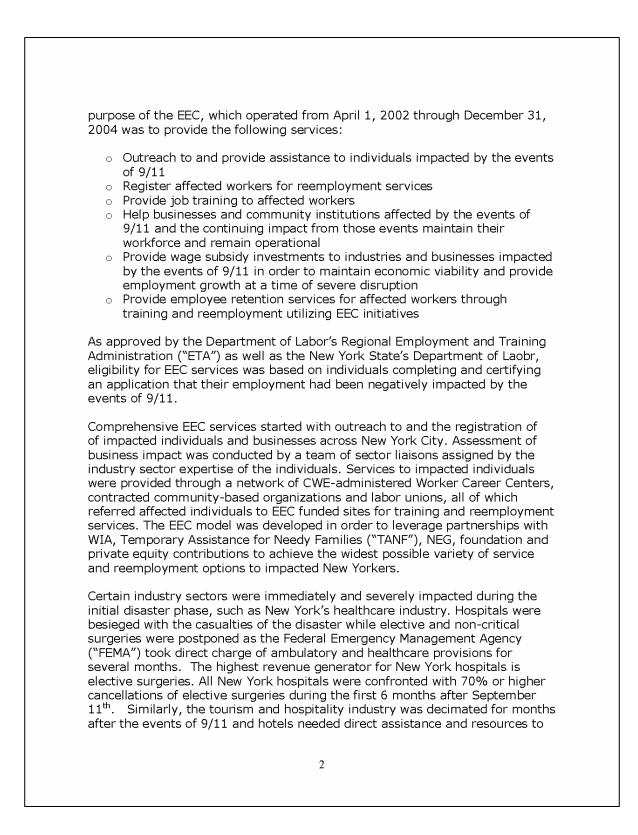
APPENDIX D

GRANTEE RESPONSE TO DRAFT REPORT





maintain even nominal staff. The Arts and Entertainment sector, a \$5 billion dollar contributor to the City's economy, was shut down for months. Broadway shows, musicals and other scheduled events were indefinitely postponed or canceled due to lack of ticket sales. The construction industry which had been in a growth cycle came to a halt as critical construction trade workers were mobilized for rescue, then recovery, then clean-up efforts at Ground Zero.

CWE and the NYC Partnership initially proposed a wage subsidy as a temporary stimulus package to encourage impacted industries and businesses to maintain operations in order to enable workers to maintain their employment instead of being laid off. Several models were designed to meet the various needs of differently impacted industries and businesses, as different circumstances dictated different service assistance programs.

Many workers who permanently lost their jobs as a result of the events of 9/11 needed skills training services to transition into new jobs and career pathways. Some businesses redesigned jobs or developed new business models due to changes in the business environment, so upgraded and transitional training courses were made available. EEC resources allowed industries and workers to partake of an extensive offering of training, re-training and upgraded training offerings.

The EEC contract set performance expectations at the following levels:

0	Contacts	103,000
0	Outreach and Recruitment	30,900
0	Registered for Services	20,600
0	Job Placements	5,150
0	Wage Subsidy	3,331
0	Training and Education	5,701

CWE met and or exceeded each of these milestones set forth in the grant.

Objective 1 - Were Reported Costs Allowable, Allocable, and Reasonable in Accordance with Federal Requirements?

A: Unsupported or Excessive Wage Subsidy Costs of \$5,359,333

i. Unsupported Healthcare Employer Costs of \$5,122,654

The Draft Report states on page 9, paragraph 3 that CWE officials explained that Healthcare employers did not go through the grant-required application and

qualification process; rather, that hospitals and health care facilities were awarded wage subsidies based only on undocumented oral discussions with representatives of the hospital workers union (Local 1199). Further, the Draft Report states that CWE did not provide any other documentation that documented the impacts, such as expected layoffs, job openings not being filled or business decline, that the hospitals and health care facilities experienced as a result of the events of September 11.

CWE Response:

On December 5, 2007, CWE provided to the OIG copies of background documentation related to the healthcare wage subsidy program. Documents provided included: a) the initial January 2, 2002 proposal from health care labor and management outlining the current state of affected healthcare institutions; b) letters from specific hospitals substantiating the need for wage subsidies; and c) signed subcontracts between identified impacted hospitals and CWE. These documents substantiated that CWE appropriately pre-qualified and vetted the affected healthcare institutions for wage subsidy allocations, demonstrated industry impact by the emergency takeover of NYC hospitals by FEMA, and, included letters from affected institutions describing both impact and need of assistance.

In particular, the January 2, 2002 proposal submitted to CWE from healthcare Local 1199, on behalf of the League of Voluntary Hospitals, documented the immediate impact on various healthcare institutions of the events of 9/11 and its aftermath. Further evidence was the fact that a majority of major NYC hospitals were thrust into emergency service mode and functioned under the direction of FEMA while sustaining revenue losses in the hundreds of millions of dollars.

The proposal proposed a proactive approach to addressing the ongoing erosion of the existing healthcare workforce which would have further devastated a dramatically weakened industry. Local 1199 and the League of Voluntary Hospitals acted as the representatives of the industry in identifying specific issues relative to obtaining letters of attestation as to the affects of the events of 9/11 and its impact on each institution. Due to FEMA's primary role as coordinator of services for all NYC hospitals, there were significant delays with respect to obtaining the written impact statement letters from each affected healthcare institution. Those letters, which were eventually received, are accurate documentation of the impact on the applicable institutions.

CWE worked in partnership with Local 1199, Hospital League representatives, and local USDOL ETA representatives during that period to coordinate communications and develop institutional financial remedies from the EEC grant, while constructing the final details and contract language. This resulted in execution of signed sub-contract agreements with various hospitals between February and July 2002.

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These ongoing efforts were all well-documented in the quarterly reports being submitted by CWE to ETA personnel.

ii. Unsupported and Excessive Wage Subsidy Costs of \$236,679

On page 9 of the Draft Report under the sub-heading "Unsupported and Excessive Wage Subsidy Costs", the Draft Report states "CWE paid some wage subsidies that did not comply with Federal requirements of the terms of the grant. This occurred because CWE did not maintain effective controls to ensure compliance with grant terms. As a result, we question wage subsidy costs of \$236,679 based on unsupported participant payroll records of \$225,478, and \$11,201 which either exceeded negotiated grant terms or lacked documentation.

CWE response:

CWE disagrees with this finding. CWE's back-up payroll records and adjustments for wage subsidy payments of \$225,478 are demonstrably accurate and are in compliance with grant guidelines. CWE is willing and able to provide the documented evidence and explanation of those documents that will resolve any concerns or misunderstandings that the auditors might have.

Regarding the \$11,201 classified as "excessive payments and lack of documentation", CWE notified responsible personnel at ETA that a limited amount of wage subsidy costs exceeded the hourly salary guidelines submitted as part of the grant proposal We notified ETA that under special circumstances, i.e., the employer was to have begun work projects in the Twin Towers shortly after September 11th, that we would amend our general limitation policy. We believe the immediate impact (layoff of their entire workforce) of their inability to remain afloat due to the loss of this contract was a unique circumstance reasonably acceptable of wage subsidy investment flexibility.

The result of this flexibility was the contractor was able to maintain their fulltime, experienced core of workers and generate additional business to keep the company operational after the subsidy period ended. This episode demonstrates why CWE offered a variety of flexible wage subsidy models. We anticipated that not all companies, circumstances and situations would fit into a narrow program model prescription.

The CWE disagrees with the Draft Audit assertion that we inappropriately exceeded wage subsidy limits

B. Unsupported FSR Costs of \$2,468,540

The Draft Report states CWE claimed costs for Indirect costs (\$1,039,691); Other Expenses, Supplies, and Wage Subsidies (\$1,013,182); and Pre-Award Costs (\$415,667) without maintaining adequate supporting documentation, As a result, the Draft Report questions unsupported costs of \$2,468,540.

Indirect Costs (\$1,039,691)

CWE Response:

In 2003, CWE applied to the Department of Labor for a preliminary indirect cost rate of 21.34%. CWE received that approval from the Department of Labor. The approved rate of 21.34% was in excess of the 15% rate allowed pursuant to the terms of the ECC grant. All grant draw-downs were based on the capped 15% indirect rate. The CWE is currently working with the Department of Labor's Division of Cost Determination to complete the application for a final approved indirect rate for the years in question (2002, 2003, and 2004). This application will be completed and submitted to the Division of Cost Determination by March 1, 2008. We fully expect the final indirect rates for 2002, 2003 and 2004 will be well in excess of the 15% indirect rate allowed by the ECC grant.

Other Expenses (\$703,260), Supplies (\$229,371), and Wage Subsidies (\$80,551)

CWE Response:

CWE disagrees with the Draft Report's conclusion that CWE did not appropriately classify expenses within budget line items. At issue is how certain costs were allocated to line items. The basis for allocation of line item charges is a correlation of percentage of staff directly charged to the grant. This methodology was consistent with the methodology used in previous grant and contracts with the State and City of New York.

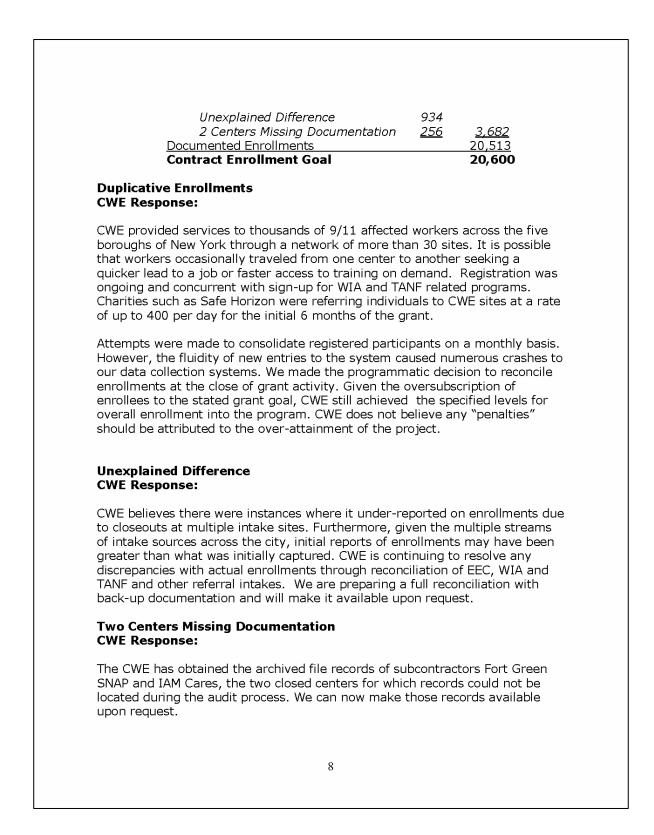
Pre-Award Costs (\$415,667)

CWE Response:

The CWE was specifically authorized by Department of Labor and regional ETA officials to apply costs incurred for grant related activities from January 2002 through April 1, 2002, prior to the formal award of the EEC grant.

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CWE disagrees with the Draft Audit report's statement that CWE could not identify these costs in CWE's general ledger. Despite the Draft Audit's assertions with respect issues with CWE's "crosswalk" general ledger, CWE's program costs spent during the approved pre-award timeframe are both appropriate and demonstrable. C. Unallocable Instructors' Salary Costs of \$2,175,923 The Draft Report states that CWE instructor salaries were not properly allocated to the grant based on the proportional benefit received. The Draft Report further states that CWE did not provide appropriate labor distributions, allocation worksheets or timecards to support the allocation of the amounts reported. The Draft Report further states that class rosters show both EEC and non-EEC students attended classes. CWE Response: The CWE documented instructor salaries by timesheets through a memorandum of understanding ("MOU") with various training service providers. Every contracted training provider was advised in advance that in order to pay for 100% of the instructor's time, a minimum of 10 students were necessary to fund the class. CWE only paid the instructor cost when the class roster had been verified. Additional students that are enrolled that were not specifically EEC recipients were allowed to attend classes that already met the minimum student enrollment. Instructor costs for those students were never charged to any other grant. Other costs for those students were appropriately charged to other sources of funds when available and appropriate. CWE has the documentation available to support these statements and would be happy to review it with the Office of Inspector General. Objective 2 - Did CWE Establish the EEC and Provide Employment Services to participants Impacted by the Events of September 11, 2001? A. CWE Overstated Participant Enrollments Page 14 of the Draft Report states that CWE overstated enrollments by 3,682 and costs of \$151,225 are questioned for the two centers with missing documentation. 24,195 Reported to ETA Less: Duplicative Enrollments 2,492 7



B. CWE Claimed Ineligible Participants

Page 15 of the Draft Report states that CWE did not provide adequate documentation to support the eligibility of 366 program participants. It cites "WIA Title I, Subtitle E, Section 188(a)(5), Prohibition on Discrimination Against certain Non-citizens, requires that participation in programs shall be for individuals authorized to work in the United States. According to the Social Security Administration ("SSA"), without exception individuals must have a valid Social Security Number ("SSN") in order to work in this country. Further, the grant states that to be eligible for the program, a participant was required to complete and sign a self-certification form attesting that they were impacted by the events of September 11, 2001.

The Draft Report states that CWE enrolled 357 participants without documentation that the individuals were authorized to work in the United States.

- 201 participants had invalid SSNs according to SSA's valid range of issued numbers, and
- \circ 156 participants were enrolled without documentation of their SSNs

The Draft Report further states that CWE did not document nine (9) sampled participants who were impacted by the events of September 11. These nine participants did not have self-certification forms required by the grant.

CWE Response:

The CWE operated EEC intake at various citywide venues. Their goals were to intake and register workers whose jobs were negatively impacted by the events of September 11. As noted above, a self-attestation document was created with the approval of New York State's Department of Labor and ETA to provide simplified access for workers to qualify for employment and other related services. The concern with establishing a more comprehensive document verification process was that many workers could not produce these items in a timely manner to meet government demands to provide workers with access to critical reemployment services so that they could rejoin the workforce.

The CWE and its intake centers relied solely upon the veracity of the selfattestation claim that these individuals were impacted by 9/11. Furthermore, the EEC was not a WIA program and therefore not bound by the eligibility guidelines of document procurement as a verification measure. Therefore, verification of social security numbers was not a requirement for CWE to ascertain from prospective participants. In fact, when CWE proposed to the NYS DOL that we have access to the wage reporting system to verify employment data for validation, the request was summarily rejected by DOL officials who cited concerns with respect to individual privacy.

