

**AUDIT OF  
THE WORKPLACE, INC.'S  
H-1B TECHNICAL SKILLS  
TRAINING GRANT  
NUMBER AL-10854-00-60  
MARCH 27, 2000 TO JUNE 30, 2001**

U.S. DEPARTMENT OF LABOR  
OFFICE OF INSPECTOR GENERAL

REPORT NO: 02-02-207-03-390

DATE: March 26, 2002

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## ACRONYMS

ACWIA	American Competitiveness and Workforce Improvement Act of 1998
CFR	Code of Federal Regulations
FSR	Financial Status Report
NSSB	National Skills Standards Board
OMB	Office of Management and Budget
PIC	Private Industry Council
USDOL	U.S. Department of Labor
WIA	Workforce Investment Act
WIB	Workforce Investment Board

## EXECUTIVE SUMMARY

The U.S. Department of Labor (USDOL), Office of Inspector General, conducted a performance audit of The WorkPlace, Inc.'s H-1B technical skills training grant for the interim period March 27, 2000 through June 30, 2001. The overall audit objective was to evaluate if The WorkPlace was meeting the intent of the H-1B Technical Skills Training Program and the requirements of its grant. The subobjectives were to determine if:

- The project had been implemented as stated in the grant.
- Program outcomes were measured, achieved, and reported.
- Reported outlays were reasonable, allocable, and allowable in accordance with applicable Federal regulations, and Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*.

The H-1B Technical Skills Training Program was designed to help U.S. workers acquire the technical skills for occupations that are in demand and being filled by foreign workers holding H-1B visas. USDOL awarded The WorkPlace \$1,500,000 to operate an H-1B Technical Skills Training Program for the period March 27, 2000 to March 27, 2002. The WorkPlace is a nonprofit corporation that serves as the local Workforce Investment Board (WIB) for Fairfield County, Connecticut.

### AUDIT RESULTS

As of June 30, 2001, The WorkPlace has not been successful in meeting the intent of the H-1B Technical Skills Training Program and the requirements of its grant.

- The WorkPlace did not implement what it had proposed and agreed to do in the grant. Certified skills centers that were established did not provide training structured on National Skills Standards Board (NSSB) standards and delivered by certified instructors. Since NSSB had not yet developed standards, The WorkPlace should have developed alternative standards that could be tracked and measured. Further, the training provided was either non-technical or contained company-specific information not to be shared with non-employees. Training was not limited to individuals in the geographic region covered by the grant and was provided only to incumbent workers of the participating companies.

Training did not result in NSSB certification, college credit or additions to lifelong resumes. Though the courses given were successful in meeting corporate needs, The WorkPlace has not met the intent of the grant to establish ongoing certified skills centers that train participants in the local area in technical skills for which H-1B visas were being granted.

- The WorkPlace has not measured, accomplished and reported program outcomes as stated in the grant.
- We question \$140,000 or 14 percent of the cumulative Federal share of net outlays claimed on the Financial Status Report (FSR) for the period ending June 30, 2001. Training costs of \$140,000 did not relate to technical skill subjects, as required by the American Competitiveness and Workforce Improvement Act of 1998 (ACWIA).

Furthermore, the matching requirement of 50 percent was not being met as of June 30, 2001. Future costs may have to be questioned if the matching requirement is not satisfied.

### **Recommendations**

We recommend that the Assistant Secretary for Employment and Training recover questioned costs of \$140,000 and ensure that The WorkPlace operates the project in accordance with the intent and requirements of its grant.

### **The WorkPlace's Response**

On March 6, 2002, the President and Chief Operating Officer responded to our draft report which contained questioned costs of \$332,687. He stated:

- *At the time of the audit, nine months remained in the grant award and an extension of the ending date had been requested.*
- *Changes had occurred in the regulations governing this program either during or right after the fieldwork completed, that were not reflected in the audit.*
- *At the time the grant was written, the employers involved anticipated National Skills Standards would be available. During the period in question, the National Skills Standards Board had not established standards thus reporting any outcome data relating to NSSB skills standards and/or certifications is not possible.*
- *Corrective action had begun to remedy some discrepancies in the employer's billing, counting of participants and reporting on the Financial Status Report.*

Based on the response to the draft report, we have eliminated questioned administrative costs of \$192,687. Subsequent to the end of fieldwork, The WorkPlace and all other first round grantees, received grant modifications which retroactively allowed administrative costs (not to exceed 10 percent of grant funds).

Excerpts of The WorkPlace's response to the draft report have been incorporated into appropriate sections of the report. The response is included in its entirety as an Appendix.

# INTRODUCTION

## BACKGROUND

The American Competitiveness and Workforce Improvement Act of 1998 (ACWIA) was enacted to help employed and unemployed U.S. workers acquire the technical skills for occupations that are in demand and being filled by H-1B visa holders. The H-1B program allows employers to temporarily employ foreign workers on a nonimmigrant basis to work in specialized jobs not filled by U.S. workers (8 U.S.C. 1101(a)(15)(H)(i)(b)). A \$1,000 user fee is imposed on employers for H-1B applications. ACWIA provides that over half of that fee is used to finance the H-1B Technical Skills Training Program administered by USDOL.

H-1B technical skills training grants are demonstration grants awarded under the authority of Title IV-D of the Job Training Partnership Act and Title I-D of the Workforce Investment Act (WIA). As of December 31, 2001, USDOL had conducted four rounds of grant competition and awarded 52 grants totaling approximately \$120 million.

<b>Grant Round</b>	<b>Solicitation Date</b>	<b>Number of Grants</b>	<b>Award Amount</b>
1	August 16, 1999	9	\$12,383,995
2	March 29, 2000	12	\$29,166,757
3	August 1, 2000	22	\$54,000,000
4	April 13, 2001	9	\$24,394,801 <sup>1</sup>
	<b>Total</b>	<b>52</b>	<b>\$119,945,553</b>

In round one, The WorkPlace was awarded \$1,500,000 under Grant Number AL-10854-00-60, for the period March 27, 2000 to March 27, 2002. The WorkPlace proposed and agreed to train participants in skills certified by the NSSB.<sup>2</sup> This training was to take place at certified skills centers located at participating companies. Pepperidge Farm, Pitney Bowes, and Computronix are the participating companies in this H-1B grant.

Incorporated in 1983, The WorkPlace is a not for profit corporation under section 501(c)(3) of the Internal Revenue Code. The WorkPlace administers job training and job preparation activities funded by state and Federal agencies and coordinates training and education programs for 20 communities in Fairfield County, Connecticut. The WorkPlace functions as the local WIB for Fairfield County, and is also the substate grantee under the WIA Dislocated Worker Program.

<sup>1</sup> As of December 31, 2001, Round 4 was still an open solicitation.

<sup>2</sup> The NSSB is a coalition from business, labor, employee, education, and community and civil rights organizations that was created to build a system of skill standards, assessment and certification systems.

## AUDIT OBJECTIVES

The overall audit objective was to evaluate if The WorkPlace was meeting the intent of the H-1B Technical Skills Training Program and the requirements of its grant. The subobjectives were to determine if:

- The project had been implemented as stated in the grant.
- Program outcomes were measured, achieved, and reported.
- Reported outlays were reasonable, allocable, and allowable in accordance with applicable Federal regulations, and OMB Circular A-122, Cost Principles for Non-Profit Organizations.

## AUDIT SCOPE AND METHODOLOGY

The interim audit period was March 27, 2000 through June 30, 2001. In performing this audit, we reviewed the Solicitation for Grant Applications and the grant agreement to determine the requirements and performance measures of the grant. We conducted interviews with the staff of The WorkPlace, JobLink (the local one-stop operator), Pitney Bowes and Pepperidge Farm (participating companies). We made onsite visits to Pitney Bowes and Pepperidge Farm.

We audited cumulative net outlays of \$1,016,113, consisting of the Federal share of \$610,962 and third party in-kind contributions of \$405,151, claimed on the FSR for the period ending June 30, 2001. We traced expenditures to general ledgers and examined supporting documentation including vouchers and invoices. Judgmental sampling was used to test individual account transactions and balances.

Compliance with laws, regulations, and grant agreement provisions is the responsibility of The WorkPlace. We performed tests of compliance with certain provisions of laws, regulations, and the grant to evaluate if The WorkPlace was meeting the requirements of the grant. However, our objective was not to provide an opinion on overall compliance with such provisions, and accordingly, we do not express such an opinion. We examined compliance with grant requirements and program outcomes goals using the Solicitation for Grant Applications and the grant agreement. We evaluated allowability of claimed costs using relevant criteria including: ACWIA; 29 CFR 95, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*; OMB Circular A-122, *Cost Principles for Non-Profit Organizations*; and the requirements of the grant.

We conducted our performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such tests as we considered necessary to satisfy the objectives of the audit. We conducted fieldwork from June 21, 2001 to August 9, 2001, at The WorkPlace located in Bridgeport, Connecticut. Visits were made to Pitney Bowes in Stamford, Connecticut, on July 12, 2001, and to Pepperidge Farm in Norwalk, Connecticut, on July 13, 2001.

# FINDINGS AND RECOMMENDATIONS

## I. PROGRAM IMPLEMENTATION

As of June 30, 2001, The WorkPlace did not implement what it had proposed and agreed to do in the grant. Certified skills centers that were established did not provide training structured on NSSB standards and delivered by certified instructors. Further, the training provided was either non-technical or contained company-specific information not to be shared with non-employees. Training was not limited to individuals in the geographic region covered by the grant and was provided only to incumbent workers of the participating companies.

Training did not result in NSSB certification, college credit, or additions to lifelong resume's. Though the courses given were successful in meeting corporate needs, The WorkPlace has not met the intent of the grant to establish ongoing certified skills centers that train participants in the local area in technical skills for which H-1B visas were being granted.

ACWIA section 414 (c)(1) states:

*. . . the Secretary of Labor shall use funds available under section 286(s)(2) to establish demonstration programs or projects to provide technical skills training for workers. . . .*

### **CERTIFIED SKILLS CENTERS**

The cornerstone innovation for the grant was the establishment of certified skill centers. The grant agreement states that:

*. . . Each participating company has agreed to be designated as a Certified Skills Center. This designation requires the following: a) all training is structured on NSSB standards; b) all training results in formal certification in NSSB skills; c) all training results in college credit (curricula is State credit approved); d) all training results in additions to a lifelong resume; e) all certification in skills competency is maintained in a site database and that data is shared with the Substate grantee for the purpose of maintaining a workforce certification database; f) all instruction is delivered by trainers who themselves are certified in the NSSB skills as well as are certified as instructors by the State (for college credit purposes).*

The WorkPlace did not comply with any of the above requirements for certified skills centers. This condition was caused by the following factors:



- The NSSB had not established standards by March 27, 2000, the start of the grant, and only had begun to set standards in May 2001.
- The WorkPlace did not comply with the Solicitation for Grant Applications requirement that it “. . . spell out career paths which will help individuals acquire the high proficiency levels explicitly and implicitly contained in the H-1B occupations. . . .” Specifically, The Workplace did not develop individual and group training plans that identify occupations or skills in which workers were to be trained. The WorkPlace was unable to document how the courses given for workers at Pitney Bowes and Pepperidge Farm satisfy a need in occupations in which H-1B applications were being granted.
- The WorkPlace did not take the necessary steps to arrange college credit courses that were taught by certified instructors.
- Grant funds that were used for the rental of rooms and overnight travel could have been put to better use. In the budget narrative of the grant agreement, The WorkPlace stated that no monies were budgeted for travel and equipment. However, Pepperidge Farm was reimbursed \$140,000 of which 77.7 percent was for travel and overnight accommodations (\$81,480 or 58.2 percent), and for the one-time rental of training rooms and equipment (\$27,300 or 19.5 percent).

#### **TRAINING PROVIDED**

The type and length of training varied among the participating companies. Training provided was either non-technical or contained proprietary information not to be shared with non-employees. Pepperidge Farm provided non-technical training and Pitney Bowes provided training of a proprietary nature. Computronix sent their employees to a local community college. However, Computronix participants represent less than 1 percent of all participants served.

#### **Pepperidge Farm**

The WorkPlace paid \$140,000 to Pepperidge Farm for training. All of this training was for non-technical skills. The non-technical skills training courses at Pepperidge Farm were: diversity, diversity for leaders, presentation skills, basic selling, anti-harassment, interviewing skills, and coaching skills. Diversity or anti-harassment training made up 78 percent of the training.

Practically all of the classes were 2 to 4 hours in duration (with the exception of an 8-hour coaching skills course attended by 17 students). Seventy-nine percent of the participants attended only one class, and of those, 85 percent attended only anti-harassment or diversity training. These non-technical courses are of the type that any organization would provide to its employees. They were not specific to H-1B

occupations and should not be funded by this grant. In addition, no college credit was awarded for these courses.

### **Pitney Bowes**

The grant was designed to test skill transferability. However, the training given by Pitney Bowes, although in technical skills subjects, contained proprietary information, and, therefore, was not intended to be shared with unemployed workers or individuals employed outside the company. Pitney Bowes was in the process of retooling for the manufacture of electronic rather than mechanical products, and it was necessary to train its workers in appropriate new skills, a training process that was in effect prior to the H-1B grant.

Classes at Pitney Bowes varied from 4 to 60 hours and 89 percent of the participants attended only one class.

### **Computronix**

Although Computronix is a participating H-1B company, it was not designated as a certified skills center, as was proposed for all H-1B companies. Information technology training was provided to Computronix employees at Norwalk Community College for \$7,500. Training consisted of a 40-hour course.

#### **PARTICIPANTS SERVED**

Training was not limited to individuals in the geographic region covered by the grant and was provided only to incumbent workers of the participating companies.

### **Participants Outside the Geographic Region**

The grant is for individuals located in the local geographic region. The WorkPlace is the WIB of Southwestern Connecticut. The grant agreement states: “The project has been designed to effectively remedy the current skill shortages, and reduce the region’s reliance on visa exceptions to fill H-1B occupations.”

The grant agreement further states, “Pepperidge Farm will provide a certified skill center at its Norwalk operations.” However, Pepperidge Farm trained its salespersons and regional managers who were stationed across the country. The company held most of its training in places far from its corporate location. Of the 51 training sessions held by Pepperidge Farm, only 7 were held at a Pepperidge Farm facility, 10 were held at Connecticut hotels, and 34 were held at hotels throughout the country.

Pitney Bowes and Computonix trained participants in the local geographic region.

## Participant Employment Status

In the grant agreement, The WorkPlace projected that: “A total of 540 will be served by the project. Of these, 50 are planned to be unemployed, 70 underemployed, and 420 incumbent workers.” At the end of fieldwork, all those trained were incumbent workers; none were unemployed or underemployed.

Although The WorkPlace reported that 1,765 participants completed each course, we determined the unduplicated number of incumbent workers taking a course to be 1,288.

Pepperidge Farm	525
Pitney Bowes	754
Computronix	<u>9</u>
Total	<u>1,288</u>

### SUSTAINABILITY

The grant agreement states:

*The creation of formal employer-based skills centers will encourage the sustainability of the project and its continuation beyond the termination of this specific project.*

The WorkPlace has not met the intent of the grant in establishing ongoing certified skills centers that train participants in the local area in technical skills for which H-1B visas were being granted.

## Recommendations

We recommend that the Assistant Secretary for Employment and Training ensure that The WorkPlace operates the project in accordance with the requirements and intent of the grant. Specifically, the Assistant Secretary should ensure that The WorkPlace:

- establish certified skills centers that provide technical skills training by certified instructors in H-1B career paths;
- develop individual and group training plans which identify needed skills and occupations;
- target the training to serve participants located within the geographic region; and
- make training available to other than incumbent employees.

Excerpts of The WorkPlace’s response and OIG’s conclusions on specific issues are presented below.

## **1. Certified Skills Centers**

### **The WorkPlace’s Response**

*. . . It was intended that Pitney Bowes and Pepperidge Farm would both create skill centers where shared training would be made available. . . . Pitney Bowe’s progress was hindered by the provision of proprietary skills training required by the implementation of the new, technology-based operating system. . . . Pepperidge Farm is currently developing its spring skills schedule that will be open for grant participation. . . .*

*Just as developing and implementing H-1B programs is new to the employment and training field, developing “formal” career ladders with individual plans for employee development is a relatively new concept for many employers. . . .*

*Until such time as NSSB skills measures and certification methods are available, certified skills centers cannot be established. . . .*

*The WorkPlace will continue toward obtaining college credit for accredited training provided. . . .*

### **OIG’s Comments**

Pitney Bowe’s provision of proprietary skills training pre-dates the grant and was known prior to the grant proposal. The WorkPlace should have reviewed Pepperidge Farm’s courses for technical skills content prior to training.

We agree that the absence of established NSSB standards was beyond the control of The WorkPlace. However, we believe that The Workplace and its corporate partners should have created an alternative system, including career ladders, that indicates what training was needed to accomplish stated goals.

The WorkPlace provided no documentation that any participants have received college credit for the training they received.

## **2. Training Provided**

### **The WorkPlace's Response**

*. . . non-technical skills were an appropriate activity to be provided through grant funding. The WorkPlace, however has requested, and received as of this response date, a revised billing from Pepperidge Farm replacing the non-technical training costs reimbursed with technical training it provided to employees. . . .*

### **OIG's Comments**

Submitted documentation was not sufficient to establish the technical nature of the training costs claimed in the revised billing.

## **3. Participants Served**

### **The WorkPlace's Response**

*A revised billing has been received from Pepperidge Farm replacing the out-of-region employees with in-region employees. All grant-funded training is being provided to employees within the grantee's region.*

*Enrollment of under-employed and unemployed individuals is in modification to be replaced by increasing the number of incumbent workers to be trained . . .*

### **OIG's Comments**

Submitted documentation was not sufficient to establish the geographic location of participants trained. It is still a requirement of the grant that other than incumbent workers be trained.

## II. PROGRAM OUTCOMES

As stated in the grant, the overall outcome measure is to:

*. . . reduce the number of H-1B visa exceptions in the region. The outcomes (all of which are measurable) include placement rates (both into H-1B and H-1B career path occupations), cost of service, reduction of unemployment, NSSB skills certificates issued, college or equivalent credit issued, and a comparison of wages before and six months following the completion of training.*

The WorkPlace has not measured, accomplished and reported outcome measures as stated in the grant. The WorkPlace could not demonstrate how courses provided for workers at Pitney Bowes and Pepperidge Farm constitute H-1B career paths and met NSSB skill levels. (See Finding I for details.) As a result, it is difficult to establish a correlation between the training provided and a reduction of H-1B dependence in the local area. Further, since neither Pitney Bowes nor Pepperidge Farm was reliant on H-1B workers prior to the grant, it would also be difficult to make any such correlation at the company level.

The grant further identifies five broad outcome categories: number of participants, measurable effects, customer satisfaction, employer-specific measurable effects, and other additional measurable performance-based outcomes. These 5 outcome categories detail 31 specific outcome measures. Some outcomes that were proposed but not measured, accomplished, and reported were:

- number of NSSB skills certified per trainee;
- college credit for accredited courses successfully completed and meet NSSB skills standards;
- creation of a lifelong resume' maintained through a database;
- continued pursuit of training education post project;
- customer and program participant surveys; and
- cost comparison with other available service strategies.

Moreover, of the 31 specific outcome measures identified in the grant, many are difficult to measure. Outcomes difficult to measure include, but are not limited to the following:

- improved productivity and efficiency in job;
- improved quality output;
- increased probability for promotion;
- increase in firms profitability; and
- increase in workers' competitive position in marketplace.

### **Recommendation**

We recommend that the Assistant Secretary for Employment and Training ensure that TheWorkPlace measure and report program outcomes.

### **The WorkPlace's Response**

*. . . Most of the measures are outcome measures, where actual measurements would not be available until the end of the grant period. Some of the measures are no longer feasible as the NSSB standards that we anticipated using were not available during the period. There were no formal mechanisms provided for reporting the measures. . . .*

*A company's decision to reduce their reliance on H 1 B visas is a long term goal that cannot be completely solved with short term intervention. . . .*

### **OIG's Comments**

The 31 specific outcome measures were proposed by The WorkPlace, and, therefore, it was The WorkPlace that represented their measurability. Lacking NSSB standards, alternative means should have been developed to track progress.

It is true that the reduction of the reliance on H-1B visas is a long-term goal. However, it was not a long-term goal for Pitney Bowes or Pepperidge Farm, because neither company was reliant on H-1B workers at the time they agreed to participate in The WorkPlace's program.

### III. REPORTED OUTLAYS

The WorkPlace claimed cumulative net outlays of \$1,016,113, consisting of the Federal share of \$610,962 and third party in-kind contributions of \$405,151, on the FSR for the period ending June 30, 2001. These outlays included payments of \$140,000 to Pepperidge Farm for costs for training which was not technical skills training, as required by ACWIA. As a result, we question \$140,000 or 14 percent of the costs claimed.

As of June 30, 2001, the matching requirement of 50 percent had not been met. Future costs may have to be questioned if the matching requirement is not satisfied.

#### TRAINING COSTS - \$140,000

ACWIA section 414 (c) states:

*. . . the Secretary of Labor shall use funds available under section 286(s)(2) to establish demonstration programs or projects to provide technical skills training for workers . . . [Emphasis added.]*

The WorkPlace paid \$140,000 to Pepperidge Farm for training related costs. These costs were for the one time rental of training rooms and equipment (\$27,300), travel and overnight accommodations (\$81,480), and actual training (\$31,220). However, all the training was in non-technical skill subjects. As a result, we question costs of \$140,000 associated with non-technical skill training.

The non-technical skills training courses at Pepperidge Farm were: diversity, diversity for leaders, presentation skills, basic selling, anti-harassment, interviewing skills, and coaching skills. These non-technical courses are of the type that any organization provides to its employees. The provided courses were not specifically tailored to H-1B occupations.

#### MATCHING REQUIREMENT

The Solicitation for Grant Application states:

*No applicant may receive a grant unless that applicant agrees to provide resources equivalent to at least 50 percent of the grant award as a match. That match may be provided in cash or in kind.*

The 50 percent requirement had not been met as of June 30, 2001. The WorkPlace reported cumulative in-kind costs of \$405,151 or 40 percent of the \$1,016,113 cumulative total outlays reported on the FSR for June 30, 2001. The 50 percent requirement must be satisfied by the end of the grant period.



Moreover, since the non-technical skills training given to Pepperidge Farm employees is a questioned cost, the salaries of the employees while attending that training should be removed as a component of the in-kind cost calculation. This will have an adverse effect on satisfying the matching requirement. Future grant costs may have to be questioned if the matching requirement is not satisfied.

### **Recommendation**

We recommend that the Assistant Secretary for Employment and Training recover questioned costs of \$140,000.

### **The WorkPlace's Response**

*Pepperidge Farm submitted a billing for \$288,000 on 5/14/2001 covering their entire grant budgeted amount. \$140,000 was paid to Pepperidge Farm as partial reimbursement, recognizing their initial cash outlay of \$288,000 and the timing of training completed within the first 11 months of the grant. Given the nature of the skills training provided, a revised billing asking for technical skills only, should have been requested from Pepperidge Farm. . . .*

*In summary, the billing from Pepperidge Farm for \$140,000 has been replaced to include technical skills training provided to their employees through 9/30/01. . . .*

*The WorkPlace, Inc. fully intends to meet and exceed the 50% requirement for matching federal funds. . . .*

### **OIG's Comments**

Submitted documentation was not sufficient to establish the allowability of the revised billing.



Henry Lugo, Jr., Chair  
Catherine Candland, Vice Chair  
Joseph M. Carbone, President and Chief Operating Officer

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March 6, 2002

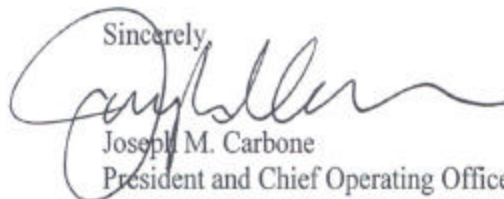
Mr. Richard H. Brooks  
Regional Inspector General  
U.S. Department of Labor  
Office of the Inspector General  
201 Varick Street  
New York, New York 10014

Dear Mr. Brooks:

Enclosed you will find The WorkPlace, Inc.'s response to the draft audit report of our H-1-B Technical Skills Training Grant # AL-10854-00-60. I understand our response will go through a series of reviews within the Office of Inspector General prior to an issuance to the U.S. DOL, Employment and Training Administration. Staff has worked diligently to respond to all the concerns raised and it is my hope that they are viewed favorably.

I also want to take this opportunity to thank your staff for their professionalism during the audit process. If you have any further questions, please do not hesitate to contact me at (203) 576-7030 ext 311.

Sincerely,



Joseph M. Carbone  
President and Chief Operating Officer

The WorkPlace's status related to meeting the 50 percent matching requirement was included in the report merely as a reminder that the requirement must be met by the end of the grant period.



## **Executive Summary**

The WorkPlace, Inc. has reviewed the U.S. Department of Labor (USDOL), Office of Inspector General Draft Audit findings of our H-1 B technical skills training demonstration grant. The WorkPlace, Inc. is Southwestern Connecticut's Regional Workforce Investment Board. In that capacity, The WorkPlace is the local administrative entity for USDOL Workforce Investment dollars as well as the recipient of numerous federal competitive grants. The WorkPlace applied for and received funding in the first round of H-1 B demonstration grant awards. USDOL has subsequently awarded four additional rounds of H-1 B grants.

The draft audit results state, "The WorkPlace has not been successful in meeting the intent of H-1 B Technical Skills Training Program and the requirements of the grant." It is our hope that the enclosed response addresses the concerns raised in the draft audit report, and that the audit findings will be resolved.

A few of the concerns The WorkPlace has about the draft result, which are further expounded in the response are:

- At the time of the audit, nine months remained in the grant award and an extension of the ending date had been requested
- Changes had occurred in the regulations governing this program either during or right after the audit field work completed, that were not reflected in the audit
- At the time the grant was written, the employers involved anticipated National Skills Standards would be available. During the period in question, the National Skills Standard Board had not established standards thus reporting any outcome data relating to NSSB skills standards and/or certifications is not possible
- Corrective action had begun to remedy some discrepancies in the employer's billing, counting of participants and reporting on the Financial Status Report

The WorkPlace, Inc. has an outstanding record of accomplishment in administering formula, competitive and corporate funding throughout its history. In anticipation of resolving the issues contained in the draft audit report, it aspires to continue the trend.



The response to the audit is formatted to allow for cross-referencing from the items below to the corresponding number in the audit letter. For example, the audit has three separate sections – I. Program Implementation; II. Program Outcomes; and III. Reported Outlays. The responses will identify the audit page number and will be numbered as I A, I B, II A, II B, III A, III B, etc. to refer first to the applicable section and then the sequentially lettered finding within that section.

Responses to the findings will either suggest changes in the wording used, or provide an explanation and resolution to the finding mentioned, or both. Quotation marks will denote OIG wording used in the audit report, with the WorkPlace response immediately following.

## **Section I - Program Implementation**

### **Page 5 - Item I A**

*Finding: "The WorkPlace did not implement what it had proposed and agreed to do in the grant."*

**Suggested Language:** As of the audit period, June 30, 2001, seven months remained in the grant period, and The WorkPlace had not fully implemented what it had proposed and agreed to do in the grant.

**WorkPlace Response:** Nationally, there is very limited field experience in developing and implementing H-1B technical skills programs (refer to Attachment 1, USDOL/ETA letter dated February 20, 2002). As a demonstration program, the grantee is projecting outcomes based on the agreements of partners entering the project. Developing relationships, procedures, reporting, etc., occupies three to six months of initial implementation. As implementation progresses and in hindsight, oversights in the proposed plan and snags in process development must be worked out. In other words, a system is being created as it is being implemented. The first year of a demonstration project, as with any start up of business or otherwise, is typically bumpy.

### **Page 5 - Item I B**

*Finding: "Certified skills centers that were established did not provide training structured on NSSB standards and delivered by certified instructors."*

**Suggested Language:** As of June 30, 2001 National Skill Standards Board (NSSB) skills standards were not established and available, therefore certified skills centers did not provide training according to NSSB standards, nor could training be delivered by NSSB certified instructors.

**WorkPlace Response:** Prior to the grant implementation, Pitney Bowes, a participating employer, worked with the voluntary national initiative to create skill standards that would transcend employment boundaries. The WorkPlace was very optimistic that the NSSB standards would be in place and the certification measures developed for the purposes of the grant. By summer of 2001, the standards had just been completed, but the methods by which to measure skills attainment had not.

#### **Page 5 - Item I C**

*Finding: "Further, the training provided was either non-technical or contained company-specific information not to be shared with non-employees."*

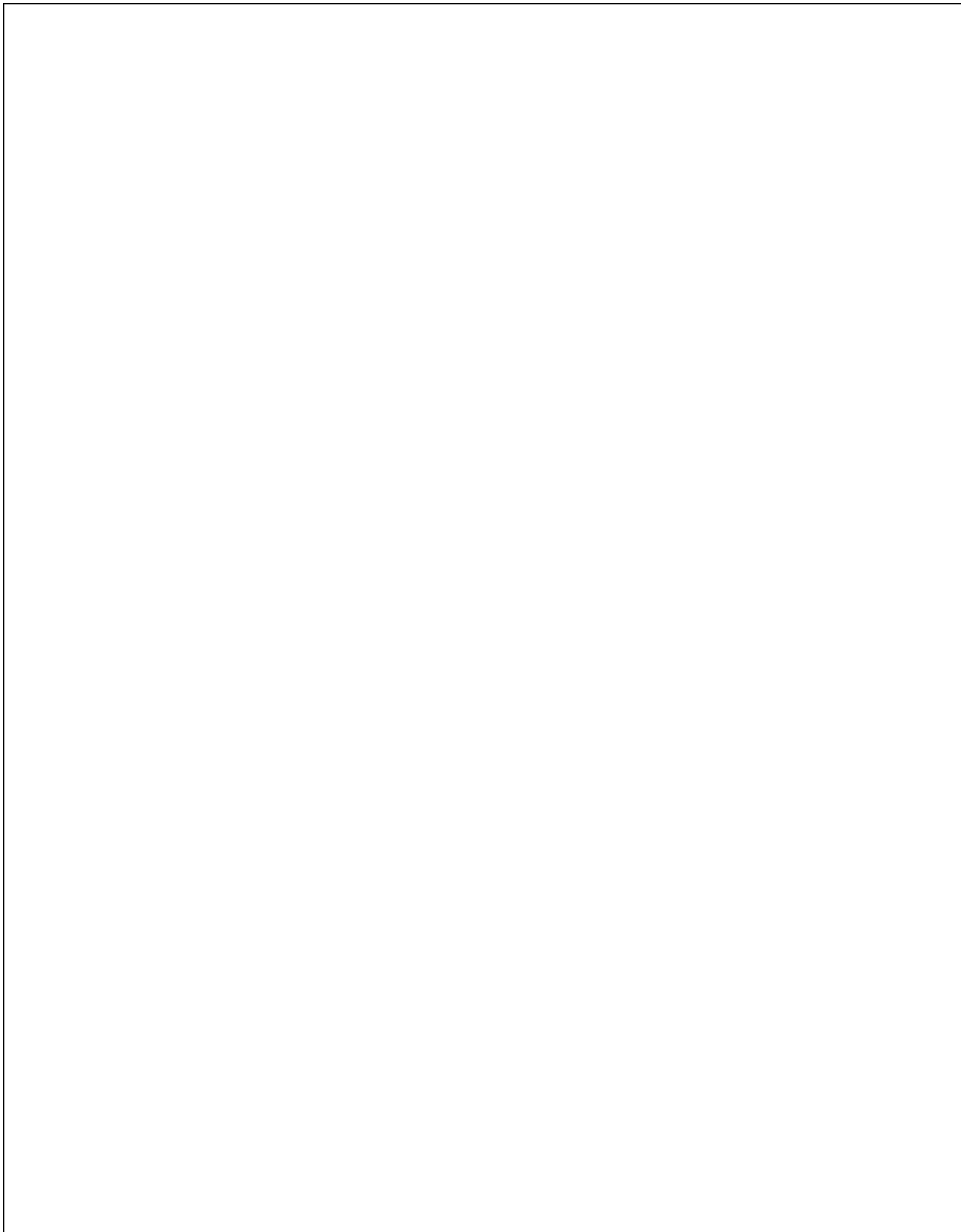
**WorkPlace Response:** Both Pepperidge Farm and Pitney Bowes had undergone organizational changes between the time of proposal submission and grant implementation. Pitney Bowes' focus shifted to ensuring their employees could meet the demands of the new, highly technical operational systems now in place. Although Pitney could not include non-employees into their proprietary training courses, the company is opening generic technical training (software, etc.) to non-employees.

Pepperidge Farm has a multi-year corporate training plan in place, which includes both technical and non-technical training. In March 2001, a Department of Labor secured consultant, KRA, reviewed the grant activity to date including the current skills training provided at Pepperidge Farm. Per Stephen A. Wandner, Director of the Division of Research and Demonstration for USDOL, KRA is a consulting firm with extensive experience in program analysis. Per the program report, it was the KRA reviewer's opinion that the program was on target and the training considered appropriate. (Refer to Attachment 2, KRA site visit packet). The WorkPlace has requested, and received as of this response date, a revised billing from Pepperidge Farm replacing the non-technical training costs reimbursed with technical training it provided to employees.

#### **Page 5 - Item I D**

*Finding: "Training was not limited to individuals in the geographic region covered by the grant..."*

**WorkPlace Response:** Pepperidge Farm charged in their April 2001 billing for training of employees whose home base is recorded as Norwalk CT, but whose physical locations move throughout the country. As stated in response I C above, the company is revising their billing to include technical training provided to employees physically located within the grantee region.





**WorkPlace Response:** It was intended that Pitney Bowes and Pepperidge Farm would both create skill centers where shared training would be made available. It has been a regular subject of Advisory Committee meetings since April 2001 (refer to Advisory Committee meeting agenda, Attachment 5). Pitney Bowes' progress was hindered by the provision of proprietary skills training required for the implementation of the new, technology-based operating system. Generic software training envisioned to become a part of the shared training is no longer being provided in a classroom setting but being conducted on-line. A mechanism to share distance learning is being explored with the employer. Pepperidge Farm is currently developing its spring skills schedule that will be open for grant participation.

#### **Page 5 - Item I H**

*Finding: "The cornerstone innovation for the grant was the establishment of certified skill centers. The grant agreement states that...Each participating company has agreed to be designated as a Certified Skills Center...training is structured on NSSB skill standards....training results in formal certification in NSSB...all training results in college credit (curricula is State credit approved)...additions to a lifelong resume....competency is maintained in a site database...instruction is delivered by trainers who themselves are certified in the NSSB skills as well as are certified as instructors by the State (for college credit purposes)."*

**WorkPlace Response:** NSSB standards, skills certification and certified trainers are addressed in Item I B above.

As stated on page 9 of the original grant proposal, "Providers will include current providers of adult basic and technical training (local vocational colleges) as well as company instructors....delivered by traditional providers, including Norwalk Community & Technical College Workforce Education Institute, and by company employees..." Consequently not all programs are eligible for college credit.

#### **Page 5 - Item I I**

*Finding: "The WorkPlace did not comply with the Solicitation for Grant Applications requirements that it ...spell out career paths which will help individuals acquire the high proficiency levels explicitly and implicitly contained in the H-1B occupations.....did not develop individual and group training plans....was unable to document how the courses given for workers at Pitney Bowes and Pepperidge Farm satisfy a need in occupations in which H-1B applications are being granted."*

**WorkPlace Response:** Just as developing and implementing H-1B programs is new to the employment and training field, developing "formal" career ladders with individual plans for employee development is a relatively new concept for many employers. In a telephone conversation to Richard Muller, USDOL, the WorkPlace staff suggested that capacity building activities would be beneficial to grantees.

Consequently, Region 1 USDOL/ETA is developing a full-day technical assistance workshop to assist grantees in accomplishing this task (Attachment 1). WorkPlace staff is participating in the development of three, full-day capacity building workshops addressing employer involvement, program design, career ladders, participant engagement, measures of success and sustainability.

**Page 6 - Item I J**

*Finding: "The WorkPlace did not take the necessary steps to arrange college credit courses that were taught by certified instructors."*

**WorkPlace Response:** As stated in Item I H above, training is provided by a variety of providers and all are not eligible for college credit. The WorkPlace will continue toward obtaining college credit for accredited training provided.

**Page 6 - Item I K**

*Finding: "Grant funds that were used for the rental of rooms and overnight travel could have been put to better use.....Pepperidge Farm was reimbursed \$140,000 of which 77.7 percent was for travel and overnight accommodations...and for the one-time rental of training rooms and equipment (\$27,300 or 19.5 percent)."*

**WorkPlace Response:** The WorkPlace has requested, and received as of this response date, a revised billing from Pepperidge Farm replacing the non-technical training costs reimbursed with technical training it provided to employees. (Refer to Attachment 6, Pepperidge Farm replacement billing.)

**Page 6 - Item I L**

*Finding: "Pitney Bowes offered training to employees stationed at its Stamford, Shelton, and Danbury, Connecticut plants. A training facility already existed at its Stamford plant prior to the start of this grant. However, for training given to its Shelton and Danbury employees, Pitney Bowes rented equipment and local hotel facilities. Although not a major portion of the funding it received (\$18,539 or 6.9 percent), resources expended on rentals do not further the establishment of a certified skills center."*

**WorkPlace Response:** Pitney Bowes stated that the lack of available training space and the large number of employees to be trained required use of outside facilities. The employer would not have been able to accomplish the training in the necessary time frame to move employees on to other more advanced training if not conducted in large groups, necessitating outside use of training space.

**Page 6 - Item I M**

*Finding: "Training provided was either non-technical or contained proprietary information not to be shared with non-employees. Pepperidge Farm provided non-technical training and Pitney Bowes provided training of a proprietary nature."*

**WorkPlace Response:** As stated in response Item I C and documented in Attachment 2, non-technical skills were an appropriate activity to be provided through grant funding. The WorkPlace, however, has requested, and received as of this response date, a revised billing from Pepperidge Farm replacing the non-technical training costs reimbursed with technical training it provided to employees.



**Page 6 - Item I N**

*Finding: "The WorkPlace paid \$140,000 to Pepperidge Farm for training. All of this training was for non-technical skills."*

**WorkPlace Response:** As previously stated, The WorkPlace has requested, and received as of this response date, a revised billing from Pepperidge Farm replacing the non-technical training costs reimbursed with technical training it provided to employees.

**Page 6 - Item I O**

*Finding: "Practically all of the classes were 2 to 4 hours in duration...Seventy-nine percent of the participants attended only one class, and of those, 85 percent attended only anti-harassment or diversity training. These non-technical courses are of the type that any organization would provide to its employees. They were not specific to H-1B occupations and should not be funded by this grant. In addition, no college credit was awarded for these courses."*

**WorkPlace Response:** At the time of the audit review, nearly one half of the grant period was yet to occur and further training participation for employees was planned. In addition and as stated above, The WorkPlace has requested, and received as of this response date, a revised billing from Pepperidge Farm replacing the non-technical training costs reimbursed with technical training it provided to employees.

**Page 7 - Item I P**

*Finding: "...the training given by Pitney Bowes, although in technical skills subjects, contained proprietary information, and therefore was not intended to be shared with unemployed workers or individuals employed outside the company."*

**WorkPlace Response:** Although at the time of the audit review training had not been shared with other H-1B participating companies, The WorkPlace will continue to explore methods by which Pitney Bowes training can be provided to employees outside the company.

**Page 7 - Item I Q**

*Finding: "Classes at Pitney Bowes varied from 4 to 60 hours and 89 percent of the participants attended only one class."*

**Suggested Language:** Classes at Pitney Bowes varied from 4 to 60 hours and as of June 30, 2001 89 percent of the employees had only attended one class.

**WorkPlace Response:** Pitney Bowes was implementing a multi-phase sequential training program. Foundation skills were the first to be provided, skills upon which further technical skill training would build.

**Page 7 - Item I R**

*Finding: "Although Computronix is a participating H-1B company, it was not designated as a certified skills center, as was proposed for all H-1B companies."*

**WorkPlace Response:** The grant proposal states, "Each participating company has agreed to be designated as a Certified Skills Center." This statement referred to the companies participating in the proposal submission. The smaller companies, such as Computronix, were not participating at the time of proposal submission. They do not have the facilities or capacity to develop on-site training, making their participation in an outside training system necessary. The proposal did not intend to require every single participating company to become a skill center.

#### **Page 7 - Item I S**

*Finding: "Training was not limited to individuals in the geographic region covered by the grant and was provided only to incumbent workers of the participating companies."*

**WorkPlace Response:** A revised billing has been received from Pepperidge Farm replacing the out-of-region employees with in-region employees. All grant-funded training is being provided to employees within the grantee's region.

Enrollment of under-employed and unemployed individuals is in modification to be replaced by increasing the number of incumbent workers to be trained (refer to Attachment 3, request for grant modification).

#### **Page 7 - Item I T**

*Finding: "...Pepperidge Farm will provide a certified skill center at its Norwalk operations. However, Pepperidge Farm trained its salespersons and regional managers who were stationed across the country."*

**WorkPlace Response:** A revised billing has been received from Pepperidge Farm replacing the out-of-region employees with region employees. All grant-funded training is being provided to employees within the grantee's region.

#### **Page 7 - Item I U**

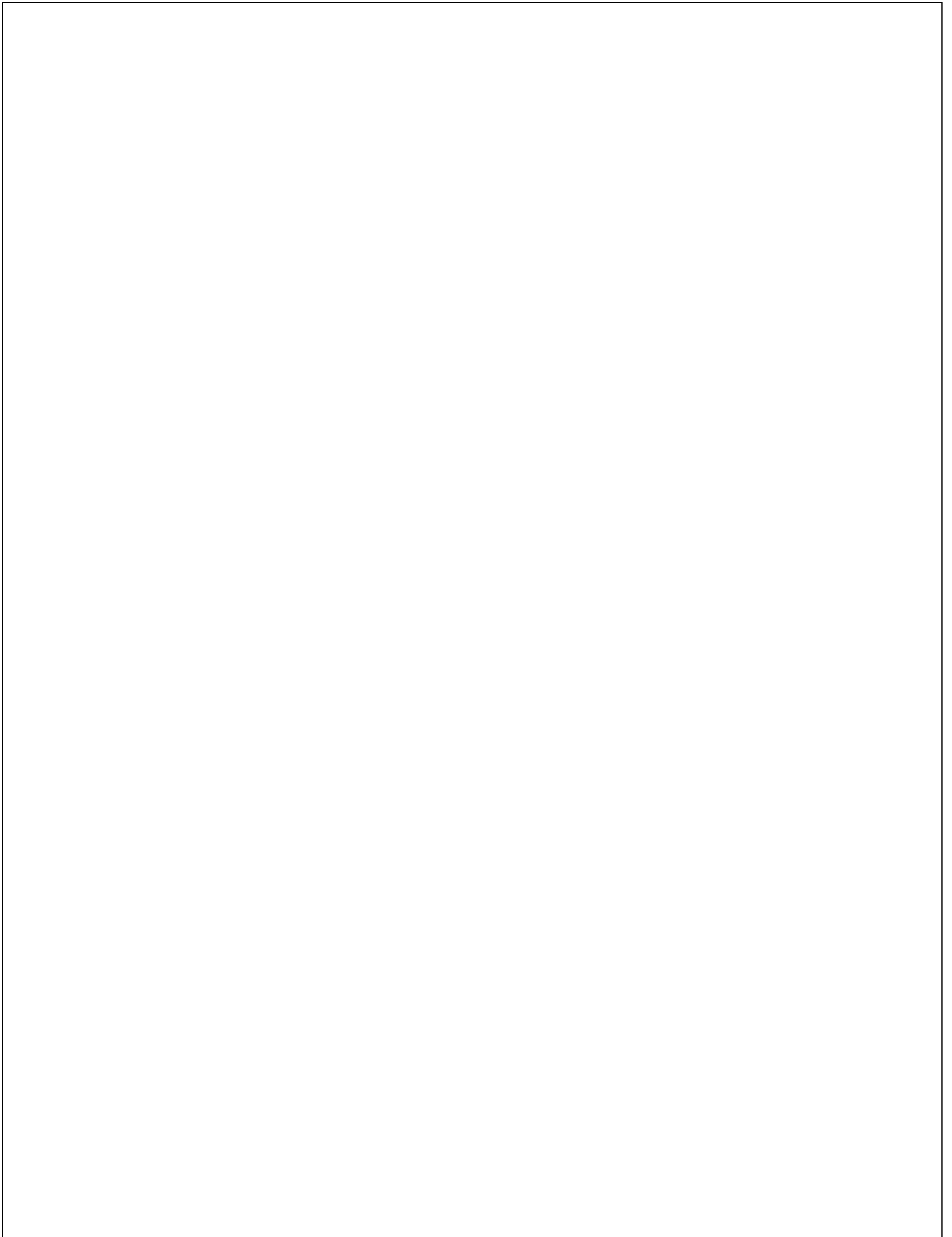
*Finding: "A total of 540 will be served by the project. Of these, 50 are planned to be unemployed, 70 underemployed, and 420 incumbent workers. At the end of the fieldwork, all those trained were incumbent workers; non were unemployed or underemployed."*

**WorkPlace Response:** Enrollment of under-employed and unemployed individuals has been requested to be replaced by increasing the number of incumbent workers to be trained (refer to Attachment 3, request for grant modification).

#### **Page 8 - Item I V**

*Finding: "The WorkPlace has not met the intent of the grant in establishing on-going certified skills centers that train participants in the local area in technical skills for which H-1B visas were being granted."*

**WorkPlace Response:** Until such time as NSSB skills measures and certification methods are available, certified skills centers cannot be established.





## II. Program Outcomes

### Page 9 - Item II A

*Finding: "The WorkPlace has not measured, accomplished and reported outcome measures as stated in the grant."*

**Suggested Language:** As of June 30, 2001, some outcomes that were proposed have not been measured, accomplished or reported.

**WorkPlace Response:** As of the end of the audited period, there were nine months remaining in the grant. Most of the measures are outcome measures, where actual measurements would not be available until the end of the grant period. Some of the measures are no longer feasible as the NSSB standards that we anticipated using were not available during the period. There were no formal mechanisms provided for reporting the measures. The WorkPlace, Inc. reported outcomes utilizing the format we used for other grants; the only requirement in the contract was submitting a quarterly narrative report. See Attachment 7.

In May 2001, ETA held the first H 1 B grantee meeting in Arlington, Virginia. Part of the meeting was devoted to an electronic reporting system, RDIS (Research and Demonstration Information System). This system was intended to be used for reporting outcomes and performance for this grant. The Round 1 grantees were selected to test and report using this system. See Attachment 8. To date the system is not ready.

### Page 9 - Item II B

*Finding: "The WorkPlace could not demonstrate how courses provided for workers at Pitney Bowes and Pepperidge Farm constitute H-1B career paths and met NSSB skill levels."*

**Suggested Language:** As of June 30, 2001, the WorkPlace could not demonstrate how courses provided workers at Pitney Bowes and Pepperidge Farm constitute H-1B career paths and met NSSB skill levels.

**WorkPlace Response:** The demonstration nature of the grant provided an opportunity for The WorkPlace and the employers to develop a process and career plans for participants. As noted in response I I, The WorkPlace is assisting in developing grantee capacity building in this area.

We realize the intent of the H-1B program is to reduce an employer's dependence on H-1B visas by providing technical skills training to American workers. Through this demonstration project, we have realized the development of career paths is a work in progress that occurs over a period of time with substantial input from the employers involved. We have continually looked toward Pitney Bowes and Pepperidge Farm to provide guidance on what skills employees need to progress in their respective companies. Since the NSSB skills standards were not established until summer 2001, it was not possible to demonstrate how any courses met those standards during the period in question.



- Creation of a lifelong resume maintained through a database

**WorkPlace Response:** This is a work in progress. By mid-year 2001, the H-1B Advisory committee began developing the lifelong resume database and implementation process. This database will be populated by grants' end. The progression of this will be reported in the quarterly reports.

- Continued pursuit of training education post project

**WorkPlace Response:** This outcome measure is something that will be captured post project because the information is currently not available.

- Customer and program participant surveys

**WorkPlace Response:** Program participant surveys have been captured and will continue to be gathered by the instructors. Input contained in the surveys has been utilized for program improvement purposes.

- Cost comparison with other available service strategies

**WorkPlace Response:** This outcome measure is something that will be captured post project because the actual cost information is currently not available.

#### **Page 9 - Item II F**

*Finding: Outcomes difficult to measure include but are not limited to the following:*

- *Improved productivity and efficiency in job*
- *Improved quality output*
- *Increase probability of promotion*
- *Increase in workers competitive position*

**WorkPlace Response:** Albeit these measures are difficult to report on, the WorkPlace, Inc. will continue to be proactive in getting this information from the employers involved.



### III. Reported Outlays

#### Page 10 - Item III A

*Finding: "The WorkPlace paid \$140,000 to Pepperidge Farm for training related costs. These costs were for the one time rental of training rooms and equipment (\$27,300), travel and overnight accommodations (\$81,480), and actual training (\$31,220). However all the training was in non-technical skill subjects. As a result, we question costs of \$140,000 associated with non-technical skill training."*

**WorkPlace Response:** Pepperidge Farm submitted a billing for \$288,000 on 5/14/2001 covering their entire grant budgeted amount. \$140,000 was paid to Pepperidge Farm as partial reimbursement, recognizing their cash outlay of \$288,000 and the timing of training completed within the first 11 months of the grant. Given the nature of the skills training provided, a revised billing asking for technical skills only, should have been requested from Pepperidge Farm.

The WorkPlace, Inc and the Office of Inspector General discussed and agreed that soft skills training as part of a curriculum is beneficial to overall career path enhancement. It should though, consist of a small portion of the training provided. The WorkPlace, Inc has requested, and received as of this response date, a revised billing from Pepperidge Farm replacing the non-technical training costs reimbursed with technical training it provided to employees.

Pepperidge Farm has provided technical training to its employees as part of an overall conversion to SAP software. An example of training classes held includes: Credit Management, Order Management Display, and Transaction Processing. Attachment 9- is a summary listing of the training provided indicating among other demographics, the technical and soft skills classes held through 9/30/2001. The total cost of technical related classes held exceeds \$453,000. Attachment 6 summarizes the revised Pepperidge Farm billing indicating the programs, number of attendees and internal and external costs. It should be noted that only columns marked as "billable" would be considered for replacement and/or reimbursement, and that only training items marked letters "A" through "L" are included in the calculation.

In summary, the billing from Pepperidge Farm for \$140,000 has been replaced to include technical skills training provided to their employees through 9/30/01. We ask that this questioned cost be removed from the report.

#### Page 11 - Item III B

*Finding: "The WorkPlace claimed administrative costs of \$192,687 on the FSR even though the grant states that these costs will be borne by the employers participating in the grant. The WorkPlace, Inc claimed \$128,653 of its own administrative costs on the FSR. In addition, The WorkPlace contracted with Joblink and Southwest Area Commerce and Industry Association (SACIA) to provide services of \$64,034 that were administrative in nature. Administrative costs are not allowable under this grant. As a result, we question costs of \$192,687."*

