

**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



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

350 Fairfield Avenue Bridgeport CT 06604 Phone: (203) 576-7030 Fax: (203) 335-9703 [www.workplace.org](http://www.workplace.org)

March 6, 2002

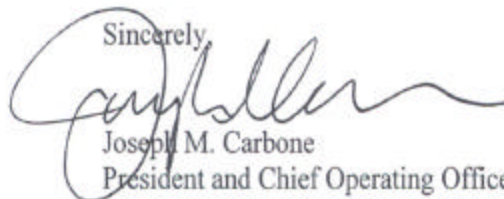
Mr. Richard H. Brooks  
Regional Inspector General  
U.S. Department of Labor  
Office of the Inspector General  
201 Varick Street  
New York, New York 10014

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.

*WorkPlace response to OIG Audit Report No. 02-02-207-03-390*

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.

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

*Finding: "...and was provided only to incumbent workers of the participating companies."*

**WorkPlace Response:** It was envisioned in the proposal that incumbents would be trained to assume the needed technical skill positions and new hires would back fill positions vacated in the process. The shifts in the economy and reorganization of Pitney Bowes and Pepperidge Farm have altered the need for new employees. A grant modification letter dated November 12, 2001 (refer to Attachment 3, November 12, 2001 request for grant modification), requested the revision of the make up of the numbers to be served from 420 incumbents, 50 unemployed and 70 underemployed, to a total of 540 incumbents.

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

*Finding: "Training did not result in NSSB certification, college credit, or additions to lifelong resumes."*

**Suggested Language:** Skill training was to have resulted in NSSB certification. However, certification cannot be applied at this time, as measurements are not yet developed. Training did not result in college credit. As of June 30, 2001, the lifelong resume database was not in place.

**WorkPlace response:** NSSB Skills: As stated in Item I B above, the means of certifying NSSB skills is not yet available.

College Credit: As stated in section E., Outcomes, of the grant negotiation issues included in grant document (refer to Attachment 4, E. Outcomes), college credit would be awarded for accredited courses successfully completed. The WorkPlace will obtain credits for participants in accredited courses.

Lifelong Resumes: The H 1 B Advisory Committee began developing the lifelong resume database and implementation process in mid 2001. (Refer to Attachment 5, Advisory Committee meeting agenda.) The database will be developed for population by project end.

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

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

**Suggested Language:** As of June 30, 2001, The WorkPlace had not met the intent of the grant to establish 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:** 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.

## **Page 8 Recommendations**

**Item I W** *"Establish certified skills centers that provide technical skills training by certified instructors in H-1B career paths.:*

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

**Item I X** *"develop individual and group training plans which identify needed skills and occupations"*

**WorkPlace Response:** The WorkPlace will be proactive in working with employers to accomplish this goal.

**Item I Y** *"target the training to serve participants located within the geographic region"*

**WorkPlace Response:** Replacement billing has been received reimbursing only for training participants from within the geographic region.

**Item I X** *"make training available to other than incumbent employees."*

**WorkPlace Response:** This outcome will be removed with the approval of the grant modification request of November 12, 2001.

## 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.

### **Page 9 - Item II C**

*Finding: "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.*

**WorkPlace Response:** The reduction of H-1B dependence by any employer can take a significant amount of time to accomplish. Again, the period in question covers the first year of the grant period. It is highly unlikely that any significant results would be visible and any immediate reduction in H-1B dependence would be evident. Developing low skilled incumbent workers requires a combination of soft skills as well as technical skills, and depending on the skill level of the trainees, could take a significant amount of time. During the period audited, the training that occurred was necessary to begin to place these incumbent workers in a position for further skilled training that will lead them to higher skilled positions.

### **Page 9 - Item II D**

*Finding: "Since Pitney Bowes and Pepperidge Farms were not reliant on H-1B workers prior to the grant; it would be difficult to make any correlation at the company level."*

**WorkPlace Response:** It is inherently difficult to make any correlation in the first year of the grant. 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. This type of intervention begins the process and takes the steps necessary to put American workers in the position for higher skilled occupations. Pitney Bowes and Pepperidge Farm do utilize H 1 B workers and through this intervention and continued programs such as these, those companies over the long term will become reliant on American workers and less dependent on H 1 B employees.

### **Page 9 - Item II E**

*Finding: "Some outcomes that were proposed but not measured, accomplished and reported were:"*

- Number of NSSB skills certified per trainee

**WorkPlace Response:** Because NSSB skills standards were not available during the period in question; there was no mechanism for certifying trainees. When the grant was written, both companies were optimistic that NSSB skill standards would be in place allowing us to measure the number of NSSB skills certified per trainee. Since this is no longer a realistic goal, we have submitted a request for modification to the grant to eliminate outcomes associated with this set of skill standards.

- College Credit for accredited course successfully completed and meet NSSB skills standards

**WorkPlace Response:** College credit will be awarded for any accredited courses successfully completed, during the grant period. Again, the NSSB skill standards were not available 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."*

**WorkPlace Response:** (As of the date of this response the Department of Labor has allowed administration to be charged to the grant as evidenced by Attachment 10 an amendment Public Law 106, and Attachment 11, a budget revision reflecting the inclusion of admin costs. Following is a summary of why administration was originally charged on the FSR).

The WorkPlace, Inc correctly reported administration costs on the FSR Form 269A to demonstrate the total costs associated with running the H 1 B program. These costs though, should have been reported as part of the "Recipient Share of Outlays" on "Line I" on the FSR form, which would then indicate a non-federal source as funding them. It should not have been recorded as a federal outlay. Consequently, H 1 B funds should not have been drawn to cover administrative expenses of The WorkPlace, Inc., which at 6/30/2001 totaled \$128,864. The participating employers were to contribute \$260,000 to cover the cost of administration expenses incurred during the grant. When the error was discovered, draw of H 1 B funds for administrative expenses was halted until the overage was corrected.

The issue is the timing of receipt of funds from the participating employers. Total contributions from Pepperidge Farm and Pitney Bowes totaled \$98,020 and were made by 8/31/2001, with \$31,875 being received by 6/30/2001. The WorkPlace, Inc fully expects to receive the entire \$260,000 from all participating employers. Covering administration costs in the interim is a function of 1) financial and cash management systems and 2) unrestricted cash balances on hand during the year. Generally there is little or no lag time in the receipt of program funds, disbursing payments and recording costs on the general ledger. But occasionally, to maintain continuous program performance and operation, one procedure will precede another. For example, disbursements will occur prior to receiving funding.

In summary, The WorkPlace will cover its administrative costs either through employer contributions or the now allowable grant funds.

The remaining costs of \$64,034 for both Joblink and SACIA were judged by The WorkPlace, Inc to be programmatic expenses and not administrative. Since the inception of the Workforce Investment Act in July 2000 the definitions of "administration" and "program" have changed dramatically.

Basically stated, and following the WIA Section 667.220(c)(1) and (c)(4) administration includes the back office functions of accounting, human resource, purchasing, auditing and their related technology. Program functions are all other duties dealing with the delivery of services. The WorkPlace, Inc followed this definition for the H 1 B grant as the solicitation indicated it was issued utilizing a mix of JTPA and Workforce Investment Act definitions and funds as evidenced in Attachment 12, from page 6 of 16 in the original grant solicitation. In exercising a consistent method of cost category identification The WorkPlace, Inc applied the Workforce Investment Act definitions to funds originating from the Department of Labor under those auspices. See Attachment 13. Attachment 141 is a confirmation of the use of funds from our GOTR Robert Downing. Both Joblink and SACIA worked directly with participating employers, a program function, while The WorkPlace assumed its fiduciary, grant recipient and administrative role. As both their contracts indicate, and as mentioned in the audit finding, their roles are functions directly related to the employers and their personnel.

**Page 11 - Item III C**

*Finding:* "The matching requirement had not been met as of June 30, 2001. The WorkPlace, Inc 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."

**WorkPlace Response:** The WorkPlace, Inc fully intends to meet and exceed the 50 % requirement for matching federal funds. As of 1/31/2002 total federal expenditures total \$578,163 and non-federal total \$610,175 (correctly applying participating employer contributions as matching funds).