

**OCT 3 2000**

**MEMORANDUM FOR:** RAYMOND L. BRAMUCCI  
Assistant Secretary  
for Employment and Training

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**FROM:** JOHN J. GETEK  
Assistant Inspector General  
for Audit

**SUBJECT:** Postaward Survey of the Prince George's Workforce Services Corporation's Welfare-to-Work Competitive Grant  
Final Letter Report No. 03-00-013-03-386 (03-01-001-03-386)

This final letter report provides the results of our postaward survey of the Prince George's Workforce Services Corporation's (PGWSC) Welfare-to-Work (WtW) Competitive Grant. The purposes of our survey were to evaluate PGWSC's financial management and program systems and to make an assessment of its capability to administer the WtW competitive grant. Our work was performed using a postaward survey guide designed by the Office of Inspector General to make an early assessment of PGWSC's program operations so that timely corrective action could be implemented to improve program performance and internal controls.

Overall, we concluded that the PGWSC has the capability, including the necessary financial management systems, to administer its WtW competitive grant. The PGWSC's innovative WtW approach includes education support coupled with job readiness training. This training emphasizes clients' orientation to the workplace by placing them in public and private entity internship programs to develop the basic skills necessary to make the client job-ready. However, our audit disclosed that changes must be made in reporting allocated costs in the WtW Financial Status Report, documenting WtW eligibility, monitoring subrecipient operations, and implementing the subrecipient tuition cost reimbursement policy.

### **Background and Scope**

On January 4, 1999, PGWSC was awarded a \$4.9 million WtW competitive grant. During the period May 30 to June 8, 2000, we conducted an examination of the PGWSC's and its subgrantee's, the Sylvan Learning Center, Inc. (Sylvan), program and financial management systems currently operational for administering the WtW competitive grant. To accomplish our postaward survey, we examined specific WtW provisions promulgated through Title 20, Code of Federal Regulations (CFR), Part 645.

We reviewed the grant agreement, project proposal, and operating procedures and policies. We also interviewed a number of key staff who were involved in developing and operating PGWSC's WtW program. We performed our work in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

## **Findings and Recommendations**

### **1. WtW Costs Are Not Being Allocated in Accordance with WtW Regulations**

The total WtW grant costs are currently being allocated by Sylvan based on the number of 70-percent and 30-percent enrollees. This allocation method does not comply with WtW regulations which require that the dollar cost allocation between the two client categories be based on the amount of service and/or time provided, not the number of clients served.

The WtW regulation in 20 CFR § 645.211 requires that at least 70 percent of the awarded WtW funds be spent to benefit hard-to-employ individuals and no more than 30 percent of the awarded WtW funds be spent to assist individuals with long-term welfare dependence characteristics. The Summary and Explanation section of the WtW regulation cited above explains that this requirement does not apply to the proportion of WtW participants served, but rather to the percentage of funds expended on the participants in each of the 70-percent and 30-percent category. To comply with this requirement, the DOL Employment and Training Administration's (ETA) Technical Assistance Guide states that grantees must develop a mechanism to capture costs by participant categories. The Technical Assistance Guide further explains that the most effective method to achieve this is by the use of separate codes in the chart of accounts and classification in the general ledger. Unless service costs, on a unit (enrollee) basis, is exactly the same for the 70-percent and 30-percent client groups, costs entered into these general ledger accounts should be supported by time sheets documenting the number of hours spent in serving the 70-percent and 30-percent client categories.

### **Recommendation**

We recommend that the Assistant Secretary for Employment and Training instruct PGWSC to revise its 70/30 WtW cost allocation procedures to ensure that costs are allocated based on the amount of time spent rather than the number of student enrollments.

### **2. WtW Client Case Files Do Not Contain Documentation to Support WtW Eligibility**

We reviewed 30 WtW client case files at the Prince George's County and Baltimore field offices and found that none contained verification from the local welfare agencies of the period of time the client received Temporary Assistance for Needy Families (TANF) benefits. The only documentation of the length of time the client was receiving TANF assistance was a self-certification form completed by the

client.

WtW Regulations in 20 CFR § 645.214 establishes the requirements for determining participant eligibility, and states in part:

The operating entity must ensure that there are mechanisms in place to determine WtW eligibility for individuals who are receiving TANF assistance. These mechanisms must include arrangements with the TANF agency to ensure that a WtW eligibility determination is based on information, current at the time of the WtW eligibility determination, about whether an individual is receiving TANF assistance . . . and the length of receipt of TANF assistance. . . .

A PGWSC official told us that to date, the local TANF agencies have been unable to provide the eligibility information from its computer system. Therefore, in lieu of documentation from the TANF agencies, PGWSC has adopted a self-certification procedure where the client provides the TANF eligibility information.

### **Recommendation**

We recommend that Assistant Secretary for Employment and Training instruct PGWSC to work with the local TANF agencies in developing a mechanism to ensure that sufficient documentation is obtained to document the WtW eligibility requirements.

### **3. There Is No Documentation to Support That PGWSC Is Monitoring Subrecipient WtW Operations**

Our review of PGWSC records indicated that there is no documented evidence of monitoring Sylvan's WtW grant operations.

PGWSC contracted with Sylvan to administer the entire WtW Competitive Grant Program. Sylvan, in effect, became the subgrantee entity responsible for program performance. PGWSC's role was limited to oversight, program assistance, payment of invoices, and submission of program and fiscal reports to the ETA. The financial status reports (FSRs) that PGWSC submits to the ETA are, with the exception of one salary amount, based on the FSRs that Sylvan prepares and submits to PGWSC.

Our review of PGWSC records found that there is no documented evidence of monitoring Sylvan's WtW grant operations either on a program or financial basis. A PGWSC official told us that monitoring consists of daily discussions which are held on a daily basis with Sylvan representatives regarding grant operations. However, the discussions are not documented.

The Uniform Administrative Requirements for Nonprofit Organizations contained in 29 CFR § 95.51 on monitoring and reporting program performance, states in part:

Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.

## **Recommendation**

We recommend that the Assistant Secretary for Employment and Training instruct PGWSC to perform monitoring reviews of Sylvan's WtW operations and ensure that the reviews and any other monitoring activities are documented.

### **4. PGWSC Has Not Ensured That the Subrecipient Tuition Cost Reimbursement Policy Was Implemented.**

As of the completion of our fieldwork on June 8, 2000, no tuition credits have been applied by Sylvan to the tuition costs charged to the WtW grant, although the tuition reimbursement policy requires that such credits are to be calculated at the end of the calendar year.

For providing services to WtW enrollees, Sylvan charges the WtW grant the "off-the-shelf" price, which is the amount they charge to the public. This training, which is similar to the educational services provided by other Sylvan Learning Centers, is broken down into three phases. The first phase involves intensive basic education and job readiness training; the second phase consists of continuing education while serving in internships; and the third phase stresses postemployment continuing education for up to 8 months.

Sylvan's tuition policy for the WtW program provides for tuition credits to be applied against tuition costs charged to the WtW grant. The amount of the tuition credits, based on various stages of course completion, will be computed annually by Sylvan. Sylvan will request the PGWSC's verification and agreement with the computed credit amounts. After concurrence, Sylvan will apply these credits to the invoice payment amounts that occur after the credit amount has been agreed upon.

Sylvan started enrolling WtW clients in April 1999. As of June 2000, we found no tuition credits have yet been calculated and applied to the WtW grant. Based on data compiled as of December 30, 1999, we concluded that tuition credits should have been calculated and applied. We found that 12 percent of the WtW enrollees dropped out of the first phase prior to entering the workplace/internships. Also, only 18.7 percent of the WtW enrollees completed all three phases while serving in workplace/internships.

OMB Circular A-122, Attachment A, General Principles, 5a. states in part:

The term applicable credits refers to those receipts, or reduction of expenditures which operate to offset or reduce expense items that are allocable to awards as direct or indirect costs. . . . To the extent that such credits accruing or received by the organization relate to allowable cost, they shall be credited to the Federal Government either as a cost reduction or cash refund, as appropriate.

### **Recommendations**

We recommend that the Assistant Secretary for Employment and Training instruct PGWSC to monitor Sylvan's progress in calculating the tuition credit amounts to ensure that these credits are reasonable and promptly applied to tuition costs being charged to the grant. In addition, since tuition credits are being applied only to future Sylvan tuition billings, any accrued tuition credits not applied by Sylvan to tuition invoices should be refunded by Sylvan at the end of the grant period.

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On August 11, 2000, we sent PGWSC's President a letter providing the results of our survey. PGWSC did not provide a written response to our letter.

This final letter report is submitted for your resolution action. We request a response to the recommendations within 60 days. It is your office's responsibility to transmit this final letter report promptly to program officials for resolution.

If you have any questions, please contact Roger B. Langsdale, Regional Inspector General for Audit, in Philadelphia at (215) 656-2300.