

MEMORANDUM FOR: RAYMOND UHALDE
 Deputy Assistant Secretary for
 Employment and Training

FROM : JOHN J. GETEK
 Assistant Inspector General
 for Audit

SUBJECT: Allegations at the Greater Omaha Workforce Development
 Final Letter Report No. 05-01-001-03-386

This final letter report is submitted for your resolution action. We request a response to this report within 60 days.

It is your responsibility to promptly transmit this report to the recipient for resolution. However, we are providing a courtesy copy directly to the recipient. A copy of the recipient's response is attached.

Background:

Greater Omaha Workforce Development (GOWD), formerly Job Training of Greater Omaha, received \$1,549,913 in Welfare-to-Work (WtW) substate formula grant funds from the Nebraska Department of Labor to operate from February 9, 1998, through September 30, 1999. This subgrant was extended until February 8, 2001, with funds totaling \$3,223,247.

On December 9, 1999, GOWD awarded a contract to White's Counseling and Consulting Agency to provide motivational group seminars, training and support services from October 1, 1999, through September 30, 2000.

On May 1, 2000, GOWD awarded another contract to White's Counseling and Consulting Agency for teaching job readiness classes until September 30, 2000.

On October 12, 1999, GOWD awarded a contract to T.E.A.M., Incorporated to conduct participant before and after follow-up services and job retention services for participants until September 30, 2000.

On March 14, 2000, the Assistant Inspector General for Audit received an Incident Report from the Employment and Training Administration, forwarding an anonymous complaint alleging mismanagement and favoritism in awarding contracts at GOWD.

Objectives:

Our audit objectives were to determine whether or not the following allegations were true:

- . There are mismanagement and favoritism in awarding contracts. Contracts are awarded without Requests for Proposals (RFPs) being issued and are being awarded based on “who knows who.”
- . A contract awarded for a job readiness class pays \$1,100 a day, 5 days a week for 3 weeks a month and is ongoing.
- . The people hired under these contracts are not appropriate and services are not being delivered to the participants in the best manner.
- . The contractor’s lectures are “over the heads” of the participants in this type of program and are not what is needed.
- . The classes have 25-30 participants and are too large.

Scope and Methodology:

Our audit covered the period from inception of the subgrant, February 9, 1998, through May 31, 2000. We examined the accounting records, contract agreements and procurement procedures to determine compliance with WtW grant requirements and applicable Federal regulations. Specifically, we reviewed provisions contained in the City of Omaha Home Rule Charter and Municipal Code. We also conducted interviews of key staff members, as well as WtW participants and contractors. This work was performed during the period June 5, 2000, through November 16, 2000.

Our examination was performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Results of Review:

Allegation No. 1: There are mismanagement and favoritism in awarding contracts. Contracts are awarded without RFPs being issued and are being awarded based on “who knows who.”

29 CFR 97.36(b) requires grantees or subgrantees which are state and local governments to use their own procurement procedures, provided they conform to applicable Federal law and the standards in 29 CFR 97.36. 29 CFR 97.36(c) specifically requires that all procurement transactions will be conducted in a manner providing full and open competition.

Section 5.16 of the Home Rule Charter requires that purchases of \$5,000 or more be advertised for formal sealed competitive bidding to be opened in public and be the basis for awards. Home Rule Charter, Section 5.17 further states that, except as provided in Section 5.16, competitive bids shall be secured before any purchase is made or any contract awarded for construction, alteration, repairs, maintenance or services. We believe that these Omaha requirements adequately meet the requirement for full and open competition in 29 CFR 97.36.

We found that contracts for teaching job readiness and participant follow-up services were not competitively bid. GOWD and City of Omaha officials believe that competitive bidding was not required for the contracts they awarded, because they were professional services contracts.

Section 5.16 of the Home Rule Charter of the City of Omaha states that competitive bidding is not required in contracting for professional services. Omaha Municipal Code Section 10-181 defines professional services to include architecture, engineering, land surveying or landscape architecture. We believe the contracts referred to in the allegation are not professional services contracts which would be exempt from competitive bidding, according to City of Omaha Code.

The allegation also mentioned a \$90,000 contract awarded to do participant follow-up. During our review, the only participant follow-up contract we could identify was awarded to T.E.A.M, Incorporated for \$19,200, rather than \$90,000.

Conclusion:

Federal regulations and City of Omaha Code require that the job readiness and participant follow-up contracts should have been awarded based on full and open competition. We found that contracts for teaching job readiness and participant follow-up services were not competitively bid.

Auditee Response:

Auditee concurs.

Allegation No. 2: A contract awarded for a job readiness class pays \$1,100 a day, 5 days a week for 3 weeks a month and is ongoing.

We reviewed two agreements that White's Counseling and Consulting Agency had with GOWD. One agreement was specifically to provide job readiness training at \$8,500 for a 3-week class. We

determined what days the contractor provided training, since GOWD staff also presented some of the modules of this class, and calculated the daily rate of this agreement to be \$680 per day. This agreement was awarded May 1, 2000, the same day the first job readiness class began.

The other agreement with White's Counseling and Consulting Agency was awarded earlier and is still in effect. It lists a number of fees for various services, including a large group facilitation fee of \$1,125 per seminar. This agreement was used as an interim arrangement until a new contract specifically for the job readiness training could be negotiated. We noted from invoices and expenditure reports that White's Counseling and Consulting Agency billed and was paid \$1,125 per one-day seminar for teaching job readiness classes during the period March 22, 2000, through May 9, 2000. Although this appears to be a high daily rate for providing classroom training, no procurement or program requirements were violated.

Conclusion:

We found invoices and expenditure reports that indicate White's Counseling and Consulting Agency was paid \$1,125 per seminar for teaching job readiness classes for a brief period before a new agreement specifically for job readiness classes was awarded. No procurement or program requirements were violated.

Auditee Response:

Auditee concurs.

Allegation No. 3: The people hired under these contracts are not appropriate and services are not being delivered to the participants in the best manner.

We interviewed the staff of White's Counseling and Consulting Agency to determine their qualifications and experience in teaching job readiness. The primary teacher holds a PhD degree in Psychology with experience as a counselor and mental health practitioner. While the staff has degrees in various subjects, all have teaching experience; one worked in a WtW program for 6 months. The contractor's staff possesses the qualifications and teaching experience to successfully conduct job readiness training.

We also interviewed a sample of class participants who were pleased with the level of instruction received. The material presented in the training also appeared to meet the participants' needs.

Conclusion:

The contractor's staff has the necessary credentials to teach the job readiness class. The participants are pleased with the level of instruction received.

Auditee Response:

Auditee concurs.

Allegation No. 4: The contractor's lectures are "over the heads" of the participants in this type of program and are not what is needed.

We observed three sessions of the June 2000 job readiness class conducted by White's Counseling and Consulting Agency staff. We noted on each occasion that the instructors were very conscious of the participants' needs. The participants were very receptive to the various instructors and there was good interaction between the participants and instructors. The participants responded to the instructors' questions. The classes seemed to be a lot of fun. The participants were explaining many of their past experiences in relationship to the class subject.

Conclusion:

In the classes we observed, the participants were actively involved in the classroom discussion. We conclude the lectures were not too advanced for the participants.

Auditee Response:

Auditee concurs.

Allegation No. 5: The classes have 25-30 participants and are too large.

As an addition to our June 2000 classroom observation, we conducted a student count. There were never more than 10 participants on any of the days we conducted our observation. We also observed the participant rosters maintained by the secretary and the number of participants present never exceeded 11.

The May 2000 class rosters showed that the number of participants never exceeded five.

Conclusion:

Based on our observations, there were never 25 to 30 participants in the job readiness classes.

Auditee Response:

Auditee concurs.

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Recommendation

In the future, GOWD should follow the City of Omaha's procurement requirements which require full and open competition, as well as the procedures which accompany the requirements, such as advertisement, sealed bids and public opening of bids.

Auditee Response:

In the future, GOWD will follow the City of Omaha's procurement requirements which require full and open competition, as well as the procedures which accompany the requirements, such as advertisement, sealed bids and public opening of bids.

Auditor's Conclusion:

The recommendation has been resolved. However, the audit remains open until we have received sufficient documentation to support that the grantee has implemented competitive procurement procedures.

The documentation we are seeking should illustrate the use of competitive procurement procedures governing the procurement of Job Readiness training or Participant Follow-Up subsequent to September 30, 2000. An issued RFP would suffice.

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If you have any questions regarding this report, please contact Preston Firmin at (312) 353-2416.

- cc: Hal Daub
- Patricia Williams
- Byron Zuidema
- Linda Kirk
- David Catalan
- James Aaron

Attachment

Attachment

Auditee's Response to Draft Report