

# U.S. Department of Labor

Office of Inspector General-Office of Audit

**EMPLOYMENT AND TRAINING  
ADMINISTRATION**



**WORKFORCE INVESTMENT ACT  
NATIONAL EMERGENCY GRANT  
CHINATOWN MANPOWER PROJECT, INC.**

**Date Issued: September 2, 2005  
Report Number: 02-05-203-03-390**

**U.S. Department of Labor  
Office of Inspector General  
Office of Audit**

## **BRIEFLY...**

Highlights of Report Number: 02-05-203-03-390, to the Assistant Secretary, Employment and Training. September 2, 2005

### **WHY READ THE REPORT**

Chinatown Manpower Project, Inc. (CMP) received a \$1.1 million contract under a \$25 million Workforce Investment Act National Emergency Grant (NEG) that the U. S. Department of Labor (Department) awarded the New York State Department of Labor (NYSDOL) after the September 11, 2001, attack on the World Trade Center (WTC). The purpose of the NEG was to provide core, intensive, and training services for workers who lost their jobs as a result of the WTC attack. A complaint was filed with the Office of the Secretary of Labor alleging misuse of departmental funds by CMP. This report discusses issues surrounding the hotline complaint, participant eligibility, whether cost principles and procurement regulations were followed.

### **WHY OIG DID THE AUDIT**

The Office of Inspector General (OIG) initiated an audit in response to a hotline complaint referred to us by the Office of the Secretary of Labor alleging misuse of departmental funds by CMP including delays in paying teachers, employment assistance not being provided to participants, and teachers not being present or qualified to teach English as a Second Language classes. The OIG conducted a performance audit of CMP to determine if these allegations were valid.

### **READ THE FULL REPORT**

To view the report, including the scope, methodology, and full agency response, go to: <http://www.oig.dol.gov/publicreports/oa/2005/02-05-203-03-390.pdf>.

**September 2005**

## **WORKFORCE INVESTMENT ACT NATIONAL EMERGENCY GRANT - CHINATOWN MANPOWER PROJECT**

### **WHAT OIG FOUND**

The audit found that the allegations of delays in paying teachers, employment assistance not being provided to participants, and teachers not being present or qualified to teach English as a Second Language classes were without merit.

However, the audit identified three areas of reportable conditions. First, CMP did not maintain a system to properly allocate direct and indirect costs to final cost objectives. Costs were allocated using predetermined estimates based on budgeted amounts, and not based on benefits received. Second, CMP and its subcontractors were unable to provide verification of eligibility for participants served. Based on the information provided NYSDOL could not certify whether participants were dislocated or unable to find work as a result of the WTC disaster or other reasons. Third, CMP did not follow procurement regulations when awarding subcontracts under the NEG. There were no solicitations to obtain competition, nor technical and cost evaluations, as required by Federal regulations.

### **WHAT OIG RECOMMENDED**

We recommended that Assistant Secretary for Employment and Training require NYSDOL to: 1) obtain an accounting of actual costs incurred under the CMP contract and subcontracts; 2) obtain documentation of a system that properly allocates CMP costs to final cost objectives; 3) consider having NYSDOL verify participant eligibility when self-certifications are used to expedite the eligibility process; 4) ensure that on future awards that include self-certification processes, regular eligibility verification is performed; and 5) ensure that NYSDOL follow applicable procurement regulations on future awards.

In its response to the draft report, NYSDOL respectfully declined to comment other than to say that they feel strongly that overall the program was effective.

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## **Executive Summary**

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This report summarizes the results of our performance audit of a \$1.1 million contract awarded to Chinatown Manpower Project, Inc. (CMP) by the New York State Department of Labor (NYSDOL). NYSDOL awarded the contract under a \$25 million national emergency grant (NEG) received from the Employment and Training Administration (ETA). The primary purpose of the NEG was to assist workers who were dislocated by the September 11, 2001, terrorist attack on the World Trade Center (WTC).

This audit was initiated in response to a hotline complaint originally sent to the Secretary of the U. S. Department of Labor that was referred to OIG for action. The audit objectives of this report were to determine if:

- allegations in a hotline complaint were valid;
- cost principles were followed;
- participants were eligible; and
- procurement regulations were followed.

### Results

We found that:

1. Allegations regarding the misuse of Government funds, including delays in paying teachers, employment assistance not being provided to participants, and teachers not being present or qualified to teach English as a Second Language classes, were without merit.
2. CMP did not maintain a system to properly allocate direct and indirect costs to final cost objectives in accordance with applicable cost principles. Costs were allocated using predetermined estimates based on budgeted amounts, and not based on benefits received as required by OMB Circular A-122. Further, there was no approved indirect cost rate for either CMP or its subcontractors, despite having received funding from more than one source. As a result, CMP could not determine the appropriate amount that should have been allocated to the contract and reported to ETA.

3. CMP and its subcontractors were unable to provide verification of eligibility for participants served. To enroll in the program, participants had to complete a self-certification form and check one of two boxes indicating that they were either (1) laid-off as a result of the World Trade Center (WTC) disaster or (2) a dislocated worker as defined in Workforce Investment Act (WIA). While 69 of the 70 participant files that we tested contained this self-certification form, 7, or 10 percent of the participants, did not check any of the eligibility boxes, and none of the participant files tested contained verification of eligibility as required by the NEG agreement. Therefore, based on the information provided, NYSDOL could not certify whether participants were dislocated or unable to find work as a result of the WTC disaster or other reasons.
  
4. CMP did not follow procurement regulations when awarding subcontracts under the NEG. There were no solicitations to obtain competition, nor technical and cost evaluations<sup>1</sup>, as required by Federal regulations. This condition occurred because CMP did not have written procurement procedures, and NYSDOL, with USDOL guidance, requested that CMP award subcontracts to specific organizations. CMP awarded subcontracts to the Chinese Christian Herald Crusade (Herald), and the Chinese-American Planning Council (Council) after they were identified and recommended as providers by USDOL personnel. In addition, CMP, on its own, selected New York Urban League (NYUL) without competition as a subcontractor based on NYUL's experience in serving dislocated workers. As a result, there is no assurance that the most qualified subcontractors were selected at the best price.

## **Recommendations**

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We recommend that the Assistant Secretary for Employment and Training require NYSDOL to:

1. obtain an accounting of actual costs incurred under the CMP contract and subcontracts, including an approved indirect cost rate, based on allocation methodologies that are in accordance with applicable Federal cost principles. NYSDOL should recover amounts determined to have been claimed in excess of actual costs;
  
2. obtain documentation of a system that properly allocates CMP costs to final cost objectives;

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<sup>1</sup> NYSDOL performed cost analyses. However, there was not sufficient documentation to determine if each element of cost was allowable, allocable and reasonable.

3. consider having NYSDOL verify participant eligibility when self-certifications are used to expedite the eligibility process, as required by the grant agreement;
4. ensure that on future awards that include self-certification processes, regular eligibility verification is performed; and
5. ensure that NYSDOL follow applicable procurement regulations on future awards.

#### Agency Response

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The NYSDOL's Director of Internal Audit provided a written response on August 16, 2005. She stated:

At this time, the Department respectfully declines to comment other than to say that we feel very strongly that overall the program was effective and believe this is evidenced by the fact that your auditors were unable to find any validity to the complaint which was the driving force behind the initiation of this audit. This contract was monitored according to established procedures and the Department stands behind the work of our field program and fiscal staff.

NYSDOL response in its entirety is attached as Appendix D.

#### OIG Conclusion

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NYSDOL's response did not specifically address the recommendations. Since no additional information was provided, the report findings remain unchanged. The recommendations will be resolved during DOL's formal audit resolution process.

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U. S. Department of Labor

Office of Inspector General  
Washington, D.C. 20210



## **Assistant Inspector General's Report**

Ms. Emily Stover DeRocco  
Assistant Secretary  
for Employment and Training  
U.S. Department of Labor  
200 Constitution Ave., N. W.  
Washington, DC 20210

This report summarizes the results of our performance audit of a \$1.1 million contract awarded to Chinatown Manpower Project (CMP) by the New York State Department of Labor (NYSDOL). NYSDOL awarded the contract under a \$25 million national emergency grant (NEG) received from the Employment and Training Administration (ETA). The primary purpose of the NEG was to assist workers who were dislocated by the September 11, 2001, terrorist attack on the World Trade Center (WTC).

This audit was initiated in response to a hotline complaint that was referred to us by your office. A separate audit report was issued to the Secretary of Labor addressing the U. S. Department of Labor's involvement in the procurement of subcontracts. The audit objectives of this report were to determine if:

- allegations in a hotline complaint were valid;
- cost principles were followed;
- participants were eligible; and
- procurement regulations were followed.

## **ALLEGATIONS WITHOUT MERIT**

### **Objective 1 - Were Allegations in a Hotline Complaint Valid?**

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#### **Results – Allegations Without Merit**

The complainant alleged CMP misused Government funds. Specifically, the complainant referenced newspaper articles alleging delays in paying teachers, employment assistance not being provided to participants, and teachers not being present or qualified to teach English as a Second Language classes. Based on our examination of staff payroll, teacher resume' and application files, and testimony of interviewed participants, we found the allegations to be without merit. Teachers were paid timely, employment assistance (referrals to training, resume' writing, interviewing skills, and job referrals) was offered to participants, and teachers were present and qualified to teach English as a Second Language classes.

## **FINDINGS AND RECOMMENDATIONS**

### **Objective 2 - Were Cost Principles Followed?**

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#### **Finding - Costs Were Not Properly Allocated**

Generally, grant costs were allowable and allocable in nature. However, CMP did not maintain a system to properly allocate direct and indirect costs to final cost objectives. Costs were allocated using predetermined estimates and not based on benefits received. Further, there was no approved indirect cost rate for either CMP or its subcontractors despite their receiving funding from several sources. As a result, CMP could not determine the appropriate amount that should have been allocated to the contract and reported to ETA. OMB Circular A-122 Cost Principles for Non-Profit Organizations Attachment A, Section A.4a states:

A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances. . . .

NYSDOL performed a financial review of CMP, noted similar problems, and adjusted the contract price by \$6,529. NYSDOL found that CMP did not have a written cost allocation plan, costs were allocated to the NEG based on the contract budget, and salaries were allocated without time distribution records. However, NYSDOL used other methods to determine that costs were reasonable.

**REPORTED COSTS**

CMP reported costs of \$1,084,110 for the period ending April 30, 2003 (Exhibit A), consisting of \$422,091 in personnel costs, \$76,737 of non-personnel costs and \$585,282 of subcontract costs (Exhibit B).

**Personnel Costs**

Personnel costs consisted of salaries of \$355,607 and fringe benefits of \$66,484, for a total of \$422,091. We selected a non-statistical sample of \$99,821, or 24 percent of this amount, for testing. CMP did not maintain personnel activity reports to show how \$60,863, or 61 percent, of personnel costs tested were distributed. Personnel costs were charged to the contract using predetermined estimates, rather than allocated according to the actual activity of each employee. This was contrary to OMB Circular A-122, Cost Principles for Non-Profit Organizations Attachment B, Section 8.m (1) and (2), which states:

. . . The distribution of salaries and wages to awards must be supported by personnel activity reports . . . except when a substitute system has been approved in writing by the cognizant agency. . . . The reports must reflect an *after-the-fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

Employee interviews revealed that time allocated did not reflect actual work performed. Salary and fringe benefit costs for staff were improperly allocated to the NEG contract. For example, the salary of the intake specialists, whose duties benefited multiple grants, was charged 100 percent to the NEG contract. Further, the fiscal officer, bookkeeper and executive director whose job duties benefited all programs were charged directly to the NEG grant at predetermined estimated rates based on budgeted amounts for several funding sources. Their costs should have been accumulated in an indirect cost pool and properly allocated to all benefiting programs.

**Non-Personnel Costs**

CMP claimed \$76,737 of non-personnel costs consisting of: other operating expenses \$32,304; miscellaneous participant expenses, \$19,880; equipment, \$8,843; participant support payments, \$7,843; space/utilities, \$7,500; and travel, \$367. We selected a non-statistical sample of \$26,612, or 35 percent of the total, for testing. Our tests revealed that \$9,958 (37 percent of sampled costs) was charged to the contract using predetermined estimates, which were not supported. OMB Circular A-122 Cost Principles for Non-Profit Organizations Attachment A, Section A.2g states:

Factors affecting allowability of costs. To be allowable under an award, costs must meet the following general criteria. . . . Be adequately documented.

#### Subcontract Costs

CMP claimed \$585,282 of subcontract costs. Our testing based on a non-statistical sample of \$83,721, or 14 percent of the total, revealed subcontractors had allocated \$34,714, or 41 percent, of costs in our sample to the contract using predetermined estimates, rather than actual benefits received. Subcontractors did not have cost allocation plans and indirect cost rates. As a result, the subcontractors could not determine the actual amount that should have been allocated to the contract.

#### INDIRECT COST RATE

CMP did not obtain an approved indirect cost rate from its cognizant agency, the Department of Health and Human Services, despite having several funding streams. During the audit period CMP received funding from multiple sources, including the Department of Health and Human Services, Department of Education, and Department of Labor, as well as private donations. CMP is required to obtain an approved indirect cost rate to comply with OMB Circular A-122, Attachment A, Sections E. 2(b) and D.1(b) which state:

A non-profit organization which has not previously established an indirect cost rate with a Federal agency shall submit its initial indirect cost proposal immediately after the organization is advised that an award will be made and, in no event, later than three months after the effective date of the award.

Where an organization has several major functions which benefit from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rate(s).

#### Recommendations

We recommend that the Assistant Secretary for Employment and Training require NYSDOL to obtain from CMP:

1. an accounting of actual costs incurred under the contract and subcontracts, including an approved indirect cost rate, based on allocation methodologies that are in accordance with applicable Federal cost principles. NYSDOL should recover amounts determined to have been claimed in excess of actual costs; and
2. documentation of a system that properly allocates all costs to final cost objectives.

### **Agency Response**

In response to our recommendations, the Director of Internal Audit stated:

At this time, the Department respectfully declines to comment other than to say that we feel very strongly that overall the program was effective and believe this is evidenced by the fact that your auditors were unable to find any validity to the complaint which was the driving force behind the initiation of this audit. This contract was monitored according to established procedures and the Department stands behind the work of our field program and fiscal staff.

### **OIG Conclusion**

NYSDOL's response did not specifically address the recommendations. Since no additional information was provided, the report findings remain unchanged. The recommendations will be resolved during DOL's formal audit resolution process.

### **Objective 3 - Were Participants Eligible?**

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#### **Finding - Individuals Served May Not have Been Affected by WTC Terror Attack**

Master NEG Agreement No. ER-11796-01-60 Attachment A describes the self-certification eligibility process, as follows:

Eligible Participants, Self-Certification – Because of the circumstances surrounding the disaster, documentation of eligibility may be difficult to obtain. The Department is prepared to accept an individual's signed certification that they meet the eligibility criteria. However, as soon as practical, States shall provide for regular eligibility verification, and shall take prompt action where an ineligible participant is identified. (Emphasis added.)

CMP and its subcontractors were unable to provide verification of eligibility for participants served. To enroll in the program, participants had to complete a

self-certification form and check one of two boxes indicating that they were either (1) laid off as a result of the World Trade Center (WTC) disaster or (2) a dislocated

worker as defined in Workforce Investment Act. Although 69 of the 70 participant files that we tested contained this self-certification form, 7 or 10 percent of the participants, did not check any of the eligibility boxes, and none of the 70 participant files contained verification of eligibility as required by the NEG agreement.

Therefore, based on the information provided, NYSDOL could not certify whether participants were dislocated or unable to find work as a result of the WTC disaster or other reasons, and CMP may have served individuals not intended to be served under the NEG agreement.

### **Recommendation**

We recommend that the Assistant Secretary for Employment and Training:

3. to the extent feasible, consider having NYSDOL verify participant eligibility when self-certifications are used to expedite the eligibility process, as required by the grant agreement; and
4. ensure that on future awards that include self-certification processes, regular eligibility verification is performed.

### **Agency Response**

The Director of Internal Audit declined to comment on these recommendations.

### **OIG Conclusion**

NYSDOL's response did not specifically address the recommendations. Since no additional information was provided, the report findings remain unchanged. The recommendations will be resolved during DOL's formal audit resolution process.

### **Objective 4 - Were Procurement Regulations Followed?**

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#### **Finding - Subcontractors Were Selected Without Competition**

CMP did not follow procurement regulations when awarding subcontracts under the NEG. There were no solicitations to obtain competition, nor technical and cost evaluations<sup>2</sup>, as required by Federal regulations. 29 CFR 95.43 requires

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<sup>2</sup> NYSDOL performed cost analyses. However, there was not sufficient documentation to determine if each element of cost was allowable, allocable and reasonable.

that “all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.” This condition occurred because CMP did not have written procurement procedures as required by 29 CFR 95.44, and NYSDOL, with USDOL guidance, requested that CMP award subcontracts to the Chinese Christian Herald Crusade (Herald), and the Chinese-American Planning Council (Council). CMP awarded subcontracts to the Herald and Council after they were identified and recommended as providers by USDOL personnel. In addition, CMP, on its own, selected New York Urban League (NYUL) without competition as a subcontractor based on NYUL’s experience in serving dislocated workers. A fourth subcontractor, the American Beauty School, was selected from an official list of New York approved training providers.

Where the award is made without competition, it is incumbent upon the organization to make available requests for proposals or invitations for bids, and evaluations of the technical competence and cost estimates of potential subcontractors. CMP could not demonstrate the aforementioned pre-award review and procurement documents. Further, neither Congress nor the Department had established special procurement procedures at the time the

NEG was awarded to NYSDOL that would have given authority to the Department, NYSDOL, or CMP to select subcontractors without full and open competition.

NYSDOL did not award contracts to the Herald, and Council directly because, unlike CMP, they were not on the NYSDOL approved list of dislocated worker service providers, who, according to NYSDOL officials, had previously participated in a competitive process.<sup>3</sup> Therefore, in order to ensure more dislocated workers in Chinatown could be helped, NYSDOL, with USDOL guidance, requested that CMP award subcontracts to the Herald, and Council.

CMP awarded subcontracts to the Herald and Council after USDOL personnel had identified and recommended the organizations as groups that could help Chinatown, and the Secretary of Labor had announced that she had designated \$1 million in NEG funds specifically for Chinatown relief efforts. Minutes from CMP’s December 11, 2001, Board of Directors’ meeting reflected CMP’s understanding of its role as the fiscal conduit in order to funnel money to the Herald and the Council:

Secretary Chao has designated four agencies as recipients of the fund. However, CMP is the only agency among the four who has a current contract with NYSDOL and therefore, the funds could easily be channeled to CMP through a budget modification. Since the other agencies do not have any existing contractual relationship

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<sup>3</sup> The New York State Comptroller approved the use of this list.

with NYSDOL, CMP was asked by NYSDOL to be the fiscal conduit to the other agencies in order to funnel the money to them. The Board approved CMP as the fiscal conduit for the other three agencies, namely the Chinese American Planning Council, Asian American Business Development Center, and the Chinese Christian Herald Crusade.

The Council was a competitor of CMP. Although the Herald had some experience in providing English as a Second Language training and legal services, it did not have any experience in either serving dislocated workers or administering Federal programs. As a result, there is no assurance that CMP selected the most qualified subcontractors at the best price.

### **Recommendation**

5. We recommend that the Assistant Secretary for Employment and Training ensure that NYSDOL follow applicable procurement regulations on future awards.

### **Agency Response**

The Director of Internal Audit declined to comment on this recommendation.

### **OIG Conclusion**

NYSDOL's response did not specifically address the recommendation. Since no additional information was provided, the report findings remain unchanged. The recommendation will be resolved during DOL's formal audit resolution process.



Elliot P. Lewis

October 12, 2004



## **Exhibits**

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EXHIBIT A

Chinatown Manpower Project  
Schedule of Reported Costs<sup>4</sup>  
For the Period December 18, 2001 to April 30, 2003

<u>Category</u>	<u>Budget</u>	<u>Reported</u>	<u>Percent of Budget</u>
Staff Salaries	\$355,608	\$355,607	100
Staff Fringe Benefits	66,485	66,484	100
Subcontracts (See Exhibit B)	603,066	585,282	97
Travel	367	367	100
Equipment	8,844	8,843	100
Space / Utilities	7,500	7,500	100
Other Operating Expenses	32,322	32,304	100
Misc. Participant Expenses	19,882	19,880	100
Participant Support Payments	<u>7,843</u>	<u>7,843</u>	100
<b>Total</b>	<b><u>\$1,101,917</u></b>	<b><u>\$1,084,110</u></b>	<b><u>98</u></b>

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<sup>4</sup> Our audit was not designed to, and therefore we do not, give an opinion on the fair presentation of contractor and subcontractor costs reported.

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**EXHIBIT B**

**Chinatown Manpower Project  
Schedule of Lower Tier Subcontractor Costs<sup>5</sup>  
For the Period December 18, 2001 to April 30, 2003**

<u>Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Chinese Christian Herald Crusade</u>	<u>Chinese American Planning Council</u>	<u>American Beauty</u>	<u>New York Urban League</u>
Staff Salaries	\$345,369	\$340,730	\$104,226	\$175,335	\$0	\$61,169
Staff Finge Benefits	69,483	66,077	15,518	36,129		14,430
Contracted Services	6,600	6,600		6,600		
Travel	688	647	71	576		
Equipment	18,628	18,338	2,225	13,131		2,982
Space / Utilities	63,399	61,951	11,239	43,212		7,500
Other Operating Expenses	47,762	46,052	10,619	19,729		15,704
Participant Support Payments	675	3,196		3,196		
Misc. Participant Expenses	12,869	5,451	4,487	675		289
Tuition	<u>37,593</u>	<u>36,240</u>	<u>0</u>	<u>0</u>	<u>36,240</u>	<u>0</u>
<b>Total</b>	<b><u>\$603,066</u></b>	<b><u>\$585,282</u></b>	<b><u>\$148,385</u></b>	<b><u>\$298,583</u></b>	<b><u>\$36,240</u></b>	<b><u>\$102,074</u></b>

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<sup>5</sup> Our audit was not designed to, and therefore we do not, give an opinion on the fair presentation of subcontractor costs reported.

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## **Appendices**

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## **APPENDIX A**

### **BACKGROUND**

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CMP was founded in 1972, as a nonprofit community-based organization in response to vocational training needs of the growing Asian immigrant and refugee community. Its mission is to provide vocational training, employment services, educational programs, and economic development programs to disadvantaged Asian Americans and the refugee community. CMP's goal is to help these groups acquire the necessary skills and resources needed to become economically self-sufficient and contributing members of mainstream society. CMP trains over 1,600 individuals a year through vocational programs.

On September 25, 2001, ETA issued Master Agreement Number ER-11796-01-60 for \$25 million to NYSDOL for funds under the NEG program under WIA, Section 173. Initially, the grant was to assist workers who were dislocated by the WTC disaster by providing temporary jobs to assist in the cleanup, repair and reconstruction of public and private nonprofit property. On October 3, 2001, the grant was modified to provide core, intensive, and training assistance for workers who lost their jobs primarily as a result of the WTC disaster. The revision was necessary because the cleanup area was declared a crime scene, and due to highly specialized nature of the investigations, temporary jobs near the WTC were prohibited at that time.

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## **APPENDIX B**

### **OBJECTIVES, SCOPE AND, METHODOLOGY**

#### **Objective**

The U.S. Department of Labor, Office of Inspector General (OIG), conducted a performance audit of a \$1.1 million contract awarded to CMP by NYSDOL, under a \$25 million NEG received from ETA. The contract covered the period December 2001 to April 2003.

The audit objectives were to determine if:

- allegations in a hotline complaint were valid;
- cost principles were followed;
- participants were eligible; and
- procurement regulations were followed.

#### **Scope**

We conducted a performance audit of NEG funds received by CMP from NYSDOL under Contract Number C009482. The contract period was December 2001 to April 2003. Total reported expenditure was \$1,084,110 including \$585,282 of expenditures of four subcontractors: the Chinese-American Planning Council, Chinese Christian Herald Crusade, American Beauty School and New York Urban League.

We tested \$210,154, or 19 percent of the \$1,084,110 reported costs allocated to the contract. Using non-statistical sampling methods, we examined \$26,612 (35 percent) and \$99,821 (24 percent) of reported non-personnel and personnel costs of \$76,737 and \$422,091, respectively. In addition, we non-statistically tested \$83,721 of reported lower-tier subcontractor costs of \$585,282.

To test participant eligibility, services received, and outcomes, we obtained a listing of all enrolled participants at CMP and its subcontractors. From this list of 577, we selected a non-statistical sample of 70 participants enrolled in the program. We obtained participant case files and examined all supporting information.

#### **Methodology**

We obtained an understanding of internal controls over subcontracting, cost allocation and eligibility through inquiries with appropriate personnel, inspection of relevant documents, and observations of CMP's operations. We tested compliance with contract requirements and Federal and state regulations using the following criteria:

- The Workforce Investment Act of 1998
- Emergency Supplemental Appropriations Act for the Recovery from and Response to Terrorist Attacks on the United States, FY 2000 (P.L. 107-38)
- Office of Management and Budget Circulars A-110 and A-122
- Code of Federal Regulations Title 29
- New York State Procurement Guidelines

Non-statistical sampling was used to select participant files and to test costs reported by CMP and its subcontractors. Therefore, the results from our sampling cannot be projected to the universe. We chose non-statistical sampling in order to test transactions for compliance with Federal requirements based on auditor's experience and professional judgment.

We examined vouchers, general ledgers and supporting documentation including invoices and payroll records. Non-statistical sampling was used to confirm indications from CMP and subcontractor officials that costs were allocated to the contract according to predetermined estimated rates based on budgeted amounts.

Our audit was not designed to and, therefore, we do not give an opinion on the fair presentation of contractor and subcontractor costs reported on Exhibits A and B of this report.

We also used non-statistical sampling to select the numbers of participant files for review at CMP and its subcontractors. We reviewed participant files to determine if there was adequate documentation to support eligibility and if participants were temporarily or permanently impacted by the WTC disaster, noted services received, and outcomes obtained. We obtained UI wages information from January 1, 1999, to March 31, 2003, to review data on layoff employers and outcomes. We did not obtain UI wages for participants who obtained employment out of state.

We interviewed appropriate officials from the Department, NYSDOL, CMP, Herald, Council, and NYUL to determine the propriety of awarding the NEG contract to CMP and its subcontractors.<sup>6</sup>

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<sup>6</sup> All subcontractors were located in New York, NY except for NYUL, which was located in Brooklyn, NY.

We conducted our 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. Fieldwork was conducted from May 20, 2003, through October 12, 2004, at the Department, NYSDOL, CMP, Chinese-American Planning Council, Chinese Christian Herald Crusade, and New York Urban League.

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**APPENDIX C**

**ACRONYMS AND ABBREVIATIONS**

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CMP	Chinatown Manpower Project
ETA	Employment and Training Administration
NEG	National Emergency Grant
NYSDOL	New York State Department of Labor
OIG	Office of Inspector General
OMB	Office of Management and Budget
WIA	Workforce Investment Act of 1998
WTC	World Trade Center

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APPENDIX D

AGENCY RESPONSE TO DRAFT REPORT

George E. Pataki, Governor



Linda Angello, Commissioner

August 16, 2005

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Mr. Richard H. Brooks  
Regional Inspector General for Audit  
US Department of Labor  
New York Regional Audit Office  
102 Varick Street, Rm. 871  
New York, New York 10014

Re: Contract Number C009482 between the New York State Department of  
Labor and China Manpower Project, Inc.

Dear Mr. Brooks:

The New York State Department of Labor (Department) has received and reviewed your draft audit report that summarizes the results of your performance audit of Contract Number C009482 between the New York State Department of Labor and China Manpower Project, Inc.

At this time, the Department respectfully declines to comment other than to say that we feel very strongly that overall the program was effective and believe this is evidenced by the fact that your auditors were unable to find any validity to the complaint which was the driving force behind the initiation of this audit. This contract was monitored according to established procedures and the Department stands behind the work of our field program and fiscal staff.

Sincerely,

Karen C. Stackrow  
Director of Internal Audit

Phone: (518) 457-7012 Fax: (518) 457-4954  
W. Averell Hamman State Office Campus, Bldg. 12, Room 573, Albany, NY 12240

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