

GDOL'S RESPONSE TO DRAFT REPORT

APPENDIX D



GEORGIA DEPARTMENT OF LABOR

148 ANDREW YOUNG INTERNATIONAL BLVD., N.E. ♦ ATLANTA, GEORGIA 30303-1751

MICHAEL L. THURMOND
COMMISSIONER

September 23, 2005

Mr. Dwight E. Gates
Assistant Regional Inspector General for Audit
Office of the Inspector General
Atlanta Regional Audit Office
61 Forsyth Street, S.W.
Room 6T20
Atlanta, Georgia 30303

RE: Draft Report, Performance Audit of City of Savannah, Georgia

Dear Mr. Gates:

In response to the above referenced draft report, the Georgia Department of Labor is submitting the attached response and documentation in regards to proposed recommendation #5 (page 5 and page 29) which states that the State of Georgia should take steps to ensure proper preparation of QFSRs and the validation of participant data for DOL programs. As noted in the response, the Department implemented internal controls for Welfare-to-Work in 1998, and updated these controls in the form of two Instruction Manuals, issued by the Department in 2000 and 2001.

If you have any questions concerning this matter, please contact Nancy Meeden at (404) 232-3797.

Sincerely,

Linda T. Johnson /NFM

Linda T. Johnson, Assistant Commissioner
Career Development Services

LTT:nfm

cc: Cindi Hogue, Coastal Workforce Services

An Equal Opportunity Employer/Program

GDOL Response to OIG Audit Recommendations

From Page 5, Recommendation 5 (Executive Summary):

Require that the State of Georgia and Savannah to implement controls that ensure proper preparation of QFSRs and the validation of participant data for DOL programs.

From Page 29, Recommendation 5 (Full Report):

We recommend that the Assistant Secretary for ETA require the State of Georgia and Savannah implement controls for proper preparation of QFSRs and the validation of participant data for DOL programs.

Response from GDOL:

The Georgia Department of Labor (GDOL) had controls in place for proper reporting preparation of QFSRs and validation of data for DOL programs since 1998.

The State of Georgia implemented data and reporting controls at the beginning of WtW in 1998, despite the lack of reporting instructions at the federal level. Initially, the Department of Human Services was required to develop reporting procedures. However, this changed with the 1999 WtW amendments, and the responsibility of this function moved to the Department of Labor. Revised Financial and Participant reporting requirements (for both formula and competitive funds) were not issued until April 2001, almost three years after the implementation of WtW. The April 2001 requirements also included data elements that were not previously required to be reported by WtW grantees.

Even without formal instructions from the federal level, the Georgia Department of Labor issued instructions to local areas in 1998 and 1999 to assist with reporting and data collection for WtW QFSRs. Copies of memos and an e-mail sent to the local areas by the Georgia Department of Labor are attached. The Department revised these instructions in 2000 in response to the 1999 WtW amendments, and again in 2001 after the issuance of the final reporting requirements, and re-issued the instructions in the form of Instruction Manuals. As both the 2000 and 2001 Instruction Manuals are over 100 pages each, we have attached a copy of the cover pages and table of contents of each manual. Full copies of the manuals are available, upon request.

In November 2001, three years after the implementation of WtW and after USDOL issued WtW reporting instructions, USDOL developed a comprehensive agency-wide data validation system that included WtW. The National WtW office contracted with Mathematica Policy Research, Inc. to develop the technical assistance tools related to WtW reporting, performance and data validation, and asked WtW grantees to use these tools. In September 2002, the National WtW office sent a letter to all WtW grantees to inform them that all grantees would be required to use the data validation tool in the upcoming year. However, due to the many changes in data and reporting requirements, these WtW grantees were not able to use these tools as a means of performance and data validation. In April 2003, the USDOL Regional Office staff announced that the data validation study, as it related to WtW, was canceled. The WtW grants were then rescinded by Congress and the President in January 2004.




GEORGIA DEPARTMENT OF LABOR

148 INTERNATIONAL BLVD., N.E. ♦ ATLANTA, GEORGIA 30303-1751

MARTI FULLERTON
COMMISSIONER

MEMORANDUM

TO: JTP Administrative Contacts
State Agency Contacts

FROM: Andrea Harper 
Assistant Commissioner
Job Training Division

DATE: July 13, 1998

SUBJECT: Applications and Enrollments for Welfare-to-Work Activities

This memo is written as a follow-up to JTP I&A No. 98-14, which provided instructions on the use of MIS forms for JTPA and Welfare-to-Work activities. In that memo, we asked you to use the new application form for WtW clients, even though it will not be possible to enter this information into the MIS until after the computer programs for the new forms have been developed in approximately three months. Data would then be entered once the computer programs have been established.

Please understand that this is just **one option** that may be used for intake during the start-up of the Welfare-to-Work program. With this option, while data entry volume could be high, keying would be much easier given known changes in data entry transactions, i.e. an additional page as well as data fields located in different positions than on the current application. Additionally, experience is that less time is required to key a full application than to correct/update an existing application. The SDA will need to consider potential WtW volume and data entry capability prior to choosing this option. A comparison to Title II-B data entry, while expected to be much heavier than WtW, may provide a measure of data entry capability.

A **second option** that you may wish to consider is to enter the information from the WtW application form into the existing JTPA system. You would only be able to enter the fields which are currently common to both. If you choose to do this, one of the "For SDA Use Only" blocks at the bottom of the first screen of the JTPA application transaction should be coded to indicate that the applicant is also eligible under WtW. Please enter a "W" in the first space of block six to

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SAVANNAH'S RESPONSE TO DRAFT REPORT

APPENDIX E



CITY OF SAVANNAH - Office of the City Manager

P.O. Box 1027 • Savannah, Georgia 31402

912-651-6415 • FAX 912-238-0872
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September 26, 2005

Mr. Michael K. Yarbrough
Regional Inspector General for Audit
U.S. Department of Labor – OIG
61 Forsyth Street, S.W., Room 6T20
Atlanta, Georgia 30303-3104

Re: Draft Audit Report / Welfare to Work Grants for PY 1998 and 1999
Audit Report No. 04-05-004-03-386
City of Savannah

Dear Mr. Yarbrough:

This document comprises the City of Savannah's formal response to the draft audit report. We appreciate the opportunity to work with the USDOL/OIG team members to resolve any audit findings.

The City of Savannah successfully utilized these grant funds to provide much needed job preparation and supportive services to over 1300 eligible community residents who faced the loss of welfare benefits.

The grants were awarded to the City of Savannah and our partner agencies in 1999 to provide specific coordinated services, as had been stipulated by USDOL in its Request for Proposals. The City of Savannah carried out these services between 1999 and 2003 in accordance with our proposal including services to be provided, partner agencies that would provide services, budgets, costs of services, and service arrangements.

We hope that this communication is fully responsive to your draft audit report. Please let us know if any additional information is needed and we hope to meet in person to review our response.

Thank you very much for your consideration.

Sincerely,

Michael B. Brown,
City Manager

Cc: Linda T. Johnson
Assistant Commissioner
Georgia Department of Labor

Introduction

The City of Savannah received a total of \$7,467,958 in both Formula and Competitive Welfare-to-Work (WtW) grants as a result of PY 1998 and PY 1999 grant awards. The Formula grant award of \$3,400,958 provided job assessment, job readiness, on-the-job training (OJT), and job placement and retention services to customers residing in an eight county area: Bryan, Liberty, Long, Glynn, Chatham, Bulloch, Effingham, McIntosh. The Competitive grant award of \$4,067,000 funded only supportive services to the Formula grant customers who resided in Chatham County. However, the objective of both grants was to assist long-term Temporary Assistance for Needy Families (TANF) recipients, and other eligible individuals, transition from welfare to self-sufficiency through employment.

From November, 1998 until December, 2003, these programs have provided much - needed job preparation and supportive services to over 1,300 eligible residents of this community. In addition, these programs have assisted the aforementioned customers in obtaining approximately 500 jobs, the results of which have been far reaching (see Reduction in Chatham County TANF Roles below).¹

Reduction in Chatham County TANF Roles

Year	Families	Adults	Children	Recipients	Benefits
1999	2,606	1,453	4,777	6,230	\$7,080,846
2000	2,019	1,151	3,953	5,104	\$5,366,849
2001	1,665	836	3,155	3,991	\$4,223,753
2002	1,684	882	3,029	3,911	\$4,334,592
2003	1,692	933	3,084	4,017	\$4,456,630
2004	1,537	837	2,762	3,599	\$4,020,825

Since the implementation of these and other similar programs in the area, the TANF roles in Chatham County have been markedly reduced by 66.8%.²

Much of the success of these programs can be attributed to the collaborative partnerships from which these grants were built. In both the Formula and Competitive grants, community -based organizations played an integral part in the planning, implementation, and service delivery to this population. A letter dated October 20, 1999 sent to Mr. Toussaint Hayes, Regional Administrator, U.S. Department of Labor, Employment and Training Administration, of behalf of SeaCoast and the City of Savannah stated: "The Round II solicitation was rife with requests for collaboration, partnerships, sustainability and offered points for said efforts ... The City of Savannah and SeaCoast, in particular,

¹ Chart created from DHR website www.dhr.state.ga.us/portal

² Information obtained from DHR website: www.dhr.state.ga.us/portal . Reduction based on 1997 TANF levels. Calculated from 1997-passage of Welfare Reform Legislation..

devoted significant resources to ensure a unified service strategy and then sought community organizations' response."

The necessity for community partnerships is clearly outlined in the original grant solicitation published in the Federal Register on April 15, 1998. The following sections distinctly indicate the importance of this collaboration:

- Section III – paragraph 2, "All competitive grant projects will be expected to be an integral part of a comprehensive strategy for moving eligible individuals into unsubsidized employment in a local, **community-based context**. Projects should develop and implement innovative approaches that **enhance a community's ability** to move eligible individuals into self-sustaining employment . . . and achieve **sustainable improvements in the community's service infrastructure** for assisting welfare recipients."
- Section VII – Criteria, "2. 'Innovation' (20 points) which shall consider the extent to which the project incorporates new and better strategies for moving welfare recipients into lasting unsubsidized employment leading to economic self-sufficiency. These strategies can include, but are not limited to, **new and better ways that services can be accessed by participants in the local community, new and better ways for local organizations to work together, . . .**"
- Section VII – Criteria, "4. 'Local Collaboration and Sustainability' (25 points) . . . the extent to which the **community in the local area** has developed plans and commitments to maintain and expand the capacity to serve the target population with local resources over a sustained period of time (up to 5 points).

Service providers administered unique and innovative services to support eligible customers as they transitioned to self-sufficiency. For example, Lutheran Services of Georgia (LSG) provided non-traditional and sick-child care services to approximately 300 children, allowing over 160 eligible parents the opportunity to obtain and retain unsubsidized employment.

In addition, these programs were successful in transitioning customers from the TANF rolls as well as providing them with the necessary supports to thrive without the support of need-based programs. As identified in the Statement of Fact dated August 4, 2003, approximately 80% of the sample population was not currently receiving or had a pending TANF case as of January, 2003.³

³ Percentage calculated from information identified in Fact 25 of Statement of Fact, August 4, 2003

During the administration of these grants, the City of Savannah and their partner organizations experienced several challenges while implementing the programs described in the grant proposal. A monitoring visit was conducted by the U.S. Department of Labor (USDOL) in August of 2001. The purpose of the visit was to review the programmatic and administrative elements of the grant in an effort to determine the City's ability to successfully continue operations beyond September 20, 2001. Although the monitoring report reflected a number of issues and concerns, the responses by the City were comprehensive. Clarifications were made and background information and supplemental documentation were provided that addressed the various concerns noted in the report. The subsequent extension of the Competitive grant demonstrated the successful resolution of these challenges. Most importantly, participating customers experienced no interruption of services while these issues were being resolved.

Although this draft report points out several areas in which questioned costs have been identified, the City of Savannah contends there were no instances of abuse or misuse of state and federal funds. The objective of both programs was realized and all funding was used to assist over 1,300 eligible customers in their transition to self-sufficiency.

This audit encompassed Welfare-to-Work formula and competitive grants awarded in PY 1998 and 1999 respectively. The U.S. Department of Labor, Office of Inspector General (USDOL/OIG) Audit Team conducted on-site fieldwork from October, 2002 through April, 2003. An initial USDOL/OIG Audit Statement of Facts was issued August 4, 2003. The aforementioned draft report was not issued until late August of 2005: more than two years after cessation of fieldwork activities; two full years after the issuance of a Statement of Facts; and seven years after the initial grant award.

The Government Audit Standards Yellow Book addresses the need for audit report timeliness. The delay in the issuance of this draft report has contributed to difficulty in obtaining information necessary for use in this response as significant staff turnover has occurred at all levels – the City, the partner agencies, and the State and Federal governments. Additionally, systems and practices that were in use throughout the life of the PY 1998 and 1999 grants, and tested during the audit process, have long since been upgraded and favorably tested by the State of Georgia, and auditors of the City of Savannah.

The City of Savannah acknowledges the insights and advice of USDOL. However, we urge you to review your preliminary findings and provide a careful and deliberate evaluation of the rebuttals offered in our response.

Response to Findings

Finding 1a: Savannah did not comply with Federal procurement requirements.

In 1998, the City of Savannah and the Savannah community were extremely concerned about the prospect of hundreds of persons facing the loss of welfare benefits. The Welfare-to-Work Competitive grant was intended to be used in conjunction with the Welfare-to-Work Formula grant to provide participants with the services necessary to make a successful transition from welfare to work. With this concern in mind, the City of Savannah responded to the Welfare-to-Work (WtW) grant solicitation published in the Federal Register on April 15, 1998. The solicitation made clear that successful, competitive grant submissions would be based on community partnerships and service arrangements provided through these partnerships:

- Section III – paragraph 4, “All competitive grant projects will be expected to be an integral part of a comprehensive strategy for moving eligible individuals into unsubsidized employment in a local, **community based context**. Projects should develop and implement innovative approaches that **enhance a community’s ability** to move eligible individuals . . . and achieve **sustainable improvements in the community’s service infrastructure**.”
- Section VII – Criteria, “2. ‘Innovation’ (20 points) which shall consider the extent to which the project incorporates new and better strategies for moving welfare recipients into lasting unsubsidized employment leading to economic self-sufficiency. These strategies can include, but are not limited to, **new and better ways that services can be accessed by participants in the local community, new and better ways for local organizations to work together, . . .**”
- Section VII – Criteria, “4. ‘Local Collaboration and Sustainability’ (25 points) . . . the extent to which the **community in the local area** has developed plans and commitments to maintain and expand the capacity to serve the target population with local resources over a sustained period of time (up to 5 points).
- Section VII – Criteria, “5. ‘Demonstrated capability’ (10 points) which shall consider the extent to which the applicant and **its partner organizations** demonstrate a history of success . . .”
- **Required Content for WtW Competitive Grant Applications Fiscal Year 1998.** Section II. Government Requirements/Statement of Work – Project Narrative. *Service Process* – Describe the comprehensive service process that will be available to participants, and **identify the organizations** which will be involved in providing specific services/activities. . .”

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In developing the local strategy for welfare to work, forums were held in the community and needs were identified. The City completed the WtW formula plan and needed additional resources to provide the mix of services identified in the community forums. Service providers with expertise in the desired areas were contacted and asked to submit a program design and budget for the planned number of enrollments. Technical assistance and technical information were provided for the development of the budgets. The budgets were negotiated for cost reasonableness, allowability, and allocability.

The City of Savannah then assembled a competitive grant proposal that included the community proposals, with narratives and budgets. Total costs, including the community proposal, were incorporated into the overall budget. This grant submission indicated service partnerships and coordinated service provision by those partner agencies. Specifically, the following agencies were included in the City of Savannah's grant submission: Lutheran Services of Georgia, Chatham Area Transit, Goodwill Industries of the Coastal Empire, Housing Authority of Savannah, Small Business Assistance Center, and Work Activity Center.

The Employment and Training Administration (ETA) awarded the City of Savannah a Welfare-to-Work competitive grant in January of 1999 in the amount of \$4,067,000. The period of performance for this grant began on January 4, 1999 and the City proceeded with implementation as delineated the grant submission.

The City of Savannah's position is that the WtW service providers were co-bidders in the proposal and, therefore, the total project was competitively bid as a part of the USDOL selection process. Correspondence from the previous director at SeaCoast dated October 20, 1999 states: "In our communication with other Round I and II Competitive Grant awardees, similar community collaborations were the backbone of their submissions also and those who included provider partners did not competitively procure those partners since we all believe that the described services were being competitively procured by the United States Department of Labor."

The City of Savannah's understanding of federal procurement procedures is illustrated by the following:

- Chatham Area Transit (CAT) was a co-bidder with the grantee. After the contract award, CAT decided that they would be unable to perform the work stated in the contract and wished to subcontract it out. The City of Savannah required that CAT competitively bid the services using Department of Labor contracting procedures.

The first notification that the City of Savannah received indicating there was any problem with the procurement practices came in August of 2001, approximately two and a half years after the grant award. The draft audit report references correspondence dated September 15, 1999, nine months into the grant performance period, in which ETA

denied a request from the City of Savannah to sole source a contract to a service provider not listed in the original grant proposal. It is important to note that this correspondence is very specific in the matter it addressed. There was no reason to assume that this correspondence would be applicable to contracts already awarded to co-bidders identified in the grant proposal.

Additionally, please consider the following points in reference to Finding 1a:

- The draft audit report reference to the correspondence of September 15, 1999 states, “ETA denied Savannah’s request based on established practices described in the WtW Technical Assistance manual that were later codified in TEGL No. 15-01.” It should be noted that USDOL Technical Assistance manuals are not binding policy, but suggested methods of operations and although these practices were codified via TEGL No. 15-01, this TEGL would have no retroactive policy effect on actions undertaken in 1998 and 1999.
- A USDOL/ETA Question and Answer Guidance dated July 28, 1999, issued six months after the grant award stated: “...Listing the names of partners/providers in its grant application does not relieve an applicant from compliance with applicable rules and other requirements...” It further indicated this guidance had been changed on January 29, 1999, after the execution of the competitive grant in question. Clearly, unresolved significant confusion existed between USDOL/ETA and its grantees, specifically its WtW grantees, regarding this issue.
- This confusion is illustrated once again in a letter from ETA to attendees of a Youth Opportunity Grant conference provided to the auditors by the City at the exit conference. This correspondence, dated May 9, 2000, states: “The partners identified in your application/proposal do not need to be competed. Any new services must be procured according to the awardees procurement policies.” Although the auditors did not find ETA’s written guidance regarding the procurement matter to be inconsistent, it is noteworthy that all guidance used by the U.S. Department of Labor, Office of Inspector General (USDOL/OIG) to question the procurement costs are dated after the grant was awarded on January 4, 1999.
- Also of interest, although the audit questions the fair and open competitive selection of the six contracts under the WtW Competitive Grant, there were absolutely no instances of grievance from any potential bidder, complaining of non-access to such grant opportunities, nor any other complaint of unfair procurement practices. This is particularly interesting considering the very public coverage these grant implementations received throughout the Coastal region.
- The draft audit report also references the City of Savannah’s August 21, 2003 response to the USDOL/OIG Audit Statement of Facts document, stating that

when “. . . It was later determined that a competitive process for partners was required. . . appropriate action was taken and all contracts were competitively procured.” This fact was verified in the audit team’s report which indicated that all subsequent contracts were properly procured by separate processes. It should be noted that the City of Savannah has since consistently complied with appropriate procurement procedures, and no other non-competitive procurement issues have been raised during the last six years by USDOL/OIG, USDOL/ETA, or the Georgia Department of Labor.

We respectfully contend that identifying this finding as a questioned cost instead of an administrative finding is inappropriate given similar issues raised by other USDOL/OIG audits. In a number of examples, recommendations made include full corrective action implementation, improved record maintenance, staff training, revision of policies, etc., without the recommendation of questioned costs. (Please see Attachment 1, entitled USDOL Audit Reviews and reference items A, C, and E.).

In summary, the City of Savannah respectfully requests that USDOL/OIG and USDOL/ETA consider the option of viewing this finding in a manner similar to other audits referenced in the attachment previously noted in which the recommendations do not include the recovery of questioned costs. The City of Savannah specifically requests an opportunity to document full implementation of corrective actions that have been proposed or already initiated to address any concerns that may remain in lieu of questioned costs.

Finding 1b: Amounts paid for childcare service exceeded amounts in the WtW Grant Agreement, and other unauthorized childcare services were provided.

The draft audit maintains that the City of Savannah paid childcare providers, through its program operator Lutheran Services of Georgia (LSG), \$606,063 for amounts that exceeded the childcare fees authorized in City’s competitive grant. The \$606,063 included \$354,027 paid by LSG to childcare providers in excess of the grant’s weekly cost per child and \$252,036 paid by LSG to childcare providers who served children who exceeded the grant authorized age limit.

Please consider the following points in reference to Finding 1b.

- In the contract, total budgeted payments for childcare fees were \$537,285.00. In the budgets the line item is classified as, “Vouchers for enrollees for non-traditional hours child care. Infants, toddlers, pre-schoolers, school age children to age 12.” Although the auditor is questioning these costs, we respectfully contend that this issue is not a financial finding, but is an administrative finding. The City of Savannah and LSG provided necessary support services to Welfare to

Work participants so they could successfully transition from welfare to employment.

- The draft audit report notes that policy did not provide for the Department of Family and Children Services (DFCS) to reimburse either Savannah or LSG for interim childcare services. The City of Savannah provided childcare services due to the concern that eligible participants might be denied employment opportunities if childcare was not made available to them. During the period in question, DFCS experienced a series of funding shortages which resulted in clients being placed on extensive waiting lists and /or never receiving services at all. LSG made several attempts to transition clients to childcare services provided by DFCS, however, LSG was always told that no funding was available and that there was a current waiting list for services. With Welfare to Work participants averaging three children each, the continuation of childcare services was critical to participants to remaining employed.
- The draft audit report states that the grant requires “Changes in excess of 20 percent and any changes in wages, salaries, and fringe benefits, Must receive prior written approval from the Grant Officer.” Additionally, the City of Savannah would point out that the grant also states, “Flexibility is allowed within the grant budget, (except wages, salaries, and fringe benefits), provided no single line item is increased or decreased by more than 20 percent.” We respectfully maintain that in a grant budget an increase or decrease of less than 20 percent in an individual cost for a service, within a line item, such as the cost per child as referenced in the audit report, does not have to be approved by the grant officer.
- From the grant’s inception, childcare reimbursement rates were determined based on what was considered to be usual and customary for the City of Savannah. Rates were based on a fee scale devised by Chatham County DFCS.
- Childcare services were provided to children beyond age 12 who had documented disabilities under the sick childcare portion of the contract. These funds were a separate budget line item in the contract. Under sick childcare services there were no age limit specifications (i.e. contract # 02-030A for Sick Childcare rates – All Ages). Services provided for sick children were based on usual and customary childcare services as defined by DFCS which provides subsidized childcare services to children with disabilities up to 18 years old.

We are requesting that this finding be changed from a questioned cost to an administrative finding given the excellent services provided by LSG. (Please see Attachment 2, entitled Lutheran Services of Georgia Support Letter and Attachment 3, entitled Lutheran Services of Georgia WtW Spreadsheet.) Additionally, we respectfully contend the questioning of the cost instead of determining it to be an administrative

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finding, is inappropriate given similar issues raised in previous USDOL/OIG audits. (Please see Attachment 1, entitled USDOL Audit Reviews and reference items A and B.)

Finding 1c: Savannah reimbursed its contractor a total of \$79,144 in duplicate payments for childcare services.

Although the draft audit report describes these payments as duplicate payments, the payments were actually for daycare slots, and daily rates for weekend services provided to participants. If participants worked any day, or days during the week, (Monday through Friday), day care providers were paid the weekly rate for services rendered. If the participant worked one day on the weekend the day care provider was paid an additional \$25.00 and if the participant worked two days on the weekend the provider was paid \$50.00. This is the usual and customary practice in the childcare industry. It was common for Welfare-to-Work participants to work both during the week and on the weekend due to the 30 hour workweek requirement and the types of jobs in which they were employed. LSG approved any extra days based on participant work schedules, participant pay stub verification, and the 30 hour workweek requirement.

It appears that if LSG staff did incorrectly pay daycare providers for weekly childcare services it was definitely not their intention to do so. This could possibly be attributed to LSG and City of Savannah Workforce staff turn over and the misinterpretation of the Childcare Payment Schedule policy. Any fees that were paid beyond the normal workweek were approved through verification from the participant's job, submission of a work schedule, and through submission of client's pay stub to verify actual hours worked. The LSG Vice-President of Operations referenced in the draft report was not operating out of the local Savannah office and incorrectly stated local policy.

We are requesting that this finding be changed from a questioned cost to an administrative finding due to the steps taken by LSG and City of Savannah Workforce staff to strengthen internal controls. Both policies and procedures have been developed and implemented to ensure that this type of a situation will not occur in the future. Guidance was issued to childcare providers instructing them on the appropriate billing processes and staff was instructed on proper interpretation of LSG policy. Additionally, we respectfully contend the questioning of the cost instead of determining it to be an administrative finding is inappropriate given similar issues raised in previous USDOL/OIG audits. (Please see Attachment 1, entitled USDOL Audit Reviews and reference items A and B).

Finding 1d: Savannah paid its contractor unreasonable costs to provide transportation services to WTW participants.

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As noted previously, the City of Savannah required Chatham Area Transit Authority (CAT), a co-bidder in the grant proposal, to conduct a competitive bid when they decided that they would be unable to perform the work stated in the contract and wished to contract it out. We respectfully point out that Chatham Area Transit Authority met the Reasonableness of Costs standard in OMB Circular A-87 in its procurement of transportation services.

In 1998 and 1999 Federal Regulations required that a Reasonableness of Costs standard be met. This standard requires a sub-recipient to complete a price or cost analysis for each procurement action. The purpose of the analysis is to verify the reasonableness of the costs in relation to the services to be provided. The cost and/or price analysis must address the following dimensions: allowability of costs, proper allocability of costs, appropriateness of proposed costs, and necessity of the proposed level of expenses in relation to the services to be provided and administrative requirements to be fulfilled.

When a cost analysis is required it must include a Line Item Budget Analysis and at least one additional confirming method to determine the reasonableness of proposed costs. The confirming methodologies used to determine reasonableness of proposed costs are Comparative Analysis, Risk Adjustment, Historical Analysis, and Market Analysis.

In all instances questioned within the draft audit report, the questioned costs were allowable, allocable, appropriate, and necessary as determined during the contract negotiation and execution. The methods used to make such determinations of reasonableness were the Comparative Analysis and the Line Item Budget Review.

Although the USDOL/OIG field auditors attempt to introduce alternative methodologies and comparative sources, the procurement methods used by CAT and the City of Savannah throughout the period in question were allowable and meticulously documented. (Please see Attachment 4, entitled Laidlaw Procurement Documents.)

Given that the City of Savannah's cost and price analysis/contract negotiation system has been tested by the Georgia Department of Labor and found to be fully in compliance since the period in question, we respectfully request the removal of all questioned costs related to this finding.

Finding 1e: Savannah's subcontractor used funds intended for WTW participants to pay its employees' salaries and benefits.

The draft audit report stated that, "eight of the eleven individuals who participated in the program were not WtW participants, but rather employees of Laidlaw." On page five of the contract between The City of Savannah and Chatham Area Transit, (with Laidlaw Transit as the Subcontractor), it states:

“Laidlaw is committed to providing employment opportunities for TANF recipients. In keeping with such commitment, Laidlaw will work with Savannah/Chatham Job Search Assistance Center to identify individuals that may be interested in taking advantage of the employment and potential self-employment opportunities. Should we be unable to identify a sufficient number of eligible vehicle drivers from the TANF recipients, Laidlaw is prepared to utilize existing employees as well as hire new employees to fill the open positions.”

Due to the fact that a sufficient number of eligible van drivers could not be found in the TANF recipient pool (only three Welfare to Work participants qualified), Laidlaw followed the plan outlined in the contract and utilized existing employees and new hires to provide the necessary services. As a result, 16,333 trips were provided to WtW participants (per the draft audit report), enabling them to meet their work requirements.

We respectfully remind USDOL/OIG of the creative flexibilities bestowed upon WtW grantees regarding transportation services. Specifically:

Federal Register: November 18, 1997 (Volume 62, Number 222)
Pages 61587 – 61613/Part II
Department of Labor – Employment and Training Administration
20 CFR Part 645 – Welfare to Work (WtW) Grants; Interim Rule
RIN 1205-AB15

Under this section it was noted, “... the availability of transportation services, to get welfare recipients to work, training, and child care is a significant factor in obtaining and retaining employment.” This section illustrates the importance of ensuring that transportation services exist and meet the needs of the participants. It recognizes that if transportation services do not exist, then the participant can not work. Laidlaw, by using its own employees, provided the transportation services needed in order to connect individuals to jobs.

The City of Savannah respectfully requests that this finding be changed from a questioned cost to an administrative finding.

Finding 1f: Savannah reimbursed its contractor for unauthorized transportation and registration fees:

The draft audit report questioned childcare costs for \$32,860.00 in transportation fees and \$6,900.00 in registration fees. Although these are usual and customary costs associated with providing childcare services, payment for transportation and registration was terminated when LSG was informed that it could no longer pay such fees (per the draft audit report).

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We are requesting that this finding be changed from a questioned cost to an administrative finding due to the corrective actions taken by LSG and the City of Savannah. Additional staff reviews and authorizations are now required to be completed prior to payment of submitted invoices. We respectfully contend that questioning the costs is inappropriate given similar issues raised in previous USDOL/OIG audits. (Please see Attachment 1, entitled USDOL Audit Reviews and reference item A.)

Finding 1g: Savannah reimbursed Goodwill Industries of the Coastal Empire, Inc., for costs related to 18 ineligible participants in the WtW Wheels to Work program.

The draft audit questioned \$6,471.00 in auto related expenses paid to non-residents of Chatham County. During the period in question, the City of Savannah operated under the belief that serving participants that were within the City of Savannah's service delivery region, but resided outside of Chatham County was an allowable expense under the grant and assisted in meeting the goals of the program.

On August 1, 2000, a letter formally requesting a modification to the City of Savannah's Welfare to Work Competitive Grant was sent to Mr. Toussaint Hayes, Regional Administrator, USDOL/ETA (please see Attachment 5, entitled Letter). The letter requested that USDOL/ETA allow Wheels to Work participants who resided outside of Chatham County, but worked in the City of Savannah to receive services. Other eligibility requirements still had to be met: all participants had to be Welfare to Work eligible, complete work readiness activities, secure placement in unsubsidized jobs, and retain continued employment for 30 to 90 days.

The request was submitted to USDOL/ETA and we have no record of denial. Goodwill Industries provided excellent services to the out-of-county participants that were assisted. It has been five years since the modification request was filed, therefore, we believe that further corroboration of the surrounding events will be impossible to verify.

We are requesting that this finding be changed from a questioned cost to an administrative finding. Services were provided in good faith and no costs involved in the actual services provided were questioned in the draft audit. Additionally, all participants met all eligibility requirements for WtW programs; they simply resided outside of the County limits. We respectfully contend that questioning the cost is inappropriate given similar issues raised in previous USDOL/OIG Audits. (Please see Attachment 1, entitled USDOL Audit Reviews and reference item D).

Finding 1h: Savannah Exceeded its PY 1999 Welfare to Work Grant Amount by \$359,196.00.

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The draft audit report states that although the City of Savannah exceeded its PY 1999 Welfare to Work Grant amount by the above mentioned figure, only \$2,947.00 of the \$359,196.00 was determined to be questioned costs. As stated in the draft report, the \$2,947.00 in questioned costs is related to three ineligible individuals. On page 29 of the draft audit report, it states that the three ineligible participants represent approximately 3.7 percent of the eligibility sample. The auditors went on to conclude that this is an acceptable level of compliance with program eligibility requirements.

Due to the immaterial amount of costs being questioned, (\$2,947.00 out of \$7,467,958.00), and the program having an acceptable eligibility requirement level, we are respectfully requesting that this finding be changed from a questioned cost to an administrative finding.

Finding 2a: Savannah reported inaccurate performance data on QSFRs

The City of Savannah encountered many challenges in reporting accurate performance data. Many issues contributed to the problems faced by the City of Savannah in reporting performance data. It is noteworthy that substantial documentation exists outlining the problems associated with performance data collection for WtW grantees. Data collection elements frequently changed at the national level and newly requested data was often simply not collected on participants that enrolled prior to implementation of the modification.

The City of Savannah/Coastal Workforce Services has since implemented a comprehensive monitoring program to address data validation. Participant paper files are routinely compared with information in the GWS to ensure accuracy. Reports generated from information in the GWS are disseminated on a weekly basis for review and verification. We place a great deal of importance on taking the steps necessary to make certain that our performance data is accurate and reliable.

(Please see Attachment 6, entitled Georgia Department of Labor Response for additional information on this finding.)

Finding 2b: Official participant files were missing.

The City of Savannah supplied documentation to the auditors which substantiated the statement that the files had been requested during a previous audit. The One-Stop Center supplied copies of supporting documentation detailing their attempts to retrieve the files. The dates on the correspondence provided verified that the discovery of the missing files was made prior to the auditor's request.

Finding 2c: WtW participants were misclassified.

Savannah took corrective action immediately upon being notified of the problem by the auditor and participants were properly reclassified.

The City of Savannah understands that proper classification of participants is critical and routinely reviews its policies and procedures to ensure that stringent compliance with requirements is maintained.

Finding 2d: Participant eligibility was within an acceptable level.

The City of Savannah is in agreement with this finding.

Conclusion

The formula and competitive Welfare-to-Work grants awarded to the City of Savannah in PY 1998 and PY 1999 were successful in assisting TANF recipients and other eligible individuals transition to self-sufficiency. The services provided through these grants have assisted the customers in obtaining and retaining self-sustaining employment. Over 80% of customers sampled during this audit had not returned to the TANF roles as of January, 2003. This accomplishment solidifies the importance of these and similar community-based programs in improving the quality of life for all participants and, ultimately, the entire community.

All grant funds were expended to support allowable Welfare-to-Work funded activities as identified in the Federal Register. These funds supported the transitional activities of eligible customers. In addition, grant funds were expended solely for the purpose of providing allowable services and activities that assisted the customers in obtaining fulltime, unsubsidized employment.

As discussed earlier in our response, the untimely nature of the issuance of the draft report has required the City to respond to many issues which have already been addressed. The Georgia Department of Labor Compliance Program Reviews conducted in PY 1997 and 1998 through the most recent PY 2004 Compliance Review have identified no related, significant or unresolved issues regarding the City of Savannah's procurement and contracting systems relative to the Workforce Investment Act (WIA) and WtW grants.

Although USDOL/OIG auditors allege deficiencies as early as January, 1999, we respectfully note that:

- a. Two additional formula grants were awarded to the City of Savannah in September, 1999 and August 2002, indicating the State of Georgia's confidence in the City of Savannah's systems.
- b. In May of 1999, the Federal Transit Administration awarded the Chatham Area Transit Authority \$250,000.00 in federal funds to match the like amount of competitive WtW funds received by the city of Savannah in January, 1999. This indicates Federal confidence in the City of Savannah's systems.
- c. No questioned costs contained in the draft report were a result of fraud or abuse.

In summary, the City of Savannah and the Savannah community were concerned about the prospect of hundreds of persons in our community facing the loss of welfare benefits. The Welfare-to-Work Competitive grant was intended to provide Savannah residents with services necessary to make a successful transition from welfare to work. USDOL, in

the grant solicitation, made clear that obtaining a competitive grant would be based on grantees working in partnership with service providers in their community. The City of Savannah assembled a competitive grant with community partnerships; the grant submission clearly showed the service providers, specifically described the services, and provided budgets and service arrangements for program services. The City of Savannah was awarded the grant and carried out the program in accordance with the information submitted to USDOL.

Although we have respectfully submitted summarized rebuttals to each of the findings identified in the Draft Report, we are prepared to respond to USDOL/OIG and USDOL/ETA with a more detailed level of response providing all supporting documentation, to any extent that may be required. As per our rebuttal we are requesting that findings **1a, 1b, 1c, 1e, 1f, 1g** and **1h** be changed from questioned costs to administrative findings. We also request that finding **1d** be removed from the draft audit.