

# U.S. Department of Labor

Office of Inspector General—Office of Audit

**EMPLOYMENT AND TRAINING  
ADMINISTRATION**



## **NAPCA NEEDS TO IMPROVE OVERSIGHT OF SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM**

**Date Issued: September 30, 2008  
Report Number: 09-08-001-03-360**

September 2008

## **NAPCA NEEDS TO IMPROVE OVERSIGHT OF SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM**

### **BRIEFLY...**

Highlights of Report Number 09-08-001-03-360 to the Deputy Assistant Secretary for Employment and Training.

#### **WHY READ THE REPORT**

NAPCA is a national non-profit organization that receives Senior Community Service Employment Program (SCSEP) grants to provide services to participants in seven states. SCSEP grant recipients, like NAPCA, provide subsidized community service work-based training for unemployed low-income participants age 55 or older who have poor employment prospects. Participants are placed in host agencies providing community services, such as the Royal Cultural Foundation (RCF). This report discusses program abuse by the RCF Executive Director, a conflict of interest between NAPCA and the Executive Director, and NAPCA non-compliance with SCSEP requirements and Federal regulations.

#### **WHY OIG CONDUCTED THE AUDIT**

The OIG conducted this audit in response to a hotline complaint alleging abuse of SCSEP at NAPCA's Los Angeles sub-office. The audit objectives were to answer the following questions:

- (1) Did the RCF Executive Director abuse SCSEP by enrolling ineligible participants and not providing actual job training?
- (2) Did NAPCA officials allow the alleged abuse to occur in exchange for monetary payments?
- (3) Did NAPCA's oversight of SCSEP provide reasonable assurance that enrollment and training requirements were met?

#### **READ THE FULL REPORT**

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2008/09-08-001-03-360>.

#### **WHAT OIG FOUND**

We found that the RCF Executive Director was engaged in program abuse by enrolling ineligible participants whose actual job training was questionable. In addition, we found a landlord-tenant relationship between the RCF Executive Director (landlord) and NAPCA (tenant) created a financial conflict of interest that may have impaired NAPCA's ability to perform its oversight functions without bias. Lastly, we estimate that NAPCA sub-offices did not obtain required documentation to support appropriate training for 382 (27 percent) of the 1,418 participants enrolled nation-wide during January 1, 2005, through March 31, 2007. We also estimate that the sub-offices did not ensure enrollment eligibility for 64 (5 percent) of the 1,418 participants

#### **WHAT OIG RECOMMENDED**

We recommended that the Deputy Assistant Secretary for Employment and Training require NAPCA to: (1) reimburse ETA \$182,178 in questioned costs for improper payments to the four RCF participants; (2) develop policies and procedures to prohibit conflicts of interest between NAPCA and SCSEP host agencies; and (3) develop controls to effectively identify and correct non-compliance with SCSEP enrollment, training, and program management requirements.

#### **HOW AUDITEE RESPONDED**

NAPCA stated that it disagreed with our findings and recommendations. However, NAPCA is planning training and controls that will improve its ability to effectively identify and correct non-compliance with SCSEP requirements.

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# Executive Summary

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The Office of Inspector General (OIG) conducted a performance audit in response to a hotline complaint alleging officials of the National Asian Pacific Center on Aging (NAPCA) allowed the Royal Cultural Foundation's<sup>1</sup> (RCF) Executive Director to enroll ineligible participants in the Senior Community Service Employment Program (SCSEP) in exchange for monetary payments. NAPCA is a national non-profit organization that receives grants awarded through the Employment and Training Administration's (ETA) SCSEP. SCSEP grant recipients provide subsidized community service work-based training for unemployed low-income participants age 55 or older who have poor employment prospects. Participants are placed in non-profit or government host agencies that provide community services. RCF is a host agency<sup>2</sup>.

The audit objectives were to answer the following questions:

1. Did the RCF Executive Director abuse SCSEP by enrolling ineligible participants and not providing actual job training?
2. Did NAPCA officials allow the alleged abuse to occur in exchange for monetary payments?
3. Did NAPCA's oversight of SCSEP provide reasonable assurance that enrollment and training requirements were met?

## Results

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1. The RCF Executive Director was engaged in program abuse. The RCF Executive Director enrolled four ineligible participants in SCSEP during program years (PYs)<sup>3</sup> 1994-2005. The four participants included the RCF Executive Director's mother and father and two individuals that worked for the RCF Executive Director in non-SCSEP positions.

The actual training received by the four participants is questionable because their training and payroll records contained irregularities or were incomplete. Participant and RCF supervisor signatures were photocopied, inconsistent, or missing in 498 (66 percent) of the 756 timesheets submitted for the four participants, including 36 timesheets submitted for a participant that had left the program. The participant continued to receive SCSEP paychecks totaling \$8,400. We question costs of

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<sup>1</sup> Royal Cultural Foundation is located in Los Angeles, California.

<sup>2</sup> Host agencies are public or private non-profit organizations (e.g., schools, hospitals, senior citizen centers, day-care centers) or government agencies which provide work sites and supervision for one or more SCSEP participants.

<sup>3</sup> PY 1994-2005 covers the period, July 1, 1994, through June 30, 2006.

\$182,178 for improper payments made to the four RCF participants. We attribute the abuse to misconduct by the RCF Executive Director and the four participants.

2. While we did not substantiate that NAPCA officials allowed the alleged abuse to occur in exchange for monetary payments, we did identify a financial conflict of interest between NAPCA and the RCF Executive Director that may have impacted NAPCA's ability to provide appropriate oversight of RCF. NAPCA leased office space from the RCF Executive Director at below market rental rates from 1997 to 2005. During this period, NAPCA performed only 45 percent of the monitoring visits of RCF required by the grant agreement and only 28 percent of the monitoring visits required by NAPCA policy. Moreover, NAPCA did not identify and correct the enrollment, training, and payroll deficiencies noted in this report. We attribute this to NAPCA's lack of policies and procedures related to conflicts of interest, real or apparent. We were also told by one RCF participant that he signed and returned his SCSEP paychecks to the RCF Executive Director's mother and received only a portion of each paycheck in cash.

3. NAPCA's program oversight did not provide reasonable assurance that enrollment and training requirements were met. Based on our statistical sample, we estimate that NAPCA sub-offices did not obtain required documentation to support appropriate training for 382 (27 percent) of the 1,418 participants enrolled nation-wide during January 1, 2005, through March 31, 2007. We also estimate that the sub-offices did not ensure enrollment eligibility for 64 (5 percent) of the 1,418 participants. These conditions occurred because the sub-offices did not always conduct required host agency monitoring visits or perform effective reviews of participant files to ensure appropriate training and enrollment eligibility. Additionally, NAPCA headquarters did not consistently conduct required on-site sub-office reviews or ensure corrective action plans and follow-up efforts were effective.

## **Recommendations**

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We recommend that the Deputy Assistant Secretary for Employment and Training require NAPCA to: (1) reimburse ETA \$182,178 in questioned costs for improper payments to the four RCF participants; (2) develop policies and procedures to prohibit conflicts of interest between NAPCA and SCSEP host agencies; and (3) develop controls to effectively identify and correct non-compliance with SCSEP enrollment, training, and program management requirements.

## **NAPCA Response**

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The OIG provided a draft of this report to NAPCA for review and comment. We made technical clarifications in the report where appropriate based on NAPCA's response, including clarifying the governing Federal regulations regarding SCSEP enrollment and training requirements.

NAPCA did not agree with our recommendation to reimburse ETA \$182,178 in questioned costs for improper payments to the four RCF participants. NAPCA

contended that none of the participants was related to the RCF Executive Director in place at the time of their enrollment. NAPCA also stated that each of the four participants was eligible for enrollment in SCSEP because their files indicated legitimate community service assignments and training. NAPCA also did not agree with our recommendation to develop policies and procedures to prohibit conflicts of interest between NAPCA and SCSEP host agencies. NAPCA stated that there was no exchange of monetary payments and it had no financial conflict of interest with RCF. While NAPCA acknowledged that the Royal Group owned the building in which both RCF and NAPCA were housed, it noted that the Royal Group was a private organization separate from RCF. NAPCA added that when it negotiated and signed the lease with Royal Group, RCF operated under a different Executive Director.

NAPCA did not agree with our recommendation to develop controls to effectively identify and correct non-compliance with SCSEP enrollment, training, and program management requirements. However, NAPCA stated it will provide all of the NAPCA national, sub-office, and host agency staff and SCSEP participants with refresher courses on the purpose, goals, laws, Federal regulations and NAPCA policy governing SCSEP. NAPCA is also recruiting a National Coordinator to assist in program oversight and enhancing program performance. The National Coordinator will analyze program performance, spending and progress towards meeting performance goals. If any areas of deficiency are identified, a plan will be developed with each project site to address and resolve any issues in a timely manner. Additionally, the Coordinator and the National Director will ensure that all required national monitoring visits are conducted and will ensure full compliance with SCSEP training, enrollment, program management requirements specified in the Federal regulations, ETA/NAPCA grant agreement, and NAPCA policy. The National Director and the National Coordinator will also be responsible for ensuring that sub-offices are conducting the required host agency visits and following the same procedures as the national office.

See Appendix D for NAPCA's complete response to our draft report.

## **OIG Conclusion**

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Regarding NAPCA's assertion that a nepotism violation did not occur, we maintain that the RCF Executive Director was related to two of the four participants at the time of their assignment to the host agency. Specifically, we found that the son of two participants identified himself as the RCF Executive Director or Agency Director, as well as the Host Agency Supervisor, on RCF's initial SCSEP host agency application. In addition, the son identified himself as a supervisor on his mother's initial enrollment certification (May 19, 1997) and his father's community service assignment (June 30, 1997). As stated earlier, the parents' participation at RCF violated 1995 SCSEP Federal regulations prohibiting participants from being related to persons engaged in a decision-making capacity for a host agency.

As noted earlier, we did not substantiate NAPCA officials allowed the alleged abuse to occur in exchange for monetary payments. We also agreed that Royal Group and RCF



were two separate entities. However, we found that during the lease period from 1997 to 2005, the same RCF Executive Director discussed in this report was also the president and manager of the Royal Group. We maintain that a conflict of interest between NAPCA and the RCF Executive Director existed and may have impacted NAPCA's ability to provide appropriate oversight of RCF.

NAPCA's proposed corrective actions for Recommendation 3 are responsive to our recommendations.

**U.S. Department of Labor**

Office of Inspector General  
Washington, D.C. 20210



**Assistant Inspector General's Report**

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The Office of Inspector General (OIG) conducted a performance audit in response to a hotline complaint alleging officials of the National Asian Pacific Center on Aging (NAPCA) allowed the Royal Cultural Foundation's<sup>4</sup> (RCF) Executive Director to enroll ineligible participants in the Senior Community Service Employment Program (SCSEP) in exchange for monetary payments. NAPCA is a national non-profit organization that receives grants awarded through the Employment and Training Administration's (ETA) SCSEP. SCSEP grant recipients provide subsidized community service work-based training for unemployed low-income participants age 55 or older who have poor employment prospects. Participants are placed in non-profit or government host agencies that provide community services. RCF is a host agency.<sup>5</sup>

The audit objectives were to answer the following questions:

1. Did the RCF Executive Director abuse SCSEP by enrolling ineligible participants and not providing actual job training?
2. Did NAPCA officials allow the alleged abuse to occur in exchange for monetary payments?
3. Did NAPCA's oversight of SCSEP provide reasonable assurance that enrollment and training requirements were met?

We found that the RCF Executive Director was engaged in program abuse, resulting in \$182,178 in questioned costs for improper payments to RCF participants during program years (PYs)<sup>6</sup> 1994-2005. These participants included the RCF Executive Director's parents and two participants working for the RCF Executive Director in non-SCSEP positions. We were not able to validate that NAPCA staff received monetary payments as alleged by the complainant. However, a landlord-tenant relationship between the RCF Executive Director (landlord) and NAPCA (tenant) created a financial

<sup>4</sup> RCF is located in Los Angeles, California.

<sup>5</sup> Host agencies are public or private non-profit organizations (e.g., schools, hospitals, senior citizen centers, day-care centers) or government agencies which provide work sites and supervision for one or more SCSEP participants.

<sup>6</sup> PY 1994-2005 covers the period, July 1, 1994 through June 30, 2006.

conflict of interest that may have impacted NAPCA's oversight of RCF. Additionally, NAPCA's program oversight did not ensure compliance with SCSEP enrollment and training requirements. NAPCA sub-offices did not obtain required documentation to support enrollment eligibility and appropriate training.

SCSEP is authorized under Title V of the Older Americans Act of 1965 and is administered by ETA's Office of Workforce Investment. Additional background information is contained in Appendix A.

We conducted this performance audit in accordance with generally accepted government auditing standards for performance audits. These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a sufficient basis for our findings and conclusions based on our audit objectives. Our audit scope, methodology and criteria are detailed in Appendix B.

**Objective 1 – Did the RCF Executive Director abuse SCSEP by enrolling ineligible participants and not providing actual job training?**

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**Results and Findings – RCF Executive Director was engaged in program abuse.**

We found that the RCF Executive Director was engaged in program abuse by enrolling ineligible participants whose actual job training was questionable. All four of the participants enrolled at the host agency were either related to the RCF Executive Director or worked for the RCF Executive Director in non-SCSEP positions. In addition, the actual training received by the participants was questionable because their payroll records contained irregularities, and their training records were not completed as required. The program abuse resulted in \$182,178 in questioned costs for improper payments to RCF participants.

**RCF Participants Were Not Eligible for SCSEP Enrollment at the Host Agency**

The hotline complainant alleged that RCF abused SCSEP because the host agency was actually a building maintenance office managed by a family that owned the building, three SCSEP participants assigned to RCF were members of the family managing the building maintenance office, and the fourth participant was the building janitor. We found this allegation to be substantially valid. We also found that the fourth participant's enrollment in SCSEP was not consistent with Federal regulations and NAPCA policy.

Specifically, we determined that the RCF Executive Director's mother and father became SCSEP participants in 1997 and received SCSEP paychecks for about 8 years (PYs 1996-2004), totaling approximately \$97,000. Their SCSEP participation at RCF violated Federal regulations<sup>7</sup> prohibiting participants from being related to persons

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<sup>7</sup> See 20 C.F.R. 641.323 effective 1995. 20 C.F.R. 641.841 effective 2004.

engaged in a decision-making capacity for a host agency. Furthermore, the mother worked as the building Secretary. Her work as a regular employee for the entire building, including for-profit businesses, also violated Federal regulations and NAPCA policy. SCSEP participants must work for non-profit, community service-focused businesses or government agencies and cannot replace regular employee positions.

We were not able to validate that a third SCSEP participant with the same family name was related to the RCF Executive Director. However, we determined that the participant worked as an English as a Second Language (ESL) teacher at RCF and received SCSEP paychecks for about 10 years (PYs 1994-2005<sup>8</sup>), totaling approximately \$57,000. His SCSEP assignment for the 10 years was as an office assistant. The teacher told us he was RCF's ESL teacher during all 10 years and that he did not receive any training from RCF. His work as a regular employee violated Federal regulations.<sup>9</sup>

The building janitor was a SCSEP participant and received SCSEP paychecks for about five years (PYs 2000-2004), totaling approximately \$28,000. His SCSEP assignments were as a maintenance supervisor and security guard trainee. He told us that during the five-year period he was the building janitor and worked as the building security guard on weekends. Additionally, he said he had worked as the building janitor for the RCF Executive Director since 1993 and continued to work as the janitor after he was no longer associated with SCSEP. His janitorial and security guard work as a regular employee and for the entire building violated Federal law.

NAPCA management and staff told us they were not aware the RCF participants were the RCF Executive Director's mother, father, and RCF's ESL teacher. The NAPCA staff responsible for the janitor's annual enrollment recertification told us she was aware of his janitorial and security guard work for the entire building. However, she could not explain why she continued to recertify the janitor's enrollment.

#### Actual Participant Training Was Questionable

The actual training received by the four RCF participants was questionable because their payroll records contained irregularities, and their training records were not completed as required. We believe this questionable training is another indication of program abuse by RCF.

#### *Participant Payroll Records Contained Irregularities*

Participant payroll records contained irregularities suggesting that the amount of training received by the four RCF participants was questionable. NAPCA's SCSEP Handbook, provided to host agencies, defines SCSEP payroll requirements. The Handbook requires that (1) participants record hours worked and sign their timesheets and (2) host agency supervisors verify and sign all timesheets to ensure accuracy and completeness

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<sup>8</sup> The teacher was not enrolled during PYs 2000 and 2002.

<sup>9</sup> See 20 C.F.R. 641.325 effective 1995. 20 C.F.R. 641.844 effective 2004.

before submitting to NAPCA for payment. Properly completed timesheets provide assurance that participants are involved in supervised training and paid for the hours actually worked at the assigned host agency. We found the following payroll irregularities during our review of RCF SCSEP activities:

- Four hundred ninety-eight (66 percent) of the 756 timesheets submitted by RCF for the four participants during their entire enrollment periods contained irregularities. The participant and RCF supervisor signatures were photocopied, inconsistent, or missing. NAPCA management told us that staff responsible for reviewing timesheets should have identified the copied and missing signatures and required original signatures on the timesheets.
- Thirty-six timesheets were submitted for a participant that had left the program. The teacher separated from SCSEP in November 1999. At that time, NAPCA claimed credit for placing the teacher in permanent employment at RCF as a teacher. The teacher re-enrolled in SCSEP in June 2001. During the intervening 19 months, the teacher was not enrolled in SCSEP but continued to receive SCSEP paychecks totaling approximately \$8,400. NAPCA management could not explain the discrepancy of dates on the re-enrollment paperwork.

#### *Training Records Were Not Completed as Required*

The actual training received by the participants was also questionable because training records were not completed as required by Federal regulations, U.S. Department of Labor (DOL) policy, and NAPCA policy. NAPCA was required under Federal regulations<sup>10</sup> to complete Individual Development Plans (IDPs)<sup>11</sup> for all participants upon enrollment and annually thereafter. Further, NAPCA policy requires host agencies to complete annual Enrollee Performance Evaluations (EPEs)<sup>12</sup> for each SCSEP participant assigned to the host agency. Federal regulations and DOL policy require that Community Service Assignments (CSAs)<sup>13</sup> be updated at least once each year. We found that the training records maintained by NAPCA for the four RCF participants did not provide adequate assurance that the required work-based training actually occurred. For example, the teacher's records for the 10 years he was enrolled in SCSEP did not contain any of the required documents. Table 1 summarizes the missing training records for the four RCF participants.

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<sup>10</sup> See 20 C.F.R. 641.309(d) effective 1995 and 20 C.F.R. 641.535 effective 2004.

<sup>11</sup> The IDP is used to establish the participant's overall goals for the program and outlines a plan of action to achieve those goals.

<sup>12</sup> An EPE is a host agency supervisor's evaluation of a participant's performance in such areas as quality of work, ability to work independently, ability to assume responsibility, and general attitude.

<sup>13</sup> A CSA is completed by the host agency supervisor, participant, and project director to document the content of the participant's assignment and work schedule. The CSA is based upon the needs identified in the participants IDP. Both federal regulations and the DOL grant agreement require the CSA to be updated as the IDP is updated.

**Table 1**

**Required Training Records Were Not Completed**

<b>Participants</b>	<b>Total Years Enrolled</b>	<b>Missing IDPs</b>	<b>Missing CSAs</b>	<b>Missing EPEs</b>
Mother	8	5	4	5
Father	8	6	5	5
Janitor	5	2	1	3
Teacher	10	10	10	10
<b>Totals</b>	<b>31</b>	<b>23</b>	<b>20</b>	<b>23</b>

**Questioned Costs Totaled \$182,178**

We attribute the program abuse to misconduct by the RCF Executive Director and the four participants. As a result of this program abuse, we question \$182,178 for improper payments to the four RCF participants. Table 2 summarizes the questioned costs by participant and years enrolled.

**Table 2**

**Questioned Costs for Improper Payments to RCF Participants Enrolled in SCSEP**

<b>Participant</b>	<b>Years Enrolled</b>	<b>Questioned Costs</b>
Mother	8 (PYs 1996-2004)	\$48,842
Father	8 (PYs 1996-2004)	\$48,092
Janitor	5 (PYs 2000-2004)	\$28,239
Teacher	10 (PYs 1994-2005) <sup>a</sup>	\$57,005
	<b>Total</b>	<b>\$182,178<sup>14</sup></b>

<sup>a</sup>The teacher was not enrolled during PYs 2000 and 2002.

**Objective 2 – Did NAPCA officials allow the alleged abuse to occur in exchange for monetary payments?**

**Results and Findings – Conflict of interest between the RCF Executive Director and NAPCA may have impaired NAPCA’s oversight of RCF.**

We were not able to validate that NAPCA staff received monetary payments. However, a landlord-tenant relationship between the RCF Executive Director (landlord) and NAPCA (tenant) created a financial conflict of interest that may have impaired NAPCA’s ability to perform its oversight functions without bias.

<sup>14</sup> Questioned costs rounded to the nearest dollar.

Federal regulations<sup>15</sup> prohibit grantees (such as NAPCA) from participating in the administration of a contract supported by Federal funds if a conflict of interest, real or apparent, is involved. Our conclusion that a conflict of interest existed between NAPCA and the RCF Executive Director is based on the following facts:

- In June 1997, NAPCA became a tenant in the building owned by the RCF Executive Director. NAPCA's lease agreement indicated that 1,334 rentable square feet of office space was being leased at a monthly rate of \$950 per month, or approximately \$0.71 per square foot. However, the lease agreement understated the square footage used by NAPCA by approximately 870 square feet. As such, NAPCA paid \$0.43 per square foot as the actual lease rate. NAPCA management acknowledged that the square footage in the lease was understated. The understated lease initially saved NAPCA approximately \$617 per month (870 square feet X \$0.71). NAPCA continued to lease office space from the RCF Executive Director at below market rental rates from 1997 to 2005.
- In May and June 1997, NAPCA allowed the enrollment of the RCF Executive Director's mother and father as SCSEP participants. This occurred despite the fact that the father had signed another SCSEP participant's timesheets as the participant's supervisor for three years prior to becoming a participant himself. According to NAPCA management, the mother and father were assigned to RCF because the parents' training needs matched the training RCF was able to provide. NAPCA management said that they were not aware of the family relationship and that neither RCF nor the parents requested the RCF assignments. NAPCA's records showed the RCF Executive Director served as the initial supervisor responsible for his mother's training. The mother and father initially received a combined total of about \$860 per month in SCSEP pay.
- In March 2005, the RCF Executive Director's parents were offered and declined reassignment to another host agency. RCF hired the parents and NAPCA claimed credit for the placement. In May 2005, the RCF Executive Director (NAPCA's landlord) raised NAPCA's lease rate by 150 percent. As a result, NAPCA moved to another location in August 2005.

This conflict of interest may have impaired NAPCA's ability to perform its oversight functions without bias. During the nine-year landlord-tenant relationship, NAPCA did not provide adequate oversight of RCF and did not identify and correct the enrollment, training, and payroll deficiencies noted in this report.

NAPCA's oversight deficiencies included not conducting on-site monitoring visits as required by the DOL/NAPCA grant agreement and NAPCA policy. On-site monitoring visits include interviews with host agency staff and SCSEP participants, and reviews of documentation supporting SCSEP compliance. The DOL/NAPCA grant agreement required NAPCA to conduct at least one annual on-site monitoring visit at each host agency to ensure compliance with SCSEP requirements. NAPCA's policy required two

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<sup>15</sup> See 29 C.F.R. Part 95.42, effective 1997.

annual on-site monitoring visits. During 1997 to 2005, NAPCA performed only 4, or 45 percent of the 9 monitoring visits required by the grant agreement; and only 5, or 28 percent of the 18 monitoring visits required by NAPCA policy.

NAPCA also did not take timely or appropriate corrective action when notified of RCF's improper activities. The janitor and a former SCSEP participant assigned to NAPCA told us that they notified NAPCA management of improper activities by RCF in 2001 and 2003, respectively, but NAPCA did not take any corrective action. For example, the janitor told us that the RCF Executive Director's mother required him to sign and return his SCSEP paychecks to her, after which she gave him only a portion of each paycheck in cash. The janitor said he complained to NAPCA staff in 2001 that he was receiving only a portion of his SCSEP salary and that the RCF Executive Director's mother was taking the rest of the money. NAPCA management denied ever being approached with this information.

We verified that 88 percent of the janitor's SCSEP paychecks during his five-year enrollment (PYs 2000 - 2004) were endorsed and deposited by a company owned by the RCF Executive Director or by the RCF Executive Director himself. NAPCA management told us that SCSEP paychecks are intended only for the SCSEP participant to whom the check is made payable. NAPCA management also told us a SCSEP paycheck deposited into the account of a party directly associated with the assigned host agency would be considered highly inappropriate. They stated they would have no way of knowing if a SCSEP paycheck was deposited into the account of a party directly associated with the assigned host agency.

While our audit did not substantiate the allegation that NAPCA staff received cash payments from RCF, we did find that NAPCA had a financial conflict of interest that may have impaired its oversight of RCF. We attribute this to NAPCA's lack of policies and procedures related to conflicts of interest, real or apparent.

**Objective 3 – Did NAPCA's oversight of SCSEP provide reasonable assurance that enrollment and training requirements were met?**

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**Results and Findings – NAPCA's program oversight did not ensure compliance with SCSEP training and enrollment requirements.**

We conducted audit work at four randomly selected NAPCA sub-offices (Chicago, Los Angeles, New York, and San Francisco). Based on our statistical sample of participants enrolled (see Appendix B), we estimate that NAPCA sub-offices did not obtain required documentation to support that it provided appropriate training for 382 (27 percent) of the 1,418 participants enrolled nationwide during January 1, 2005, through March 31, 2007. We also estimate that the sub-offices did not ensure enrollment eligibility for 64 (5 percent) of the 1,418 participants. These conditions occurred because the sub-offices did not conduct required host agency monitoring visits or perform thorough participant file reviews to ensure SCSEP compliance. Additionally, NAPCA headquarters did not perform required sub-office reviews or ensure corrective action plans and follow-up efforts were effective.



### NAPCA Controls Did Not Ensure Appropriate SCSEP Training

NAPCA did not ensure appropriate SCSEP training. Federal regulations required NAPCA to provide SCSEP participants work-based training at non-profit or government community service-focused host agencies. NAPCA was required by Federal regulations to document this training by completing Individual Employment Plans (IEP) for all participants upon enrollment and twice a year thereafter.<sup>16</sup> Further, NAPCA policy required host agencies to complete annual EPEs for each SCSEP participant assigned to the host agency. Federal regulations and DOL policy require that CSAs be updated at least once each year.

We statistically sampled 131 of the 1,418 nationwide participants enrolled in SCSEP by NAPCA during January 1, 2005, to March 31, 2007. We tested participant files to determine whether NAPCA obtained the required IEPs, CSAs, and EPEs. We found that the NAPCA sub-offices did not obtain required training documentation for 35 participants (27 percent). Projecting our statistical sample results to the 1,418 nationwide participants, we estimate that the sub-offices did not obtain required training documentation for 382 participants; and that as many as 576 (41 percent) did not have the required documentation.<sup>17</sup>

### NAPCA Controls Did Not Ensure SCSEP Enrollment Eligibility

NAPCA also did not consistently ensure participant enrollment eligibility. Federal regulations and/or NAPCA policy required NAPCA to obtain documentation supporting that each participant (1) had income at or below 125 percent of the United States poverty level, (2) was eligible to work in the United States, and (3) did not hold an administrative or directorship position within the assigned host agency.<sup>18</sup>

We tested the files for our statistical sample of 131 participants to determine whether NAPCA obtained the required eligibility documentation. We found that NAPCA did not obtain the required documentation for 8 participants (6 percent). Projecting our statistical sample results to the 1,418 nationwide participants, we estimate that NAPCA did not obtain the required documentation for 64 participants (5 percent), and that as many as 119 (8 percent) did not have required documentation.<sup>19</sup>

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<sup>16</sup> Federal grantees were required to complete IEPs for SCSEP participants twice a year effective May 10, 2004.

<sup>17</sup> Our sample was based on a 95 percent confidence level with a targeted sampling precision of approximately 7 percent.

<sup>18</sup> Documentation accepted by NAPCA for income include: tax returns, Social Security statements, NAPCA's Confidential Income Statement form, and NAPCA's Self-Certification form; for eligibility to work in the United States: Department of Homeland Security's Form I-9, "Employment Eligibility Verification"; for Administrative or Directorship Positions: participant and host agency make a declaration on their respective agreements each year that there will be no assignment of participants who hold such positions within the host agency.

<sup>19</sup> Our sample was based on a 95 percent confidence level with a targeted sampling precision of approximately 7 percent.

Controls Over Enrollment and Training Need Improvement

Inadequate NAPCA controls over participant training and enrollment increased the potential for future non-compliance and program abuse. The non-compliance noted in this report occurred because NAPCA sub-offices did not consistently conduct required host agency monitoring visits or perform thorough reviews of participant and host agency files. Additionally, NAPCA headquarters did not consistently perform required sub-office reviews or ensure corrective action plans and follow-up efforts were effective.

*Host Agency Monitoring Visits Were Not Conducted As Required*

NAPCA records showed that, during PY 2005, NAPCA sub-offices did not conduct host agency monitoring visits as required by Federal regulations and NAPCA policy. See Table 3. The DOL/NAPCA grant agreement required NAPCA to conduct at least one annual on-site monitoring visit at each host agency to ensure compliance with SCSEP requirements. NAPCA’s policy required two annual on-site monitoring visits. On-site monitoring visits include interviews with host agency staff and SCSEP participants and reviews of documentation supporting SCSEP compliance.

**Table 3**  
**NAPCA Sub-Offices Did Not Conduct**  
**Required Host Agency Monitoring Visits**  
**(PY 2005)**

Sub Office	Grant Agreement		NAPCA Policy	
	Annual Required Visits (1)	Missed Visits	Annual Required Visits (2)	Missed Visits
Chicago	8	0 (0%)	16	7 (44%)
Los Angeles	10	2 (20%)	20	10 (50%)
New York	15	4 (27%)	30	12 (40%)
San Francisco	11	2 (18%)	22	4 (18%)
<b>Totals</b>	<b>44</b>	<b>8 (18%)</b>	<b>88</b>	<b>33 (38%)</b>

*Sub-office Monitoring Visits Were Not Effective*

NAPCA records also showed that NAPCA headquarters did not conduct sub-office monitoring visits as required by the ETA/NAPCA grant agreement. The grant agreement required NAPCA headquarters to conduct at least 1 annual on-site monitoring visit at each sub-office to ensure the sub-offices effectively managed SCSEP. Table 4 shows that NAPCA headquarters did not conduct 25 percent of the sub-office monitoring visits required during PYs 2004-2006.

**Table 4**

**NAPCA Headquarters Did Not Conduct 25 Percent of  
Required Sub-Office Monitoring Visits  
(PYs 2004-2006)**

<b>Sub-Office</b>	<b>Required Visits<sup>a</sup></b>	<b>Missed Visits</b>	<b>PY With Missed Visits</b>
Chicago	3	0 (0%)	-
Los Angeles	3	2 (67%)	2004, 2005
New York	3	0 (0%)	-
San Francisco	3	1 (33%)	2004
<b>Totals</b>	<b>12</b>	<b>3 (25%)</b>	<b>2004(2), 2005(1)</b>

<sup>a</sup>The grant agreement requires 1 monitoring visit per program year, totaling 3 visits for PYs 2004-2006.

While NAPCA headquarters identified some enrollment and training documentation deficiencies during its sub-office monitoring visits, recommendations and follow-up efforts were not effective in correcting these documentation deficiencies identified during this three-year period. Improved supervisory oversight is needed to ensure participants are enrolled and trained in accordance with Federal regulations, the ETA/NAPCA grant agreement, and NAPCA policy. NAPCA Headquarters should identify systemic problems and develop appropriate corrective action. Moreover, NAPCA Headquarters should follow up on action items and specific documentation deficiencies to ensure effective implementation.

**NAPCA Response**

NAPCA stated that the wages paid to the four participants were not improper because none of the participants was related to the RCF Executive Director in place at the time of their assignment to the host agency. Therefore, NAPCA did not violate SCSEP nepotism regulations. As soon as NAPCA was informed of a relationship by DOL program staff, NAPCA staff acted immediately to correct the situation by transferring the two participants involved and informing ETA of the outcome which was accepted by program staff. NAPCA also stated that each of the four participants was eligible for enrollment in SCSEP because their files indicated legitimate community service assignments and training. Specifically, NAPCA asserted that the individual referred to as teacher in this report was actually a “teaching assistant” whose training assignments included assistant teaching, ESL teaching, and administrative training, and that these duties were appropriate and valid under the 1995 SCSEP regulations. In addition, while NAPCA agreed that the janitor worked as a security guard on the weekends for the Royal Group<sup>20</sup>, it did not believe that this affected his enrollment eligibility under the governing SCSEP Federal regulations. According to NAPCA, the rule to be unemployed did not go into effect until PY 2005 in response to the Solicitation for Grant Applications issued in 2005, which is after the janitor terminated from the program.

<sup>20</sup> The RCF Executive Director was the president and manager of the Royal Group.

NAPCA stated that there was no exchange of monetary payments and it had no financial conflict of interest with RCF. While NAPCA acknowledged that the Royal Group owned the building in which both RCF and NAPCA were housed, it noted that the Royal Group was a private organization separate from RCF. NAPCA asserted it searched for the lowest possible rent at the time and remained a tenant in the building owned by the Royal Group until the local economy was revitalized at which time, NAPCA moved to a smaller office. NAPCA added that when it negotiated and signed the lease with Royal Group, RCF operated under a different Executive Director.

NAPCA stated it will provide training to national, sub-office and host agency staff, as well as SCSEP participants. All of the NAPCA national, sub-office, and host agency staff, including host agency directors and supervisors, and SCSEP participants will be provided with refresher courses on the purpose, goals, laws, Federal regulations and NAPCA policy regarding SCSEP. NAPCA will emphasize the importance of developing and updating IEPs; documentation of required SCSEP information, such as yearly recertifications, etc.; the monitoring of sub-offices and host agencies; the development of corrective action plans; and the importance of following through on corrective action. Training materials will be developed within the next three months.

NAPCA is also recruiting a National Coordinator to assist in program oversight and enhancing program performance. The National Coordinator will analyze program performance, spending and progress towards meeting performance goals. If any areas of deficiency are identified, a plan will be developed with each project site to address and resolve any issues in a timely manner. Additionally, the Coordinator and the National Director will ensure that all required national monitoring visits are conducted and will ensure full compliance with SCSEP training, enrollment, program management requirements specified in the Federal regulations, ETA/NAPCA grant agreement, and NAPCA policy. The National Director and the National Coordinator will also be responsible for ensuring that sub-offices are conducting the required host agency visits and following the same procedures as the national office.

NAPCA also asserted that we inaccurately applied the governing May 2004 Federal regulations to preceding program years, holding NAPCA to an incorrect standard. For example, NAPCA said the OIG incorrectly indicated that the IEPs for the RCF participants had to be completed twice a year, when they were known as IDPs at the time and required to be completed only once a year.

Moreover, NAPCA refuted our conclusion that the actual training of the RCF participants was questionable because payroll and training records contained irregularities or were incomplete. According to NAPCA, many of the alleged training records the OIG claimed were missing were found in participant files, not host agency files.

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## OIG Conclusion

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Regarding NAPCA's assertion that a nepotism violation did not occur, we maintain that the RCF Executive Director was related to two of the four participants at the time of their assignment to the host agency. Specifically, we found that the son of two of the participants identified himself as the RCF Executive Director or Agency Director, as well as the Host Agency Supervisor, on the RCF's initial SCSEP host agency application. RCF became a host agency in 1994. The RCF Executive Director's mother and father became SCSEP participants in 1997. The son was also identified as a supervisor on his mother's initial enrollment certification (May 19, 1997) and his father's community service assignment (June 30, 1997). As stated earlier, the parents' participation at RCF violated 1995 SCSEP Federal regulations<sup>21</sup> prohibiting participants from being related to persons engaged in a decision-making capacity for a host agency. While NAPCA indicated that it took immediate corrective action as soon as it was alerted, this violation was not identified by NAPCA and continued for eight years. With regard to the "teaching assistant," we found that this individual was the RCF's *only* teacher for about 10 years and did not receive any training from RCF. While we do not dispute the appropriateness of this community service assignment, we maintain that it is in violation of SCSEP maintenance of effort regulations<sup>22</sup> which prohibit a participant from filling a position that would otherwise be given to a paid staff employee. We also disagree with NAPCA's assertion that the janitor's outside employment as a security guard for the Royal Group was allowable up to PY 2005. The Older Americans Act Amendments of 2000 which required SCSEP participants to be unemployed became effective November 13, 2000<sup>23</sup>, prior to the janitor's SCSEP enrollment. As such, NAPCA's response did not change our findings and recommendations.

As noted earlier, we did not substantiate NAPCA officials allowed the alleged abuse to occur in exchange for monetary payments. We also agreed that Royal Group and RCF were two separate entities. However, we found that during the lease period from 1997 to 2005, the same RCF Executive Director discussed in this report was also the president and manager of the Royal Group. We maintain that a conflict of interest between NAPCA and the RCF Executive Director existed and may have impacted NAPCA's ability to provide appropriate oversight of RCF.

NAPCA also asserted that we inaccurately applied the governing Federal regulations to preceding program years, holding NAPCA to an incorrect standard. We continue to maintain that we accurately and appropriately applied the Older Americans Act Amendments of 2000 and 1995 Federal regulations in our assessment of the enrollment eligibility and appropriate assignment and training of the four RCF participants, as well as the annual IDP completions for the RCF participants as required.

While NAPCA noted in its response that it found a number of missing records identified in the report, it did not provide any documentation with the exception of one monitoring

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<sup>21</sup> See 20 C.F.R. 641.323(a).

<sup>22</sup> See 20 C.F.R. 641.325.

<sup>23</sup> See Title V of the Older Americans Act Amendments of 2000, Section 502(a)(1).

report to change our results. We adjusted our report accordingly for the one report provided. We provided NAPCA with a detailed description of the missing records in a Statement of Facts on April 9, 2008.

## **Recommendations**

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

1. Reimburse ETA \$182,178 in questioned costs for the improper payments to the 4 RCF participants who did not meet SCSEP enrollment and training requirements.
2. Develop policies and procedures to prohibit conflicts of interest between NAPCA and SCSEP host agencies. This includes assuring that no conflicts of interest between these parties currently exist.
3. Develop controls to identify and correct non-compliance with SCSEP training, enrollment, and program management requirements specified in Federal regulations, the ETA/NAPCA grant agreement, and NAPCA policy. This includes NAPCA conducting the required host agency and sub-office monitoring visits and developing procedures for appropriate corrective action and follow-up when program deficiencies are brought to management's attention.

Elliot P. Lewis

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## Appendices

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## Appendix A

### Background

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#### General Background

SCSEP is authorized under Title V of the Older Americans Act of 1965 and is administered by ETA's Office of Workforce Investment. SCSEP grant recipients provide subsidized community service work-based training for unemployed low-income persons age 55 or older who have poor employment prospects. Participants are placed at non-profit or government host agencies that provide community services. Host agencies include schools, hospitals, senior citizen centers, literacy instruction programs, nutrition programs, beautification projects, conservation projects, restoration projects, and day-care centers. DOL requires that 30 percent of SCSEP participants are placed in permanent, unsubsidized employment each program year.

SCSEP funding for PY 2006 was approximately \$433 million. SCSEP grants are allocated by formula: 78 percent are provided to 18 national organizations that compete to provide services and 22 percent are allocated among the States. SCSEP enrolls approximately 92,000 participants per year.

NAPCA is headquartered in Seattle, WA and operates nine sub-offices in seven States (California, Illinois, Massachusetts, New York, Pennsylvania, Texas and Virginia). As of March 31, 2007 (the end of our review period), there were 292 active NAPCA host agencies nationwide. NAPCA received SCSEP grants totaling about \$4.6 million in FY 2006. These grants enabled NAPCA to provide subsidized employment for 837 participants.

#### Hotline Complaint Background

On February 11, 2005, the OIG received a hotline complaint containing allegations against NAPCA, the host agency RCF, four participants, and the owner of the building known as the "Royal Plaza Building." The hotline complainant alleged that RCF abused SCSEP because the host agency was actually a building maintenance office managed by a family that owned the building; three SCSEP participants assigned to RCF were members of the family managing the building maintenance office, and the fourth participant was the building janitor. The complainant also alleged that NAPCA allowed the RCF Executive Director to enroll ineligible participants in SCSEP in exchange for monetary payments

#### NAPCA Monitoring Controls

NAPCA has two principal monitoring controls in place to ensure compliance with SCSEP regulations. These include (1) annual sub-office monitoring visits and (2) semi-annual host agency monitoring visits.

### *Annual Sub-Office Monitoring Visits*

NAPCA is required to conduct a monitoring visit of each of its nine sub-offices on an annual basis. NAPCA's grant agreements with DOL require that a monitoring visit be made to each local SCSEP project a minimum of once every project year unless, due to indications of poor project performance, a corrective action monitoring visit is warranted. Four to 6 weeks in advance of the monitoring visit, the monitor requests a sample of project files to be sent to NAPCA headquarters for review. NAPCA returns the files to the site as soon as the review is complete. Once on site, the monitor conducts a file review to determine if all necessary forms and information are collected consistently. The review may include up to 20 enrollee and host agency files.

During the site visit, the monitor is required to meet with 6 to 8 host agency supervisors and up to 10 enrollees. A standardized two-page interview is conducted with the host agency supervisors. These interviews are focused on the supervisor's evaluation methods, their attempts to train and help the enrollees in job seeking, as well as any suggestions they may have for improvement. A standardized two-page interview is also conducted with the enrollees. These interviews attempt to garner information such as the enrollee's job seeking efforts, levels of satisfaction, and any suggestions they may have for improvement.

### *Semiannual Host Agency Monitoring Visits*

NAPCA is also required to conduct two monitoring visits of its host agencies per year. NAPCA policies and procedures state that the SCSEP project director must visit each host agency twice a year, and that one of the two visits is unannounced. Standardized interviews are conducted with host agency supervisors and participants. Interviews with host agency supervisors attempt to determine supervisors' understanding of SCSEP regulations, and in particular, how they contribute to participant training, identify participants' strengths and weaknesses, and handle timesheets. Interviews with participants relate to what participants have learned at the assigned host agency, whether they understand and follow their assignment descriptions, and efforts undertaken to obtain unsubsidized employment.

In addition to these two monitoring controls, NAPCA organizes a number of meetings and training conferences which serve to reinforce SCSEP rules and regulations. These include monthly conference calls between NAPCA's National SCSEP Director and sub-office project directors; quarterly participant meetings, semi-annual host agency supervisory staff meetings, and annual NAPCA in-service training sessions for NAPCA headquarters and sub-office staff. NAPCA also participates in periodic DOL regional training conferences.

## Appendix B

### Objectives, Scope, Methodology, and Criteria

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#### Objectives

The audit was initiated by a hotline complaint that NAPCA officials allowed the RCF Executive Director to enroll ineligible participants in SCSEP in exchange for monetary payments. Based on our preliminary results, we expanded our scope to determine whether NAPCA effectively ensured compliance with SCSEP enrollment and training requirements as well as Federal law governing fraud, waste, and abuse. Specifically, the audit objectives were to answer the following questions:

1. Did the RCF Executive Director abuse SCSEP by enrolling ineligible participants and not providing actual job training?
2. Did NAPCA officials allow the alleged abuse to occur in exchange for monetary payments?
3. Did NAPCA's oversight of SCSEP provide reasonable assurance that enrollment and training requirements were met?

#### Scope and Methodology

We only tested those management controls necessary to address our audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards for performance audits. These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a sufficient basis for our finding and conclusions based on our audit objectives.

#### Objectives 1 and 2

To accomplish our objectives, we performed audit work to determine whether allegations contained in the hotline complaint were valid. First, we obtained an understanding of NAPCA's administration of SCSEP by reviewing and analyzing NAPCA's grant agreements and policies and procedures pertaining to the allegations in conjunction with applicable Federal laws and regulations. Second, we conducted interviews and obtained process walkthroughs from NAPCA's Executive Director, National SCSEP Director, Federal Project Officer, NAPCA's Los Angeles sub-office program management and staff, and two former RCF participants. Third, we reviewed RCF host agency and participant records and other documentation for SCSEP compliance.

To verify allegations of program abuse, we tested RCF host agency and participant records covering PYs 1994-2005 for adherence to SCSEP nepotism, enrollment, and

training requirements. We also worked with the Department of Labor Office of Labor Racketeering and Fraud Investigation and reviewed public records to determine both whether a family relationship existed between the RCF Executive Director and two RCF participants; and whether the Royal Plaza building was owned by the RCF Executive Director. In addition, we reviewed lease agreements (1997-2005) between Royal Group and NAPCA for rental of office space and available market rate information to determine whether a conflict of interest may have existed. We further reviewed RCF participant payroll records to compute disallowable funds; and analyzed timesheets and participant paychecks to uncover irregularities.

We interviewed the hotline complainant and NAPCA management to determine the basis of the allegation regarding NAPCA staff receiving monetary payments.

To determine if the allegation that NAPCA had knowledge of this program abuse and did not pursue corrective action had merit, we interviewed NAPCA program staff and former participants, and performed testing of RCF host agency and participant records.

We interviewed NAPCA officials based in both Seattle and Los Angeles to determine the level of oversight provided by NAPCA and management's perceptions of any issues. We also reviewed and analyzed information documenting management oversight of RCF. This information included monitoring reports, internal audit reports, and quality reviews.

We conducted site visits at NAPCA's national headquarters in Seattle, WA, and NAPCA's Los Angeles sub-office.

### **Objective 3**

To accomplish our objective, we conducted interviews and process walkthroughs with NAPCA's Executive Director and National SCSEP Director, sub-office program management and staff, a NAPCA monitor, and representatives of and participants assigned to host agencies.

Our review of records covered the period January 1, 2005, through March 31, 2007.<sup>24</sup> We statistically sampled participant and host agency files and tested various attributes directly related to this audit objective. The basic sample design was a three-stage stratified cluster sampling plan. In the first stage, the universe containing all 9 NAPCA sub-offices managing 292 host agencies (active as of March 31, 2007) and enrolling 1,418 SCSEP participants (during January 1, 2005 through March 31, 2007) was divided into two strata – high and low risk sub-offices. Stratification of sub-offices was based on a number of risk factors, including the ratio of 501(c)(3) to government host agencies, and the ratio of host agencies to sub-office staff members. Two sub-offices were randomly selected from each stratum for a total of four sub-offices. In the second stage, NAPCA's host agencies were similarly stratified based on risk and 34 host

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<sup>24</sup> We also reviewed records from March 22, 1994, to March 31, 2007, to quantify the dollar effect of the enrollment of participants assigned to RCF.

agencies were randomly selected from the four sub-offices. Finally, in the third stage, a random sample of 131 participants was selected from each of the 34 selected host agencies. This sample of 131 participants is representative of the entire universe of 1418 participants. We concluded that this sample size of 131 participants was sufficient to reach a targeted sampling precision of roughly 7 percent at a 95 percent confidence level.

Our sample selection was based on data maintained in NAPCA's participant and host agency database. During the audit, we assessed the reliability of the data for the period January 1, 2005, through March 31, 2007. We reviewed 100 percent of the data and eliminated any duplicated entries. We then judgmentally selected several entries and compared the data to information maintained by the NAPCA sub-offices visited. The data tested were reliable. As such, we concluded that the NAPCA database was sufficiently reliable to accomplish this audit objective.

### Site Visits

We conducted site visits at NAPCA's headquarters in Seattle, WA and four NAPCA sub-offices located in Los Angeles, San Francisco, Chicago and New York.

We reviewed both host agency and sub-office monitoring reports (January 1, 2005 to March 31, 2007 for host agency and PYs 2004-2006 for sub-office) in conjunction with requirements outlined in NAPCA's policy and grant agreements for compliance purposes.

We tested the controls associated with NAPCA's process for ensuring compliance with SCSEP enrollment and training requirements. We conducted fieldwork from May 2007 through May 2008 and performed our work in accordance with generally accepted government auditing standards for performance audits.

### **Criteria**

- Title V of the Older Americans Act of 1965 (Public Law 89-73), Community Service Employment for Older Americans
- Title V of the Older Americans Act Amendments of 2000
- 20 C.F.R. Part 641, Senior Community Service Employment Program, Final Rule, April 2004
- 29 C.F.R. Part 95, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Final Rule
- Workforce Investment Act of 1998 (Public Law 105-220)
- U.S. Code: Title XVIII, Section 665, Theft or Embezzlement from Employment and Training Funds, January 2006
- NAPCA SCSEP Handbook, 2004
- Grant Agreements from July 1, 2004, through July 31, 2007

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**Appendix C**

**Acronyms and Abbreviations**

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C.F.R.	Code of Federal Regulations
CSA	Community Service Agreement
DOL	U.S. Department of Labor
EPE	Enrollee Performance Evaluation
ESL	English as a Second Language
ETA	Employment and Training Administration
IDP	Individual Development Plan
IEP	Individual Employment Plan
NAPCA	National Asian Pacific Center on Aging
OAA	Older Americans Act
OIG	Office of Inspector General
PY	Program Year
RCF	Royal Cultural Foundation
SCSEP	Senior Community Service Employment Program



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NAPCA Response to Draft Report



NATIONAL ASIAN PACIFIC  
CENTER ON AGING

*Leading the Way to Serve API Elders*

NAPCA RESPONSE TO THE  
ASSISTANT INSPECTOR GENERAL'S REPORT

September 24, 2008

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Mr. Ray B. Armada  
Assistant Regional Inspector General for Audit  
U.S. Department of Labor, Office of Inspector General  
90 7<sup>th</sup> Street, Suite #02-750  
San Francisco, CA 94103

Dear Mr. Armada:

This is in response to the performance audit conducted by your staff as a result of a hotline complaint alleging that officials of the National Asian Pacific Center on Aging (NAPCA) allowed one of its host agencies, the Royal Cultural Foundation (RCF) to commit wrongdoing regarding participants in the Senior Community Service Employment Program (SCSEP). As you are aware, NAPCA is one of several national non-profit organizations that is competitively awarded a grant by the Employment and Training Administration (ETA) to administer SCSEP. SCSEP grant recipients provide community service training for low-income persons aged 55 and older who have poor employment prospects.

NAPCA feels that the scope of this audit, from 1994 through 2007, a period of 14 years, is an extraordinarily long period to review for an audit. It is doubtful that all pertinent records would remain intact over a 14 year span due to human error as well as a U.S. Department of Labor record retention policy that requires that records be retained only 3 years after a program year is closed.

Secondly, through changes in the Older Americans Act (OAA) law and SCSEP regulations, the SCSEP program has evolved from one of basic community service assignments to a program focused much more on training and unsubsidized employment. NAPCA will demonstrate the OIG inaccurately applied May, 2004 DOL regulations, to preceding program years, holding NAPCA to an incorrect standard.

NAPCA disputes several of the OIG findings based on OAA laws and regulations that had not even been written when the alleged findings are said to have occurred. NAPCA should not be held accountable for charges resulting from future laws and regulations, and in some cases, misunderstandings of SCSEP program stipulations.

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In the Executive Summary, the OIG’s audit objectives are to determine:

1. Did the RCF Executive Director abuse SCSEP by enrolling ineligible participants and not providing actual job training?
2. Did NAPCA officials allow the alleged abuse to occur in exchange for monetary payments?
3. Did NAPCA’s oversight of SCSEP provide reasonable assurance that enrollment and training requirements were met?

The OIG states Results of the above objectives. In Result 1, the OIG states that, “The RCF (Royal Cultural Foundation), Executive Director enrolled four ineligible participants in SCSEP during program years (PYs) 1994-2005. The four participants included the RCF Executive Director’s mother and father and two individuals that worked for RCF in non-SCSEP positions.”

NAPCA disputes this entire allegation based on the following: 1) the four participants’ files contained eligibility documentation demonstrating they were eligible to be enrolled in the SCSEP program and at that time, did not have to be unemployed as the OIG alleges; 2) host agencies do not enroll or assign participants as the allegation states; 3) the Executive Director of RCF at the time of each of the 4 participant’s assignment to the host agency was [REDACTED] who was no relationship to any of the 4 participants assigned to RCF. Therefore, it is inaccurate and misleading of the OIG to refer to RCF’s Executive Director as the “son” of 2 of the assigned participants; 4) as soon as NAPCA was informed by DOL that the son of 2 of the assigned participants was the Executive Director (years after their initial assignment), NAPCA immediately transferred the parents to a different host agency and DOL accepted this action as adequate and reasonable.

NAPCA refutes the allegation that the actual training was questionable because payroll and training records contained irregularities or were incomplete. Many of the alleged training records the OIG claimed were missing were found in participant files, not host agency files. The OIG alleged that documents that were not required at the time were missing, such as IEPs being completed twice a year, when in reality they were known at that time as IDPs and required to be completed only once a year. The OIG alleged that a participant had left the program, when in reality, due to the 14 year span of the audit, some of the participant records were merely missing during that time period.

Further, as explained to the OIG, NAPCA verified with all parties involved that there was no familial relationship between the third participant and his fellow participants or any Executive Director of RCF. All of the host agency community service assignments for the above 4 participants were valid SCSEP positions according to the 1995 regulations.

The OIG alleges that timesheets were submitted for a participant between 1999 – 2001 despite his allegedly having left the program. It is difficult for NAPCA to respond to the incompleteness of files of 7-9 years past. However, because this participant re-enrolled and

was active again in the NAPCA SCSEP program, NAPCA feels it is more likely that the participant's file is incomplete or that there was a discrepancy in dates on the re-enrollment paperwork. NAPCA does not feel it is a reasonable conclusion that payments made to this participant were "improper". Particularly, after reviewing the participant's file, it is apparent that NAPCA staff was conducting Individual Development Plans (IDPs), Individual Employment Plans (IEPs), Enrollee Performance Evaluations (EPEs) in addition to approving bi-weekly timesheets for this participant. Therefore, it is NAPCA's opinion that a more likely conclusion is that there this participant's file is incomplete and NOT that he was off the program.

The OIG characterizes the entire costs of all 4 RCF assigned participants as, "improper". NAPCA disputes this characterization because all 4 participants were eligible and properly enrolled according to DOL regulations. None was assigned to RCF initially, at a time when the Executive Director posed a conflict of interest or violation of nepotism. All four were in valid community service assignments by DOL and NAPCA policy. When NAPCA was informed by DOL staff that a conflict of interest existed at RCF, NAPCA immediately transferred the 2 participants who posed the conflict and DOL program staff accepted this course of action as adequate and reasonable.

In Result 2, the OIG claims that "While we did not substantiate that NAPCA officials allowed the alleged abuse to occur in exchange for monetary payments, we did identify a financial conflict of interest between NAPCA and the RCF Executive Director that may have impacted NAPCA's ability to provide appropriate oversight of RCF. NAPCA leased office space from the RCF Executive Director at below market rental rates from 1997 to 2005. During this period, NAPCA performed only 45 percent of the monitoring visits of RCF required by the grant agreement and only 28 percent of the monitoring visits required by NAPCA policy. Moreover, NAPCA did not identify and correct the enrollment, training and payroll deficiencies noted in this report. We attribute this to NAPCA's lack of policies and procedures related to conflicts of interest, real or apparent. We were also told by one RCF participant that he signed and returned his SCSEP paychecks to the RCF Executive Director's mother and received only a portion of each paycheck back in cash."

In response to the OIG allegation, "NAPCA leased office space from the RCF Executive Director at below market rental rates from 1997 to 2005." NAPCA has no information as to the basis of this allegation and disputes this on its face. As discussed with the OIG, Los Angeles' Koreatown was an economically depressed community with relatively low rental rates and high commercial space availability at the time of the initial lease signing. As a non-profit organization, NAPCA certainly searched for the lowest possible rent and remained a tenant until the local economy was revitalized at which time, NAPCA moved to a smaller office. NAPCA had no financial conflict of interest with the host agency Royal Cultural Foundation as the OIG alleges. When NAPCA negotiated and signed the lease with Royal Investment Group, the Executive Director of the Royal Cultural Foundation was [REDACTED]

To the allegation by the OIG in Result 2 stating that NAPCA did not provide sufficient oversight of RCF, NAPCA asserts that the methodology used by the OIG was flawed. The

OIG worked from host agency files, not participant files. They based many of their findings on the 2004 SCSEP regulations, which had not even been written for most of the years of this audit. The 2004 SCSEP regulations had requirements for grantees that did not exist in the 1995 regulations. NAPCA will demonstrate later in this document that it provided sufficient oversight of RCF.

While the uncorroborated allegation of the participant being forced to hand over his check to the Executive Director's mother in exchange for a small amount of cash concerns NAPCA greatly, we requested that the OIG substantiate this statement or remove it from this report as NAPCA staff denies ever hearing of this allegation and therefore, was in no position to act on it. NAPCA does not receive endorsed checks of participants and has no oversight as to where a participant cashes his/her paycheck. NAPCA can assure the OIG that this participant did receive all of his paychecks according to payroll procedures. NAPCA finds that the allegations made in Result 2 are without merit and should be removed from this report.

In Result 3, the OIG states: “NAPCA’s program oversight did not provide reasonable assurance that enrollment and training requirements were met. We estimate that NAPCA sub-offices did not obtain required documentation to support appropriate training for 382 (27 percent) of the 1,418 participants enrolled nation-wide during January 1, 2005 through March 31, 2007. We also estimate that the sub-offices did not ensure enrollment eligibility for 64 (5 percent) of the 1,418 participants. These conditions occurred because the sub-offices did not always conduct required host agency monitoring visits or perform effective reviews of participant files to ensure appropriate training and enrollment eligibility. Additionally, NAPCA headquarters did not consistently conduct required on-site sub-office reviews or ensure corrective action plans and follow-up efforts were effective.”

NAPCA seriously questions the methodology used to sample, analyze and calculate the results throughout this document. In the Statement of Facts issued by the OIG on April 8, 2008, NAPCA was able to identify a number of documents that the OIG claimed were missing, negating their allegation that, “sub-offices did not consistently contain required documentation.” NAPCA found a number of these documents in participant files rather than host agency files. It appears the OIG also did not look at entire program years. NAPCA will later demonstrate the inaccuracies of the OIG allegations in Result 3.

In summary, NAPCA believes that the flawed methodology used by the OIG to assert that NAPCA should repay the Employment and Training Administration (ETA) \$182,178 is invalid. We will demonstrate that the participants were all eligible for the SCSEP program; were in bona fide SCSEP positions at RCF; and when NAPCA learned of the nepotism allegation, corrected the situation immediately by transferring the 2 affected participants at once, and informing ETA, who accepted NAPCA's action as reasonable and valid. Further, NAPCA will demonstrate that many of the records deemed missing by the OIG are present in the files negating the allegation of inadequate controls and oversight by NAPCA and that required training documents were not completed. As a result of these discrepancies we refute the entire questioned costs.



The OIG states in the letter to the Deputy Assistant Secretary for ETA, Mr. Brent R. Orrell, that, “SCSEP grant recipients provide subsidized on-the-job training for **unemployed low-income** participants age 55 or older who have poor employment prospects.” The 1995 SCSEP regulations define SCSEP as: “As authorized by title V of the Older Americans Act (OAA), as amended (42 USC 3056, et seq.), the Senior Community Service Employment Program (SCSEP) fosters and promotes useful part-time opportunities in community service activities for persons with low-incomes who are fifty-five years or older.” The requirement that applicants to the SCSEP program be **unemployed** did not occur until the Solicitation for Grant Applications in **2005** and therefore this requirement cannot be imposed on [REDACTED] because he was terminated from the SCSEP program before the enactment of this rule.

The second erroneous statement made in the first paragraph of page 3 states that “...alleging officials of the National Asian Pacific Center on Aging (NAPCA) **allowed** the Royal Cultural Foundation’s (RCF) Executive Director to **enroll ineligible** participants in the Senior Community Service employment Program (SCSEP) in exchange for **monetary payments.**”

First, NAPCA strongly disputes that it ever received or had any knowledge of receiving any monetary payments from RCF.

Secondly, **host agencies do not enroll persons into the SCSEP program, only the grantee or its subgrantee can do so.** The 1995 regulations at 641.302 (c) state, “The grantee or subgrantee shall obtain and record the personal information necessary for a proper determination of eligibility for each individual and maintain documentation supporting the eligibility of enrollees” and 641.310 Community Service Assignments states, “(a) After the completion of an enrollee’s orientation and initial training, if any, the grantee or subgrantee shall refer the enrollee, as soon as possible, to a useful part-time community service assignment, if appropriate, according to the IDP.”

We reviewed the IDPs of the four participants at Royal Cultural Foundation and determined that the community service assignments were appropriate. [REDACTED]’s IDP goal was listed as Clerk Aide; [REDACTED]’s IDP goal was Clerk Aide; [REDACTED]’s IDP goal was listed as Office Assistant; and [REDACTED]’s IDP goal was listed as Maintenance Trainee.

The third inaccurate assertion in this sentence is that the participants were **ineligible. To be eligible for the program, as stated above, applicants must meet income guidelines as being low-income, live in the State where the program is located and be at or over the age of 55.** These are the only eligibility criteria for SCSEP. (see attached)

If there was a problem with the host agency, such as the applicants’ son working in a decision-making capacity at RCF, it would not make the potential participants ineligible for the SCSEP program, but rather they would be reassigned to a different host agency. **Nowhere in this report is it alleged that the four RCF participants were over-income or underage.**

The third misleading statement on page 3 is the definition for **host agency**, which states that “Host agencies are public or private nonprofit organizations (e.g., schools, hospitals, senior citizen centers, day-care centers), which provide work sites and supervision for one or more

participants.” A host agency is defined in the 1995 regulations as “a public agency or a private non-profit organization, other than a political party or any facility used or to be used as a place for sectarian religious instruction or worship, exempt from taxation under the provisions of section 501(c)(3) of Internal Revenue Code of 1986 which provides a work site and supervision for an enrollee”. (see attached) The operative word is 501(c)(3). It is a special type of non-profit organization, and not all meet this definition. For example, several non-profit hospitals do not have this designation and as such, are not qualified to be host agencies. As RCF had this designation, it was a proper host agency.

Again, it is vital to keep in mind that RCF is a different organization than Royal Plaza, a.k.a. Royal Group, Inc., a for-profit business, which definitely does not qualify as a 501(c)(3) host agency, but also that there was no stipulation that a potential participant had to be unemployed to be in the SCSEP program. **As long as the participant continued to meet income guidelines, it was permissible to work for a business on the weekends, if the participant so wished.**

In the second paragraph of page 3, the OIG makes several broad statements that NAPCA disputes. The first sentence states: “We found that RCF Executive Director was engaged in program abuse, resulting in \$182,000 in questioned costs for improper payments to RCF participants during program years (PYs) 1994-2005.” These participants included the RCF Executive Director’s parents and two participants working for the Executive Director in **non-SCSEP positions.**

In the 1995 regulations, **community service** is defined as “...social, health, welfare, and educational services (**particularly literacy tutoring**); legal assistance, and other counseling services, including tax counseling and assistance and financial counseling; library, recreational, day care and other similar services; conservation, maintenance or restoration of natural resources; community betterment or beautification; pollution control and environmental quality efforts; weatherization activities; and includes inter-generational projects; but is not limited to the above.” (see attached)

The four participants’ SCSEP assignments meet this definition. [REDACTED]’s SCSEP position was Clerk Aide, as was [REDACTED]’s. [REDACTED]’s (not related to [REDACTED] or [REDACTED]) SCSEP position was Teaching Assistant and sometimes ESL teacher and [REDACTED]’s position was Maintenance Trainee. These positions certainly met the definition of community service. Literacy tutoring, which would include English as a Second Language, is one of the definitions of community service that is particularly emphasized. **In 1995, community service assignments did not mention training as a part of the assignment (see above description for community service).** [REDACTED] the one participant who did work on weekends, directly for Royal Plaza, a.k.a Royal Group, Inc. or Royal Investment Group, Inc., was allowed, under 1995 SCSEP regulations, to perform additional jobs paid by an outside entity (not NAPCA), as long as he did not become over-income. SCSEP law and regulations at that time had no stipulation that participants be unemployed, only that they remain eligible under SCSEP income guidelines. **The prohibition of being unemployed did not go into effect until 2004.**



In the first paragraph on page 4 it is again stated incorrectly that, “SCSEP grant recipients provide subsidized on-the-job training for **unemployed** low-income persons age 55 or older who have poor employment prospects.” **The “unemployed” requirement, as was explained earlier, was not part of the law until 2005. The paragraph also leaves out the stipulation that host agencies must have a 501(c)(3) tax designation, which does not include all non-profit agencies or any private businesses.**

**OBJECTIVE 1 – DID THE RCF EXECUTIVE DIRECTOR ABUSE SCSEP BY ENROLLING INELIGIBLE PARTICIPANTS AND NOT PROVIDING ACTUAL JOB TRAINING?**

**Results and Findings – RCF Director was engaged in program abuse.**

RCF Participants Were Not Eligible for SCSEP Enrollment at the Host Agency

The hotline complaint alleged “RCF abused SCSEP because the host agency was actually a building maintenance office managed by a family that owned the building; three SCSEP participants assigned to RCF were members of the family managing the building maintenance office, and the fourth participant was the building manager.” The OIG asserted that they believed this allegation to be **substantially valid**. NAPCA disputes this finding.

One distinction that NAPCA feels that the OIG failed to understand is the difference between the building maintenance company known as Royal Group, Inc., sometimes known as Royal Plaza; and the Royal Cultural Foundation. The distinction is particularly important for purposes of this audit. The Royal Group, also known as Royal Plaza, is a private company that essentially is a building maintenance company. Royal Cultural Foundation or RCF, a totally separate entity, is a non-profit organization exempt from taxation under the provisions of section 501(c)(3) of the IRS. The mission of the Royal Cultural Foundation was to “introduce cultural activities of various ethnic groups of the community to the general public. The goal of this corporation is to sponsor and assist through scholarships those who are engaged in cultural affairs, such as literature, fine arts, drama, and performing arts.” RCF provided a work site and supervision for participants and was indeed a valid host agency. The Royal Group however, was a distinctly different entity that did, in fact, own the building in which both the Royal Cultural Foundation was housed, as was NAPCA. **The allegation that the host agency was actually a building maintenance office is invalid.** The host agency was Royal Cultural Foundation, a non-profit 501(c)(3) organization. The entity that owned the building was Royal Group, Inc., also known as Royal Plaza, a private organization.

The OIG states in Objective 1 – Results and Findings, that, “All four of the participants enrolled at the host agency (RCF) were either related to the RCF Executive Director or worked for the Executive Director in non-SCSEP positions.” NAPCA finds this statement more than misleading when only 2 of the 4 participants were related to an Executive Director of a later time and the remaining 2 participants were not related to any Executive Director at all. Further, none of the 4 participants was related to the Executive Director of RCF at the time of enrollment or assignment. At the time of [REDACTED] and [REDACTED]’s enrollment, the Executive Director of RCF was [REDACTED]



Lastly, NAPCA takes issue with the allegation that any of the 4 participants were assigned to “non-SCSEP positions”. All 4 participant assignments were valid by DOL rules governing the program at the time of each of the enrollments as explained above.

- Mr. [REDACTED]’s training title was Clerk Aide with duties including document filing, assisting with translation and answering phones. He was assigned to RCF on 6/30/97 under the Executive Director [REDACTED]
- Mrs. [REDACTED]’s training title was Clerk Aide with duties including assist with computer work, typing, answering the phone and filing. She was assigned to RCF on 5/19/97 under the Executive Director [REDACTED]
- The training title of Mr. [REDACTED] (who is not related to [REDACTED] or [REDACTED]) was Teaching Assistant with duties including assisting with ESL classes and U.S. Citizenship classes. The files this far back, are incomplete; however, it appears he was assigned to RCF on 7/11/94 under the Executive Director [REDACTED]
- The training title of Mr. [REDACTED] (who is not related to [REDACTED] or [REDACTED]) was Maintenance Trainee with duties including assisting with building maintenance. He was assigned to RCF on 11/16/00. It is unclear from the files who was the Executive Director of RCF at this time.

NAPCA disputes the second part of this allegation which asserts, “three of the participants assigned to Royal Cultural Foundation (RCF) were members of the family...” NAPCA verified with all parties involved that there was no familial relationship between the third participant and his fellow participants or any Executive Director of RCF. It was determined that there was a family relationship involving two participants and their son. As soon as NAPCA was informed of the nepotistic relationship by the Department of Labor program staff, the two parents were immediately transferred from the host agency. Shortly thereafter, NAPCA severed its relationship with the host agency. NAPCA informed the Department of Labor program staff of actions taken, which they felt was sufficient in correcting the situation.

The OIG makes an overall assertion that the RCF participants **were not eligible for SCSEP enrollment at the host agency**. NAPCA disputes this somewhat misleading allegation. First, as stated earlier, host agencies do not enroll participants. Secondly, the relationship of the parents (as participants) to the son at RCF had no bearing on the parents’ **eligibility**. As long as the parents were over 55, resided in the area and were income-eligible, they were eligible for the SCSEP program. Further, NAPCA transferred the parents to a different host agency as soon as the conflict of interest and nepotistic relationship became known.

On page 5, paragraph 2, the OIG states, “We were not able to validate that a third SCSEP participant with the same family name was related to the Executive Director.” NAPCA verified with all parties involved that there was no family relationship between [REDACTED] and his fellow participants [REDACTED] and [REDACTED] or [REDACTED] of RCF. NAPCA also believes that the OIG is wrong in its assumption that [REDACTED]’s community service assignment as an office assistant, teacher assistant and ESL teacher violated Federal

regulations and NAPCA policy. During most of Mr. [REDACTED]'s time at RCF, the SCSEP program was operating under the 1995 regulations.

As stated on page 6 of this reply, the 1995 regulations defined community service as "...social, health, welfare, and educational services (**particularly literacy tutoring**); legal assistance, and other counseling services, including tax counseling and assistance and financial counseling; library, recreational, day care and other similar services; conservation, maintenance or restoration of natural resources; community betterment or beautification; pollution control and environmental quality efforts; weatherization activities; and includes inter-generational projects; but is not limited to the above." Note that this definition does not mention training as part of the definition. NAPCA believes that all of Mr. [REDACTED]'s community service assignments were valid under the 1995 definition. We believe that English as a Second Language (ESL) would fit under literacy tutoring, which was particularly emphasized in the above definition. As such, Mr. [REDACTED] was eligible for SCSEP enrollment at this host agency. It is important to remember when training seniors for employment NAPCA seeks out host agencies willing to broadly train participants, so that they may gain more skills and self-esteem. Training assignments may encompass a broad range of skill development. Assistant teaching, ESL teaching and administrative training as [REDACTED]'s file reflects, are not mutually exclusive or an inappropriate combination as claimed by the OIG.

It is alleged by the OIG that Mr. [REDACTED] was ineligible for enrollment at this host agency, because he was the building janitor and worked as the building security guard on the weekends. NAPCA asserts that Mr. [REDACTED] was in a community service assignment at Royal Cultural Foundation as a Maintenance Trainee as the records indicate. The fact that he worked for Royal Group, the private building maintenance company, as a security guard on the weekends would not affect his SCSEP enrollment eligibility unless he became over-income. At that time under SCSEP regulations there was no prohibition against receiving wages for work done outside the SCSEP program. The rule to be **unemployed** did not go into effect until **Program Year 2005** in response to the Solicitation for Grant Applications issued in 2005, which is after Mr. [REDACTED] terminated from the program.

#### Actual Participant Training Was Questionable

In the last paragraph on page 5, the OIG states that, "**The actual training received by the four RCF participants was questionable because their payroll records contained irregularities, and their training records were not completed as required.**"

NAPCA disputes this allegation. The OIG's methodology was flawed in this audit review. Several records alleged to be missing were either not required because the OIG was using 2004 SCSEP regulations for required documentation, when in reality the program was operating under 1995 SCSEP regulations; or the OIG was reviewing host agency files when many of the alleged missing records were found by NAPCA in the participant files, as is the appropriate filing procedure. One example in point is that 1995 SCSEP regulations required that an Individual Development Plan (IDP) be developed and updated **once** each program year. But the OIG conducted this review using 2004 SCSEP regulations, which renamed the IDP to the IEP or Individual Employment Plan and required that it be updated **twice** each



program year, thereby reflecting the changed emphasis from community service to increased training and employment. We believe this allegation is without merit and should be dropped.

NAPCA has taken steps to improve the accuracy of payroll record processing. For example, approximately, one year ago, the National Director issued a directive to all regional and project directors concerning procedures for timesheet submissions to the national office. She provided a re-orientation of the procedures for timesheet submissions and the importance of checking all timesheets for inaccuracies including chronology of signing dates, allocation of hours, their proper designation, inclusion of in-kind hours and the requirement of original signatures. Timesheets (as all files) are also reviewed in a higher concentration on monitoring visits now, and verified that all above protocols are followed.

#### Participant Payroll Records Contained Irregularities

On page 6, the OIG also alleges “that thirty-six timesheets were submitted for a participant that had already left the program.” The referenced time period was from December 1999 to June 2001. NAPCA feels that from a program perspective and applying a reasonable standard, it is more likely that files from 7-9 years’ past, are incomplete and that this participant was in fact, enrolled in the program during the time that he was being paid by NAPCA.

The OIG alleges that many training documents are “missing”, particularly for this participant however NAPCA has been able to produce copies of many of these documents. It is highly improbable that NAPCA would have tracked this or any other individual using IDPs, IEPs, CSAs, EPEs and timesheets if he/she was not a participant on the program. It seems more likely that there are enrollment documents missing from [REDACTED]’s participant file especially considering a look back to 1994 and a DOL records retention policy requiring that records be kept for only 3 years after a program year close.

While there is no original in-take paperwork on this individual, there is a re-certification form dated 3/26/1997, indicating he was on the program for 1 year prior to this date. According to his participant file, [REDACTED] was enrolled until he terminated for employment on 11/13/99. There is a break in his participation until 2/14/00 according to his timesheet records and although the first re-enrollment form in his file is dated 6/20/01, no resumption of pay would have occurred, unless the participant was enrolled in the program. Based on the re-certifications, IDP and IEPs contained in [REDACTED]’s file, it can be ascertained that he was a participant on the NAPCA SCSEP program at least during Program Years 96, 97, 98, 99, 01, 03 and 05. Again, NAPCA staff would not have signed timesheets if the participant was not actively enrolled.

#### Training Records Were Not Completed as Required

On page 6, the OIG again alleged that, “The actual training received by the participants was also questionable because training records were not completed as required by Federal regulations and NAPCA policy.” NAPCA was required under Federal regulations to complete Individual Employment Plans (IEPs) for all participants upon enrollment. NAPCA

policy requires IEPs to be updated no less than twice a year thereafter. We found that the training records maintained by NAPCA for the four RCF participants did not provide adequate assurance that the required **work-based** training actually occurred. For example, the teacher's records for the 10 years he was enrolled in SCSEP did not contain any of the required documents."

NAPCA refutes the validity of this allegation. This audit spans an extraordinary length of time (1994 – 2007) and it is **the 1995 regulations** that apply to the majority of the timeframe of this audit. The allegation above is NOT in accordance with the 1995 regulations and should only be applied to activity after July 1, 2005.

For example, Section 641.309 (e) of the **1995 regulations**, Individual development plans (IDP) states: "The grantee and subgrantee shall review the IDP at least **once in a 12 month period** for the following purposes...". NAPCA policy was consistent with DOL policy of updating the IDP **once** a program year as stated in ETA/NAPCA grant agreements through the end of Program Year 2003 or June 30, 2004.

In the **2004 Federal regulations**, as DOL moved increasingly from a community service oriented program to an employment-oriented program, the IDP became the IEP, the Individual Employment Plan.

Section 641.535 of the **2004 regulations** states that the assessment and IEP on a SCSEP participant must be reviewed and updated **no less frequently than twice during a twelve month period**. NAPCA then revised wording and policy to reflect the **twice annual** IEP update requirement as evidenced in ETA/NAPCA grant agreements **beginning Program Year 2004 or July 1, 2004**.

In the last full paragraph of page 6, the OIG states that, "We found that the training records maintained by NAPCA for the four RCF participants did not provide adequate assurance that the required **work-based** training actually occurred.." As stated earlier, the SCSEP program was heavily focused on community service. Training was not a requirement under the 1995 SCSEP regulations. The term, "work based training" was introduced by DOL in the Solicitation for Grants for Program Year 2005. This standard is therefore, inappropriately applied to [REDACTED] and [REDACTED] prior to Program Year 2005.

The OIG asserted that training records were not completed as required and that, "the teacher's records for the 10 years he was enrolled in SCSEP did not contain any of the required documents." NAPCA has conveyed to the OIG that several of the alleged "missing documents" were contained in the participant's file, not the host agency's file. After review of [REDACTED]'s file NAPCA found 9 IDPs and IEPs (from PY97, 98, 99, 01, 02, 03, 04 and 05), missing only PY94, 95 and 00 which differs substantially from the OIG's allegation of "missing training records". Also, the OIG misstates that CSAs are required to be completed on an annual basis and therefore lists a total of 20 "missing" CSAs. However, after a review of participant files, NAPCA found only 1 missing CSA.

Questioned Costs Totaled \$182,178

NAPCA vehemently opposes the OIG allegation that the wages paid to all 4 RCF participants were “improper”.

All 4 participants were eligible and properly enrolled according to DOL regulations. None was assigned to RCF at a time when the Executive Director posed a conflict of interest or violation of nepotism. All were in valid community service assignments by DOL and NAPCA policy. When NAPCA was informed by DOL staff that a conflict of interest existed at RCF, NAPCA immediately transferred the 2 participants who posed the conflict and DOL program staff accepted this course of action as adequate and reasonable.

**OBJECTIVE 2: DID NAPCA OFFICIALS ALLOW THE ALLEGED ABUSE TO OCCUR IN EXCHANGE FOR MONETARY PAYMENTS?**

**Results and Findings – Conflict of interest between the RCF Executive Director and NAPCA may have impaired NAPCA’s oversight of RCF.**

The OIG states on page 7, that they were unable to validate that NAPCA staff received any monetary payments. NAPCA is greatly concerned with this allegation and wishes to strongly emphasize that it has no awareness, record or evidence of staff taking monetary payments from any sub-grantee, host agency or private vendor. NAPCA management has never heard of such an allegation and therefore, has taken no action in pursuit of such a claim.

The OIG also alleges on page 7, that there was a landlord-tenant relationship between the Executive Director (landlord) and NAPCA (tenant) that created a conflict of interest that may have impaired NAPCA’s ability to perform its oversight functions without bias. NAPCA disputes this allegation because **the landlord was not the Royal Cultural Foundation, NAPCA’s host agency.** The landlord was the Royal Group, a.k.a, the Royal Plaza, a private building maintenance company. These are two distinctly different entities and should not be confused.

The OIG alleged that the leased space was underreported in the lease with Royal Group, Inc. and that NAPCA was paying below market rental rates from 1997 to 2005. NAPCA understands the implication being asserted by the OIG but has no information or substantiation as to the basis of this claim and disputes the implied connection. NAPCA has not ever has been aware of this allegation or of such an arrangement. As a non-profit organization, NAPCA searched for the lowest possible rent and remained a tenant until the local economy improved and NAPCA moved to a more appropriate sized office.

The NAPCA staff person alleged to have been informed by the participant that his checks were being signed by the host agency and not being returned to him in full, denies ever being approached with this information.

NAPCA verified that [REDACTED]’s paychecks for his community service assignment paid during 2000-2005 were indeed given to Mr. [REDACTED]. NAPCA does not receive the



endorsed checks of participants and has no authority over where a participant cashes his or her paycheck.

Unless Mr. [REDACTED]'s allegation is substantiated, NAPCA feels this charge should be dropped from the report.

**OBJECTIVE 3 – DID NAPCA’S OVERSIGHT OF SCSEP PROVIDE REASONABLE ASSURANCE THAT ENROLLMENT AND TRAINING REQUIREMENTS WERE MET?**

**Results and Findings – NAPCA’s program oversight did not ensure compliance with SCSEP training and enrollment requirements.**

NAPCA Controls did not Ensure Appropriate SCSEP Training

The allegations regarding Royal Cultural Foundation and the 4 assigned participants span the time period of PY93-05. It is important to remember that the rules and regulations covering the vast majority of this timeframe are the 1995 SCSEP regulations, not the 2004 SCSEP regulations.

On the first full paragraph of page 10, the OIG states that, “Federal regulations required NAPCA to provide SCSEP participants **work-based training** at non-profit or government, community service-focused host agencies.” As stated earlier, the SCSEP program was heavily focused on community service. The term, “work based training” was introduced by DOL in the Solicitation for Grants for Program Year 2005. This standard is therefore, inappropriately applied to [REDACTED] and [REDACTED] prior to Program Year 2005.

The OIG alleges missing “training documentation” while referencing IEPs, CSAs and EPEs. NAPCA found many of the documents alleged to be missing and has identified same to the OIG and cannot reconcile the claims of missing documentation.

NAPCA Controls Did Not Ensure SCSEP Enrollment Eligibility

The OIG claims in paragraph 2, page 10 that, “NAPCA also did not consistently ensure participant enrollment eligibility. Federal regulations and NAPCA policy required NAPCA to obtain documentation supporting that each participant (1) had income below 125 percent of the United States poverty level, (2) was eligible to work in the United States, and (3) did not hold an administrative or directorship position within the assigned host agency.”

The 1995 SCSEP regulations Section 641.305(b) state, “Eligibility criteria. To be eligible for initial enrollment, each individual shall meet the following criteria for age, income, and place of residence. (1) Age. Each individual shall be no less than 55 years of age... (2) The income of the family of which the individual is a member shall not exceed the low-income standards defined in 641.102... and (3) Residence. Each individual upon initial enrollment shall reside in the State to which the project is authorized.

The 2004 SCSEP regulations state in Section 641.500: Who is eligible to participate in the SCSEP? (a) Anyone who is at least 55 years old and who is a member of a family with an income that is not more than 125 percent of the family income levels prepared by the Department of Health and Human Services and approved by ...OMB...Federal guidelines also require that participants be eligible to work in the United States.

There is no wording in either the 1995 or 2004 DOL regulations regarding participant ineligibility due to holding an administrative or directorship position within the assigned host agency.

The OIG further states that they tested the files for their statistical sample of 131 participants to determine whether NAPCA obtained the required eligibility documentation. They allege that NAPCA did not obtain the required documentation for 8 participants (6 percent). NAPCA asserts that the methodology used in this finding was flawed as was the count.

All potentially eligible NAPCA participants must sign an agreement that states they do not hold a position in either an administrative or directorship capacity within the host agency where they have been assigned as a Participant of the SCSEP program. When such an instance was discovered with RCF, the participants were transferred to a different host agency as was accepted by DOL.

Out of the 9 participant records reviewed, not 8 as the OIG alleges, 5 had the signed agreement. Mr. [REDACTED] was alleged to have no recertification for PY06. But Mr. [REDACTED] was in the program in PY05 from 5/4/05 to 8/25/05 and left the program on 8/25/05. Therefore, there should have been no recertification in PY06. [REDACTED] was alleged by the OIG to have no documentation to support US work eligibility, but NAPCA found a US passport copy in his file, therefore, he was eligible. There was only one participant out of the 9 that was missing supporting documentation. NAPCA submits that the OIG assessment of NAPCA files was inaccurate and that controls were in place and effective in supporting participant eligibility. NAPCA feels that this finding should be eliminated.

#### Controls Over Enrollment and Training Need Improvement

It is important to note that in an audit spanning 14 years and a search of 292 host agencies, the OIG has not discovered any other findings similar to those identified in Royal Cultural Foundation.

That stated, staff training, controls and program management have greatly improved since the 1994 timeframe. NAPCA will continue to strengthen and improve program management strategies and methods to ensure that no such irregularities recur.

#### Host Agency Monitoring Visits Were Not Effective

After initially sampling host agency files spanning Program Years 2004, 2005 and 2006 the OIG raised only PY05 as having performance issues. NAPCA SCSEP experienced staff turnover in NAPCA headquarters' positions beginning in mid Program Year 2004. The Los Angeles Project Director resigned in December, 2004; the National Director and National

Coordinator resigned in February, 2005; and the Program Assistant resigned in May, 2005. SCSEP management positions remained vacant for 2-3 months before new staff arrived. DOL did not provide staff training to any of NAPCA's new staff. Clearly, PY05 was a year of significant transition for NAPCA.

Sub-office Monitoring Visits Were Not Effective

As indicated in Table 4, the OIG alleges that 4 monitoring visits were "Missed" in 4 sub-offices during Program Years 2004, 2005 and 2006. NAPCA provided the OIG with the monitoring report of the New York sub-office for PY06 and earlier discussed the decision made in PY05 to conduct a technical assistance visit of the NAPCA sub-office in Los Angeles instead of a monitoring visit due to the newness of staff and their need for additional training. Therefore, only 2 of the 12 required monitoring reports were missing and Table 4 should be revised as follows:

Missing Monitoring Visits

Sub-Office	Required Visits	Missed Visits	PY with Missed Visits
Chicago	3	0	
Los Angeles	3	1 (33%)	2004
New York	3	0	
San Francisco	3	1 (33%)	2004
Total	12	2 (17%)	2004 (2)

NAPCA would like to note that both missing reports were from PY04, one of the Los Angeles sub-office and the other of the San Francisco sub-office. As stated earlier in this document, the Project Director for the Los Angeles sub-office resigned in mid-PY04. His successor was hired 3 months later. Of broader impact on sub-office monitoring, was the high turnover of SCSEP headquarter staff in mid-late PY04, which impacted the timely completion of these 2 monitoring reports.

NAPCA continues to improve the methods and strategies for operating the SCSEP program effectively and in full compliance of DOL rules and regulations.



**NAPCA Response and OIG Conclusion**

**Recommendations**

**1. Reimburse ETA \$182,178 in questioned costs for the improper payments to the 4 RCF participants who did not meet SCSEP enrollment and training requirements.**

NAPCA contends that the wages paid to the 4 RCF participants were not, “improper” as alleged. Each of the 4 individuals was eligible for enrollment on the SCSEP program. Each of the participant’s files indicated legitimate community service assignments and training. None was assigned to the host agency when the Executive Director posed a conflict of interest or violation of the nepotism policy. As soon as NAPCA was informed of this relationship, staff acted immediately to correct the situation by transferring the 2 participants involved and informing ETA of the outcome which was accepted by program staff.

**2. Develop policies and procedures to prohibit conflicts of interest between NAPCA and SCSEP host agencies. This includes assuring that no conflicts of interest between these parties currently exist.**

Since the finding of nepotism was discovered, NAPCA has issued a wide range of controls to ensure that improper assignments are not made in the future. NAPCA now requires that host agencies provide a Board of Directors’ list annually to verify that no familial relationships exist between participants and host agencies. Program forms have been updated to include attestations by participants and host agencies that they understand the nepotism prohibition found in the 1995 regulations at 641.323 and the 2004 regulations at 641.841. They understand that in order to remain a host agency or to remain a participant at that host agency, there must be no familial relationships with the Board of Directors and no member of the family can be in a decision-making capacity over the participant at that host agency. These are also renewed on an annual basis. Project staff is reminded regularly of the importance of appropriate community service assignments that do not pose any violation of the conflict of interest or nepotism policy.

**3. Develop controls to identify and correct non-compliance with SCSEP training, enrollment, and program management requirements specified in Federal regulation, the ETA/NAPCA grant agreement, and NAPCA policy. This includes NAPCA conducting the required host agency and sub-office monitoring visits and developing procedures for appropriate corrective action and follow-up when program deficiencies are brought to management’s attention.**

NAPCA currently has several controls in place to identify and correct non-compliance with SCSEP training, enrollment, and program management requirements specified in Federal regulations, the ETA/NAPCA grant agreement and NAPCA policy. We regularly conduct monthly conference calls, quarterly desk monitoring, annual In-Service training and ongoing communication with project staff by national staff in an effort to monitor performance and expenditures; update project sites on any regulatory or policy changes in a timely manner and

stay apprised of any potential issues developing on the project level. We also hold intensive two to three-day training for all new project directors.

In light of the 2005 regulatory changes, prioritizing training and as a means of adding more intensive oversight, NAPCA reviewed all host agencies with an emphasis on supervisory capacity and quality of training opportunities. NAPCA will continue to emphasize the importance of recruiting those eligible host agencies that can provide quality training in those areas of employment currently needed by employers and/or those host agencies with the ability to hire participants on to their payrolls.

NAPCA proposes that a substantial amount of training be provided to national, subproject and host agency staff, as well as SCSEP participants. All of the NAPCA national staff, subproject staff, host agency staff, including host agency directors and supervisors and SCSEP participants will be provided with refresher courses on an overall summary of the purpose, goals, the laws, the Federal regulations and NAPCA policy regarding the SCSEP program. We will spend as much time as necessary on each segment. Each group will then need specialized training on the regulations and policy that is particularly important for them to understand and adhere to. We will emphasize the importance of developing and updating IEPs; documentation of required SCSEP information, such as yearly recertifications, etc.; the monitoring of subprojects and host agencies; the development of corrective action plans and the importance of following through on corrective action. Training materials will be developed within the next three months.

NAPCA is currently recruiting a National Coordinator to assist the National Director in program oversight and enhancing program performance. This is particularly needed to address recent changes in the SCSEP program and performance measures. The National Coordinator will analyze program performance, spending and progress towards meeting performance goals. If any areas of deficiency are identified, a plan will be developed with each project site to address and resolve any issues in a timely manner. Additionally, the Coordinator will work together with the National Director to ensure that all required national monitoring visits are conducted and will ensure full compliance with SCSEP training, enrollment, program management requirements specified in the Federal regulations, ETA/NAPCA grant agreement and NAPCA policy.

The National Director and the National Coordinator will also be responsible for ensuring that subprojects are conducting the required host agency visits and following the same procedures as the national office does with the subproject.

As soon as final SCSEP regulations are made into law, NAPCA plans to update the SCSEP policy and procedures Handbook and disseminate it to all NAPCA involved parties.

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