Training Plus Foundation

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Robert T. Broadway, Program Director

Mr. Preston Firmin
Regional Inspector General for Audit
U.S. Department of Labor
Office of Inspector General
230 South Dearborn Street
Chicago, IL 60604

RE: Reply to:
Training Plus Foundation - Welfare to Work Financial and Compliance Closeout Audit

Dear Mr. Firmin:

Please accept the following reply to and my observations of the above-referenced document. I apologize for the lateness of this correspondence. As you know, I spent the better part of September and the first part of October out of the office and out of contact.

As of June 15, 2002, my employment with Training Plus Foundation as the Executive Director ended along with the grant accounting specialist. (Employment dates: July 15, 2001 through June 15, 2002.) Additionally, as of June 15, 2002, Training Plus Foundation's existence, as an ongoing legal entity, was also terminated. The company has no ongoing operations, no employees and it's IRS employment identification number has been voided. Therefore, this reply and my observations are mine personally and do not come as a result of any employment relationship or responsibility with Training Plus Foundation. (I use the Training Plus Foundation letterhead at this time merely as a formality and for privacy concerns. It does not imply an employee/employer relationship or any other duty or responsibility.)

Executive Summary:	No Comment
Background:	No Comment
Principal Criteria:	No Comment
Objectives, Scope and Methodology:	No Comment

Independent Auditors' Report:
Paragraph 1, *"Amounts reflected in the QFSR are the responsibility of TPF's management."*

This statement is factually incorrect. The grant was awarded to Training Plus Foundation (TPF) and the Private Industry Council Service Delivery Area V (PIC/SDA-V) in a dual-grantee basis. The PIC/SDA-V's interests were to be protected by a technical assistance, service and accounting contract entered into prior to grant initiation with the Kansas Department of Human Resources SDA-V. Part and parcel to this technical assistance, service and accounting contract was a QFSR accounting, data collection and

tracking function.

Despite expenditures of federal dollars well in excess of $200.000.00 for KDHR/SDA-V's technical assistance, data collection and accounting, prior to my employment on July 15, 2001, the management of TPF did not know and was completely unaware that substantially all of the data required to complete an accurate QFSR was being tracked and was readily available six blocks away in the offices of KDHR/ SDA-V. Prior to approximately July 30, 2001, TPF management was *hand calculating* the data necessary to complete a QFSR. After interviewing former TPF management, it is my understanding that when necessary, good faith estimates were made to complete line items. Significant time was dedicated by prior TPF management to complete QFSR's in what they thought to be a correct and accurate fashion. Inquiry by me to SDA-V management as to why TPF was never made aware of or presented with KDHR automated accounting data, which was absolutely necessary to complete an accurate QFSR, (and which was being paid for) the reply was:

1. "They never asked."
2. "We didn't think about it."
3. "There must have been a beakdown in communication."

Indeed, TPF did not complete a reasonably accurate QFSR until approximately one month after my employment began. Because the data is cumulative, it became almost impossible to reconcile past QFSR's with actual expenditures, even though TPF retroactively went in and attempted to correct all prior QFSR's once it had access to the KDHR/SDA-V automated accounting data. This process was greatly assisted by the GOTR, DOL representative in Kansas City and for a period of two weeks, daily communication (at a minimum) was necessary. This process was also greatly assisted for the entire time by the KDHR/SDA-V data/accounting manager.

Report on Compliance:
Paragraph 1, *"Compliance with laws, regulations, contracts and grants applicable to TPF is the* responsibility of TPF's management."

This statement is factually incorrect. The grant was awarded to Training Plus Foundation (TPF) and the Private Industry Council Service Delivery Area V (PIC/SDA-V) in a dual-grantee basis. The entities had a joint and combined responsibility. As presented to the PIC/SDA-V in meetings and reports, KDHR/SDA-V was providing, "oversight" of the competitive grant to ensure that compliance with laws, regulations, contracts and grants was occurring. As a former Board Member of the PIC/SDA-V, (until approximately June, 2002) KDHR/SDA-V management assured the PIC/SDA-V that oversight was being performed. (Although KDHR/SDA-V's official position now is that the technical assistance, service and accounting contract did not provide for oversight, despite the plain reading of the words in the contract.)

Findings and Recommendations:
Paragraph A, *"Unsupported Salary Costs"*

Unsupported salaries relate to the original management triad of TPF. Referring to the Confidential Personal Identifier Sheet which lists Finding Numbers, Employee Names and Unsupported Salary Costs. the following can be said about Finding Number 1A:

Employee One (1) on the List:

Immediately after my employment as Executive Director, I conducted a comprehensive investigation into a variety of matters which occurred prior to my employment. It is my impression, after conducting a number of interviews both inside and outside the company, that this employee behaved ethically and responsibly during the course of employment with TPF. Every individual who I interviewed stated that this employee maintained a professional work ethic during the course of employment. This employee resigned as a part of the management triad (leaving a $60,000.00 annual salary) when the employee became aware of management issues which were not being addressed or corrected. It is my personal opinion that this employee's salary costs and fringe benefits should be authorized. It is my impression that this employee relied on the following rational from the former executive director for not completing time sheets, "We are under the administrative line item so it's not necessary."

Employee Two (2) on the List:

This employee, the former executive director, was terminated for cause as the first act of my employment as Executive Director. Unfortunately, it is impossible to support, much less reconstruct, this employee's undocumented salary costs and fringe benefits. Furthermore, it is my understanding that this employee failed to submit time sheets for 1999, 2000 and January - July, 2001, although this is not designated on the Confidential Personal Identifier Sheet.

Employee Three (3) on the List:

Within ninety (90) days of my tenure as Executive Director, this employee was demoted from the management triad to a case manager position, a reduction of salary from $60,000.00 per annum to approximately $24,000.00 per annum At a later date this employee was terminated for cause. Unfortunately, it is impossible to support, much less reconstruct, this employee's undocumented salary costs and fringe benefits.

The issue of unsupported salary costs could have easily been avoided if KDHR/SDA-V had been performing pursuant to their technical assistance and oversight responsibilities as documented in the service and accounting contract. After a thorough investigation and a review of all TPF correspondence, e-mails and faxes, I failed to discover a single letter, note, memorandum, e-mail, fax, in essence, any work product whatsoever from the KDHR/SDA-V director in which any technical assistance or oversight was provided to TPF.

Findings and Recommendations:
Paragraph B, *"Severance Pay"*

The *Summary of Potential Findings*, dated 6/27/02, 11:03 AM, submitted by the TPF grant auditors for Carmichael Brasher Tuvell & Company, states:

> "TPF paid severance to five employees with less than a year of service (names of employees). *They had approval of the grant officer*, but the employee manual permits severance only when the employee had a year of service."

Indeed, the decision to pay severance to the five employees named on the Confidential Personal Identifier Sheet, was made in full view of the DOL grant GOTR and specifically authorized by the Grant Officer. Late notification by DOL of the denial of TPF's grant extension caused tremendous hardship on all TPF employees. When notified of this hardship, the Grant Officer, authorized via telephone, the payment of severance to the specified employees. In my opinion, the authorization of severance to the

named employees was morally and legally supportable and significantly aided and furthered the significant DOL interest of a prompt and effective replacement grant turnover.

Findings and Recommendations:
Paragraph C, *"Sick Pay"*

Unfortunately, it is impossible to support this line item which was paid July 11, 2001. Shortly after my employment on July 15, 2001, I terminated the grant accountant who authorized this payment. (Although for unrelated reasons.)

Findings and Recommendations:
Paragraph D, *"Purchase of Vehicle"*

Perhaps a no more convoluted, confused, mixed up and in the end harmless event has ever occurred in the annals of DOL grant making. The details of this episode are well documented in the TPF reply to the Joseph Melookaran, CPA program audit, encompassing October 1, 1999 through December 31, 2001. Two (2) salient issues must be restated herein:

1. TPF received verbal and e-mail approval and confirmation from the DOL grant GOTR prior to the purchase of the vehicle. This fact has been reconfirmed by the present GOTR and by the present auditors and additional details are present in the Melookaran TPF reply.

2. To protect the DOL interest in the property, the van was repossessed by TPF from the client, who had previously moved to Florida and then went missing.. Subsequent to repossession, the van was placed in storage, where it was either vandalized or in some way the engine was removed. The present location of the vehicle could not be confirmed by the present auditors despite being provided with the name and telephone number of the business who was in possession of the vehicle. (The business simply refused to cooperate with the auditors and refused to arrange an opportunity for the auditors, or anyone else for that matter, to inspect the vehicle.) The vehicle's location at present is unknown, although TPF is in possession of the title, which is in the client's name. Thus, it will be impossible for the business to sell or otherwise dispose of the vehicle. The vehicle, at it's best, was valued at approximately Five Hundred Dollars ($500.00). At this date, without an engine, the van's estimated value is approximately Fifty Dollars ($50.00).

Findings and Recommendations:
Paragraph E, *"Undocumented Expenditures"*

I am without any knowledge whatsoever of the undocumented expenditure of $334.00 to Office Depot, dated May 11, 2000, for materials and supplies.

As to the undocumented expenditure of $248.00 for travel reimbursement, the employee to which this refers was stationed in Independence, Kansas and driving almost daily to Coffeyville, Kansas which was also in the employee's service area. Sometimes multiple trips in one day were required. If this undocumented expenditure is compared with documented travel reimbursements for this employee, it will be shown that this undocumented expenditure was reasonable and consistent. Therefore, this undocumented expenditure should be approved.

As to the undocumented expenditure of $113.46 for travel reimbursement, the employee to which this refers was operating in nine counties of southeastern Kansas and driving almost daily to one office or another within the employee's service area. If this undocumented expenditure is compared with documented travel reimbursements for this employee, it will be shown that this undocumented expenditure was reasonable and consistent. Therefore, this undocumented expenditure should be approved.

The Area Agency on Aging (AAA) mentoring services contract was entered into and terminated prior to my employment with TPF. However, after a thorough investigation, it is my impression that TPF felt that it wasn't getting it's full money's worth and wasn't receiving any documentation from AAA, and AAA felt that it wasn't doing anything for the money that it was receiving from TPF. It is my understanding that AAA moved to terminate the contract because of dissatisfaction of both parties. As to logs documenting services provided to TPF, it is presumed that AAA maintained them and has them in their possession. It was apparently an oversight by prior TPF management to obtain copies of logs and documentation.

Findings and Recommendations:
Paragraph F, *"Attorney's Fees"*

Unfortunately, attorney's fees in the amount of $800.00 cannot be supported. After looking into this matter, it is my understanding that the bulk of the $800.00 was spent on nonprofit incorporation and 501(c)(3) document preparation.

Other attorney's fees as noted in this paragraph have not been paid and it is somewhat unusual that the auditors would rule something unallowable before the necessity of payment is even present. Further, OMB Circular A-122 clearly authorizes such payments.

Findings and Recommendations:
Paragraph G, *"Unverified Fixed Assets"*

The auditor's methodology in determining unverified fixed assets is designed to create a discrepancy where in fact no discrepancy exists. From the report:

"TPF's unverifiable fixed assets is $92,588 which was determined by using $303,843 which was reported as total fixed assets on TPF's March 31, 2002 balance sheet and subtracting training modules costing $211,255 which were transferred to KDHR at grant termination."

This approach is of course silly. Ignored in this methodology were dozens of computers, cell phones, printers, desks, office equipment, list continues ad nauseam.

This existence of fixed assets of $92,588 could have been easily confirmed by the auditors by just going to where the equipment was and looking. In fact, they had the replacement grant accountant at their disposal for well over a month, who would have gladly helped them reconcile the equipment inventory with the actual property.

Findings and Recommendations:
Paragraph H, *"Procurement"*

1. Non Essential Purchase

It is vexing to see auditors include items in an audit, which they know, after investigation, is not a viable issue. The purchase of four (4) training modules was originally questioned by Joseph Melookaran during his onsight visit made pursuant to his audit. Per his recommendation, the nonessential modules were exchanged with the vendor outright or for credit towards the purchase of essential modules. The last module being exchanged shortly after my employment began with TPF. Therefore, the $16,100.00 of disallowed expenses does not exist.

2. Purchases without Grant Officer Approval

Again, this issue has been thoroughly discussed and resolved to DOL-ETA's satisfaction in the Melookaran audit reply.

3. Purchases were Not Competitively Procured

Apparently the purchase of DEPCO modules was specifically outlined as a key criteria in the grant proposal and in the grant selection. Therefore, it is my understanding that competitive procurement was waived for DEPCO training modules by the prior DOL-ETA grant GOTR or other officials. This matter was thoroughly discussed as well in the Melookaran audit reply.

Independent Auditors' Report:
Paragraph 2, *"Noncompliance with Grant Requirements"*

Paragraph A, *"QFSR Was Not Supported by TPF's Financial Records"*

Prior TPF management, the management triad as identified in the Confidential Personal Identifier Sheet under Finding Number 1A, had a combined zero (0) years experience in grant administration, business, accounting, business management, grant management, or any other field relevant to the proper administration of this grant. This fact was well known to the KDHR/SDA-V director, who was contracted to provide technical assistance, oversight and service for the grant as a whole. As dual grantees, the PIC/SDA-V and TPF were to rely on the expertise of the KDHR/SDA-V director. The KDHR/SDA-V director is also the DOL program's service provider for the PIC/SDA-V. Thus, ultimate responsibility for noncompliance with grant requirements falls directly on the shoulders of KDHR/SDA-V, it's director and employees who were contracted by PIC/SDA-V and TPF to provide technical assistance, oversight, automated data collection, etc.

As already detailed, prior to my employment on July 15, 2001, the management of TPF did not know and was completely unaware that substantially all of the data required to complete an accurate QFSR was being tracked and was readily available six blocks away in the offices of KDHR/SDA-V. Prior to approximately July 30, 2001, TPF management was *hand calculating* the data necessary to complete a QFSR. After interviewing former TPF management, it is my understanding that when necessary, good faith estimates were made to complete line items. Significant time was dedicated by prior TPF management to complete QFSR's in what they thought to be a correct and accurate fashion.

Additionally, as already detailed, a thorough investigation and a review of all TPF correspondence, e-mails and faxes, failed to discover a single letter, note, memorandum, e-mail, fax, in essence, any work product whatsoever from the KDHR/SDA-V director in which any technical assistance or oversight was provided to TPF.

Initially, and for an undetermined time, the original TPF management triad did not engage the services of a competent grant accountant or payroll employee. This obvious error in judgment could have been immediately corrected if KDHR/SDA-V had provided technical assistance as was contracted.

At an indeterminate time, the original management triad engaged the services of a full-time college student, majoring in psychology, to be the grant accountant. This individual remained in that position for the bulk of the grant prior to my employment, at which time, said individual was terminated.

On or about July 30, 2002, a qualified grant accountant began the process of correcting a two year train wreck. Thus, considering all of the above, the findings in Paragraph A (QFSR Was Not Supported by TPF's Financial Records), is not surprising.

However, the essential question of QFSR accuracy was achieved by the replacement grant accountant. The accountant finding that the QFSR was unsupported does not imply that the final QFSR's were inaccurate. Indeed, it appears from verbal communication, that the auditors were satisfied with the accuracy of the revised TPF QFSR's.

Paragraph B, *"Inaccurate QFSR Expenditure Allocations"*

Fifth paragraph states: "Additionally, TPF did not obtain from the subgrantee, KDHR, the detail of KDHR's grant expenditures. As such, TPF did not have the necessary information to properly allocate KDHR's program costs as to the category of participants served."

See Paragraph A immediately above for an explanation of this oversight.

Inaccurate QFSR expenditure allocations go part and parcel with the lack of technical assistance that the original management triad was receiving from its subgrantee, KDHR/SDA-V.

Independent Auditors' Report:
Paragraph 3, *"Misclassified and Inadequate Documentation of Participants"*

Paragraph A, *"Inadequate Participant Tracking"*
Paragraph B, *"Misclassified Participants"*

TPF case managers throughout the life of the grant did a superb job of participant tracking and classifying potential clients. The casefiles created, services provided and lives changed far outweighs the minor discrepancies listed in paragraph 3.

Thank you for the opportunity to respond to the above-referenced document. If I may provide additional information, please do not hesitate to contact me.

Sincerely,

Robert T. Broadway

Local Workforce Investment Board Area V
State of Kansas

Harold Fankhauser, C.E.O. Chair Renae Cavaness, Board Vice-Chair

October 2, 2002

Mr. Preston Firmin
Regional Inspector General for Audit
Office of Inspector General
U.S. Department of Labor
230 South Dearborn Street
Chicago, Illinois 60604

Dear Mr. Preston,

Please consider this as a response on behalf of Local Workforce Investment Board Area V, State of Kansas; to the Audit performed on the Welfare to Work competitive Grant awarded to Training Plus Foundation/PIC SDA V.

As you may or may not be aware, the relationship between the Board and Administrators of Training Plus Foundation was very turbulent from the onset of the award. During the negotiations of responsibilities for the grant the Training Plus Administration made it clear from the beginning that the Board had no fiscal responsibilities relating to the delivery of the grant. They indicated that this was an Administrative Entity responsibility and that they were considered the grant Administrative Entity. On many occasions, the Training Plus Administration refused to submit in person reports to the Board, siting that the Board was attempting to micro-manage the grant. With this in mind our response to the findings are as follows:

1. Unsupported Salary Costs: During the start up of the Grant, the Board requested position descriptions for the hiring of staff in general. The Training Plus Administration refused to provide this information to the Board. They indicated that hiring of staff was strictly an administrative duty of the administrative entity, meaning Training Plus. The Board requested that they meet with Kansas Department of Human Resources staff to compare similar position description of formula welfare to work staff. The Board was informed that they did meet with KDHR staff and were informed by KDHR of the State of Kansas fiscal policies and procedures manual. It explicitly quotes the requirement of time sheets to be maintained on staff hired under the grant award. Apparently the TPF management choose to not follow this requirement.

2. **Severance Pay: TPF never provided the Board with a copy of their employee manual. The Board had no responsibility in approving draw downs from the grant officer and was unaware of the severance disbursement to employees.**
3. **Sick Pay: Again without specific knowledge of the TPF employee manual and prior notice of fund draw down the Board was unaware of this transaction.**
4. **Purchase of Vehicle: This was brought to the Board's attention on two occasions. Once during the audit performed by Joseph Melookaran and Associates and once by the Kansas Department of Human Resources. Upon this being questioned, the TPF Administration stated that it had contact D.O.L. Regional Office for clarification. It was reported to the Board that D.O.L. Regional had approved the initial purchase.**
5. **Attorney Fees: The Board was completely unaware that legal fees were being requested on behalf of the grant. TPF reported to the Board that they were incorporated when notified of the grant award.**
6. **Unverifiable Fixed Assets: Training Plus was notified of the requirement to follow the State of Kansas fiscal policies and procedures manual from the very beginning. Complete copies of the manual were given to the TPF Administrators. To our knowledge the modules in question were identified in the original grant application so the purchase of the modules was considered allowable based on the grant approval by D.O.L./E.T.A.**
7. **Procurement: Again we refer to the fact that TPF Administrators were given a copy of the Fiscal Policy and Procedures manual for the State of Kansas identifying the need to procure bids for purchases. No inventory of any purchase was available to the Board other then what was included in the original grant application.**

We appreciate the opportunity to respond to the Audit findings, but believe it is of little value to the actual occurrences for the implementation of the original awarding of the grant. The Board maintained continued frustration in the working relationship of Training Plus Foundation. The Board on a number of occasions reported this frustration to the Regional Department of Labor/E.T.A. in Kansas City. If we can be of any further assistance in this matter, please feel free to contact us at your convenience.

Sincerely,

Renea Cavaness

Renae Cavaness, Vice Chair/Acting Chair
Local Workforce Investment Area V
State of Kansas

cc Harold Fankhauser
LWIB V
file