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STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

February 4, 2000

Mr. James McGowan  
Commissioner  
New York State Department of Labor  
State Office Building Campus  
Building #12  
Albany, NY 12240

Re: Ramos Gartner & Co., Inc.  
Report 98-R-6

Dear Mr. McGowan:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we audited the books and records of Ramos Gartner & Co., Inc. (RG) for the period January 1, 1996 through November 30, 1998. Our audit related to amounts claimed by RG under contract C-006516, which was awarded by the former New York State Department of Social Services (DSS)<sup>1</sup> for the period December 1, 1993 through November 30, 1998. The contract was administered by the New York State Department of Labor (DOL).

The objectives of our financial-related audit were to determine whether amounts claimed by RG were allowable, adequately documented, and incurred for services funded under the contractual agreement we were auditing. To accomplish these objectives, we reviewed the contractual agreements, RG's program records, internal controls over charges to the contracts, and the level of RG's compliance with contractual terms.

We conducted our audit in accordance with generally accepted government auditing standards.

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<sup>1</sup>On August 20, 1997, the Governor signed welfare reform legislation that abolished the Department of Social Services and created a new agency in its place: The Department of Family Assistance. The Department of Family Assistance is composed of two independent agencies: the Office of Temporary and Disability Assistance and the Office of Children and Family Services.

Such standards require that we plan and perform our audit to adequately assess those operations of RG which are included within our audit scope. Further, these standards require that we review and report on RG's internal control structure and its compliance with those laws, rules and regulations that are relevant to RG's operations that are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In planning and performing our audit procedures, we considered RG's internal control structure. Our consideration was limited to a preliminary review of RG's internal control structure that would enable us to understand the control environment and the way in which transactions flowed through the systems supporting RG's claims. Because we did not intend to rely on the internal control structure in performing our work, our assessment did not extend beyond the preliminary review phase. Instead we appropriately extended our substantive audit tests.

In conducting our audit, we performed tests of RG's compliance with the terms of the contracts. Our objective in performing these tests was to obtain reasonable assurance about the allowability of amounts RG received from DOL, not to provide an opinion on RG's overall compliance with such provisions.

The results of our tests indicated that, with respect to the items tested, RG complied in all material aspects with the provisions referred to in the proceeding paragraph, except as noted in Section B.1. of this report. With respect to the items not tested, nothing came to our attention that caused us to believe that RG had not complied, in all material respects, with those provisions.

**A. Background and Contract Terms**

RG is a for-profit corporation located in New York City, which was organized in 1974. RG's contract with DSS (administered by DOL) provides that RG implement an enhanced job placement initiative to certain participants in the Job Opportunities and Basic Skills Training program through Comprehensive Employment Opportunity Support Centers. RG provided a program of Job Readiness Training that included career counseling and placement services to certain clients receiving public assistance. In a classroom environment, participants were taught skills for entry into the work world. RG also provided job placement, child care assistance, counseling and referrals.

The maximum amount payable under the contract, whose term was from December 1, 1993 to November 30, 1998, was \$2.2 million. Total payments through December 31, 1998 were \$1.57 million.

Contract C-006516 is a performance-based contract with payment based on the completion of certain activities (milestones). The three milestones are job readiness training, job placement and job retention.

### Job Readiness Training

During the period January 1, 1996 through September 30, 1996, RG was required to provide up to 20 sessions of job readiness training (JRT) for each participant. For the period October 1, 1996 through March 31, 1997, JRT was not to exceed eight weeks in length. For the period April 1, 1997 through September 30, 1998, JRT was required to be scheduled for at least 20 hours per week and could not exceed 4 weeks in length.

During the period January 1, 1996 through September 30, 1996, completion of JRT was defined as the demonstrated achievement of competencies in five specific areas:

- a) need to complete Self-Directed Search (SDS) to determine participant strengths and weaknesses, and complete a personal Employment Development Plan (EDP) to outline employment goals;
- b) where office employment is indicated by the SDS or EDP, completion of a test instrument in computer literacy;
- c) completion of a resume;
- d) completion of a mock interview which will be critiqued; and
- e) completion of a post interview analysis to be reviewed with the case manager.

For the period October 1, 1996 through September 30, 1998, in addition to meeting the attendance requirements, participant case folders were required to contain a resume and completed job application. For the period January 1, 1996 through September 30, 1998, each individual was required to attend at least 75 percent of the scheduled job readiness workshop classroom hours to fulfill the requirements of this milestone.

### Job Placement

For the period January 1, 1996 through September 30, 1998, the milestone of job placement was generally defined as starting a job with a salary of at least \$200 per week. Generally, a claim could be made after the employee completed 10 consecutive working days on the same job. An employment verification form, wage stubs, or employer statements, documenting the wage level and length of employment, must be obtained before a claim can be made.

For the period January 1, 1996 through March 31, 1996, placements obtained through a temporary agency could be claimed only if the employer using the temporary service actually hires the participant. For the period April 1, 1996 through March 31, 1997, placements made through a temporary agency could be claimed if the participant is hired by the employer using the temporary service or by the

temporary agency itself. For the period April 1, 1997 through September 30, 1998, the job opening being filled could not be a seasonal or temporary position.

### Job Retention

For the period January 1, 1996 through March 31, 1996, a claim for job retention could be made after the employee remained on the same job that he/she was originally placed in for 13 consecutive weeks. An employment verification form, or wage stubs or employer statement, documenting the length of employment had to be obtained before a claim could be made.

For the period April 1, 1996 through September 30, 1998, a claim for this milestone could be made after the employee remained on the same job that he/she was originally placed in for 13 consecutive weeks, and earned, during the retention period an average weekly salary consistent with the amount defined under Job Placement. Documentation had to indicate whether the participant was still employed and if he/she was no longer employed, the last day worked.

## **B. Results of Audit**

For our audit scope period, January 1, 1996 through November 30, 1998, RG claimed and was paid \$743,786 for the job readiness training of 382 people, the job placement of 182 people, and the job retention of 129 people. As discussed below and detailed in the attached exhibit, we disallowed a total of \$105,522 of the amounts claimed and paid under this contract. This disallowance represents claims for job readiness training, job placement, and job retentions that were not in accordance with contract terms.

Our review of the contractual terms and payments has also led us to suggest that DOL consider modifying certain terms in future contracts.

### **1. Audit Disallowances**

#### Job Readiness Training

For the period from January 1, 1996 through November 30, 1998, RG billed and was paid \$124,542 for the training of 382 people. We selected a random sample of 30 paid JRT claims, 90 job placement claims and 60 job retention claims. Because some participants were claimed in more than one category, the number of participants reviewed totaled 146.

RG officials explained that they receive notification of new participants from the New York City Human Resources Administration in the form of a notification roster. However, RG officials did not retain the notification rosters for any of the claimed participants nor did they verify that new participants were on public assistance at the time of participation in the program.

According to public assistance eligibility information we obtained from the New York State Office of Temporary and Disability Assistance (OTDA), 7 of the 146 sampled participants were not on public assistance during time periods that would have made them eligible to be claimed under this contract. According to OTDA records, 6 participants were in the RG training program prior to being on public assistance, and one was trained long after she had been taken off public assistance. RG submitted JRT claims for 6 of these 7 participants; we are disallowing the JRT claims for these 6 participants.

We also reviewed our random sample of 30 claimed JRT participants to determine whether they met the minimum attendance requirement for this milestone. Based on the daily attendance sheets maintained by RG, 16 of the 30 participants did not meet the minimum attendance requirement. We note that RG gave credit for more hours of attendance to 22 of the 30 participants than we did. For example, participants were credited for attendance even though they had not signed attendance rosters.

RG summarizes the attendance of each participant on attendance summary sheets. Based on the training hours RG credited their participants, we calculated the attendance percentage for 376 of the 382 JRT claims. Including the results from our review of the initial sample of 30, we determined that 129 participants did not meet the 75 percent attendance requirement.

In summary, our audit tests disclosed 135 instances where the criteria for this milestone were not met. However, because 4 participants did not meet more than one of the criteria, we are disallowing 131 JRT claims totaling \$42,404.

#### Job Placement and Job Retention

During our scope period, RG claimed 182 job placements totaling \$362,540 and 129 job retentions totaling \$256,704.

As discussed in the preceding section, we reviewed the public assistance eligibility status of 146 participants. We found 7 participants were not eligible to be claimed by RG. RG submitted 5 job placement claims and 3 job retention claims for these 7 ineligible participants. We are disallowing these claims.

We also reviewed RG's case records for the sample of 90 placement claims and 60 retention claims for evidence of the required documentation (employer affidavits or copies of pay stubs). RG was unable to provide any supporting documentation for three job placement claims. We also found a duplicate claim for one participant's job retention with the same employer. We are disallowing these claims.

We mailed confirmation letters to the employers of the 90 placement and 60 retention claims in our sample as well as 7 additional confirmations to firms that appeared to be temporary agencies. The listed employers for 4 participants (representing 3 job placement and 2 job retention claims) responded that they had no record of the participant working for them. The employers for 15 participants

(representing 14 job placement and 6 job retention claims) stated the participants were hired in temporary positions, which are non-claimable. The employer of another participant indicated that the 13-week requirement for a job retention claim had not been met. As a result, we are disallowing 17 job placement claims and 9 job retention claims related to these participants.

In summary, our audit tests for the job placement claim disclosed 25 instances where the criteria were not met. However, because 4 participants did not meet more than one of the criteria, we are disallowing 21 job placement claims totaling \$40,345. Also, our audit tests for the job retention claim disclosed 13 instances where the criteria were not met. However, because 1 participant did not meet more than one of the criteria, we are disallowing 12 job retention claims totaling \$22,773.

## **2. Future Contract Considerations**

The contract did not address RG's paying of fees to employers who hire graduates of the training program, or the payment of fees to employers or graduates in exchange for proof of employment (affidavits and copies of pay stubs). Two employers who hired RG graduates told us that they received fees from RG for each graduate they hired. In addition, DOL and RG officials told us that it was a common practice to give small payments to graduates or employers to induce them to submit the required evidence of continued employment. Future agreements should indicate whether these practices are acceptable or not, and if allowable, the amount of fees to be paid should be established.

The contract did not require that a participant had to be claimed for JRT prior to being claimed for the placement or retention milestones. As a result, participants who were not claimed for JRT (perhaps for failure to meet the requirements) were claimed for the subsequent job placement and job retention milestones. During our audit period we noted 21 participants who were not claimed for JRT but were claimed and paid for the subsequent milestones. Of note, this contract does not limit placement/retention claims to employment obtained through RG referrals. In fact, based on responses to our employer survey, many participants obtained employment through their own means. DOL should consider structuring future agreements to require completion of the JRT milestone before the placement/retention milestones be claimed, and consider offering a lesser claim rate for participants who obtain their jobs without RG referral.

The contract stated that RG was required to provide up to 20 training sessions for each participant. However, the contract does not define the length of a "session." Future contracts should clarify this. Future contracts should also clarify whether any excused absences from JRT may be counted as attendance in meeting the training attendance requirement.

For the period January 1, 1996 through September 30, 1996, participants were required to complete a mock interview and a post interview analysis where their performance would be critiqued and reviewed with the case manager. While RG notes, in the case files, the date the mock interviews were conducted, they maintain no other evidence of the interview or analysis. RG management explained that the mock interviews and critiques are documented on videotape, but because RG regularly reuses the

videotapes, evidence is routinely erased. RG needs to maintain better documentation of completing this task.

### **Recommendations**

1. *Obtain a refund of \$105,522 from Ramos Gartner & Co., Inc.*
2. *Consider structuring future contracts to address the payment of fees to employers and participants; to limit claims for placements/retentions to participants that were claimed for JRT; and to offer a lesser rate of payment for placements/retentions that were made without RG referral.*
3. *Clarify future agreements by defining the length of a training session and specify whether excused absences may be counted as attendance in meeting the training attendance requirement.*
4. *Require RG to maintain better documentation supporting the completion of claimable milestones.*

(In their response to our preliminary findings, DOL officials advised us that the new contract awarded to RG restructures the payment milestones and eliminates reimbursement for job readiness training and job placement.)

Major contributors to this report were Kenneth Spitzer, Cindi Frieder, Barry Mordowitz, Keith Murphy, Gennaro Petillo, and Zenaida Bhuiyan.

We would appreciate receiving your response to the report recommendations within 30 days, indicating any actions planned or taken to implement them. We wish to thank the management and staff of Ramos Gartner & Co., Inc. and the New York State Department of Labor for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

William P. Challice  
Audit Director

cc: Charles Conaway  
Theresa Ramos Gartner

Karen Stackrow

**RAMOS GARTNER & CO. INC.**  
**DSS CONTRACT C-006516**  
**SUMMARY OF REIMBURSEMENTS BUDGETED, CLAIMED, DISALLOWED, AND**  
**ALLOWED**  
**JANUARY 1, 1996 THROUGH NOVEMBER 30, 1998**

<u>Activity</u>	<u>Budgeted</u>	<u>Claimed</u>	<u>Disallowed</u>	<u>Allowed</u>
Job Readiness Training	\$ 159,895	\$124,542	\$ 42,404 (a)	\$82,138
Job Placements	627,836	362,540	40,345 (b)	322,195
Job Retention	<u>416,737</u>	<u>256,704</u>	<u>22,773 (c)</u>	<u>233,931</u>
Total	<u>\$1,204,468</u>	<u>\$743,786</u>	<u>\$105,522</u>	\$638,264
State Payments				<u>743,786</u>
Refund Due the State				<u>\$105,522</u>

Notes:

- (a) Represents 6 job readiness claims for participants who were ineligible and 129 job readiness claims for participants who did not meet the attendance requirement. Due to duplications, a total of 131 job readiness claims were disallowed.
- (b) Represents 5 job placement claims for participants who were ineligible, 3 job placement claims without supporting documentation, 3 job placement claims for participants whose employment was not confirmed by the stated employer, and 14 job placements claims for participants whose employment was temporary. Due to duplications, a total of 21 job placement claims were disallowed.
- (c) Represents 3 job retention claims for participants who were ineligible, 1 duplicate claim for a participant's job retention with the same employer, 2 job retention claims for participants whose employment was not confirmed by the stated employer, 6 job retention claims for participants whose employment was temporary, and 1 retention claim for a participant who did not work 13 weeks. Due to duplications, a total of 12 job retention claims were disallowed.