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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

March 9, 2017

Mr. Samuel D. Roberts  
Commissioner  
Office of Temporary and Disability Assistance  
40 North Pearl Street  
Albany, NY 12243

Re: Wage Subsidy and Transitional  
Employment Programs  
Report 2017-F-1

Dear Commissioner Roberts:

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 have followed up on the actions taken by officials of the Office of Temporary and Disability Assistance (Office) to implement the recommendations contained in our audit report, *Wage Subsidy and Transitional Employment Programs* (Report 2015-S-58).

**Background, Scope, and Objectives**

The federal Temporary Assistance for Needy Families (TANF) program provides assistance and work opportunities to needy families by granting states the federal funds and flexibility to develop and implement their own welfare programs. The TANF block grant program requires New York State to engage individuals in countable work activities. The success of the program rests largely on its ability to develop employment strategies for individuals who are either not participating in welfare-to-work activities or whose involvement is minimal or intermittent. In response to this challenge, New York State launched two employment programs: Wage Subsidy and Transitional Employment. Federal funding for these programs ended on December 31, 2013, but the Wage Subsidy program was renewed beginning September 1, 2015 and currently is scheduled to operate through August 31, 2020. As of February 1, 2017, the federal government has appropriated \$3.3 million in funding to the current Wage Subsidy program.

The Office is responsible for administering Wage Subsidy programs and has contracted with eligible public or private not-for-profit organizations (contractors) to implement them. Contractors work with third parties (e.g., local businesses) to employ eligible individuals or may act as the employer themselves. Contractors reimburse employers for their wage subsidy costs (i.e., cost of the wages and fringe benefits paid to participants during the subsidized employment

period). For each participant, contractors make subsidy payments to employers for 75 percent of the wage subsidy costs during the subsidy period, and withhold 25 percent pending the participant's retention in unsubsidized employment for 90 days after the subsidized period. Each contract establishes employment goals that the contractor must meet during the contract period. These goals may be adjusted by the Office based on performance or funding changes. As of February 1, 2017, the Office had active contracts with 13 organizations.

Our initial audit report, issued on March 29, 2016, examined whether the Office adequately monitored wage subsidies to ensure payments were used as intended and whether program contractors accurately reported performance outcomes, including the extent to which the overall goal of permanent, unsubsidized employment was achieved. We found that the Office provided adequate support and guidance to contractors to assist them in reporting Wage Subsidy and Transitional Employment performance outcomes and preparing vouchers for wage subsidies and achieving milestones. However, the Office's system for tracking and monitoring milestones and goal attainment was outdated. As a result, it was not as efficient or effective as it could have been in monitoring contractors to ensure they accurately report performance outcomes and that program funds were used as intended.

In addition, the Office's requirements for documentation were not sufficient to ensure contractors were only reimbursed for milestones and goals they actually attained. Our testing of 205 program participants found evidence that the Office erroneously paid contractors at least \$14,000 for milestones that participants did not actually reach. Further, we could not entirely verify milestones for one-third of the cases we reviewed due to the shortcomings in documentation.

The objective of our follow-up was to assess the extent of implementation, as of February 1, 2017, of the two recommendations included in our initial audit report.

### **Summary Conclusions and Status of Audit Recommendations**

Office officials made significant progress in addressing the problems we identified in the initial audit. We found that, of the initial report's two audit recommendations, one was implemented and the other was partially implemented.

### **Follow-Up Observations**

#### **Recommendation 1**

*Develop a system that can more easily and readily store, access, and analyze complete WSP information.*

Status – Implemented

Agency Action – Since our initial audit the Office developed and implemented a new database to better track and monitor program information. Office staff demonstrated several system controls that ensure payments for double billing are not processed, participants are not

inappropriately enrolled in two or more different Office programs, milestone and goal attainment is closely monitored, and participants and contractors do not collect benefits beyond the 26-week limit. In addition to these controls, the Office now scans in all vouchers and supporting documentation so that it is readily available for program staff to review to help ensure payments are accurate and appropriate. The new system also has summary data available by participant and contractor for easy analysis of performance.

### **Recommendation 2**

*Require contractors to maintain supporting documentation, including payroll records, time sheets, paystubs, or canceled checks, to support program milestones, goal achievement, and wage subsidies.*

Status – Partially Implemented

Agency Action – During our initial audit, the Office required contractors to submit only an Employer Verification Form (EVF) as evidence a participant had been employed in accordance with program guidelines. However, we determined the EVF was not sufficient to ensure that contractors were only reimbursed for milestones and goals actually attained. We concluded that additional supporting documentation, such as payroll records, paystubs, or canceled checks, should also be submitted. Although the Office still maintains that the EVF is sufficient support to receive program funding, it now requires organizations that are both contractors and employers to submit paystubs along with their EVFs. Nonetheless, the Office had not established this same requirement for a contractor who is not also an employer. We maintain that the EVF form alone is an insufficient basis for payment, and thus consider this matter a continuing area of risk.

Major contributors to this report were Steve Goss, Heather Pratt, and Brandon Ogden.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issue discussed in this report. We also thank the management and staff of the Office for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

John F. Buyce, CPA, CIA, CFE, CGFM  
Audit Director

cc: Kathleen Murphy, Office of Temporary and Disability Assistance  
Division of the Budget