

H. CARL McCALL
STATE COMPTROLLER



A.E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 8, 2000

Mr. James T. Dillon
Acting Commissioner
New York State Department of Labor
Building #12
Albany, NY 12240

Re: Curtis & Associates, Inc.
Report 2000-R-1

Dear Mr. Dillon:

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 Curtis & Associates, Inc. (C&A) for the period April 1, 1997 through September 30, 1998. Our audit related to amounts claimed by C&A under contract C-006514, which was awarded by the former New York State Department of Social Services (DSS)¹ for the period December 1, 1993 through November 30, 1998. However, no claims were made subsequent to September 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 C&A 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, C&A's financial and program records, internal controls over charges to the contract, and the level of C&A's compliance with contractual terms.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of C&A which are included within our audit scope. Further, these standards require that we review and report on C&A's internal control structure and its compliance with those laws,

¹On 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.

rules and regulations that are relevant to C&A'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 C&A's internal control structure. Our consideration was limited to a preliminary review of C&A's internal control structure that would enable us to understand the control environment and the way in which transactions flowed through the systems supporting C&A'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 C&A's compliance with the terms of the contract. Our objective in performing these tests was to obtain reasonable assurance about the allowability of amounts C&A received from DOL, not to provide an opinion on C&A's overall compliance with such provisions.

The results of our tests indicated that, with respect to the items tested, C&A 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 C&A had not complied, in all material respects, with those provisions.

A. Background and Contract Terms

C&A is a for-profit corporation incorporated in July 1986. C&A's headquarters is located in Kearny, Nebraska with offices in 14 states including New York. C&A's contract with DSS (administered by DOL) provides that C&A implement an enhanced placement initiative which provides job readiness training, case management, job placement and retention services to certain participants in the Job Opportunities and Basic Skills Training program. These services were provided through Comprehensive Employment Opportunity Support Centers (CEOSC).

C&A 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. C&A also provided job placement, counseling and referrals.

The maximum amount payable under the contract was \$671,900. Total payments through September 30, 1998 were \$552,303. There were several amendments to the contract.

Contract C-006514 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 (JRT)

Each participant was required to be scheduled for at least 20 hours per week of JRT. For the period April 1, 1997 through September 30, 1998, job readiness training was required to be scheduled not to exceed 4 weeks in length. 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. In addition to meeting the attendance requirements, participant case folders were required to contain a resume and completed job application.

Job Placement

The original contract defined this milestone as a full-time job of at least 30 hours per week with a starting salary of at least \$200 per week. Generally, the 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 could be made. A second full-time job placement for the same individual could be claimed only after the employee has been placed in the same job (second employer) and remains on the job for 13 consecutive weeks.

The original contract provided that placements obtained through a temporary agency could be claimed only if the employer using the temporary service actually hired the participant. For the period April 1, 1997 through September 30, 1998, to claim this milestone, the job opening being filled could not be a seasonal or temporary position.

Job Retention

According to the original contract, 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. A second job retention could be claimed after the employee remained for 26 consecutive weeks on the job that resulted from the second claimed placement. If a placed individual moves to another job which qualifies as a CEOSC placement during this 13 or 26 week period, a retention claim can be claimed at the end of the initial 13 or 26 week period if there has been no break in employment. A short term break in employment does not count towards or interrupt the consecutive weeks requirement. 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, 1997 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, April 1, 1997 through September 30, 1998, C&A was paid \$151,550 for the job readiness training of 109 people, the job placement of 71 people, and the job retention of 50 people. Because some participants were claimed in more than one category, the number of participants claimed totaled 206.

As discussed below and detailed in Exhibit A, we disallowed a total of \$130,425 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.

1. Audit Disallowances

Job Readiness Training

For the period from April 1, 1997 through September 30, 1998, C&A billed and was paid \$21,800 for the training of 109 people.

We reviewed 100 percent of claimed JRT participants to determine whether they met the contract terms of a completed resume, completed application and the minimum attendance requirement for this milestone.

The contract required each participant to attend at least 75 percent of the job readiness training hours scheduled. C&A officials advised us that each participant was scheduled for six hours of training each day, five days per week, for four weeks, for a total of 120 hours of training. As a result, a minimum attendance of 90 hours (75 percent of the 120) was required to claim this milestone.

We found that the folders for 31 participants did not have a completed resume, 34 participants did not have a completed job application on file and 84 participants did not meet the minimum attendance requirement of 75 percent of the scheduled number of training hours. Also, C&A was unable to locate the folders for 11 participants, and 4 claims were made prior to the participant's attendance in job readiness training. In total, we are disallowing 96 JRT claims totaling \$19,200. Some of the disallowed claims did not meet more than one of the criteria to be eligible for the claim.

Job Placement and Job Retention

During our scope period, C&A claimed 71 job placements totaling \$71,000 and 50 job retentions totaling \$58,750.

As part of our audit, we verified the eligibility of 118 judgmentally selected participants of the 206 claimed participants. A representative from DOL provided us with public assistance eligibility information from HRA's Welfare Management System (WMS). Based on the information provided, we found that 2 of the 118 participants were not on public assistance during time periods that would have made them eligible to be claimed under this contract. We disallowed the claims for these two ineligible participants.

We reviewed C&A's case records for all 71 job placement claims and 50 job retention claims for evidence of the required documentation (employment verification form, employer statement or copies of pay stubs). We found that most of the participants' files did not contain the documentation required by the contract. Accordingly, we mailed confirmation letters to the employer of each of the 71 job placement and 50 job retention claims.

Based on employer responses we found that 50 participants (representing 32 placements and 26 retentions) did not meet the contract eligibility terms for the specific milestones. [Employer responses for two participants indicated that the participants claimed were not paid, but were part of HRA's Work Experience Program (WEP).] We disallowed the claims for these 50 participants. (See Exhibit B).

In addition, C&A provided no files or documentation to support the job retention claims of 11 participants. Also, we were unable to confirm the claims related to 30 participants (representing 23 placements and 8 retention claims) as the confirmation letters we sent to the listed employers were returned as undeliverable. Further, based on records in C&A's files, we determined that the contract terms for three participants (representing one placement and two retention claims) were not met as the participants earned less than the required \$200 per week. We disallowed the claims for these participants.

Among the claims disallowed were 12 participants who, according to WMS, remained on public assistance while employed.

In summary, we are disallowing 56 job placement claims totaling \$56,000 and 47 job retention claims totaling \$55,225. Some of the disallowed claims did not meet one or more of the criteria to be eligible for the claim.

2. Other Matter

C&A needs to improve its record keeping system to comply with the requirements of the contract and to support its claims. C&A did not have the required documentation for many of their claims.

Recommendations

1. *Obtain a refund of \$130,425 from Curtis & Associates, Inc.*
2. *Require that C&A maintain documentation to support completion of claimable milestones.*

A draft copy of this report was provided to DOL officials for their review and comment. Their comments have been considered in preparing this report and are included as Appendix A. DOL officials responded that they are working with Curtis & Associates staff in an effort to obtain the documentation necessary to support the \$130,425 disallowance, and that Curtis & Associates is aware that they need to improve their record keeping system.

Major contributors to this report were Charles Hammarberg, Cindi Frieder, Barry Mordowitz, David Louie, Yelena Feldman and Marie Farrington.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Labor shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

We wish to thank the management and staff of Curtis & Associates, 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: Ms. Tawanna Simmons
Mr. Charles Conaway

EXHIBIT A

CURTIS & ASSOCIATES, INC.
DSS CONTRACT C-006514
SUMMARY OF REIMBURSEMENTS BUDGETED, CLAIMED, DISALLOWED,
AND ALLOWED
APRIL 1, 1997 THROUGH SEPTEMBER 30, 1998

<u>Activity</u>	<u>Budgeted</u>	<u>Claimed</u>	<u>Disallowed</u>		<u>Allowed</u>
Job Readiness Training	\$22,000	\$21,800	\$19,200	(a)	\$ 2,600
Job Placements	83,000	71,000	56,000	(b)	15,000
Job Retention	<u>66,975</u>	<u>58,750</u>	<u>55,225</u>	(c)	<u>3,525</u>
Total	<u>\$171,975</u>	<u>\$151,550</u>	<u>\$130,425</u>		\$ 21,125
State Payments					<u>151,550</u>
Refund Due the State					<u>\$130,4</u> <u>25</u>

Notes:

- (a) Represents 84 job readiness claims for participants who did not meet the attendance requirement, 34 job readiness claims for participants without a completed job application in case folder, 31 job readiness claims for participants without a completed resume in case folder, 11 job readiness claims for participants without supporting documentation, and 4 job readiness claims for participants that were submitted prior to participants attending the workshops. Due to duplications, a total of 96 job readiness claims were disallowed.
- (b) Represents 32 job placement claims for participants that did not meet contract terms based upon responses received from employers; 23 job placement claims that were not supported by C&A records or employer verifications; and 1 job placement claim for a participant that, according to C&A records, earned less than \$200 per week. A total of 56 job placement claims were disallowed.
- (c) Represents 26 job retention claims for participants that did not meet contract terms based upon responses received from employers; 11 job retention claims which had no supporting documentation; 8 job retention claims that were not supported by C&A records or employer verifications; and 2 job retention claims for participants that, according to C&A records, earned less than \$200 per week. A total of 47 job retention claims were disallowed.

EXHIBIT B**SUMMARY OF DISALLOWED CLAIMS
BASED UPON RESPONSES RECEIVED FROM EMPLOYERS**

Reason	No. of Participants	Job Placement Claims	Job Retention Claims
Began employment after the claim was made.	5	3	4
No record of the participant working for them.	16	8	9
Did not confirm the participant's weekly salary.	11	7	6
Began employment (six months or more) before the claim was made.	3	2	2
Earned less than the required \$200 per week.	13	12	5
Position filled was temporary.	1	1	-
Did not meet two week requirement.	1	1	-
Began employment prior to their CEOSC date.	4	3	2
Did not meet the 26 week employment requirement.	<u>2</u>	<u>1</u>	<u>2</u>
Totals reasons	56	38	30
Less duplicates	6	<u>(6)</u>	<u>(4)</u>
Total	<u>50</u>	<u>32</u>	<u>26</u>



STATE OF NEW YORK
DEPARTMENT OF LABOR
Governor W. Averell Harriman
State Office Building Campus
Albany, New York 12240

JAMES T. DILLON
Executive Deputy Commissioner of Labor

November 8, 2000

William P. Challice
Audit Director
Office of the State Comptroller
Division of Management Audit & State Financial Services
123 Williams Street, 21st Floor
New York, New York 10038

Re: Curtis & Associates, Inc.
Report 2000-R-1

Dear Mr. Challice:

This is in response to your request for the Department of Labor's (Department) comments on the Office of the State Comptroller's draft audit report related to amounts claimed by Curtis & Associates, Inc., (C&A) under contract C-006514, which was awarded by the former New York State Department of Social Services for the period December 1, 1993, through November 30, 1998.

This audit report contained two recommendations. Staff from the New York State Department of Labor, Welfare-To-Work (WTW) Division conducted a cursory on-site review of the relevant participant files in order to assess the findings that resulted in these recommendations. Based on this review, the Department has the following comments:

With regard to the first recommendation, **Obtain a refund of \$130,425 from Curtis and Associates, Inc.**, the Department is currently working with C&A staff in an effort to obtain the documentation necessary to support the \$130,425. Contract C-006514 was a performance-based contract (administered by the Department) with payment based on the satisfactory completion of three milestones: Job Readiness Training (JRT), Placement, and Retention. As you know, at the present time, C&A no longer has a performance-based contract with this Department. As a result, C&A has moved a large number of contract files to its headquarters in Kearney, Nebraska. This fact, as well as the fact that C&A's New York City staff recently relocated from 154 Lawrence Street to 248 Duffield Street in Brooklyn, where a majority of their documents and files are still in boxes, has complicated the review that the Department is attempting to conduct.



Telephone (518) 457-2270

Fax (518) 457-6908

Appendix A

William P. Challice
Page Two
November 8, 2000

On October 17, 2000, WTW staff visited the Brooklyn office to conduct the cursory review. However, many of the documents required to complete the review were not available. WTW staff has since obtained some supporting documentation such as wage reporting records to aid in our review.

At the current time, the Department is continuing to work with C&A staff to review available financial and program reports. The Department believes that we will be better able to determine if obtaining a refund from C&A is appropriate once this review is complete.

With regard to the second recommendation, ***Require that Curtis & Associates, Inc., maintain documentation to support completion of claimable milestones***, C&A is aware that they need to improve their record keeping system and that documentation to support milestone claims must be maintained and be readily available for on-site reviews and audit examinations for a period of six years, as stated in the contract document itself.

If you have any questions regarding any of the above, please contact Karen C. Stackrow, Director of Internal Audit, at (518) 457-9016.

Sincerely,



James T. Dillon
Acting Commissioner of Labor

cc: D. Wehner
J. Tracy
K. Papandrea
B. Reichenbach
B. Sanvidge
K. Stackrow
L. Stein