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February 9, 2006

Ms. Linda Angello  
Commissioner  
Department of Labor  
Building 12, State Office Campus  
Albany, NY 12240

Mr. Robert Doar  
Commissioner  
Office of Temporary and Disability Assistance  
40 North Pearl Street  
Albany, NY 12238

Re: Report 2005-F-29

Dear Ms. Angello and Mr. Doar:

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 Department of Labor (DOL) and the Office of Temporary and Disability Assistance (OTDA) to implement the recommendations contained in our audit report, *Administration of the InVEST Program* (Report 2003-S-17).

**Background, Scope and Objective**

In the 1999-00 fiscal year, New York State launched the Individual Vocational Education and Skills Training (InVEST) program to give unemployed or underemployed persons the training needed to secure jobs in more highly skilled and better-paying occupations. InVEST, which was administered by DOL, included a Job Start and a Job Ladder program; Job Start trained individuals to get jobs or qualify for higher-paying jobs; Job Ladder helped employers provide low-wage employees with upgrade training. Our audit focused on Job Start.

The ultimate goal of Job Start was the participant's job entry followed by a pay raise and increased earnings. Job training and job placement providers' contracted with DOL to create projects designed to train Job Start participants for work in the local job market. Individuals were eligible for Job Start if they were currently receiving Family Assistance (FA) or had incomes up to 200 percent of the Federal Poverty Level, and if they had not already participated in Job Start.

DOL payments to providers of job training and placement services were “performance-based;” that is, providers received payment only when participants reached certain milestones. The four milestones for Job Start and the related reimbursement amounts are listed below.

- Participant completed 4 weeks of training (\$1,250);
- Participant completed the entire training program and demonstrated competency in the skills area (\$1,250);
- Participant obtained a new or an additional job within 60 days of completion of the training program (\$1,000); and
- Participant’s wages increased by at least 10 percent or the FA case was closed (\$2,000). The increase must continue for at least 90 days, or the FA case closed for at least 30 days, before the provider can bill DOL.

When participants achieved milestones, providers submitted an InVEST Participant Milestone Payment Request to DOL to receive payment from the awarded funds. Payment vouchers should have included the names and social security numbers of all participants with reported milestone achievements. DOL maintained an electronic database that included personal identification data and milestone achievement information for all Job Start participants. As the program administrator, DOL was charged with monitoring overall Job Start operations, including verifying that claimed milestones met relevant InVEST criteria and were adequately documented.

According to DOL records, \$44.7 million was awarded to 100 InVEST contractors, and \$19.5 million of this amount, was paid to contractors for services provided to Job Start participants as of March 8, 2004. InVEST received no new appropriation. Job Start operations ended during the State’s fiscal year ended March 31, 2004, but DOL continued to pay provider claims through September 30, 2004. The program was discontinued in September 2004. During July 2005, the associated staff was transferred to OTDA, which took over responsibility for public assistance employment programs.

Our initial audit report, which was issued on August 17, 2004, determined whether payments to InVEST providers were appropriate and properly supported by prescribed evidence of participant eligibility and/or milestone achievements. We found the sampled providers we visited complied with DOL contract requirements by maintaining prescribed evidence to support participant training and/or job achievement. However, in examining provider documentation, we found this information did not always constitute the reliable evidence needed to support performance-based payments. For example, we could not confirm job claims for 559 participants (27 percent) reported as employed, and we identified 67 participant social security numbers that were potentially invalid. Related provider payments in these cases totaled \$559,000 and \$166,375 respectively, for a combined total of \$714,375 (reduced by \$11,000 to avoid duplicate reporting of exceptions) and we identified 78 participant social security numbers that were potentially invalid. We recommended that DOL investigate the claims we could not confirm and recoup payments from those providers who did not deliver services as reported.

The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of January 27, 2006 of the three recommendations included in our initial report.

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

We found that DOL and OTDA officials made some progress in investigating the problems we identified. However, additional actions are needed. Of the three audit recommendations, all three have been partially implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*Investigate the 559 instances where reported employment was not confirmed by WRS [Wage Reporting System] data to verify reports of job entry for these InVEST participants. If the job entry cannot be confirmed, recoup the related InVEST payments from providers involved.*

Status - Partially Implemented

Agency Action - In response to our audit, DOL contacted the 66 providers included in our audit to obtain necessary documentation related to program employment. Of the 66 providers, 64 providers responded and forwarded to DOL information on 403 participants. However, because associated DOL staff was transferred to OTDA, DOL officials told us that work related to this recommendation had not been completed. We then contacted OTDA to determine the extent that they had pursued this matter. We were told that they decided not to confirm the job entry and recover inappropriate payments to providers. To determine whether additional work on the part of OTDA was necessary, we selected 100 of the 403 participants and reviewed documentation confirming the employment of 90 of these participants. We also tested 50 of these 100 participants to verify the name of the employer and the accuracy of the payment information. New information provided for 11 of the 50 employers still did not match the employer information obtained during the initial audit. Further, the quarterly payments reported to have occurred by the employer, did not match the new information. We suggest OTDA follow up on these exceptions.

#### **Recommendation 2**

*Investigate the inaccurate or invalid social security numbers, as identified in this report, that were submitted by providers to support claims for milestone payments. Disallow and recoup any InVEST payments made for Job Start training services that were not provided, or were provided to ineligible individuals.*

Status - Partially Implemented

Agency Action - In response to our audit, of the 67 potentially invalid social security numbers we identified, DOL ran 47 social security numbers against Veris, a software tool that detects

potentially erroneous numbers, and determined that 21 of them were now valid. However, DOL has not yet further investigated the remaining 26 social security numbers. Of the remaining 20 potentially invalid social security numbers, DOL was able, on WRS, to match 9 of them to the participants' names. OTDA officials plan to follow-up on the remaining 11 names.

### **Recommendation 3**

*Strengthen controls over Job Start contractors, and, as appropriate, contractors participating in other ongoing or future Department-administered job training programs, to help ensure provider payments are appropriate. Controls should include, but not be limited to, the following features:*

- *requirements that contractors maintain competent evidence to support job training and job placement claims;*
- *verification of participant eligibility and achievement of milestones claimed by providers;*
- *utilization of Veris or similar software to validate program participants' social security numbers before payments are authorized; and*
- *confirmation of program results on a periodic basis by matching reports of job entry to WRS data.*

Status - Partially Implemented

Agency Action - To verify job training and job placement claims, OTDA periodically confirms the accuracy of performance-based contract payments. OTDA requires all contractors to obtain and maintain documentation to verify payment milestones reached by program participants. During on-site reviews, OTDA staff also verify that participant case records contain the documentation needed to support milestone claims. However, OTDA officials do not validate social security numbers or match reports to WRS data. OTDA officials told us that new federal guidelines are to be issued in June 2006, in which it will specify what constitutes appropriate documentation of work participation. Accordingly, DOL, through its external reviews, verifies the propriety of performance-based contract payments to employers and participant eligibility and milestone achievement. While DOL uses VERIS to validate social security numbers, its use is limited to persons receiving unemployment insurance. Lastly, since our prior audit, DOL programs no longer pay persons to go to work. As a result, DOL has no need to match reports of job entry to WRS data.

Major contributors to this report were Richard Sturm and Stephen Lynch.

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

Very truly yours,

William P. Challice  
Audit Director

cc: Robert Barnes, Division of the Budget