



## OPPORTUNITIES INDUSTRIALIZATION CENTER

OF GREATER MILWAUKEE, INC.

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**FOR IMMEDIATE RELEASE**

### OIC-GM RESPONDS TO LEGISLATIVE AUDIT BUREAU'S FINANCIAL REVIEW

**Milwaukee, WI, November 9, 2004.** The Board of Directors and management team of Opportunities Industrialization Center of Greater Milwaukee, Inc. (OIC-GM) today responded to the Financial Review of the Wisconsin Works (W-2) Program issued by the State Legislative Audit Bureau (LAB).

Tyrone Dumas, Interim President, OIC-GM, presented the agency's response to the recommendations highlighted in the LAB Report. "We are appreciative of the extensive financial review of our agency by the Legislative Audit Bureau. With these recommendations, we will be better equipped to resolve outstanding questions about the viability of OIC-GM to serve the residents of Milwaukee."

OIC-GM is the largest provider of Department of Workforce Development W-2 Program services for three regions of Milwaukee County. W-2 is an employment program intended to assist participants in achieving self-sufficiency through employment. Approximately 41% of the state's cases are administered by OIC-GM, which serves over 5,000 participants. Many of the participants are at or below the poverty level, and participate in programs designed to move them into family-supporting jobs.

The LAB Report identified seven key areas where OIC-GM can improve its ability to deliver services to W-2 participants. The LAB reviewed the areas of staffing, legal service expenditures, leased space, telecommunications expenditures, unallowable costs, and advertising and information expenditures.

As an ongoing effort, and as a result of the LAB review, OIC-GM will implement measures to address the concerns in several key areas:

**Legal Services Expenditures** – The LAB Review recommends that OIC-GM reimburse the State \$293,008 in state and federal funds used in supporting payments to Mr. Mark Sostarich. OIC-GM is working with the Department of Workforce Development, Department of Administration and the Department of Public Instruction on a resolution to this matter. OIC-GM is committed to providing prudent oversight on the use of its resources so that OIC-GM can continue to provide services to W-2 customers and other programs for which it is responsible.

- More -

In addition, the LAB recommends that OIC-GM reimburse the State \$113,200 in state and federal funds for payments to Mr. Richard Porter, a former officer of the corporation and chairman of the OIC-GM board. OIC-GM has conducted a review of its board practices and by-laws. Corrective action is in place to ensure that no officer, board member or employee is a provider of paid professional services. Further, OIC-GM will institute a procedure for the use of professional services agreements versus retainer agreements which provides for specific tasks and services provided when professional services are needed by OIC-GM.

**Advertising and Information Expenditures** – The LAB reviewed expenditures in this area and determined that the extent and nature of some informational expenditures raise questions about their appropriateness to the W-2 program. The LAB recommends that OIC-GM either repay the \$86,375 in questionable costs or provide additional documentation that adequately justifies the expenditure of program funds. Further, the LAB recommends that the Department of Workforce Development closely review the advertising and information expenditures agencies charge to the W-2 program to ensure such expenditures are necessary to the program's administration.

The identified costs in these areas primarily relate to the use of public service programming on local radio programs used to reach W-2 customers. OIC-GM will discontinue use of public funds for these two programs as an approach to reach its W-2 customers and is working with the Department of Workforce Development to develop ways to better reach W-2 customers.

"The LAB Report is comprehensive in its review of OIC-GM," noted Rev. Fred Crouther, OIC-GM's Chairman of the Board. "Our board and management team will fully review the report and its findings and work together with the Department of Workforce Development to ensure we are meeting the expectations for sound and prudent management of the state's resources." Crouther added, "OIC-GM is committed to continuing our efforts to provide much needed quality services to the residents of Milwaukee."

*OIC-GM is a community economic development corporation with 37 years of experience providing quality services to the Greater Milwaukee area, promoting self-sufficiency, healthy families, learning, abstinence education, job training, job creation, education and economic development. For more information regarding OIC-GM, contact Mae Bolden, Vice President of Community Relations Department at 414-908-3496.*



*"Helping People Help Themselves"*

**Legislative Audit  
Recommendation and Responses  
November 8, 2004**

*Source: State of Wisconsin – Legislative Audit Bureau  
Financial Review of the Wisconsin Works (W-2) Program  
Opportunities Industrialization Center of Greater Milwaukee, Inc.  
Issued: November 9, 2004*

The Legislative Audit Bureau completed a review of the Wisconsin Works (W-2) program by Opportunities Industrialization Center of Greater Milwaukee, Inc. (OIC-GM), the state's largest provider of W-2 services. This review was undertaken as part of the ongoing, comprehensive audit of the W-2 program, as requested by the Joint Legislative Audit Committee.

**1. LAB Review Area – Revenue and Expenditures – Staffing**

In an effort to gain a better understanding of program staffing levels, the LAB reviewed information collected from W-2 agencies by the Department of Workforce Development (DWD). As part of the RFP (Request for Proposal) process, DWD required prospective W-2 agencies to submit staffing plans that indicated the agencies' anticipated organizational structure and number of full-time equivalent (FTE) staff positions to be supported with W-2 funds.

***LAB Recommendation***

LAB recommends the Department of Workforce Development require all W-2 agencies to provide information annually on the number of full-time equivalent administrative and program staff positions supported with W-2 funds during the previous contract year.

***OIC-GM Response***

The LAB staff provided clarity on the ways to measure full-time equivalent positions to provide consistency. We have put a process in place to consistently measure full-time equivalent positions in this manner. The report highlights the challenge that all W-2 agencies have in this area. We are pleased that OIC-GM was able to work together with the LAB on a solution for the good of the entire program.

## **2. LAB Review Area – Legal Services Expenditures**

Concerns about the appropriateness of OIC-GM's legal services expenditures since 1997 were reviewed and payments made for certain legal services expenditures that were charged to the W-2 program were highlighted.

### ***LAB Recommendation***

LAB recommends that the Department of Workforce Development, Department of Administration and the Department of Public Instruction require Opportunities Industrialization Center of Greater Milwaukee, Inc., to reimburse the State for \$293,008 in state and federal funds used in supporting payments to Mr. Sostarich.

### ***OIC-GM Response***

OIC-GM is working with the Department of Workforce Development and other departments on a resolution to this matter. We are committed to providing prudent oversight on the use of our resources so that we can continue to provide services to W-2 customers and other programs for which we are responsible.

### ***LAB Recommendation***

LAB recommends the Department of Workforce Development, Department of Administration and the Department of Public Instruction require Opportunities Industrialization Center of Greater Milwaukee, Inc., reimburse the State for \$113,200 in state and federal funds used for support payments to Richard Porter since 1999 and that they no longer fund legal services provided by Richard Porter while he is an officer of the corporation.

### ***OIC-GM Response***

OIC-GM has conducted a review of our board practices and by-laws. Corrective action is in place to ensure that no officer, board member or employee is a provider of paid professional services. Further, we will institute a procedure for the use of professional services agreements versus retainer agreements which provides for tighter controls, including listing of specific tasks and services provided when professional services are needed by OIC-GM. We feel these steps will help us manage our professional service relationships in a more prudent manner that ensures the confidence of our funders and the public. Again, we are working with the Department of Workforce Development and other departments on a resolution to this matter.

### **3. LAB Review Area – Expenditures for Leased Space**

OIC-GM pays a related organization for much of the space it leases. Because of this unique arrangement, the LAB reviewed the total amount of space leased and the amount paid in rent.

#### ***LAB Assessment***

The LAB compared OIC-GM's expenditures for leased space with those of the other two agencies providing W-2 services in Milwaukee County. While OIC-GM leases by far the greatest amount of square footage, it also has administrative responsibility for three of the six Milwaukee County regions. The monthly rent per square foot for OIC-GM's leased space was lower than the rent for the other two agencies.

#### ***OIC-GM Response***

We make a concerted effort to maximize resources used for our programs. By providing properties owned by entities of OIC-GM for use by the W-2 program, we are making a cost effective use of resources for delivery of the W-2 program.

### **4. LAB Review Area – Expenditures for Telecommunications**

Based on the sizable expenditures OIC-GM made for telecommunications and its close relationship with a telecommunications company, the LAB reviewed expenditures for these services during the 2002-2003 contract period. Telecommunications costs include expenditures for local and long distance phone services, including cellular phone services.

#### ***LAB Recommendation***

LAB recommends the Department of Workforce Development, as part of its ongoing fiscal monitoring efforts, closely review the telecommunications expenditures that agencies charge the W-2 program and the procedures W-2 agencies use for allocating telecommunications costs across programs.

*LAB Review Area – Expenditures for Telecommunications (continued)*

***OIC-GM Response***

The identified costs are in part, due to the implementation of a new telecommunications system in an attempt to improve the efficiency and ability of our staff to work with W-2 customers. The LAB review did not identify that inappropriate telecommunications expenditures made by OIC-GM were inappropriate, but suggests that systems be in place so that more attention can be paid to limiting potentially unnecessary or excessive telecommunications costs in the future. We have been and will continue to be diligent in ensuring that we have the proper policies and procedures in place for all OIC-GM telecommunications uses including cellular, local and long distance telephone services; Email and Two-way Radio usage. Appropriate limits are established and employees are required to reimburse any charges above the established limits. The issuance and limits of telecommunication equipment is dictated by job responsibilities.

**5. LAB Review Area – Questioned Costs Charged to the W-2 Program**

The LAB reviewed the appropriateness and reasonableness of direct, non-staff costs that OIC-GM charged to the W-2 program during the 2002-2003 contract period.

***LAB Recommendation***

LAB recommends the Department of Workforce Development require Opportunities Industrialization Center of Greater Milwaukee, Inc., to repay \$6,930 in unallowable costs.

***OIC-GM Response***

After further review of these costs with the LAB review team, we have determined a portion of these costs are a result of account coding errors. We have reconciled over 80% of the identified costs in this area.

***LAB Recommendation***

LAB recommends the Department of Workforce Development require Opportunities Industrialization Center of Greater Milwaukee, Inc., to either repay the \$86,375 in questioned costs or provide additional documentation that adequately justifies the expenditure of program funds.

*LAB Review Area – Questioned Costs Charged to the W-2 Program (continued)*

***OIC-GM Response***

The identified costs in these areas primarily relate to the use of public service programming on local radio programs used to reach our W-2 customers. We have discontinued use of public funds for these two programs as an approach to reach our W-2 customers and will work with the Department of Workforce Development to develop ways to better reach out to W-2 customers.

**6. LAB Review Area – Advertising and Information Expenditures**

The LAB reviewed expenditures in this area and determined that the extent and nature of some informational expenditures raise questions about their appropriateness to the W-2 program.

***LAB Recommendation***

LAB recommends the Department of Workforce Development, as part of its ongoing fiscal monitoring efforts, closely review the advertising and information expenditures agencies charge to the W-2 program to ensure such expenditures are necessary to the program's administration, and place limits in future contracts on the amount of advertising and information expenditures that agencies are allowed to charge to the W-2 program.

***OIC-GM Response***

We will work closely with the Department of Workforce Development to ensure our expenditures in these areas are within the established guidelines for the program's administration.

**Closing Statement**

OIC-GM wants to thank the Legislative Audit Bureau for working with OIC-GM to finalize the audit. OIC-GM wants to assure the Milwaukee community and the State that it will work directly with DWD to resolve all issues and concerns that have been brought to its attention. OIC-GM has a 37 year history of providing quality services to a diverse customer base in the Milwaukee community. The new leadership team is working diligently to develop new policies and procedures and implement efficient operational strategies so that OIC-GM will continue to be a driving force promoting a meaningful quality of life for individuals and families in the Milwaukee community. On behalf of its staff of nearly 400 employees, OIC-GM looks forward to a positive, successful future in Milwaukee, continuing to provide much needed services to its constituents.

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**ROBERT L. COWLES**  
Wisconsin State Senator • 2nd Senate District

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For More Information Contact:

FOR IMMEDIATE RELEASE  
November 10, 2004

Senator Cowles or Todd Stuart  
at 1-800-334-1465

**Cowles Slams OIC-GM Financial Shenanigans**  
*Calls for repayment of state money and DOJ probe for possible criminal activity*

**Madison** – State Senator Robert Cowles (R-Green Bay) today reviewed a highly critical audit of the Opportunities Industrialization Center of Greater Milwaukee (OIC-GM) as part of a comprehensive financial review of the Wisconsin Works (W-2) conducted by the nonpartisan Legislative Audit Bureau. OIC-GM is Wisconsin's largest provider of W-2 services. OIC-GM has been awarded state contracts totaling \$231.5 million since 1997. The audit released yesterday questioned hundreds of thousands in questionable spending of state and federal funds. "This audit is a real eye opener and obviously a rotten deal for the taxpayer," said Cowles.

OIC-GM's relationships with other companies are very complex with a subsidiary, affiliates and ownership interests in other organizations. The LAB's audit questioned \$421,200 in state and federal funds OIC-GM paid for legal services, including \$308,000 for questionable work that was inadequately reported and \$113,200 paid to an officer of OIC-GM, which is prohibited under federal regulations. The audit also identified \$6,900 in expenditures charged to W-2 that are unallowable and questioned an additional \$86,400 because it was unnecessary. Finally, \$330,700 was spent on telecommunications, an unusually large expenditure. "They need to pay the money back at the very least," said Cowles. "The Doyle administration should take a hard line on this."

The audit spelled out the potential for OIC-GM to benefit through noncompetitive subcontracts. Sen. Cowles believes the Department of Justice should review this matter for possible criminal activity. "The OIC clearly does not pass the smell test. A nonprofit should not be using Enron-style accounting," said Cowles. "The Department of Justice needs to review this for possible criminal activity."

The co-chairs of the Joint Committee on Audit have stated strong support for a hearing in December to discuss the findings of the report and the implementation of the LAB recommendations.

Senator Cowles will be sending a letter to the Attorney General requesting an investigation of possible criminal activity. Cowles is a member of the Joint Legislative Audit Committee.

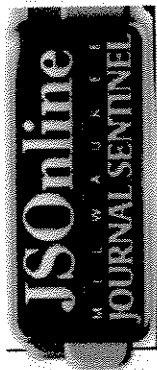
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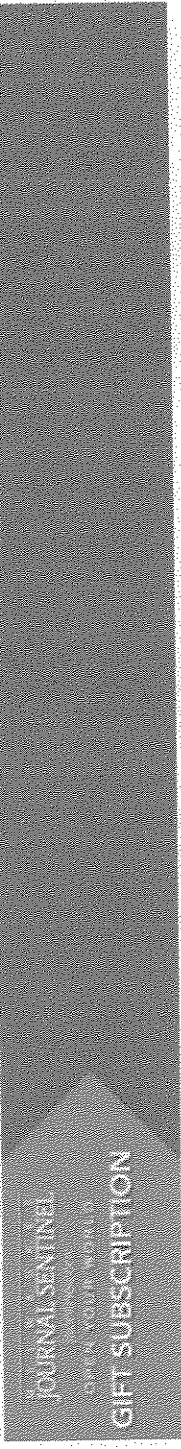
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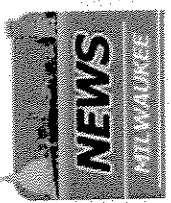
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# W-2 money went to radio host McGee

## State audit faults OIC for those, other payments; oversight added

By STEVE SCHULTZE  
[sschultze@journal sentinel.com](mailto:sschultze@journal sentinel.com)

Posted: Nov. 9, 2004

A Milwaukee social services agency came under fire Tuesday in a new state audit for its spending of millions of dollars in welfare reform money on its own subsidiaries and executives and on radio personality and former Ald. Mike McGee.

The audit faults Opportunities Industrialization Center of Greater Milwaukee for some \$275,000 in payments to local radio station WNOV-AM (860) and McGee from 1997 through 2003.

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McGee's one-man company - named for his talk show, Word Warriors Inc. - was paid \$176,300 by OIC during the six years and WNOV was paid \$98,650, the audit said.

OIC Under Fire

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The report by the state Legislative Audit Bureau calls for OIC to repay or better justify \$86,375 that was paid in 2002 and 2003. No recommendation was made on repaying the remaining money given to the station and McGee because the period under formal review was just 2002 and '03, said state Auditor Janice Mueller.



Photo/MJS

Mike McGee is host of a talk show on WNOV-AM.

Also Tuesday, the state Department of Workforce Development said it was installing its own on-site accountant to handle OIC's finances. The department also will add two state officials to assist an existing monitor in overseeing daily operations at the troubled agency.

The state will decide by next week whether to strip OIC of part or all of its Wisconsin Works, or W-2, contract for next year, said Roberta Gassman, department secretary.

"We continue to have serious concerns" about the ability of OIC to handle the job, Gassman said. OIC's current two-year W-2 contract is worth \$84.4 million.

Tyrone Dumas, the new interim president of OIC, said the agency was eager to work with the state and continue serving W-2 clients. OIC's 5,000 clients constitute more than 40% of the state's caseload.

"It's up to them to tell us where they see our future," Dumas said.

State Rep. Lena Taylor (D-Milwaukee) said she hoped OIC would be given a chance to show it had taken steps to correct problems and retain its contract.

"I don't want to make a hasty decision and say, 'Oh, just cut everything,'" Taylor said.

JS Online: W-2 money went to radio host McGee

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### Radio payments questioned

Through its payments to the radio station, OIC sponsored a Saturday morning show that OIC said discussed a variety of community issues of interest to W-2 clients, such as domestic violence and child support, the report said. The OIC money paid directly to McGee's firm was for his Thursday morning show, which OIC also told auditors addressed key issues to poor W-2 clients.

Auditors said, however, that they reviewed McGee's daily show and others and found little difference in topics covered.

"We question whether the financial support provided by OIC-GM actually resulted in programming substantially different from what the radio station would have broadcast in the absence of funding," the report said.

McGee and station owner Jerrell Jones didn't return calls seeking comment. McGee, who is the father of current Ald. Michael McGee, has frequently defended OIC on the air since the agency's troubles multiplied earlier this year with disclosure of a kickback scheme involving OIC and W-2 money.

Former state Sen. Gary R. George, Milwaukee attorney Mark Sostarich and former OIC executive Carl Gee all have been convicted of federal felonies in connection with the kickbacks to George.

### Repayment demanded

The audit also calls for OIC to repay \$406,000 the agency used for questionable attorney fees, including \$293,000 it says was paid to Sostarich and \$113,200 paid to former OIC board president and attorney Richard Porter.

Dumas said the agency would repay those sums.

The audit noted that federal rules don't allow board executives to receive such payments and also said OIC records provided no detail on what legal work Porter did for the money.

Porter resigned from the OIC board Oct. 25 and said Tuesday that he disagreed with the audit

finding that his payments were improper, calling that characterization a "pretext." He declined further comment.

On Oct. 11, Porter formally appealed an earlier order by the state for OIC to repay some of the money Sostarich funneled to George, saying the agency had acted in good faith in paying Sostarich for legal work. Porter said in a letter it would be "punitive, unfair and based upon faulty assumptions" for the state to insist on that repayment.

Gassman denied the appeal Monday.

The state audit puts a higher figure on the sum of improper payments made by OIC to Sostarich than previously noted by the state Department of Workforce Development. The audit questions nearly \$308,000 paid to Sostarich by OIC - including nearly \$234,000 from W-2, as well as smaller sums through other programs run by three state agencies, the City of Milwaukee and Milwaukee County.

The audit outlined a tangled series of relationships between OIC and several subsidiaries and raised questions about the propriety of \$2.1 million OIC paid to those subsidiaries in W-2 money over 2002-'03.

No hard evidence of impropriety was found, the audit said, but "there is at minimum the potential for OIC-GM and its associated organizations to financially benefit through non-competitive subcontracts."

For example, OIC paid \$330,000 to a now-defunct cell phone company it controlled; \$519,000 to another subsidiary, the Garfield Foundation, for office rent, and \$1.2 million to a third subsidiary, Learning Opportunities Center Inc., for child care and other client services.

Porter or Gee had key roles in all the OIC subsidiaries, auditors said.

OIC, founded in 1967 as a jobs agency, has grown into the state's largest W-2 provider. OIC has had W-2 contracts totaling \$231.5 million since 1997, as well as a variety of smaller funding deals with state and local agencies.

In 2002, the most recent audited figures available, OIC received \$25.3 million from W-2, or about two-thirds of the agency's \$37.5 million budget.

JS Online: W-2 money went to radio host McGee

A major state audit evaluating the entire W-2 program is expected to be released early next year, the audit bureau's Mueller said.

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### McGee may lose radio show

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### Station ready to end program if host can't replace OIC funding

By STEVE SCHULTZE [sschultze@journal sentinel.com](mailto:sschultze@journal sentinel.com)

Posted: Nov. 10, 2004

Former Milwaukee Ald. Mike McGee will lose his morning radio show unless he can raise \$32,000 to replace the funding from a local welfare reform agency that was bankrolling a segment of the show with taxpayer money.

Advertisement

Jerrel Jones, owner of WNOV-AM (860), said Wednesday that he'll halt the program unless McGee finds new funding. A critical state audit this week disclosed that the Opportunities Industrialization Center of Greater Milwaukee had spent \$275,000 since 1997 sponsoring programs, including McGee's, on the station, and called for a halt to the practice.

#### OIC Funding

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OIC should not have used Wisconsin Works welfare reform money for the radio show, the audit report said.

went to radio host McGee

"This is not a charity program," Jones said Wednesday. "If you have a viewpoint and you have some money, come and see me. That's just the hard truth."

Jones, who also owns the weekly Milwaukee Courier newspaper, said McGee contracts with the station for his 8 a.m.-to-10 a.m. weekday time slot and is responsible for lining up his own sponsors.

During the show Wednesday, McGee and former Acting Mayor Marvin Pratt said they would hold a community fund-raiser to try to replace the OIC funds. McGee defended his OIC-backed show, which has been airing Thursday mornings, saying it addresses issues of importance to W-2 clients.

"Anybody who knows that program knows on that day we didn't talk about nothing but W-2," McGee said on the air. Auditors criticized the funding deal, saying McGee's Thursday show, "Key to W-2," has little content related to W-2.

Audit records showed that only five of 83 shows that aired between Jan. 2, 2003, and this past Aug. 5 had any specific W-2 content. The OIC report by the Legislative Audit Bureau, however, noted that many had topics that might be of interest to W-2 clients.

McGee, father of current Ald. Michael McGee, didn't return a call seeking comment.

The outside funding for McGee's radio show is not the normal way commercial talk radio operates. In most cases, advertising revenue generated by the show would be the source of the host's salary.

But unlike some of the larger, chain-owned talk-radio outlets, such as the Journal Broadcast

Contact Staff  
Subscriptions

Group's WTMJ-AM (620) and Clear Channel's WISN-AM (1130), WNOV is a much smaller operation and has tiny ratings.

The audit found that OIC had paid \$176,300 from 1997 through 2003 for McGee's Thursday show and that OIC also paid the station directly another \$98,650 to sponsor a one-hour Saturday show called "Let's Talk Neighborhoods." Auditors also called for cutting off W-2 funding for that.

The price for those shows ranged from \$400 to \$650, according to state records.

Jones called the programs "excellent" and said they dealt with a variety of issues important to W-2 clients. Those shows feature "people who talk with the language and the spirit of the people we represent," Jones said.

OIC spokeswoman Linda Sowell said Wednesday that the agency decided to back the radio shows as a form of W-2 outreach because WNOV's programming "is targeted to a demographic that's similar to our W-2 clients," namely central city African-Americans.

State officials routinely approved OIC's spending on the WNOV shows because they were listed as community outreach, said Rose Lynch, a spokeswoman for the state Department of Workforce Development.

"It wasn't until (state auditors) got in and listened to the programs that we realized the programs were no different than their regular programs," Lynch said. The department now agrees with the auditors that it's improper to use W-2 money for the shows, she said.

The state earlier this year essentially put OIC on probation, saying it hasn't adequately served W-2 clients and had misused public money. OIC will learn next week whether the state will trim or end its current \$84.4 million contract on Dec. 31, the two-year deal's midpoint.

A key audit finding mirrored an earlier ruling by the state - that OIC's payment of nearly \$300,000 in legal fees that wound up in the hands of former state Sen. Gary R. George was improper and must be repaid.

George, former OIC President Carl Gee and attorney Mark Sostarich all were convicted of federal felonies in connection with a kickback scheme that prosecutors said channeled W-2 money from OIC to George, with Sostarich as the intermediary.



Sostarich was one of several private lawyers working for OIC and paid George 80% of his monthly retainer from OIC, as well as half of other legal fees the agency paid to Sostarich, according to criminal complaints in the cases.

### Heavy spending

Records from the OIC probe also showed that OIC's spending on public outreach in 2002 and 2003 far exceeded that of other local W-2 agencies. OIC spent \$81,523, nearly all of it going to WNOV and McGee.

The three other agencies with W-2 contracts in Milwaukee County during the period spent from \$2,000 to nearly \$14,000.

State Sen. Rob Cowles (R-Green Bay) said the new audit findings were "a real eye-opener and obviously a rotten deal for the taxpayer." He called for the repayment of all questioned expenditures in the report, which totaled more than \$850,000.

Those included payments for the radio shows, legal fees and phones. Auditors said the \$330,700 OIC paid for phone service to an agency subsidiary appeared excessive.

U.S. Attorney Steven Biskupic, who prosecuted George, Gee and Sostarich, declined to comment on whether the audit findings might prompt additional prosecutions.

Auditors' records also alleged that OIC spent \$200,000 in W-2 money to invest in a Virgin Islands television station controlled by George, who is now serving a prison term.

The money was paid to Atlantic Broadcasting Co. through an OIC subsidiary. When the spending was questioned by the state, OIC shifted the source of money to the \$3 million it had received from the state in the form of "unrestricted profits" from OIC's first W-2 contract.

That did not violate program rules because no strings were attached to the use of that money, state officials said. The state allowed W-2 agencies to keep leftover money from the first W-2 pacts on the theory that it was a new program that posed financial risk.

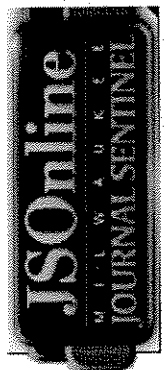
*Tim Cuprisin of the Journal Sentinel staff contributed to this report.*

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## Editorial: Little time left for OIC

From the Journal Sentinel

Posted: Nov. 10, 2004

The Opportunities Industrialization Center of Greater Milwaukee is running out of chances. And no one probably appreciates that more than Tyrone Dumas, the new interim director of the highly troubled social services agency.

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Dumas has inherited an agency so ridden with problems that by next week state officials may strip OIC of all or part of its contract to provide client services under the Wisconsin Works or W-2 welfare reform program. That would be premature.

Based solely on how OIC has misused much of its funding in the past, as evidenced in a new and damning state

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audit, officials could hardly be blamed if they did pull the plug. While the social services agency founded in 1967 has undoubtedly accomplished some good under the W-2 program, the good has been plainly overshadowed by scandal and highly questionable spending.

But Dumas, a highly capable and widely respected administrator, and his team deserve time to turn things around. What's more, it's not at all clear what other agencies could quickly fill the vacuum, as small as it may be, created by the sudden departure of OIC. It is, after all, the largest W-2 provider in the state; its current two-year contract worth \$84.4 million.

But Dumas has a steep hill to climb.

As a story in Wednesday's Journal Sentinel revealed, OIC has come under justifiable fire by state auditors for spending millions of dollars in welfare reform money in recent years on its own subsidiaries and executives. Some of those funds even went to controversial radio personality and former Ald. Mike McGee. His one-man firm, Word Warriors Inc., named for his talk show, was paid \$176,300 by OIC from 1997 to 2003, which properly raised questions in the auditors' minds about exactly what the state and W-2 got for its investment.

Maybe it wasn't a coincidence that McGee frequently defended OIC on his radio show in the wake of disclosures of a kickback scheme involving OIC and W-2 money. Three people, former state Sen. Gary George, Milwaukee attorney Mark Sostarich and former OIC executive Carl Gee, have all been convicted of federal felonies in connection with the kickbacks to George, who was recently sentenced to four years in prison.

Dumas is optimistic he and his staff can turn things around. The key, he says, is getting OIC back to its core mission, and he thinks he can do it within 120 days.

Marcus White, the executive director of the Interfaith Conference of Greater Milwaukee, who

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served on a state W-2 task force, said he admires Dumas and believes he should be given time to straighten out OIC. But given the seriousness of the problems, "unfortunately, it better happen very quickly," White said.

We agree. The public's patience is not infinite. The problem should not have gotten this bad to begin with.

It should be clear by now that the state did not provide the degree of oversight necessary for a welfare reform program that was not only revolutionary but massive and complex in scope.

But oversight alone won't fix things now. State officials, including legislators, need to go back and take a hard look at the specs.

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FOR IMMEDIATE RELEASE  
November 15, 2004

Senator Cowles or Todd Stuart  
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**Cowles Renews Call for DOJ Probe of OIC-GM Financial Shenanigans**

**Madison** – State Senator Robert Cowles (R-Green Bay) today renewed his call for a Department of Justice investigation of the Opportunities Industrialization Center of Greater Milwaukee (OIC-GM). Last week, a highly critical audit was released detailing the financial structure of OIC-GM as part of a comprehensive financial review of the Wisconsin Works (W-2) conducted by the nonpartisan Legislative Audit Bureau. Sen. Cowles has sent Attorney General Lautenschlager a letter requesting an investigation but has not yet heard back.

“I think there is blood in the water here,” said Cowles. “The OIC-GM is supposed to be about helping poor people get a job. They have given new meaning to the word ‘opportunity’ -- unfortunately, it is the opportunity to fleece the taxpayers.”

OIC-GM is Wisconsin’s largest provider of W-2 services. OIC-GM has been awarded state contracts totaling \$231.5 million since 1997. The top two executives of the company were paid \$3 million over five years. In addition, \$163,000 was paid to two brothers of convicted former State Senator Gary George. George, Sostarich and Gee have all been convicted of federal crimes. The audit released last week questioned hundreds of thousands in spending of state and federal funds.

OIC-GM’s structure is very complex with a subsidiary, affiliates and ownership interests in other organizations. The LAB’s audit questioned \$421,200 in state and federal funds OIC-GM paid for legal services, including \$308,000 for questionable work that was inadequately reported and \$113,200 paid to an officer of OIC-GM, which is prohibited under federal regulations. The audit also identified \$6,900 in expenditures charged to W-2 that are unallowable and questioned an additional \$86,400 because it was unnecessary. Finally, \$330,700 was spent on telecommunications, an unusually large expenditure. “The Doyle administration should take a hard line on this,” said Cowles. “They need strong accountability measures to be sure this never happens again. I want to see the state money repaid and a Department of Justice probe of OIC-GM’s payments to affiliates.”

The audit spelled out the potential for OIC-GM to benefit through noncompetitive subcontracts. Sen. Cowles believes the Department of Justice should review this matter for possible criminal activity. “The OIC clearly does not pass the smell test. A nonprofit should not be using Enron-style accounting,” said Cowles. “The DOJ needs to review this for possible criminal activity.”

The co-chairs of the Joint Committee on Audit have stated strong support for a hearing in December to discuss the findings of the report and the implementation of the LAB recommendations.

Senator Cowles is a member of the Joint Legislative Audit Committee.

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**LOCAL NEWS**

Posted Nov. 13, 2004

## W-2 officials offer alterations

Maternity leave, jobs program among proposed changes

*The Associated Press*

**MILWAUKEE** — The agency that runs Wisconsin's welfare-to-work program wants to double the length of maternity leave for participants and revamp its little-used jobs program in the next two-year budget.

Both proposals are variations of requests made for the current budget but were shot down by Republican lawmakers, who said they would weaken Wisconsin Works, or W-2.

The Department of Workforce Development has submitted its budget request for 2005-07 to Democratic Gov. Jim Doyle and wants about \$3.1 million for an 18-month jobs program, called Trial Jobs Plus, which would have the state pay companies to hire W-2 participants.

Up to 1,000 participants of W-2 would participate in the Milwaukee area and at least two other counties, starting in 2006.



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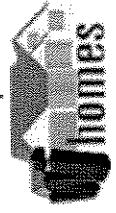
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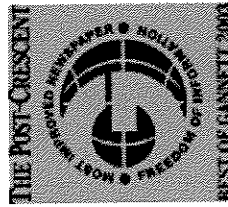
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The department also is asking Doyle to increase the time the state allows new mothers on W-2 to stay home with their babies from three months to six months while getting a \$673 a month cash grant. The last three months would include a work requirement, but DWD was still deciding how strict it would be.

DWD is working out the proposals' specifics.

Doyle will consider all state departments' requests and will submit his budget proposal in February to the Legislature. Legislators will make their own changes and then submit the budget to Doyle for his signature.

Workforce Development spokeswoman Rose Lynch said the agency is proposing the similar programs from the last budget proposal because they support the governor's family initiatives.

Former Republican Gov. Tommy Thompson, now U.S. health and human services secretary, launched W-2 to replace the entitlement program of Aid to Families with Dependent Children program in 1997 after nearly a decade of experimentation.


W-2 requires adults to work or get job training in exchange for a check and subsidized child care. Participants also may receive food stamps or medical assistance.

Charity Eleson, executive director of the Wisconsin Council on Children and Families, called the new proposals practical.

"I think both of them are improvements over the current policies," she said.


In the last budget, Republicans who control the Legislature removed a new \$19.8 million version of a state subsidized jobs program, called transitional jobs. Under it, the state had no expectation the jobs would become permanent.

Advocates say mothers need more than three months with their newborns and W-2 participants need more education and training to





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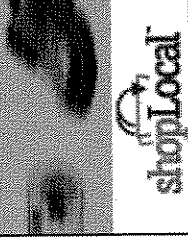


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ready them for the workforce.

The DWD said the transitional jobs program would qualify participants for up to \$4,000 in tax credits.

Republicans said it would create dependency on the state that W-2 was designed to end. Republicans and Democrats worked on another version, which failed to get past the Assembly and Senate last spring.

The trial jobs program was included in the original version of W-2 but has been only rarely used.

Under trial jobs the state pays employers to hire participants with the expectation the job could become permanent. Lynch said hardly any employers participated because the state didn't provide it enough financial incentive and there was a lot of paperwork.

The new version would address those issues, she said.

Doyle also requested a three-month extension to the maternity leave in the last budget, but Republicans removed it. Rep. Mike Huebsch, R-West Salem, headed the opposition, saying women receiving public assistance through W-2 should not get more time off than other working mothers.

In the request for the new version, the agency says the approach would better prepare participants to enter the work force. DWD estimates the program would save the state about \$2.9 million in child care because mothers would stay home to take care of their newborns.

The governor's spokeswoman, Melanie Fonder, said she couldn't comment on Doyle's position on the programs because it was too early in the budget process. Doyle has asked all state agencies to cut their budgets by 10 percent because of a projected deficit.

Huebsch hasn't changed his position on the extension for maternity leave but said he was interested in knowing the specifics on the requirement for work participation in the final three months.



He and other Republican lawmakers worked with DWD on the trial jobs program to make it seem more like the real world.

"I feel we might be headed in the right direction," he said. "The department has come a long way in improving this program."

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## Former OIC execs paid millions in W-2 program

November 15, 2004

MILWAUKEE - Two former executives of a welfare provider that has come under fire were paid millions of dollars in state money.

A report from the Legislative Audit Bureau shows Carl Gee, former chief executive of the Opportunities Industrialization Center of Greater Milwaukee, and Bill Clay, the agency's chief operating officer, each collected well more than \$1 million in salary, bonuses and benefits from 1997 through 2003.

Gee was paid \$1.75 million during the period, while Clay got \$1.35 million from the state's largest Wisconsin Works, or W-2, contractor, the audit found.

W-2, which is mostly federally funded, provided about \$2.3 million of the \$3.1 million Gee and Clay received. The rest came from other government grants.

Clay was fired in August after cooperating with federal prosecutors on the kickback case against former state Sen. Gary R. George, D-Milwaukee, and Gee left OIC after he was convicted in August in the same case.

After poor financial reviews and continued problems, the state Department of Workforce Development, which oversees W-2, is deciding whether OIC should lose part or all of its contract to serve about 5,000 people in the Milwaukee area, after poor financial

reviews and continued problems.

OIC's salary figures were much higher than previously disclosed for any W-2 provider, showing the former executives received big payments to retirement accounts, bonuses and other perks.

"That's appalling," said Kathleen Mulligan-Hansel, a poverty advocate with the nonprofit Institute for Wisconsin's Future.

State officials said OIC's salaries were once too high and have been trimmed because of a policy imposed by Gov. Jim Doyle.

The department is comparing the executive pay of W-2 agencies with other nonprofits of similar size and may order pay cuts, said Rose Lynch, a DWD spokeswoman.

Linda Sowell, an OIC spokeswoman, said salaries will be brought in line with pay at comparable firms, if necessary. The new interim chief executive, Tyrone Dumas, is being paid \$165,000 a year.

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Associated Press

**FORMER WELFARE EXECES; PAY TOTAL IN MILLIONS:** The state's welfare reform program and the taxpayers who fund it provided millions of dollars to two former executives of Opportunities Industrialization Center of Greater Milwaukee. State figures show Carl Gee, OIC's former chief executive, and Bill Clay, the agency's chief operating officer, each reaped well more than \$1 million in salary, bonuses and benefits from 1997 through 2003. By Steve Schultze, MILWAUKEE JOURNAL SENTINEL

State officials who were involved in the welfare reform program...  
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according to a report prepared by the Legislative Audit Bureau. The Wisconsin Works welfare reform program, which is funded mainly by a federal grant, provided about \$2.3 million of the overall \$3.1 million paid to Gee and Clay. Other government grants to OIC paid the rest.

Clay was fired by OIC in August after he cooperated with federal prosecutors in connection with a kickback scheme that funneled W-2 money to former state Sen. Gary R. George. Gee also left OIC, after his conviction Aug. 20 in connection with the kickbacks. Gee's sentencing is scheduled for Nov. 22.

While it has been widely known that some top officials of Milwaukee's W-2 agencies pulled down high five- or low six-figure annual salaries, the total compensation numbers calculated for the OIC executives are much greater than previously disclosed.

Big payments to retirement accounts, bonuses and other perks boosted the overall pay of the former OIC executives.

"That's appalling," said Kathleen Mulligan-Hansel, a poverty advocate who works for the non-profit Institute for Wisconsin's Future. The OIC salaries "are clearly too much," especially given the firm's poor track record in serving clients,

she said.

**\$1.35 million**

Salary, and benefits, paid former chief operating officer Bill Clay during the same period

**\$250,000 and \$46,000**

One-time payments from OIC in 1997 to Gee and Clay, respectively, for their retirement accounts. The money came from the agency's Wisconsin Works, or W-2, profits.

**\$231.5 million**

Amount of OIC's W-2 contracts since 1997. The agency is the state's largest W-2 provider with 5,000 central city clients

**\$40.5 million**

The agency's total budget in 2002, the most recent year for which figures were available, according to audit report. W-2 accounts for about two-thirds of OIC's annual revenue, with state and local grants providing the rest.

**Recent Coverage**

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State officials said the OIC salaries were once too high and have been trimmed as a result of a policy imposed by Gov. Jim Doyle.

W-2 agencies' executive pay should be in line with other non-profits of similar size, said Rose Lynch, spokeswoman for the state Department of Workforce Development. The department is doing a salary comparison study and may order cuts of other W-2 agency heads' pay, Lynch said.

New managers at OIC "regret that they cannot do anything about the past and what has occurred," said Linda Sowell, an OIC spokeswoman. She said OIC salaries would be brought into line with comparable firms' pay, if necessary.

Tyrone Dumas, OIC's new interim chief executive, is being paid \$165,000 a year.

Gee, 63, and Clay, 58, didn't return phone calls. In an interview with the Journal Sentinel last year, Clay said, "Nothing in my salary takes a piece of bread out of one poor person's mouth."

### Problems identified

OIC, the state's largest W-2 contractor, is under fire for poor performance and improper spending of W-2 money, including questionable lawyer fees and payments to radio host and former Milwaukee Ald. Mike McGee.

The state will announce next week whether it will cut some or all of OIC's current \$84.4 million two-year contract, which would mean finding another firm to take over some or all of its 5,000 client caseload.

A detailed analysis of Gee's and Clay's 1997-2003 compensation by state auditors found:

- Gee's base pay ranged from \$127,197 in 1997 to a high of \$214,485 in 2002. Clay's base pay grew from \$112,952 in '97 to \$179,613 in '02. Both men had slight pay cuts in 2003.

But extras significantly boosted their total compensation.

- Both men also got large one-time payments for their retirement accounts in 1997, state records show. Gee got \$250,537 and Clay got \$45,867.

8/28/04: Kane: Agency carries on with important mission, despite troubles at top

That money came from \$3 million in no-strings-attached profits the state paid OIC based on it early program performance. The state dangled the prospect of such profits as a way of luring firms leery about the financial risks to bid for a piece of the new reform program.

- In addition, Gee received \$107,530 and Clay got \$78,850 in bonuses paid in 1998-2001. No bonuses were paid in other years.
- Fringe benefits for Gee totaled \$188,525 and for Clay came to \$172,601 during the seven-year period.

In addition to Dumas, the interim chief executive, three other OIC employees are paid more than \$100,000 a year, according to figures the agency provided to the state in September. Georgia Cameron, chief operations officer, and Cordelia Ekwueme, chief financial officer, each are paid \$151,278. Mae Bolden, vice president for marketing, gets \$101,389.

Other W-2 agency heads' pay in 2002 was somewhat less than the top OIC executive base pay for that year, the most recent in which figures are available. Lupe Martinez, executive director of United Migrant Opportunity Services, was paid \$146,666, and Jerry Stepaniak, who heads Maximus Corp.'s Milwaukee operation, was paid \$145,600.

Barbara Wyatt Sibley, the head of YW Works, was paid \$208,000. That firm no longer holds a W-2 contract from the state but has a substantial pact for W-2 services as a subcontractor to OIC.

Figures on the value of fringe benefits, bonuses or other perks for those agencies weren't available.

### Another radio sponsor

Meanwhile, the owner of radio station WNOV-AM (860) said Friday that OIC wasn't the only W-2 agency that sponsored programs at the station. State auditors this week faulted OIC for paying \$275,000 to the station and McGee.

Station owner Jerrel Jones said Employment Solutions Inc. also sponsored W-2 outreach programming on WNOV. That firm went out of business at the end of 2001, following disclosure it had misspent some \$370,000 in W-2 funds on costs of pursuing welfare reform contracts in other states.

Jones did not have figures for how much Employment Solutions, a subsidiary of Goodwill Industries, paid the station or whether any of its funds went to McGee. Lynch, the state spokeswoman, said she could not provide the figures immediately.

Jones defended the W-2 spending at his station, saying it went for programs relevant to W-2 participants. State auditors disagreed.

The former chief executive of Employment Solutions, William Martin, also popped up in auditors' work papers on OIC. Martin's firm Jericho Resources was paid \$6,750 for Martin's editing of an OIC proposal for a renewed W-2 contract for 2004-'05.

Auditors said that sum was excessive and that OIC should repay the amount to the state.

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# W-2 provider warrants investigation, senator says

By STEVE SCHULTZE  
sschultze@journalsentinel.com

Posted: Nov. 15, 2004

State Sen. Robert Cowles (R-Green Bay) on Monday called for a criminal investigation of the state's largest Wisconsin Works welfare reform provider, saying its problems were "far deeper than anyone imagined."

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Cowles called on Attorney General Peg Lautenschlager to investigate Opportunities Industrialization Center of Greater Milwaukee because of issues highlighted in a state audit released last week.

The report faulted the company for questionable spending of some \$412,000 in W-2 money on attorney fees, as well as

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\$275,000 that OIC paid to radio station WNOV-AM (860) and host Mike McGee, a former Milwaukee alderman.

Cowles said the audit revealed problems that went beyond those that came out in three federal cases this year related to OIC. In those cases, former state Sen. Gary R. George (D-Milwaukee), former OIC President Carl Gee and lawyer Mark Sostarich were convicted of felonies. Prosecutors charged that W-2 money from OIC was funneled to George, with Sostarich as intermediary.

"There's so much money being wasted there. We need the help of the attorney general's office to hopefully put the bad guys away and stop the hemorrhaging," said Cowles, a member of the Legislature's Audit Committee.

George is serving a four-year prison term. Gee is to be sentenced Nov. 22, and Sostarich's sentencing is scheduled for Dec. 14.

Brian Rieselman, a spokesman for Lautenschlager, did not return a call seeking comment Monday.

OIC spokesman Linda Sowell said about seven agencies, including the state Justice Department, had investigated her agency in the past year. The investigations included one visit from the department, as well as inquiries from the U.S. attorney's office, the FBI, the Internal Revenue Service and various state auditors, she said.

Sowell said she didn't know the nature of the contact with the department. OIC will cooperate with the department if another investigation is launched, she said.

- millions
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- 11/10/04: McGee may lose radio show
- 11/9/04: W-2 money went to radio host McGee
- 10/29/04: OIC may not receive new funds for '05
- 10/2/04: Spivak & Bice: Opportunity knocks twice for Carl Gee
- 9/22/04: State tells W-2 agency to improve
- 8/28/04: Kane: Agency carries on with important mission, despite troubles at top



JS Online: W-2 provider warrants investigation, senator says

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U.S. Attorney Steven Biskupic declined to comment on "the direction of any possible future investigation." He said his office had not yet closed its file on OIC.

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## Doyle pushes cut in W-2 caseloads

With costs rising, state is slashing clientele by 40%

By STEVE SCHULTZE  
sschultze@journalsentinel.com

Posted: Nov. 17, 2004

Gov. Jim Doyle is prodding Wisconsin Works agencies to slash caseloads to keep the W-2 program from going deeply into the red, a move critics warn could shortchange needy clients.

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The Department of Workforce Development wants to erase 40% of its W-2 cases by the end of next year by more accurately and swiftly assessing employment skills of new clients, and emphasizing quicker "work force attachment" - bureaucratic jargon for landing jobs.

**Wisconsin Works**

**W-2 by the Numbers**

**11,526**  
The number of Wisconsin families in the program.

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the end of last month; Milwaukee County had 79% of the total. If a major downward shift in the numbers of W-2 clients has truly taken

An improving economy should help, by making more entry-level jobs plentiful, Rose Lynch, a spokeswoman for the department, said in an interview.

"We think that is a very realistic target," Lynch said. "Our economy is getting better. We've heard from employers that they are looking for workers."

She declined to give an estimate of the potential shortfall, but W-2 agencies have said they need at least \$25 million more.

All W-2 providers - in Milwaukee County it's three private firms - have been put on notice to "re-emphasize that W-2 has a work focus," she said.

To achieve such a substantial downsizing, the department is pushing for average monthly cuts of 300 W-2 cases over 16 months to keep the 2004-'05 costs within the program's \$261.6 million budget.

The department quietly ordered case reductions starting in September, and the cuts over the past two months have exceeded expectations, Lynch said. In September, 469 families left the W-2 rolls, and in October another 487 cases dropped off.

The number of families in the program getting a monthly check stood at 11,526 at the end of last month; Milwaukee County had 79% of the total. If a major downward shift in the numbers of W-2 clients has truly taken

Almost 80% live in Milwaukee County.

**4,800**

Roughly the number of cases the state hopes to cut by the end of next year.

**\$261.6 million**

The total W-2 contract amounts for all state W-2 providers, for 2004-'05.

**\$186.1 million**

W-2 contract totals for three private firms in Milwaukee County.

**\$84.9 million**

Contract amount for Opportunities Industrialization Center of Greater Milwaukee, the state's largest W-2 provider.

**\$75.9 million**

W-2 contract for Maximus Corp. in Milwaukee County.

**\$25.3 million:**

W-2 contract for United Migrant Opportunity Services in Milwaukee County.

**Recent Coverage**

11/15/04: W-2 provider warrants investigation, senator says

11/13/04: Kane: Troubles at OIC smear founder's dream

11/13/04: Spivak & Bice: George kin aboard OIC gravy train

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hold, it would mean a reversal of a three-year trend of mounting client numbers that coincided with the national economic downturn.

W-2 clients get up to \$673 a month while in training or community service jobs, but also can qualify for child care and other aid after landing a job.

### Premature exits feared

The pressure to cut cases raises the specter of problems that accompanied the program in its first couple of years, advocates for the poor said. Complaints of diverting clients from applying for the program, poor assessment of clients, and a low job placement rate were cited in a 2001 review of W-2 by the Legislative Audit Bureau.

"It's very troubling," said Kathleen Mulligan-Hansel, working families coordinator for the non-profit Institute for Milwaukee's Future.

"The program is taking on more of the punitive aspects that were characteristics of an earlier time," she said.

Marcus White, executive director of the Interfaith Conference of Greater Milwaukee, said he was concerned W-2 caseworkers might overreact to case-cutting edicts and harm needy potential clients.

"The state should also have a commitment to make sure people's needs are met, first and foremost," said White, who served on a state W-2 advisory committee.

White also questioned whether the economy has recovered enough to provide jobs for those with poor skills or sketchy job histories.

It's time for a serious review of the W-2 program to correct basic flaws, such as the assumption that enough jobs will be waiting for all clients who go through the program, White said.

### Austerity measures

- 11/12/04: Former welfare execs' pay total in millions
- 11/10/04: Editorial: Little time left for OIC
- 11/10/04: McGee may lose radio show
- 11/9/04: W-2 money went to radio host McGee
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- 10/2/04: Spivak & Bice: Opportunity knocks twice for Carl Gee
- 9/22/04: State tells W-2 agency to improve
- 8/28/04: Kane: Agency carries on with important mission, despite troubles at top

Local W-2 officials said they're working to stretch their budgets to fit the needs of their clients while trying to meet the state's caseload reduction goals.

"We will be much more aggressive in finding job placements" and in properly assessing clients, said Rod Ritcherson, spokesman for United Migrant Opportunity Services, one of the three agencies that run W-2 in Milwaukee County.

"If someone doesn't have to go through the entire system to find a position - they may need only child-care assistance - we will try to be more efficient in those terms," Ritcherson said.

In a bid for extra W-2 cash, Opportunities Industrialization Center of Greater Milwaukee estimated in September that it would have to cut its caseload of 4,896 by nearly 60% to be able to pay clients' benefits.

Caseloads rose dramatically in Milwaukee County during 2002 and 2003 and continued high for most of this year, an OIC written plan said. State figures show county cases grew from 7,228 at the start of 2002 to 7,821 in January 2003 and to 9,634 at the start of this year. They kept rising until they peaked at about 10,000, before dropping this fall.

But per-client funding from the state shrank considerably starting this year, OIC said, prompting it to more closely monitor expenses.

The agency has come under fire in recent weeks for poor performance and for questionable spending, including \$400,000 in lawyer fees and \$275,000 that was paid to a central city radio station and program host Mike McGee, a former Milwaukee alderman.

The state has said it will decide this week whether to reduce or eliminate OIC's W-2 contract. The firm is the largest W-2 provider in the state.

The Milwaukee and other W-2 agencies hope to tap into a pool of additional W-2 money that will be distributed based in part on the quality of caseload reduction plans. The state is mulling some \$25 million in supplemental funding requests.

UMOS is seeking \$2.4 million, on top of its \$25.3 million 2004-'05 contract; OIC is asking for an extra \$8.4 million on top of its \$84.9 million contract; and Maximus Corp. wants \$7.3 million added to its \$75.9 million contract.

The state is taking a harder line on such supplemental requests than it has in the past, said Lynch, of the Department of Workforce Development.

"In the past, W-2 agencies often pleaded that they would be short of benefit dollars if the state didn't kick in additional dollars," she said in a written response to questions. "That process only bred complacency and status-quo efforts."

The Doyle move to trim W-2 is finding favor with Republicans such as Assembly Speaker John Gard of Peshtigo, one of the program's authors and a strong advocate of its job focus.

"It would be the first time I've heard the (Doyle) administration focusing on something other than weakening W-2," Gard said.

He added that it would be a refreshing change if Doyle has shifted his focus from liberalizing the program to cutting caseloads.

Gard said W-2 has shown it works "reasonably well" in tough times as well as flush economic times.

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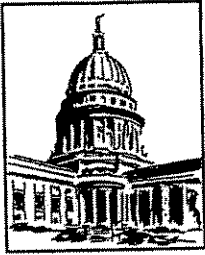
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WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:  
State Senator Carol Roessler  
State Representative Suzanne Jeskewitz

November 19, 2004

Ms. Helene Nelson, Secretary  
Department of Health and Family Services  
1 West Wilson Street, Room 650  
Madison, Wisconsin 53703

Dear Ms. Nelson:

The Joint Legislative Audit Committee will hold a public hearing on Legislative Audit Bureau report 04-11, *An Evaluation: Medical Assistance Eligibility Determinations* on Wednesday, December 1, 2004, at approximately 11:00 a.m. in Room 411 South of the State Capitol.

As this report relates to the activities of the Department of Health and Family Services, we ask that you, or appropriate members of your staff, be present at the hearing to offer testimony in response to the evaluation findings and to address questions from committee members. Before you begin testifying at the hearing, please plan to provide each committee member with a written copy of your testimony.

In addition to testifying on the findings of report 04-11, we would also appreciate receiving another brief update on the status of the error rates in the Food Stamp program from you or your staff. Please plan to incorporate this update into both your written and oral testimony at the hearing.

Please contact Ms. Karen Asbjornson in the office of Senator Carol Roessler at 266-5300 to confirm your participation in the hearing. Thank you for your cooperation and we look forward to seeing you on December 1, 2004.

Sincerely,

Senator Carol A. Roessler, Co-chair  
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Janice Mueller  
State Auditor



WISCONSIN STATE LEGISLATURE  
Joint Audit Committee

Committee Co-Chairs:  
State Senator Carol Roessler  
State Representative Suzanne Jeskewitz

November 19, 2004

Mr. Tyrone Dumas, Interim President  
Opportunities Industrialization Center of Greater Milwaukee  
3353 North Dr. Martin Luther King Jr. Drive  
Milwaukee, Wisconsin 53212

Dear Mr. Dumas:

The Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's recent letter report on the Opportunities Industrialization Center of Greater Milwaukee (November 2004.) This hearing will be conducted on Wednesday, December 1, 2004, at 9:00 a.m. in Room 411 South of the State Capitol.

As this report relates to the activities of your organization, we ask that you, and appropriate members of your staff and Board, be present at the hearing to offer testimony in response to the audit findings and to address questions from committee members. Before you begin testifying at the hearing, please plan to provide each committee member with a written copy of your testimony.

Please contact Ms. Karen Asbjornson in the office of Senator Carol Roessler at 266-5300 to confirm your participation in the hearing. Thank you for your cooperation and we look forward to seeing you on December 1, 2004.

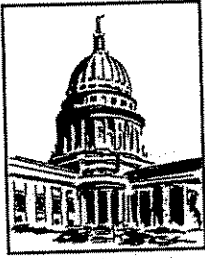
Sincerely,

Senator Carol A. Roessler, Co-chair  
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Representative Suzanne Jeskewitz, Co-chair  
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State Auditor



WISCONSIN STATE LEGISLATURE  
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State Senator Carol Roessler  
State Representative Suzanne Jeskewitz

November 19, 2004

Ms. Roberta Gassman, Secretary  
Department of Workforce Development  
201 East Washington Avenue, Room A400  
Madison, Wisconsin 53707

Dear Ms. Gassman:

The Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's recent letter report on the Opportunities Industrialization Center of Greater Milwaukee (November 2004.) This hearing will be conducted on Wednesday, December 1, 2004, at 9:00 a.m. in Room 411 South of the State Capitol.

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Sincerely,

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# The Roundup

by Michael Horne

November 15, 2004

## MORE OIC - GEORGE CONNECTIONS

Although the Gary George - OIC-GM connections are well documented, particularly those that have led to the convictions of George, Mark Sostarich and Carl Gee, recently-released audit information and other source documents indicate that perhaps the OIC-George connection needs to be further investigated. Nobody is accusing anybody of wrongdoing, but perhaps investigators should dig a little deeper into the dealings of George and those connected with him, if only to remove any hint of suspicion from settling on the mantle of the innocent.

Take, for instance, the relationship between Todd Robert Murphy, OIC-GM and Gary George.

Murphy was recently relieved of his Public Relations contract with OIC-GM, and was replaced by Martin Schreiber and Associates.

The recent audit of the OIC-GM accounts indicated that payments made by OIC-GM to TRM Marketing Consultants, Murphy's firm, were "unallowable expenses," according to Paul Steiber of the State of Wisconsin.

His review included two months during which Murphy received \$4,000 per month from OIC-GM. Was this a "cushy consulting job," as Leon Todd has suggested? Todd said the Murphy-planted cover story about OIC-GM that appeared in the Shepherd Express (and, interestingly, in newspapers in the African-American community) was "not enough" to save him his job.

According to the audit, OIC-GM was not authorized to hire a public relations consultant with W2 funds. The Ethics

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Board did not have a complete accounting of the amount of money Murphy's firm was paid over the years. The board was investigating "direct" payments, and Murphy's were considered "indirect." According to John Becker of the Ethics Board, the payments to Todd Robert Murphy's firm "were not something we focused on." Nor has the board "seen any checks," from OIC-GM to Murphy, he said.

One wonders if the State of Wisconsin Ethics Board should have done a better job reviewing its own documents, for the Statements of Economic Interests filed by George for the years 1999-2001 show that George received more than \$1,000 per year from Murphy's firm. It would be interesting to know how much exactly per year Murphy sent to George, and what he got in exchange.

George also reported receiving funds from Petrie and Stocking, the firm that employed Mark Sostarich, who gave George kickbacks from OIC funds.

George also received money from Coleman & Williams, Ltd., an accounting firm. Coleman & Williams also received money from OIC - to conduct an audit of the OIC books.

Isn't it odd that an accounting firm that received money from OIC-GM would also, coincidentally, be sending more than \$1,000 per year to George, who was systematically swindling OIC-GM out of money, with the connivance of Carl Gee, the group's director, and Mark Sostarich, the Petrie and Stocking lawyer?

Bill Coleman, of the accounting firm, said the relationship was quite innocent, and that he had hired Gary George to do unspecified legal work for his firm.

Since many aspects of attorney-client relationships are privileged, we'll have to take his word for it.

Still, workers at the Ethics Board, the United States Attorney's office and the Wisconsin Attorney General's office say they are taking a fresh look at the mutual connections between OIC, Gary George and others. Greg Hanstad of the United States Attorney's office asked to be faxed copies of the Statement of Economic Interests George had filed with the State Ethics Board listing Murphy.

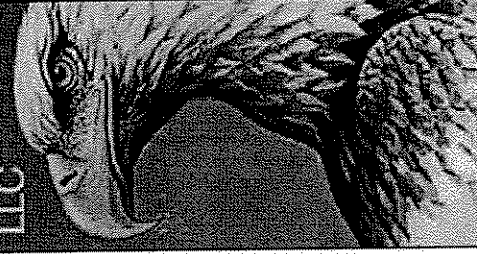
Todd Robert Murphy did not respond to repeated requests for his explanation. Tyrone Dumas, more than seven days ago, promised to respond to a request for information on OIC's dealings with Murphy. Nor did Martin Schreiber's office respond to the identical request for information, despite having been given ample time to do so.

The public demands an explanation of the many connections, and an accounting of the public funds that may have been involved.

Dumas says he has a 120-day plan to reinvigorate OIC-GM and return it to its original mission. He should begin with a thorough explanation of what his agency has been up to over the years.

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## ORLANDO'S DELI HAS NEW HOME

As you know, I have been interested in the fate of Orlando's Deli, which was having some landlord-tenant difficulties. It was quite a standoff, with both the landlord and tenant claiming that each was the worst the other had ever dealt with.

Good news for one and all, Maria Orlando has moved her shop into the old Aveni's Italian Specialties Store, 1664 N. Van Buren. Maria was there late Saturday evening, exhausted after loading up her new store with equipment, displays and food. She said she bought the place lock, stock and barrel, and it came loaded. The place, formerly Busalacchi's, is huge, and is filled floor-to-ceiling with baking pans, racks, dough mixers and any number of other cuisine artifacts. She could probably take up large-scale catering if she has a whim, and this is a woman with a whim of iron.

## SHEPHERD FORGETS SOMETHING

The Shepherd Express features its Readers' Choice awards this issue, with a particularly spare and attractive cover. If you look closely (or even from a distance) you will see that something is missing – the production people forgot to include the paper's nameplate on the cover. I hear Louis Fortis just laughed off the mistake, which would indicate it was probably his.

## DON HOFFMAN RETURNS

Don Hoffman used to work for the School Board in the job now held by Roseanne St. Aubin. Then he teamed up with Bo Black for a short-lived television program, and had an idea to sell discount theatre tickets at the Shops of Grand Avenue. All along, he restored a building on Brady Street.

Now he has returned as the impresario of "Q," which is proposed to be a gay newspaper – something this community has been without for about a year. He will team up with Carole Wehner, the real estate agent who ran against Ald. Mike D'Amato last year. Wehner's name is also on the FOR SALE sign in front of Hoffman's building at 911 E. Brady Street.

The money behind the project will come from Nancy Beutner Meeks, another real estate agent who says she really missed the print ads to the gay community that the gay newspapers used to bring her. Beutner's brother Jeff is the food reviewer for the Shepherd Express.

## MORE INTERESTING NEWS

Dr. Eckhardt Grohman has bought a pile of medical paintings to donate to Milwaukee School of Engineering.



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Grohman's collection, "Man at Work," featuring industrial scenes, is in the MSOE permanent collection, curated by John Kopmeier. The medical paintings are a natural fit for MSOE's school of nursing. The school also probably purchased the old Federal Reserve Bank of Milwaukee building at the northeast corner of Broadway and State Streets. It could be the new home of the campus artworks. ... Marilyn Marcione is no longer a reporter for the Milwaukee Journal Sentinel, but you might still see her byline there. She jumped ship from the daily paper and now writes, from Milwaukee, for the Associated Press. Toward the end of her career at the Milwaukee Journal Sentinel, she traveled with Tommy Thompson to investigate AIDS in Africa.

Her series never ran. Managing Editor George Stanley, who seems to be squeamish about things like AIDS and gay sex, asked her to "localize" the story. The "localized" version ran. ... The crummy 1960's facade is being scraped off the old First Bank building at 201 W. Wisconsin Avenue. The structure actually dates to the World War I era, and is of poured cement construction.

**ANOTHER KENNEDY GYP**

Straight from the mailbox, here is a letter from Ralph Greenberg, of Washington:

Hello Mr. Horne,

I've been following your articles about the case of James Kennedy. I myself purchased a Miro print on eBay from an antique dealer in Florida. After considerable effort, I determined that it was a fake. The antique dealer told me that he purchased the print from James Kennedy of Northbrook. This antique dealer has agreed to refund my purchase price. I've suggested to him that he may be able to get some restitution if he contacts the officials who are prosecuting Kennedy. I'm wondering if you could suggest who to contact and how one should proceed with this.

Sincerely yours,  
Ralph Greenberg

Milwaukeeworld.com passed this information on to Assistant District Attorney Kurt Benkley, who is prosecuting James Kennedy for numerous counts of forgery. (Use our Google search bar for previous stories about Kennedy.)

**[horne@milwaukeeworld.com](mailto:horne@milwaukeeworld.com)**

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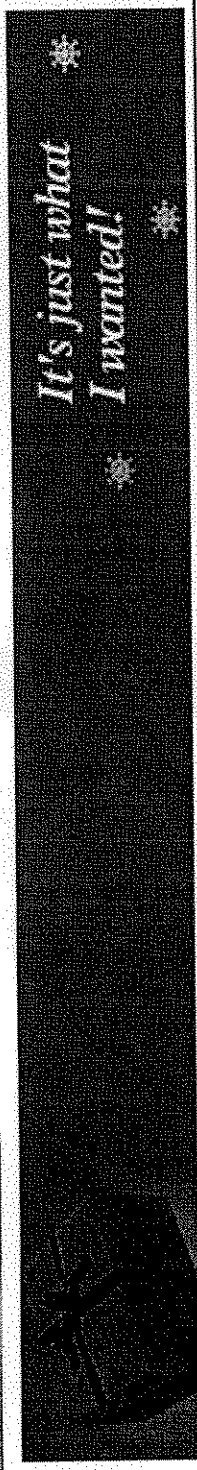
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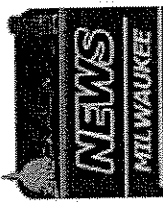
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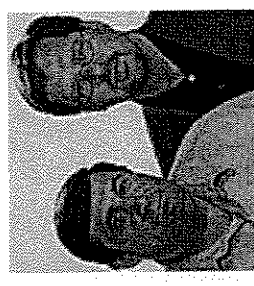
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## George kin aboard OIC gravy train

Posted: Nov. 13, 2004

### Spivak & Bice



**Cary Spivak & Dan Bice**  
E-MAIL | ARCHIVE

The gravy train known as the **Opportunities Industrialization Center of Greater Milwaukee** traveled farther than anybody imagined.

Buried in the working papers of state auditors, who recently scrutinized OIC, is the disclosure that two brothers of ex-Sen. **Gary George** were on the payroll of the beleaguered agency charged with helping folks find work.

OIC sure did its job for the George clan.

"One brother served as a consultant and an employee," state auditors found. "The other brother provided consulting services."

The total paid to the two brothers: more than \$163,000, some of it coming out of the agency's state contract to oversee the Wisconsin Works, or W-2, program.

Gary George - who's gone from one of Wisconsin's most powerful

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polo to just another convict - and his pal **Mark Sostarich** engineered a six-figure kickback scheme to line their pockets with OIC cash. George had been one of OIC's biggest champions, helping it land more than \$230 million in W-2 contracts.

George, Sostarich and ousted OIC boss **Carl Gee** have all been convicted of federal crimes.

Then, last week, the Legislative Audit Bureau disclosed that OIC paid \$275,000 to radio station WNOV-AM (860) and ex-Ald. **Mike McGee**, a politician-turned-WNOV radio talker known for inflammatory rhetoric. Of that, \$176,000 went to McGee's one-man corporation to do - well, the auditors are trying to figure exactly why that money was paid out.

Here's what the auditors found about the George brothers:

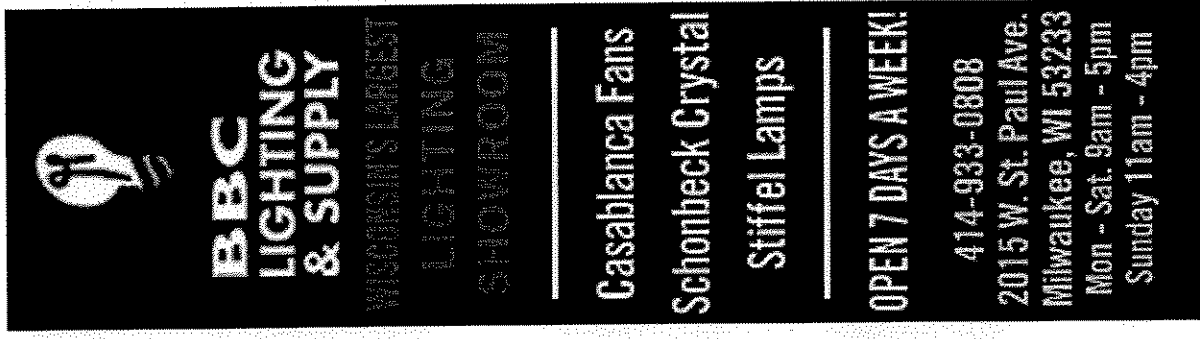
**Michael George** was paid up to \$150 an hour - for a total of \$76,830 - to perform various consulting duties between 1997 and 2002.

His most lucrative job was to coordinate the 35th anniversary celebration of OIC. He collected 32 grand for that gig.

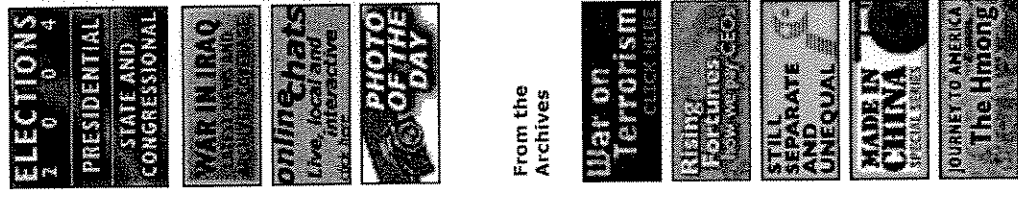
**Michael George** - a onetime accountant whose license has lapsed - picked up \$19,000 to help develop an accounting procedure manual and another \$18,000 to help prepare "for OIC of America National Executive Directors meeting."

We don't know what that means, so we called Michael George, who didn't call back.

As for **Mark George**, he was paid \$32,414 by OIC from September 1997 to April 1998 to install and upgrade a new phone system at the non-profit agency, charging \$75 an hour for his consulting work. He also pulled down more than \$54,000 during 1999 and 2000 as a store manager for **A-1 Cellular Communications** - an OIC subsidiary, according to the audit.



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The auditors found that OIC charged all of the money paid to Mark George for his phone consulting work to two of its W-2 contracts. None of Mark George's salary at A-1 came directly from W-2.

"However, it should be noted that W-2 funds were used to make payments to A-1 Cellular Communications Inc. for cellular phone charges," the auditors wrote.

The consulting fees for the other brother, Michael George, were paid out of a fund that included W-2 dollars.

Auditors didn't suggest there was anything illegal about the payments to the former senator's siblings, simply documenting the amounts and the work done.

Explaining why they scrutinized the payments, the auditors wrote, "Various questions have been raised about the appropriateness of business relationships between OIC-GM and relatives of a former state senator."

That was then - this is now.

**Tyrone Dumas**, who took the OIC reins last month, understandably had little to say about why his agency hired the George brothers.

"I don't know anything about the relationship beyond what I read," Dumas said Friday. "You're asking me to answer questions about the past. We're moving to change old practices, old structures, old things. We can't do them fast enough."

### **Riding into the sunset**

**James Klauser**, the architect of former Gov. **Tommy G. Thompson's** successful statewide campaigns, says he is hanging up his political cleats.

Shortly after this month's election, Klauser, chairman of **President Bush's** operation in Wisconsin, sent out an e-mail thanking the rest of the team and announcing that this was his last campaign. Those who received the swan song said Klauser - a **Wisconsin Energy Corp.** exec since 1998 - avoided being sentimental.

"It was short," said one leading Republican. "Just what you'd expect."

But some aren't buying it.

A few chalked the retirement up to likely frustration after Klauser and the rest of the GOP team failed to deliver the state to Bush, the second time the president has narrowly lost Wisconsin.












Besides, state GOP Chairman **Rick Graber** said politics is too much a part of Klauser's life for him to simply walk away from the game. In other words, expect a **Michael Jordan**-style "unretirement" in a future election.

"I don't put a whole lot of stock in it," Graber said. "Jim will be involved in Republican politics for a long time."

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