



OPPORTUNITIES INDUSTRIALIZATION CENTER

OF GREATER MILWAUKEE, INC.

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Testimony of Mr. Tyrone P. Dumas, Interim President Opportunities Industrialization Center of Greater Milwaukee, Inc. (OIC-GM)

Before the Joint Legislative Committee on Audit – December 1, 2004

I) Introduction

Madame Chairpersons – Senator Roessler, Representative Jeskewitz – members of the joint audit committee – good morning. I would also like to acknowledge the staff of the Legislative Audit Bureau, whose professionalism has been exemplary. Thank you for this opportunity to speak with you about Opportunities Industrialization Center of Greater Milwaukee, Inc., our current financial challenges and our recent state audit. We also are submitting a formal written report.

II) Purpose

The audit we are addressing today was undertaken as part of a comprehensive audit of the W-2 program at the request of the Joint Legislative Audit Committee. Much has happened at OIC-GM since this review began. I am Tyrone Dumas, and I serve as the Interim President of OIC-GM, a position that I've held since October 25, 2004. I would also like to introduce the rest of the OIC-GM team here with me today. Rev. Fred L. Crouther, OIC-GM Board Chair who will also address the committee and other members of the Executive Team, who will assist in answering additional questions you may have.

Organizational Overview

Together with the support of our leadership team and Board of Directors, we are conducting a full review of the OIC-GM & Affiliates financial, staffing and operational structure.

We are meeting with our funders to establish an understanding of our passion to be an outstanding provider of quality services to the Milwaukee community. The new board chair, Rev. Fred Crouther, and I recognize the need for prudent management and financial oversight of the contracts that have been entrusted to OIC-GM & Affiliates.

We are stewards and trustees of tax payer dollars and we want to assure you that these dollars will reach the people it is intended to assist toward self sufficiency.

Today, undoubtedly, OIC-GM faces the challenge of a new beginning. While this is a difficult time within our organization, we are committed to creating a better and stronger OIC. As an employer of over 350 people and a provider of W-2 services to over 5,000 participants, we are setting ourselves on a sound course by ensuring that our focus is on our mission. Our dedication and our vision is the elimination of unemployment, poverty, illiteracy, inadequate housing and to insuring a meaningful quality of life for families and individuals within our community by helping people help themselves and providing a hand up and not a hand out.

As we proceed with making many tough decisions, we do so with compassion, integrity and honesty. There will be an unavoidable human impact, as some services are trimmed and eliminated. We will, however, maintain and strengthen our commitment to our core mission.

Although OIC-GM is ending its current fiscal year with additional financial liabilities, we are reinforcing confidence with our creditors, lenders, bankers and funders in the viability of OIC-GM, and outlining a plan for our 2005 fiscal year to reflect a restructured and downsized organization. Sound fiscal management and efficiency are the keys as we maximize existing resources while getting ourselves on track.

It is certainly challenging to come into an organization after several months of leadership change and intense financial reviews by several major entities. Although these challenges create a climate of uncertainty, we continue to persevere each day. Our employees remain positive as we carry out our charge to place W-2 participants in family supporting jobs, work with youth in the Community Learning Centers and day care program, provide day program services for our disabled population, complete repairs under local and state home repair programs, and provide services through a network of community-based organizations.

Over the past few weeks, it has become clear that we face multiple challenges. In addition to liabilities identified in the LAB audit, we are faced with the loss of over \$13 million in funding as a result of proposed changes in modifications to our 2004 – 2005 contract as a W-2 provider.

III) Progress

Accordingly, the OIC-GM leadership team and Board advanced a series of administrative initiatives that will assist in our restructuring. They include:

- Implementing an immediate freeze and administrative review on all hiring and elimination of all non-essential spending.
- Instituting a procedure for the use of professional services agreements when professional services are needed by OIC-GM.
- Discussions and planning for stabilizing our fiscal structure with the assistance of a task force of our bankers – Marshall & Ilsley (M&I), Legacy and North Milwaukee State Banks.
- Initiation of a compensation study scheduled for completion by mid December 2004
- Realignment of the organizational structure to improve decision-making and accountability processes.
- Planning for reforms to financial systems following the completion of the audit by Virchow Krause & Company.
- Increased communication, partnership and oversight with DWD for management of W-2

I acknowledge that severe challenges lie ahead. Our fiduciary responsibility compels us to address the structural issues that surround our finances. I pledge to exert my energy and expertise to get those issues resolved. Be assured that this is an urgent concern on my part. The overall viability of OIC-GM and the services we bring together to improve the lives of many are at risk.

IV) LAB Recommendations and OIC-GM Response

Now turning to the LAB's recommendations from the audit report. I am pleased to report that OIC-GM continues to make progress. I will address the six recommendations pertaining to OIC-GM's administration of the Wisconsin Works Program.

- A) **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.
- **Recommendation** – The 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.
 - **Response** – The LAB staff provided clarity on the need to report full-time equivalent positions to provide consistency. We have put a process in place to consistently measure full-time equivalent positions that are funded directly and indirectly with W-2 funds 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 W-2 program.
- B) **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.
- **Recommendation** – The 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. Mark Sostarich.
 - **Response** – We are 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.
 - **Recommendation** – The 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 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.

- **Response** – Based on the issues identified by LAB and DWD, OIC-GM has conducted a review of the use of professional services. Corrective action is in place to ensure that no officer, board member or employee is a provider of paid professional services. Further, we have instituted 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 resolutions to these matters.
- C) **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.
- **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.
 - **Response** – OIC-GM leases space from The Garfield Foundation, Inc. (TGFI). The Foundation is a property title holding company. Properties are rented to OIC-GM & Affiliate programs at low or below market rates in order to pass on cost savings for program operations. We make a concerted effort to maximize resources available for our programs. This is a very cost effective use of resources by the W-2 program. OIC-GM is continuing to work with DWD to identify ways to consolidated services within locations to further reduce program costs.
- D) **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.
- **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.
 - **Response** –The telecommunications expenditures identified by LAB, while not inappropriate suggested that systems be in place so that more attention can be paid to limiting potentially unnecessary or excessive telecommunications costs in the future. The identified costs were in part, due to the implementation of a new telecommunications system implemented in 2003 to improve the efficiency and ability of our staff to work with W-2 customers and to reduce costs. Monthly system lease

costs alone resulted in a cost reduction \$12,496 per month. A Director of Information Technology and Telecommunications was hired in 2003. All services in this area were reviewed and realigned for more cost efficiency.

OIC-GM regularly evaluates costs and shops for competitive pricing. We have been working diligently to 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. The cellular phone policy was updated in November and the assignment of cell phones to staff was reviewed with a reduction in assignments to further reduce costs. 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.

- E) **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.
- **Recommendation** – The LAB recommends that the Department of Workforce Development require OIC-GM to repay \$6,930 in unallowable costs.
 - **Response** – After further review of these costs with the LAB review team, the identified costs were reclassified to the appropriate cost centers. The full amount will be refunded to DWD.
 - **Recommendation** – The 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.
 - **Response** – These costs while questioned were not disallowed. Information and outreach are ordinary and necessary activities for contract performance. The identified costs in these areas primarily relate to information and outreach through the use of public service programming on local radio programs used to reach central city W-2 customers. The format and content of the programs provided a forum for the dissemination of valuable information in support of self-sufficiency for central city consumers with a focus on the needs of the W-2 population. This vehicle also provided a forum for public comment for W-2 program improvement. We have discontinued the 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 provide additional information for consideration in resolution of these issues and to continue to develop ways to effectively reach central city W-2 customers.
- F) **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.

- **Recommendation** – The 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.
- **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.

V) Conclusion

In closing, we want to again thank the Legislative Audit Bureau for working with us to finalize the audit. We want to assure you that we will work directly with DWD and other departments to resolve all issues and concerns that have been identified.

We have a proud 37 year history of providing quality services to a diverse customer base in the central city of Milwaukee. The new leadership team is working diligently to revise and develop where necessary 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 our staff of over 350 employees, we look forward to a positive, successful future in Milwaukee, continuing to provide much needed services to its constituents.

The LAB made one other recommendation relating specifically to board issues. This will be best addressed by OIC-GM's board chair, Rev. Fred Crouther. Before we answer questions, I would like Rev. Crouther to address the Audit committee. Again, please refer to our written report for additional details.

Thank you

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Testimony of Rev. Fred L. Crouther

Board Chairman, Opportunities Industrialization Center of Greater Milwaukee, Inc. (OIC-GM)

Before the Joint Legislative Committee on Audit – December 1, 2004

I) Introduction

Good morning, Madame Chairpersons – Senator Roessler, Representative Jeskewitz and members of the joint committee. Thank you for this opportunity to speak with you about OIC-GM and the board issues highlighted in the recent state audit. I will also submit a formal written report.

II) Purpose

I am Reverend Fred L. Crouther, Pastor of New Covenant Missionary Baptist Church in Milwaukee and was recently selected to serve as Chairman of the Board for OIC-GM. I have served on the Board for more than 30 years but assumed leadership responsibilities in late October. I would like to address legal services expenditures as they relate to officers and board members, a matter highlighted in the Legislative Audit Bureau Report.

III) Progress

In the area of **Legal Services Expenditures** – Concerns were raised by LAB regarding the appropriateness of OIC-GM legal services expenditures paid out of W-2 funding. A major focus of these LAB concerns involved legal services payments made to an OIC officer and board member.

Given that federal regulations prohibit company officers or employees from providing professional services, LAB recommend that OIC-GM reimburse the State for \$113,200 paid to Richard Porter, former CEO and Board Chairman, for legal services.

The OIC-GM Board has taken corrective action to ensure that this practice is permanently ended and that the state will be fully reimbursed. We are also instituting administrative initiatives to ensure the integrity of our organization's leadership and account practices. The actions we have taken include:

- Richard Porter, whose legal service payments were called in question, no longer serves as an officer or board member for OIC-GM
- OIC-GM has discontinued all retainer agreements and instituted a procedure for the use of professional services agreements when professional services are needed.

- OIC-GM has ended its use of in-house legal counsel, and has instituted a policy to ensure that no officer, board member or employee provides paid professional services
- The Board of Directors of OIC-GM has re-committed itself to the long term viability of OIC-GM. By-laws of all OIC-GM and affiliates are also under review and board member functions are being clarified.
- Board committees have been activated and are meeting regularly and are taking a more active role in oversight of the organization which includes looking more closely at all aspects of the agency's operations and relations with other entities.
- A code of ethics has been drafted and will be implemented this year to further ensure the integrity of board members and officers
- The OIC-GM Board will aggressively recruit new board members to help provide fresh direction to the OIC-GM & Affiliates
- The Finance Committee has increased its oversight of all functions by initiating a review process for all current and future contracts, and past practices for the purchase of goods and services.
- Once the fiscal task force of our bankers is in place, the Finance Committee will work closely with them and the DWD fiscal oversight team to restructure and make necessary improvements in fiscal and overall agency operations.
- The Human Resources Committee will complete its review of new personnel policies and procedures and this document will be finalized before the end of the year. These policies and procedures have also been forwarded to the Special Monitor assigned to the agency by DWD.

IV) Conclusion

I would like to assure the Audit Committee that the new leadership of OIC-GM is committed to working closely with DWD, elected officials and other agencies to resolve past problems and alleviate all concerns. The Board of OIC-GM appreciates the gravity of the situation, and we will do everything in our power to ensure the long-term viability of OIC-GM and the support services that it provides to low-income Milwaukee residents. We believe in the core values of the organization and are honored to serve our community.

On behalf of the OIC-GM Board and the entire organization, thank you for allowing me the opportunity to speak before you today.

I would be happy to answer any questions you may have.

Thank you.

Rev. Fred L. Crouther, Board Chairman
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**OIC-GM & Affiliates
FACT SHEET
2002-2003**

Served 152,403 youth through various programs and services including mentoring, community learning centers, Safe n'Sound, day care, Warning Basketball League and food service programs.

Served 31,724 adults through various programs and services including adult day programs, weatherization and neighborhood improvement programs, neighborhood clean-ups, block club formations, and healthy marriage initiatives.

Served 120 disabled adults through day programs, recreation programs, supportive living and employment services.

Served 1,797,006 meals to low income children in day care centers, after school and summer recreation programs.

Provided **services to 14,585 job seekers** through W-2 and FSET services.

Weatherized or repaired 2,756 housing units to improve the lives of families.

Brought **\$2,810,909 in federal dollars into the Milwaukee** community

Placed **5,731 Job Seekers** in employment in the 2002-2003 contract year.

Key W-2 Benchmarks

Met benchmarks and achieved 180 day **job placement rates of 50.5% in 2001 and 40.6% in 2003**

Met benchmarks and achieved 180 day **job retention rates of 61.4% in 2001, 63.1% in 2002 and 63.4% in 2003**

W-2 Program Return on Investment (ROI)

For every dollar spent on the program in 2001, **\$0.47 was returned to the taxpayer** in tax savings for a 12 year savings of \$2.45 for every dollar spent.

Economic benefit and growth generated by each dollar was **\$2.48 for each dollar** spent.

THE WHEELER REPORT
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Wednesday, December 01, 2004

JOINT AUDIT HEARS FROM SECRETARY GASSMAN

The Joint Audit committee heard from Secretary Gassman today regarding the audit of Opportunities Industrialization Center of Greater Milwaukee (OIC-GM). The Legislative Audit Bureau found 7 major areas of concern within the state contract with OIC-GM and state funds. DWD has incorporated all 7 areas into their Corrective Action Plan.

The Corrective Action Plan includes:

- OIC-GM and all W-2 agencies to provide information regarding full-time equivalent administration and program staff positions.
- Reduction of \$293,008 from the next two months payments to OIC-GM to payback funds used in payment to Mr. Sostarich.
- Reduction of \$95,000 from the next two months payments to OIC-GM to recover legal fees paid to Richard Porter.
- DWD is seeking an additional \$50,000 for the funds paid to Porter since January 2004.
- DWD will now review all telecommunication expenditures for all W-2 agencies.
- Reduction of \$6,930 from the next two months payments to OIC-GM to recover unallowable costs.
- Request OIC-GM to either repay or provide more documentation regarding an additional \$86,375 in questionable costs.

DWD will be recovering \$444,623 in funds over the next two months. These are funds only outstanding to DWD, county and federal funds are separate from this amount. OIC-GM will be required to regain costs from individuals, not the state. In addition to the CAP, DWD has moved 2 full-time positions to Milwaukee to monitor OIC-GM activity on a daily basis.

Sen. Roessler and Sen. Darling expressed concerns over the make-up of the board and would like to see termination of employment for any members who were connected in any manner with the fraudulent activity and/or continues to display an attitude of lack of accountability. The agency has been requested to provide the committee with monthly updates regarding OIC-GM activities for the next year. DWD agreed.

FILED WITH JOINT FINANCE

Dept of Corrections. Request for 3.00 FTE PR-S positions to continue Title 1 education programs. The requested position authority would replace project positions that expired June 30, 2004. *Deadline for objections or requests for committee meeting is Friday, December 17, 2004.*

[Link to Releases](#)

PSC. To appeal court decision on Oak Creek power plants.

DPI. Alliance for Attendance Task Force work groups meet Thursday.

Wisconsin Technical College System. Board selects finalists for president.

Milwaukee Teachers Education Association. Responds to "sick out" rumor.

CRG Network. Affiliate to file signatures in two recalls.

Wisconsin Voter Lists. Voter list rip-off.

WISPIRG. Praises release of a plan for a clean energy future.

(END)

Original URL: <http://www.jsonline.com/news/metro/dec04/280282.asp>

Lawmakers lambaste W-2 agency

OIC should remove workers who resist reform, critics say

By STEVE SCHULTZE
sschultze@journalsentinel.com

Posted: Dec. 1, 2004

Madison - State lawmakers on Wednesday ripped a troubled Milwaukee social service agency for its mishandling of hundreds of thousands of dollars in welfare reform money and called for purging agency staffers with a bad attitude.

Though several high-level employees of Opportunities Industrialization Center of Greater Milwaukee have left in the wake of a criminal kickback scandal involving Wisconsin Works money, some remaining OIC workers have resisted state efforts to investigate and correct ongoing problems, legislators said during a hearing.

"There was not the proper attitude on the part of those being questioned" by state officials who oversee the W-2 program, said Sen. Carol Roessler (R-Oshkosh), the co-chairwoman of the Legislature's Joint Audit Committee.

"The defensive attitude on the part of that agency is so abhorrent - so wholly unacceptable."

Sen. Alberta Darling (R-River Hills) criticized OIC's improper use of W-2 money as "a travesty" and possibly a crime. Former OIC executives resisted the state's order to hire a new outside auditor for several months, and its 2003 annual financial report has not been completed.

"This doesn't sit well with taxpayers to just say, 'We are going to keep trying,'" Darling said.

"You should clean house so the community has the confidence (financial impropriety) is not going to happen again."

OIC was told by lawmakers to consider dumping employees who had any role in the improper spending outlined in criminal cases involving former state Sen. Gary R. George, former OIC President Carl Gee and ex-OIC attorney Mark Sostarich. OIC also should consider axing employees linked to other questionable spending outlined in a new state audit, lawmakers said.

A state audit last month faulted OIC for funneling about \$300,000 in W-2 money to George through Sostarich and also questioned the spending of some \$275,000 used to sponsor programs on WNOV-AM (860), including the "Word Warrior" show hosted by former Milwaukee Ald. Mike McGee.


The agency has been ordered to repay \$444,623 in W-2 money to the state. That money is to be deducted from OIC's December and January payments. The agency, with about 350 employees, may try to negotiate a longer payback period to avoid major layoffs and program cuts.

Workers defended












Tyrone Dumas, OIC's newly named interim president, said he may also appeal the state's order

Opportunities Industrialization Center

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to pay back \$86,000 given to WNOV and McGee in 2002 and '03. The agency maintains that the programs were good ways to reach W-2 clients or potential clients about the program. State auditors said, however, that little of the program content was specific to W-2.

Dumas pledged cooperation with state efforts but defended employees who had worked under Gee.

"When you are a worker in the field, you take your orders and you do your job," Dumas said. "I can't fault people in the field."

Gee resigned his post in the summer after his conviction for conspiracy and is to be sentenced later this month. George is serving a four-year federal prison term. Sostarich has also pleaded guilty in the scandal and is awaiting sentencing.

An irritated Roessler said some high-level OIC employees must have known W-2 money was being used improperly and failed to speak out. At the hearing, she had Dumas publicly identify four top staffers with him, all of them veterans of the agency.

In an interview after the hearing, Dumas said that was insulting and something not done to other groups criticized by state audits.

To avoid future problems, lawmakers called for OIC to install new board members with financial expertise and to seek temporary oversight help from local college professors. The agency also was told to provide monthly reports to the state on organizational changes and improvements.

Fred Crouther, a Baptist minister and OIC's new board chairman, was asked what financial background he brought to the post.

"Math was one of my poorest subjects in school," Crouther said. "I don't really try to get into accounting, management of funds. I know enough to keep it straight."

Besides ordering the money payback, the state last week announced that it was cutting \$13 million from OIC's \$85 million 2004-'05 contract. That sum and a portion of OIC's caseload are being given to YW Works, a subsidiary of the YWCA and a former W-2 provider. The state has not yet decided whether it will reassign another \$10 million from OIC's pact, said JoAnna Richard of the Department of Workforce Development.

Sen.-elect Lena Taylor (D-Milwaukee) said she was concerned that improperly spent W-2 funds would never be available for needy clients under OIC's payback order.

William Clingan, a state W-2 administrator, suggested that OIC try to recover the money from Sostarich and Richard Porter, a Milwaukee attorney and OIC's former board chairman. State officials said OIC must repay \$95,000 in legal fees paid to Porter because his dual role as an OIC lawyer and board member was a conflict of interest.

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DEC 09 2004

December 7, 2004

The Honorable Carol A. Roessler
Wisconsin State Senator – 18th District
Room 8 South – State Capitol
P. O. Box 7882
Madison, Wisconsin 53707-7882

Dear Senator Roessler:

This letter is a follow up to OIC-GM's December 1st hearing before the Joint Legislative Committee on Audit. A member of the Committee requested additional information regarding the consulting firm that is managing the Compensation Survey, which is currently underway.

OIC-GM selected Carlson Dettmann Consulting (CDC) for this project. We believe CDC is a qualified and reputable firm and one that, having recently completed a compensation study for the YWCA, is very familiar with jobs that are funded by the W-2 program.

We have enclosed for your review the product information page from the CDC marketing brochure, the study proposal, and the signed contract for services.

Please feel free to contact me if you need additional information.

Respectfully,



Tyrone P. Dumas
Interim President

Enclosures

Cc: Human Resources

Carlson Dettmann Consulting (CDC), a division of Survey Research Associates LLC, provides management consulting with primary expertise in compensation strategies and related business services. Our collective knowledge and experience, acquired through well known national and regional consulting firms, has accrued through many years of providing compensation counsel to employers throughout the Upper Midwest. We are qualified to understand the diverse characteristics of public, private, for-profit, and not-for-profit organizations, and their respective needs.

Compensation is a critical piece of overall human resource strategy. Because compensation is both visible and important to employees, a compensation program designed to communicate and reward strategic goals increases the probability that employees not only will understand what those goals are, but also will achieve them.

CDC focuses on the development of total compensation programs, including base pay plans, executive compensation, incentive compensation, job evaluation, and marketplace competitive review as well as closely linked programs such as organizational planning, supervisory training, and performance management systems. We will assist you in the development and measurement of programs for compensating, motivating, and continuously improving the performance of employees at all levels of the organization.

Our professionals work closely with your management team to deliver proven professional and technical expertise in the definition, diagnosis, and design of the compensation planning and management process. Whether developing your overall pay strategy, designing new programs or communicating and administering existing programs, we will provide the personal follow-through necessary to help you achieve your organizational goals and desired business results.

Executive Compensation

To ensure that your organization attracts, retains and motivates the most qualified leaders in a manner acceptable to owners, shareholders and regulatory authorities, CDC will work to develop stock and cash based plans (including related accounting, tax and regulatory issues) that support the objectives of the organization and enhance value for the owners.

Base Pay, Job Evaluation and Alternative Compensation Systems

With considerations such as marketplace conditions, regulatory, organizational, cultural, and other internal and external requirements, we will work with both management and employees to develop the appropriate system for your organization, meeting the unique needs of your organization and supporting your underlying compensation philosophy.

Performance Management

Our consultants will work with you to develop a performance management system, including training and documentation, that supports and strengthens the link between individual job performance and overall organizational success.

Management Consulting

We will work with you to analyze and improve the operational structure of your organization, including accountability management, marketplace definition, operating efficiency, and other strategic business objectives.



**Opportunities Industrialization Center
Of Greater Milwaukee**

Proposal for Compensation Study

July 29, 2004

Preface

The following is a proposal for Carlson Dettmann Associates LLC (CDA) to assist OIC-GM in assessing, designing and implementing a comprehensive compensation program. Your executive group, and in particular the Human Resources Department, has a goal of creating a comprehensive compensation philosophy accompanied by a coordinated methodology that will result in a unified compensation system for all positions. Carlson Dettmann is aware that there are a number of key, strategic objectives, as summarized below:

Market Competitiveness - to maintain a competitive position in the job market for all key, benchmark jobs.

Useful Infrastructure - develop pay ranges designed to enhance recruitment and retention of all positions.

Internal Equity - revising position descriptions and modifying the compensation program for all employees.

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Job Evaluation System

I. Executive Summary

A. Background

Opportunities Industrialization Center of Greater Milwaukee (OIC - GM) is a community economic development corporation that provides services to individuals and families in the greater Milwaukee area. Programs include education, job training and economic development. OIC - GM is the largest organization of it's type in the United States.

OIC - GM has maintained an informal pay program for many years. Given the depth and breadth of the range of services the organization provides, and the number of employees, and unique job titles (over 100 at present), management is finding increasingly difficult to manage its compensation programs in the current manner.

Any problems that now exist relative to employee compensation will become greater, as the organization expands. Therefore, it is necessary and desirable to implement a sound compensation program to ensure consistent and equitable treatment of all employees and that OIC-GM's compensation program is competitive to other established organizations and businesses in the same labor markets.

B. Objectives

As part of the present activities, you must ensure an adequate description of each position, establish equitable internal relationships, determine the rates of pay for such positions by other employers in the organization's recruitment area, establish salary/wage ranges and appropriate policies and procedures governing pay for all employees. In addition, you will need to develop the capability of select OIC-GM staff in managing and maintaining the new salary administration program.

C. Scope of the Project

The project will be applicable for all positions at OIC-GM. The study should clearly indicate the changes that need to be made in order to maximize the impact of compensation on employee performance commensurate with the organization's overall operating objectives.

D. Methodology

CDA proposes to conduct this study through a series of steps--

- ✓ Employee Communication
- ✓ Job Description Review/Revision
- ✓ Market Surveying
- ✓ Pay Structure Development
- ✓ Development of Pay Policies and Procedures

E. Time and Cost

The time required for this project--through the delivery by the consultant of a final report--is estimated to be 15 weeks. The cost of the project, assuming all positions (approximately 100 unique titles) are to be included as part of the study, our fees for the project described herein will not exceed \$25,000 plus reimbursement for consultant out-of-pocket expenses. Normally,

our fee for a project of this scope would not be less than \$35,000. Carlson Dettmann has taken OIC-GM's non-profit status into consideration and has reduced your fees for this project.

II. Objectives of the Study

The following are seen as the principal objectives of this study.

- A. Develop current and accurate position descriptions (duties, responsibilities, organizational relationships, and the like) on all positions covered by the study. OIC-GM staff will ensure that accurate descriptions are completed and available.
- B. Evaluate all positions in a uniform manner, so as to establish equitable internal relationships.
- C. Establish, through market studies of comparable "benchmark" positions, the prevailing rates of pay for positions similar to those employed by the organization.
- D. Develop a set of policies and administrative guidelines for all employees which will be based on a combination of factors including, particularly, the relative content of the positions, and the prevailing market practices, the philosophy of the organization with respect to base and variable components of compensation, and the individual performance of position incumbents.
- E. Provide the necessary manuals, communication materials and other techniques for system continuity, and train the appropriate organization staff in ongoing management and maintenance of the system that is installed.
- F. Complete the study within 15 weeks of the start.

III. Proposed Methodology

A. Outline of Our Approach

CDA proposes to conduct this study in a series of steps, beginning with the assurance of current and accurate position descriptions and culminating in a compensation administration plan that is suitable to the nature of the organization, their policies and their capabilities.

The steps to completion of this project will be as follows:

- Organization of the project.
- Employee communication.
- Assurance of accurate position descriptions.
- Determination of relevant, market pay practices.
- Determination of appropriate pay guidelines for all position classifications.
- Analysis of current pay practices vis-à-vis the identified policies and objectives. Determination of transitional steps to be taken.
- Communication strategies and methods to announce results of the study to the various employee groups.

B. Specific Steps

Our specific approach to each of these steps will be as follows:

1. Project Organization, Assignment of Responsibilities

An initial meeting(s) is required with the appropriate client representatives to ensure mutual understanding concerning responsibilities between the organization and the consultant. Specific items to be addressed are--

- The timetable for the project, overall and interim steps.
- The extent to which OIC-GM will actively participate, and who among your employees shall be trained in the ongoing maintenance of the program developed.
- The scope and extent of the study, e.g., which positions to be included and what elements of a total compensation program to be developed.
- The manner of gathering position description information.
- The manner of evaluation, particularly, which employees will be selected to serve on evaluation committees, where the committees will meet, the sequence of evaluations, etc.
- The philosophy of the organization regarding employee compensation, and how compensation should vary based on responsibility, performance, etc.
- The scope and use of a survey of market pay data.
- The policy of the organization with respect to correcting inequities that are identified.
- The manner of communicating project progress to employees.
- Any other consultant or client concerns.

2. Initial Employee Communications

There should be an initial communication - to all employees affected by the study - in written form or a series of meetings - to outline the reasons for the study, the manner in which it will be conducted, the approximate time involved and the results to be expected. The purposes of this communication are to dispel rumors and to minimize feelings of concern or anxiety on the part of employees.

The specific communication content and approach will have been worked out in the previous step and may include a series of employee meetings, forum-style, held on organization time, to which employees may come and ask questions.

3. Ensure Accurate Position Descriptions

It will be a key requirement to ensure that all position descriptions are accurate and up to date. To the extent that position descriptions are out of date or do not exist, we can gather descriptive data through the use of questionnaires and interviews. However, with the organizational responsibilities in a state of flux, OIC-GM we recommend that your staff complete accurate job descriptions prior to CDA starting this project. If helpful, we can provide some data gathering tools for OIC-GM to use the development of descriptions.

Should it be necessary for Carlson Dettmann staff to assist in the development of a wide range of job descriptions, our suggested approach will be to have representative position incumbents complete structured questionnaires, which the consultant will provide, regarding their positions. The consultant staff and others, if feasible, will conduct follow-up interviews with selected incumbents and/or supervisors to ensure accuracy of the questionnaire process.

4. Evaluate the Positions

In evaluating the positions, we will use the CDA point-evaluation system using the factors of formal preparation and experience, decision-making, thinking challenges and problem solving, interactions and communications, and work environment. An explanation of this method is included here. The method has been proven successful and equitable in a broad variety of client assignments that we have conducted in the public and private sectors.

Our evaluation methodology utilizes the so-called "Webers Law" concept of discernible differences in job content, and it classifies each separate position appropriately on a scale of discernible differences for each compensable factor, so that all positions will be rated appropriately in relationship to each other.

We recommend the evaluation be conducted by one committee for all positions. The committee would be made up of managers/executives drawn from all departments, working under the leadership of the consultant. The exact make-up can be determined in the initial planning meeting.

The general approach to evaluation will be to (1) evaluate the top tier of positions, (2) evaluate a sampling of positions at all levels within each major department, so as to establish a matrix of position relationships, (3) confirm evaluation accuracy and consistency for the matrix, and (4) complete the evaluations for all remaining positions.

Note that this approach responds to several concerns:

- The evaluation committee will be chosen to ensure a balanced and objective interpretation of position contents.
- There are checkpoints along the way, to ensure accuracy and the opportunity to monitor progress of the study.
- There will be continuity of process, hence, consistency among departments.
- All position relationships will be established entirely based on position content.
- The evaluation committee, or appropriate human resources staff, will receive sufficient training to allow them to function independently after completion of the initial study.

5. Determine Prevailing Market Pay Levels

Concurrent with the evaluation process, the consultant will develop market-related pay requirements for all jobs that can be safely compared across employer lines (called benchmark positions). It is our firm conviction, based on our experience, that pay levels must be cognizant of actual, prevailing market rates, to avoid the excesses of paying either too high or too low. Consequently, we include a market study in all of our consulting projects of this type, and we find this data to be useful and used by all clients, public or private. (Refer to Section VI - CDA - Qualifications and References.) In this study, we want to determine going rates for positions in each of your areas of employment, and the rates for certain of your more generic positions from local and national surveys, both public and private sector.

CDA is highly experienced and equipped, technically, to conduct the kind of market survey required for this study, to interpret the results, and to recommend the manner of their use in establishing pay guidelines for the future.

6. Develop Policies and Guidelines for Administering Pay to Employees; Analyze Current Practice to Identify Corrective Actions Required

Our analyses--position evaluations and market comparison--will show the extent to which current pay levels are inequitable and/or noncompetitive. Comparisons are made possible through the combination of point values and pay levels. Internally, a comparison shows the extent to which pay and point value relationships are consistent/inconsistent. Where higher rated positions are paid less than lower rated positions, the result is an inequity that must eventually be dealt with.

We will discern, from organization management, the type of compensation program desired, and we will recommend a specific pay administration system. This may be formal grades and ranges, or it may be a series of pay "zones" by evaluated content.

The pay systems so developed will be compared with current, individual rates of pay, and a program of correctional adjustments will be recommended, so as to bring practice in line with intent. This recommendation will include timetables and costs.

7. Communications Strategies and Methods

We will recommend an approach to communicating with your various employee groups to inform them of the results of the study and the anticipated actions for fulfilling your basic objectives.

8. Final Report

We will accumulate the results of all foregoing steps into a final report that will also serve as an administrative manual in the years ahead.

C. Organization--Staff Requirements:

1. Carlson Dettmann Associates LLC

In performance of the foregoing tasks, CDA will assign three consultants, one of whom will be the Project Leader and the others the Project Consultants. The Project Leader will be the principal contact with OIC-GM and will be chiefly responsible for all planning and execution. The Consultants will, at the discretion of the Leader, assist in gathering information, leading evaluation sessions, conducting market research, etc. The résumés of the CDA consultants are included below. The assignments for this project are--

Project Leader.....Scott M. Dettmann

Project Consultants (to assist as needed).....Brian Ronk
.....

Scott M. Dettmann

.....is Vice President and Principal Consultant of Carlson Dettmann Associates LLC. He holds a Master's degree in business administration from Drake University and a Bachelor's degree in business administration from the University of Wisconsin.

Scott's professional background includes human resource and line management positions with several nationally known manufacturing and service concerns.

He has experience in all phases of wage and salary program development, performance appraisal, surveys, individual and group incentives, position evaluation and employee involvement programs. In his present position, Scott provides compensation and employee relations counsel to employers throughout the Upper Midwest.

Brian Ronk

.....is an Associate Consultant for Carlson Dettmann Associates LLC. In his present position, Brian assumes responsibility for conducting and analyzing compensation surveys and developing salary administration and employee relations programs for clients throughout Wisconsin.

Brian has a Master's degree in Industrial Relations as well as a Bachelor's degree in Psychology, from the University of Wisconsin - Madison. After the completion of graduate studies, Mr. Ronk was employed by a Milwaukee - based human resource-consulting firm, where he developed expertise in position evaluation, market pricing, and pay structure development. He also gained labor relations experience through prior employment with a large Midwestern manufacturing organization and a statewide labor union.

2. OIC-GM

The Organization will need to assign several people to the project, as follows:

- A project coordinating committee, which can be convened frequently on short notice to meet with, give direction to, and interact with the consultants.
- Personnel to arrange employee meetings, coordinate the questionnaire process and preparation of position descriptions, and perform miscellaneous, necessary administrative tasks.
- Individuals, presently unidentified, to serve on the evaluation committee(s). These individuals are typically chosen by the members of the project coordinating committee.

IV. Time Schedule

CDA is prepared to begin work on this project within two weeks of acceptance of this proposal. We believe it possible to complete the study within 15 weeks, provided there are no undue delays in the process. We recommend starting after OIC-GM has completed their current reorganization process. It must be recognized, of course, that completion of the project will depend upon our ability to mesh everybody's schedules so as to complete the position descriptions and evaluation portions of the project on time, and to be able to establish and stay with a communication schedule.

V. Cost of the Project

The fee estimate provided is based on the assumption that there will be approximately 100 positions included in the study after the reorganization and consolidation of position titles has occurred. The fee estimate provided presumes the position evaluation process will take place at OIC-GM's offices in Milwaukee. If the scope of the study is significantly altered from these assumptions or if OIC-GM significantly increases or decreases its level of involvement, a new fee estimate will be necessary.

The fee estimate for the proposed project will be \$25,000 plus reimbursement for consultant out-of-pocket travel expenses, which should be minimal.

Payment Method

Carlson Dettmann Associates requires payments to be made in five installments with an initial payment of \$5,000 upon acceptance of this proposal. Subsequent payments of \$5,000 will be invoiced at 30 day intervals for the next three months with final payment invoiced after CDA has delivered our draft final report.

VI. Carlson Dettmann Associates LLC - Qualifications and References

CDA offers as its qualifications the following:

- Over 50 years' experience in providing consulting services to leading public and private organizations in the Upper Midwest.
- Over 50 years' experience directing and conducting surveys of current salary patterns on a local, regional and national basis. In addition, CDA has access to other quality surveys conducted on both regional and national bases.
- CDA's concern for attention to client needs during its assignments. A distinctive characteristic of every assignment is the involvement of client personnel and the communication of programs once they are completed.
- Emphasis in developing programs and systems which are easily understood, implemented, communicated and maintained.
- Expertise of CDA consulting staff that has been gained from numerous classification and pay study consulting assignments conducted for public and private institutions.

**CARLSON
DETTMANN**
CONSULTING

August 10, 2004

Ms Claudetta Wright
Vice President of Human Resources
OIC – GM
3353N Dr. Martin Luther King, Jr. Drive
Milwaukee, WI 53212

Dear Claudetta,

Congratulations on your decision to proceed with the compensation study as outlined in our proposal dated July 29, 2004. We are very pleased you have selected Carlson Dettmann to assist you with this important project.


Pursuant to our conversation of August 9, 2004, I wish to take this opportunity to explain our billing process, and give you assurance that we will tie our invoicing activities with the achievement of important project deliverables. Per our proposal and agreement, OIC-GM will be invoiced in 5 equal installments, \$5,000 each, starting with the project inception, invoices two through four will follow on 30-day intervals, and the final invoice will be provided upon delivery of our project report. Expenses (and they should be minimal, consisting mainly of mileage to and from our offices in Madison) would be included in invoices two through five. As the Project Director, I will take care to note on each invoice the work that has been accomplished as of the invoice date, so you may track our work progress and compare to the timeline agreed to at project inception.

Please confirm our engagement by signing and returning a copy of this letter at your earliest convenience.

Thank you for your confidence in our firm. I look forward to meeting with you and Harriett Johnson on Thursday, August 12, at 1:30 p.m., so we may begin this most important study.



For OIC-GM

 8/12/04

For Carlson Dettmann Consulting



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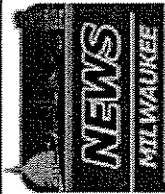


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OIC dream may have been nothing more than a mirage

Gee's legacy at agency unravels under scandal, state audits

By LEONARD SYKES JR.
lsykes@journal sentinel.com

Posted: Dec. 5, 2004

He boasted privately and on rare occasions in public said that he was an heir apparent to the legacy of the Rev. Leon Sullivan.

Advertisement

Even today, months after Carl Gee's resignation as head of the Opportunities Industrialization Center of Greater Milwaukee, his relationship to the late Philadelphia minister is often compared to a son following in the steps of his father.

Opportunities Industrialization Center

On paper, at least, there appeared to be a

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tangential relationship.

OIC-GM over its 37 years in Wisconsin built its reputation on job training and employment. Of the 75 industrialization centers worldwide - 59 of them in the U.S. - one fact stood out over the years of Gee's watch. Milwaukee's OIC appeared to be the closest to the model that the late Sullivan envisioned.

Sullivan never hesitated to point to Milwaukee with pride, as Gee himself was always quick to point out.

"Rev. Sullivan provided the road map, and I just followed," Gee said during a ceremony two years ago honoring his agency's 35-year anniversary in Milwaukee.

OIC-GM had the appearance of a self-sustaining social service agency with a private business component that ultimately would sustain its mission of training and serving the disadvantaged.

But in the months and days before his sentencing, as the multimillion-dollar agency unravels under a scandal and state audits, another more telling revelation is emerging: OIC-GM, the Sullivan dream that Gee engineered for 32 years, may have been nothing more than a mirage.

The federal sentencing hearing for Gee, former president and chief executive officer of OIC-GM, will be held Wednesday before U.S.



Photo/File

Carl Gee, former head of the OIC, will be sentenced on Wednesday. He is shown in a 1993 photo.

Recent Coverage

- 12/1/04: Lawmakers lambaste W-2 agency
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- 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
- 10/29/04: OIC may not receive new funds for '05
- 10/2/04: Spivak & Bice: Opportunity knocks twice for Carl Gee

District Judge Rudolph Randa.

At no other time have the OIC mission and its chief executive officer been under the glare of public scrutiny as much as they are now.

In August, Gee was convicted in a jury trial of participating in a kickback scheme with former state Sen. Gary George that helped funnel nearly \$500,000 illegally to George and to a television station in the Caribbean controlled by George's family.

George is now serving a four-year sentence in a federal prison in Minnesota.

But as Gee awaits his sentence, critics say, it has become apparent that his case is as much about his relationship with George as it is with OIC's purported mission of job training and mismanagement.

Gee's legacy at OIC-GM has staunch supporters, and equally staunch critics.

The Rev. Fred Crouther, pastor of New Covenant Baptist Church and current chairman of the board at OIC, insists the organization and its leader can withstand the criticism.

It isn't the first time the agency has come under fire and it probably won't be the last, Crouther said in an interview at OIC's administrative offices with interim CEO Tyrone Dumas.

"I think that was Carl's philosophy," Crouther said. "You get such a bad rap in the media (that) the best way to survive is to stay focused. If you can't talk about the good, it's best not to talk about it at all."

Nonetheless, there are some who believe that the scrutiny is overdue.

"Everyone talks about a legacy. What legacy? Everyone there who is slugging it out has benefited financially either directly from OIC or their family members have," said Walter Farrell, who was a professor at the University of Wisconsin-Milwaukee when a chair honoring Sullivan was established.

"Those are the people who will speak out. But for the rank and file, the masses - those who should have benefited - they don't know what OIC does. And with (OIC's) job placement rates,

9/22/04: State tells W-2 agency to improve
8/28/04: Kane: Agency carries on with important mission, despite troubles at top

their own evaluations show that."

At 63, hit with his first conviction and the possibility of prison time, Gee voluntarily resigned in August. The scandal has thrown Gee, who declined to be interviewed for this article, into a public arena, an area he has steered clear of.

Gee came to OIC in 1968, giving up a career as a draftsman and designer at Allis-Chalmers. He began as a curriculum writer with OIC, which was then headed by James Milsap.

Sullivan began the first OIC in Philadelphia in the 1960s after organizing a boycott of companies that would not hire minorities. The idea of OIC's mission grew from the realization that many of the underprivileged who were unemployed weren't trained for the jobs that opened up.

By the mid-70s, however, many of those programs were no longer struggling poverty agencies; instead they had become self-perpetuating business, said Michael Rosen, an economics professor at the Milwaukee Area Technical College.

"OIC had really adopted this corporate model," said Rosen. "Even to the point of the bifurcation of their salary structure, where the CEO is entitled to make double-six-figure kind of money. And yet the people at the bottom - those really doing the work - made nothing."

The OIC board fired Milsap in 1968 for fiscal irresponsibility and insubordination. Four years later, Gee became its CEO.

But controversy followed Gee. In 1993, former employees and trainees raised concerns about poor training, poor success rates and falsified numbers of trainees finding jobs.

Gee, nevertheless, survived the criticism and steered OIC into its greatest funding base - the W-2 contracts with the state.

A state audit last month faulted OIC for funneling about \$300,000 in W-2 money to George through OIC attorney Mark Sostarich and also questioned the spending of some \$275,000 to sponsor programs on WNOV-AM (860), including the "Word Warrior" show hosted by former Milwaukee Ald. Mike McGee.

Last month, it removed at least one-third of OIC's 4,641 Milwaukee County W-2 families, a

figure that could rise to two-thirds starting next year.

Dumas said it's now time for OIC to envision itself "after W-2." But envisioning OIC without Gee may be more problematic because of his close association with the agency.

"Carl is a very quiet man," said Dumas. "He always set directives about what he wanted to accomplish, and confident. Whatever he was achieving. If you saw him walking down the street, you never would know that he achieved all these things.

"You couldn't tell by the clothes he wore or the car he drove that this was a man who had built such a successful enterprise."

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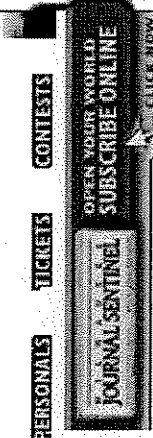
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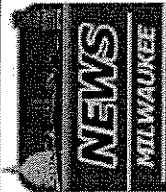
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THIS STORY

Talker McGee suspended for on-air obscenity

WNOV-AM owner hasn't decided whether 'Word Warriors' will return

By STEVE SCHULTZE
sschultze@journal sentinel.com

Posted: Dec. 3, 2004

Radio talk show host Mike McGee was silenced Friday, a day after he referred to state lawmakers on the air using an obscenity that might violate federal broadcast law.

Advertisement

McGee's "Word Warriors" show was suspended for his use of the F-word, said Jerrel Jones, owner of WNOV-AM (860). Jones hasn't decided when - or whether - McGee will return.

Radio

Recent Coverage

Dec. 3: Radio host McGee calls lawmakers obscenity on air

While he understands McGee uttered the offensive word in the heat of the moment, "the bottom line is, I'm not going to risk my FCC involvement,"

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Jones said, referring to his Federal Communications Commission broadcast license. "I've had it now for 35 years. I'm walking on eggshells with the FCC . . . I know the rules."

The FCC bans obscene language and restricts use of indecent language from 6 a.m. to 10 p.m. to protect children who might be listening. An FCC spokeswoman said Friday that the agency had not received any complaints against McGee or WNOV about his Thursday remark.

Jones said, however, that he had been deluged with complaint calls Friday, prompted by a report in the Journal Sentinel. Jones offered an apology to listeners of McGee's show and pledged there would be no repeat of such language.

Jones also said he would issue an on-air apology Monday.

McGee, in a phone interview, was not apologetic.

He defended his use of the F-word, saying he meant that legislators were stupid. He quoted one dictionary definition of the word as "a stupid person."

"It was offensive and it was meant to be offensive, based on (legislators') stupid actions related to OIC," he said, referring to a central city social service agency under fire for its misuse of Wisconsin Works welfare reform money.

Opportunities Industrialization Center of Greater Milwaukee has paid McGee \$176,000 in taxpayer money from the W-2 program to sponsor his Thursday show from 1997 through last year and paid the station another \$98,000 to sponsor a second program during the same period.

The agency also came under fire for poor performance as a W-2 provider and for its role in a kickback scheme that paid former state Sen. Gary R. George nearly \$300,000 through an intermediary. State auditors also questioned attorney fees paid to ex-OIC Board Chairman

Richard Porter.

McGee repeated assertions he made on his Thursday program that the criticisms of OIC were racially motivated. The center has a predominantly African-American staff and clientele.

"White people hate black people, and they hate black leaders more than anything," McGee said Friday. "That's what it comes down to."

McGee said he had "voluntarily suspended my show" for the sake of the radio station. Jones said he ordered the suspension.

Changes possible

Jones said he would review tapes of McGee's show before deciding next week whether to put McGee back on. McGee said he had hosted the program since 1992, after serving as a Milwaukee alderman.

Jones said if he puts McGee back on the air, he would install a delay device so any offensive words blurted by McGee or callers could be bleeped. He also said he wanted to change the show so that sponsors paid the station rather than McGee.

Until now, McGee has been responsible for rounding up his own sponsors and handling all aspects of the program, Jones said. According to state records, OIC was paying about \$600 for each two-hour McGee show it backed.

Jones said the W-2 money the station received barely covered expenses for the shows. But he said auditors were wrong in concluding the shows offered little specifically relevant to W-2 clients.

"It's a quasi public service," Jones said. "There's not a dime in this kind of thing."

Jones said McGee's remark was prompted by righteous indignation over the state action against OIC.

"He just got hot about it; he just felt it was so unfair what happened," Jones said. The state has trimmed the center's W-2 contract by \$13 million and may cut by up to \$10 million more. The

industrialization center also has agreed to cut off its sponsorship of McGee and WNOV programs.

Jones also said McGee's sometimes strong language - including this week's obscenity and referring to blacks as "niggers" - was more acceptable to his largely African-American audience than to a broader audience.

Supporters of Mark Belling, a conservative talk radio host on WISN-AM (1130), have complained of an unfair standard in which Belling was criticized and punished for referring to Hispanics as "wetbacks" while McGee had not been similarly punished.

Belling, who was suspended for five days last month, declined to comment when contacted Friday.

Told Friday of McGee's latest comments, state Sen. Alberta Darling (R-River Hills) said: "We must be onto something if McGee comes on so strongly to us."

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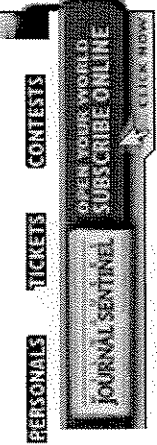
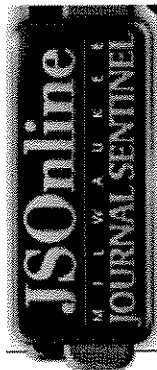
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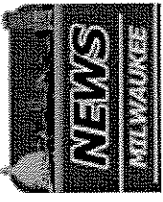


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OIC loses more of its W-2 contract

State takes away another \$10.1 million and 2,000 clients

By STEVE SCHULTZE
sschultze@journalsentinel.com

Posted: Dec. 9, 2004

The state will strip another big piece of its Wisconsin Works contract from Opportunities Industrialization Center of Greater Milwaukee next year, state officials said Thursday.

Advertisement

The center has been under fire for poor performance in the W-2 program and for mispending hundreds of thousands of dollars in taxpayer money. Under the latest action, it will lose another \$10.1 million in state funding and nearly 2,000 clients for 2005.

Another current W-2 provider, United

OIC

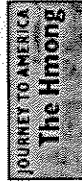
The Bottom Line

- The OIC will:
- Have less than \$16.6 million.
 - Have fewer than 2,000 clients.

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Migrant Opportunity Services, is being tapped to take over those clients and money.

In a move announced late last month, OIC also lost a \$12.7 million piece of its 2005 contract to YW Works. Both UMOS and YW Works were faulted for shortcomings in their W-2 work in previous years.

The bottom line for OIC: It's left with \$16.6 million and fewer than 2,000 clients next year, keeping about 40% of its funding and clients.

The actual financial hit of the latest cut might be offset a bit for the industrialization center. Under Thursday's action, OIC will continue to provide some client assessments and job workshops by subcontracting with UMOS. No dollar figure was provided for that.

The welfare reform program provides job-boosting skills and other services to low-income, jobless parents, the vast majority of them women.

Cutting OIC's contract again was necessary because the industrialization center needs more time to fix financial and service problems that have dogged the agency over the past year, said William Clingan, administrator for the state Division of Workforce Solutions.

"We believe that having OIC maintain overall management of only one W-2 region at this time is the best solution toward helping OIC achieve future stability," Clingan said in a letter Thursday to the troubled agency. The state divides Milwaukee County into six service regions for W-2.

Linda Sowell, a spokeswoman for OIC, said the agency would work hard to smooth the transition for clients and employees, some of whom are expected to switch to other agencies picking up the slack.

OIC officials "are working hard to try to get their arms around it," Sowell said of the state cuts. "The participants and employees are still being taken care of."

Nonetheless, Pam Fendt, a University of Wisconsin-Milwaukee researcher and member of committees that monitor W-2, said the state's moves mean a rough 2005 for OIC clients.

The program "is really just cobbled together," Fendt said.

Major reorganization

Four private firms will run the program here next year with a diminished role for OIC, a beefed-up presence for UMOS and a renewed prime contractor role for YW Works, a subsidiary of the YWCA.

The state also is requiring that OIC pay for an independent accounting firm to run its finances, that three state on-site monitors watch over day-to-day operations and that OIC subcontract with two temporary help agencies to find jobs for participants.

The fourth local W-2 firm, Maximus Inc., is not affected by the changes.

The industrialization center's slimmed-down W-2 role means that it is left essentially with the same smaller service territory in Milwaukee's central city that it served from the onset of W-2 in late 1997 until last year, when it was awarded a greatly expanded role.

It's been a bumpy ride for OIC since then, as its role in a kickback scandal emerged in felony cases involving former OIC President Carl Gee, former state Sen. Gary R. George and Mark Sostarich, a private lawyer for the agency. All three were convicted.

Prosecutors said George got more than \$270,000 in W-2 money from OIC, funneled through Sostarich.

The agency has been ordered to repay some \$440,000 to the state in improperly spent W-2 money, including the kickbacks, as well as other attorney fees and a portion of the \$275,000 OIC has paid to sponsor former Milwaukee Ald. Mike McGee's "Word Warriors" talk show and a second program on WNOV-AM (860).

In his letter to OIC interim President Tyrone Dumas, Clingan praised the agency for steps it has taken to straighten out the agency in recent weeks, including adoption of an ethics code and new spending controls.

Those steps are "critical to OIC's success and to re-establishing the agency's reputation," Clingan said.

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STATE POSTPONES ITS DECISION ON OIC'S FATE; Gov. Jim Doyle and his top aides face a daunting game of musical chairs among Milwaukee's welfare reform agencies, as they ponder replacing an errant Wisconsin Works contractor with another flawed firm. Or bringing in a new W-2 player. Or standing pat and hoping for the best. By Steve Schultze, MILWAUKEE JOURNAL SENTINEL

12-1-04

Bobby Peterson - info only → submitted written
Public Interest Lawyer testimony

- Has had concerns about the Family Fiscal Unit for over a decade.
- 1,100 incorrect denials between Nov. ^{Jan. 04} '99 - July 04
- Believes that CARES is not fixed - thinks people are still being denied inappropriately.
- WS slipping when compared to other states.
- Families owed an apology
- Worker re-training needs to occur
- find families that were inappropriately denied.
- Has recently found 3 cases in NW Wis. that were inappropriately denied.

Submitted
written
testimony

Charity had to leave (WI. Council on Children + families)
John Peacock testifying in her absence.

- Heartened by fact that the Audit did not find evidence of fraud. Yes, a few errors, but not intentional fraud.
- You get what you pay for. WS doesn't pay a lot for MA administration.
- P. 2 of testimony - MA administration ~~range~~ ranking re: spending
- People who are denied BC - don't go away. They show up in the ER as a source of primary care.

no written
testimony -
copy of op
ed piece.

Michael Jacob - covering kids + families
- New organization / project funded by Robert
Wood Johnson foundation, approx. 2 yrs. old.

- Employer Verification form: concerns.
- Form was put into place before audit done.
- Feels that form is causing people to not enter programs.
- Form is an artificial barrier to allowing people into the program.

Jesk: mentioned that DHFS has concerns in this area as well.

- Form created to fix a problem that was not there. Audit proves there was / is no fraud problem that needs fixing.
- Jesk - requested that DHFS distribute a copy of the form to audit committee members.

TO: Carol, Jennifer
FROM: Karen
Re: OIC- GM Summary of Letter Report

Overview:

- Largest provider of W-2 services
- Awarded contracts totaling \$231.5 million since 1997
- Audit of OIC-GM undertaken as part of comprehensive W-2 audit
- Relationship with other companies
 - Complex
 - Include subsidiary, affiliates and ownership interests in other organizations
 - OIC-GM paid these companies at least \$2.1 million
 - Potential for OIC-GM and associated organizations to financially benefit through noncompetitive subcontracts
- LAB questions \$421,200 in state and federal funding paid for legal services
 - \$308,000 questionable work inadequately supported
 - \$113,200 paid to an officer of OIC-GM not allowed under federal regs.
 - \$330,700 paid for telecommunications in 2002-03
- \$1.2 million in expenditures for transactions
 - \$6,900 charged to W-2 program unallowable
 - \$86,400 questionable because excessive, extraordinary or unnecessary to agency operations
- 1967 OIC-GM established
 - Community training and development corporation
 - Private, not-for-profit
 - 3/97 DWD selected OIC-GM and 4 other private companies to deliver services in Milwaukee County under W-2 program
 - Milwaukee County divided into 6 regions and contracts
 - 5 contracts since 1997 total value of \$231.5 million
 - Since 1/04 provide service to approximately 50% of W-2 participants in Milwaukee County or 40% of total WI caseload
- Joint Audit Committee approved request to audit of OIC-GM
 - Letter report we have now is limited to financial review
 - Full report next year will include a review of OIC-GM performance in serving W-2 participants
 - Separate report because
 - Questions – has all state, federal and local funds involved in illegal kickbacks scheme and several individuals convicted of felony conspiracy with misappropriation of state and federal funds
 - Concerns raised about appropriateness of expenditures made with public funds
 - 9/04 DWD required OIC-GM to complete a corrective action plan to improve financial performance because DWD concerns:
 - Allocation of administrative costs
 - Specificity of retainer agreements with attorneys
- 2/04 DWD told OIC-GM have to use an accounting firm selected by DWD for 2003 financial audit.

Revenue and Expenditures:

- 3/97 -8/98 \$2.4 million
- 9/97 -12/99 \$57.2 million
- 1/04 – 12/05 \$84.4 million

- OIC-GM 2003 financial audit not complete at time of review
- OIC-GM also received funding for
 - DOA – weatherization assistance
 - DPI – food programs for kids
 - Milwaukee County/City of Milwaukee - community development and improvement programs
- 1998 through 2002 (some not this same range – see each bullet)
 - 71.1% increase salaries and fringe
 - 104.7% increase participant training, food and support services
 - 93.5% increase in materials and supplies
 - In 2002 expenditures exceeded revenues – obtained short term loans from local banks
 - Staffing
 - 178 ('98) to 316 ('02) say increase because staffing other programs
 - 9/04 14 staff paid \$60,000 or more annually (4 of them paid over \$100,000)
 - Does not include Carl Gee salary because he resigned 8/04 – convicted of felony conspiracy charges
 - In '03 Mr. Gee's salary was \$202,020 - \$155,700 paid with W-2 funds
 - DWD unable to locate staffing plans submitted by W-2 agencies for 02-03 contract period, but provided staffing plans for 04-05 contract period
 - 04-05 contract period: 197 FTE supported by W-2 program
 - Average 29.7 participants per FTE staff person
 - OIC-GM has more participants per FTE staff than Maximus and Umos
 - Higher ratio of participants to staff DOES NOT necessarily indicate lower level of service.
 - Materials and Supplies
 - Increase because weatherization materials purchased
 - Expenditures for participant cash benefit payments declined by \$3.5 million because number of W-2 participants receiving cash benefits declined from '98 to '02.
- 6 regions
 - 3 OIC-GM
 - 2 Maximus
 - 1 Umos
- Information collected by DWD is inadequate because it: (Recommendation on this – page 8)
 - Is limited to anticipated, rather than actual, staffing levels;
 - Does not provide uniform information on the type of staff hired, including administrators and direct service providers; and
 - Typically does not include administrative staff, such as accountants and procurement specialists, who support W-2 operations but whose salaries are charged as indirect costs.

RECOMMENDATION: We recommend 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.

Associated Organizations

- Page 9-10 flow chart and description of subsidiaries and affiliated organizations
- 10/04 OIC-GM hired Tyrone Dumas to take over interim president – annual salary \$165,000 (former MPS employee) – He has been invited to speak in addition to DWD.

Payments to Related Organizations

- Identified \$2.1 million payments OIC-GM made to subsidiaries and associated organizations
- Not able to identify payments that OIC-GM charged to W-2 program as indirect costs.
 - Estimate 02-03 indirect costs totaled at least \$4 million and \$123,800 represents payment to Garfield Foundation.
- Not improper that affiliates providing services using state and federal funds but must be:
 - Reasonable
 - Needed for agency performance and operations
 - Adequately documentation
- Overlapping leadership potential for benefit through noncompetitive subcontracts

COSTS:

- 1. Legal Services**
- 2. Leased Space**
- 3. Telecommunications**

Legal Services Expenditures

- 11/03 US filed charges
 - Mark Sostarich, atty
 - Gary George, kickback
 - Carl Gee – defrauded state
- Richard Porter also paid legal services
- Description of contract terms with attorneys: "In ongoing business, corporate and other legal matters"
- 2004 ended use of in-house legal counsel
- Used retainer/per month fee because felt cheaper given amount of legal work needed.
- Page 16 shows rates paid to attorneys
- 10/04 DWD notified OIC-GM provide documentation showing all of its legal retainer agreements amended to explicitly state number of hours anticipated to be worked and the type of legal services to be provided each month.
- LAB estimates that state and federal W-2 program funds paid for \$667,283, or 60.2% of OIC-GM's total legal costs
- LAB questions payments to Sostarich and Porter under federal regulations
- 8/04 DWD disallowed \$215,997 because inadequate documentation for these services

- LAB estimates from 97-03 payments of \$307,984 made to Sostarich for questionable work inadequately supported (recommendation on this – page 19)

RECOMMENDATION: We recommend the departments of Workforce Development, Administration, and 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.

- LAB will work with other agencies to ensure they have adequate info

- Believe legal services paid to Porter while chaired OIC-GM board are unallowable under federal regulations
- LAB estimates state and federal funds used to support payments for legal services totaled at least \$113,200. (recommendation on this – page 20)

RECOMMENDATION: We recommend the departments of Workforce Development, Administration, and Public Instruction require Opportunities Industrialization Center of Greater Milwaukee, Inc., to reimburse the State for \$113,200 in state and federal funds used to 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.

Leased Space

- 9 properties leased (page 21)
- Estimate in 02-03 contract period \$11,400 paid with W-2 funds for executive office space owned by former president
- OIC-GM leased far more than Maximus and Umos but has administrative responsibility for 3 of 6 regions.
- Rent per square foot for OIC-GM space lower than other two agencies.

Telecommunications

- Costs include expenditures for local, long distance and cellular.
- OIC-GM substantially higher telecommunications expenditures than other W-2 agencies.
 - OIC-GM spent 66.1% more than Maximus
- Disparity in telecommunications expenses – more attention paid to limiting unnecessary or excessive telecommunications costs. (recommendation on this – page 23)

RECOMMENDATION: We recommend 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.

Questionable Costs Charged to W-2 Program

- Used DWD W-2 financial manual to test OIC-GM appropriateness
- Cost reasonableness points – page 24
- Reviewed 303 transactions (\$1.2 million) – questioned 24 transactions
- Unallowable costs identified \$6,930 (recommendation on this – page 25)
 - \$5,532 payments to consulting service related to Workforce Investment Act (not W-2)
 - \$1,118 in bank fees for checks written with insufficient funds
 - Late charges totaling \$145 paid to a vendor that rents copier machines to OIC
 - \$135 paid to City of Milwaukee for towing charges of a van to transport W-2 partic.

RECOMMENDATION: We recommend the Department of Workforce Development require Opportunities Industrialization Center of Greater Milwaukee, Inc., to repay \$6,930 in unallowable costs

- Expenses inappropriate if they are excessive, extraordinary, unnecessary to agency operations, or not supported by adequate documentation.

- Question potential unallowable \$86,375 in costs. (recommendation on this – page 25)
 - \$75,100 sponsorship of programming at local radio station
 - \$9,015 editing OIC-GM's response to DWD's request for proposals
 - \$1,900 excessive payments for van transportation to W-2 participants by a subcontractor
 - \$360 in retail supply purchases – no invoice or receipts found

RECOMMENDATION: We recommend 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.

Advertising and Information Expenditures

- 7/00 audit report raised concerns about large advertising and information expenditures
- OIC-GM's expenditures were more than 9 times the average for the other 3 agencies
- 02-03 contract period: 92.1% (\$75,100 of \$81,523) spent was related to sponsorship or programming on a local radio station
 - \$40,650 paid to local radio station
 - \$34,450 Word Warriors – 2 hour talk show
 - \$650 weekly broadcast "keys to W-2" – 2 hour program – W-2 seldom discussed
- W-2 is an employment program intended to assist participants in achieving self sufficiency through employment – does not appear radio programs' content sufficiently targets purpose of W-2 or justifies expenditure (recommendation on this – page 28)

RECOMMENDATION: We recommend 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

- **Last page of report is a table of unallowable and questionable costs.**