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Details: Follow-up: Letter Report (November 2004), Opportunities Industrialization Center of Greater Milwaukee

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Joint

(Assembly, Senate or Joint)

Committee on Audit...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Record of Committee Proceedings

Joint Legislative Audit Committee

Follow-up: Letter Report (November 2004),
Opportunities Industrialization Center of Greater Milwaukee.

March 2, 2005

PUBLIC HEARING HELD

Present: (10) Senators Roessler, Cowles, S. Fitzgerald,
Miller and Lassa; Representatives Jeskewitz,
Kaufert, Kerkman, Travis and Cullen.
Absent: (0) None.

Appearances For

- None.

Appearances Against

- None.

Appearances for Information Only

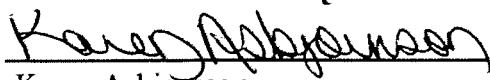
- Janice Mueller, Madison — State Auditor, Legislative Audit Bureau
- Paul Stuiber, Madison — Legislative Audit Bureau
- Roberta Gassman, Madison — Secretary, Department of Workforce Development
- Bill Clingan, Madison — Division Administrator, Division of Workforce Solutions, Department of Workforce Development
- Nancy Buckwalter, Madison — Bureau Director, Bureau of Wisconsin Works (W-2), Division of Workforce Solutions, Department of Workforce Development

Registrations For

- None.

Registrations Against

- None.


Karen Asbjornson
Committee Clerk



**OPPORTUNITIES INDUSTRIALIZATION CENTER**

OF GREATER MILWAUKEE, INC.

Corporate Office3353 N. Dr. Martin Luther King Jr. Drive • Milwaukee, Wisconsin 53212
414 908-3300 • Fax 414 908-3485 • TTY 414 908-3241**Administrative Office**2835 N. 32nd Street • Milwaukee, Wisconsin 53210
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November 22, 2004

Mr. Jim Doyle
Governor, State of Wisconsin
115 East State Capitol
P.O. Box 7863
Madison WI 53707

Dear Governor Doyle,

The Opportunities Industrialization Center of Greater Milwaukee, Inc. (OIC-GM), has a longstanding commitment to the Milwaukee community. The organization's primary mission of "self-help" has provided the foundation for OIC-GM to ensure that it provided real and relevant quality services and products over its 37 years of serving the community.

The current contract year of 2004, has proven to be a difficult and challenging time for OIC-GM in its quest for administering the Wisconsin Works (W-2) program, with the initial identified benefit deficit. OIC-GM's W-2 program has made significant progress in addressing the benefit deficit through effective caseload reduction. This has continued to exemplify OIC-GM's ability to meet the needs of the community in a dignified manner.

However, OIC-GM has had to deal with these types of uncontrollable variables from the start of the year. As you may know, the organization has been under constant scrutiny, criticism and attacks by bureaucrats, funding sources and the media. Because of these issues, the Board of Directors of OIC-GM recommends discontinuing its operations in Region 1 and Region 4, effective January 1, 2005.

OIC-GM desires to retain Region 3. We have demonstrated that we can effectively administer the W-2 program in Region 3, with appropriate resources from the State.

Sincerely,

Rev. Fred L. Crouther
OIC-GM Chairman of the Board

REVEREND LEON H. SULLIVAN, FOUNDER

Reverend Dr. Fred L. Crouther, Chairman of the Board Tyrone P. Oumas, President Georgie M. Cameron, Senior VP/COO Cordelia I. Ekwueme, Senior VP/CFO

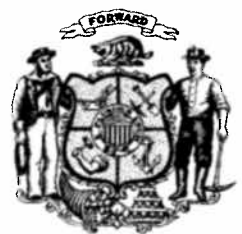
An Equal Opportunity Employer

Copies:

Roberta Gassman, Secretary
Bill Clingan, Division Administrator
Tyrone P. Dumas, President/OIC-GM
Georgia Cameron, COO/OIC-GM
Michelle Buckingham, W-2 Administrator/OIC-GM
OIC-GM Board of Directors



WISCONSIN STATE LEGISLATURE



Jim Doyle
Governor

Roberta Gassman
Secretary



State of Wisconsin
Department of Workforce Development

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**CHRONOLOGY OF DWD ACTIONS TAKEN WITH OIC-GM SINCE
DECEMBER 2003
11/23/04**

December

- DWD notified OIC-GM that DWD will audit the use of W-2 funds and payments to relatives of Gary George.
- DWD alerted OIC-GM that they would be required to employ an on site special monitor to oversee program compliance.

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- DWD inserted special language into the two-year W-2 contract with OIC-GM, stating that the Department may reconsider the extension of the W-2 contract beyond the initial contract year (2004).

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- DWD's Legal Counsel issued a letter to OIC-GM confirming DWD's contract language with OIC-GM requiring three separate audit and monitoring actions:
 1. Requiring a single agency audit with an independent audit firm, Virchow Krause;
 2. Requiring a financial monitoring entity, SFS Group LTD, to review all OIC-GM fiscal systems; and,
 3. Notifying OIC-GM that DWD would send its own internal auditors to OIC-GM to monitor procurement process, billing and retainers.

August

- DWD disallowed \$215,997 in W-2 costs associated with illegal payments made in relation to the Gary George and Carl Gee indictments and \$58,780 in costs related to the failure of OIC-GM to engage a new audit firm in a timely manner as required by the Department.

September

- DWD took the unusual step of issuing a letter to OIC-GM requiring that they submit a Corrective Action Plan (CAP) to DWD; this CAP eliminates the ability of OIC-GM to have a "right of first selection" for any future W-2 contracts (OIC-GM is the only W-2 Agency, among 48, that has been placed under a CAP this year). The CAP requires a series of program and financial actions by OIC-GM within strict timeframes as a condition for continued operation of the W-2 contract.

-- more --

October

- DWD issued a follow-up letter to OIC-GM's inadequate CAP specifying additional required actions by OIC-GM.

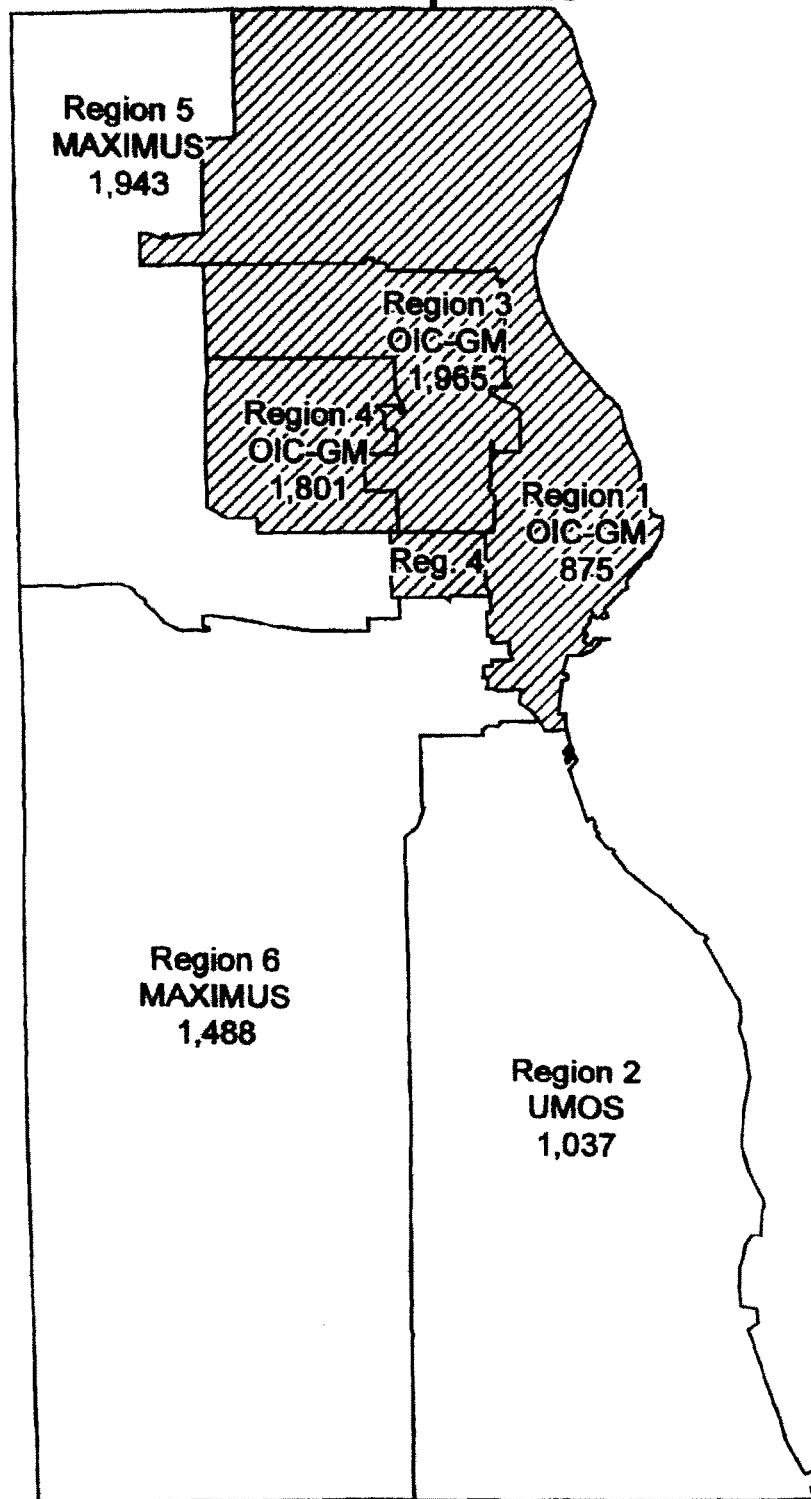
November

- DWD's executive management team met with OIC-GM's top leaders to review the seriousness of the outstanding issues before OIC-GM and to inform OIC-GM of additional fiscal and program management oversight steps that DWD would be taking.
- DWD rejected OIC-GM's appeal of the DWD audit decision requiring OIC to repay \$215,997 in funds claimed for legal expenses between 1997 and 2002.
- LAB review of OIC-GM's administration confirmed DWD findings regarding the need for improvements in the fiscal management of the W-2 program in Regions 1, 3 and 4 in Milwaukee.
- DWD informs OIC-GM that all financial audit findings by LAB will be incorporated into the Corrective Action Plan.
- DWD issues letter to OIC-GM noting that the geographic responsibilities of OIC-GM will be changed with Regions 1 and part of Region 4 being transferred to YW Works. Additional fiscal oversight, job development management and program management are also ordered. DWD will work with OIC-GM and other entities to develop a plan for the best delivery of services in Region 4, excluding its southeast corner, for the balance of the current W-2 contract.

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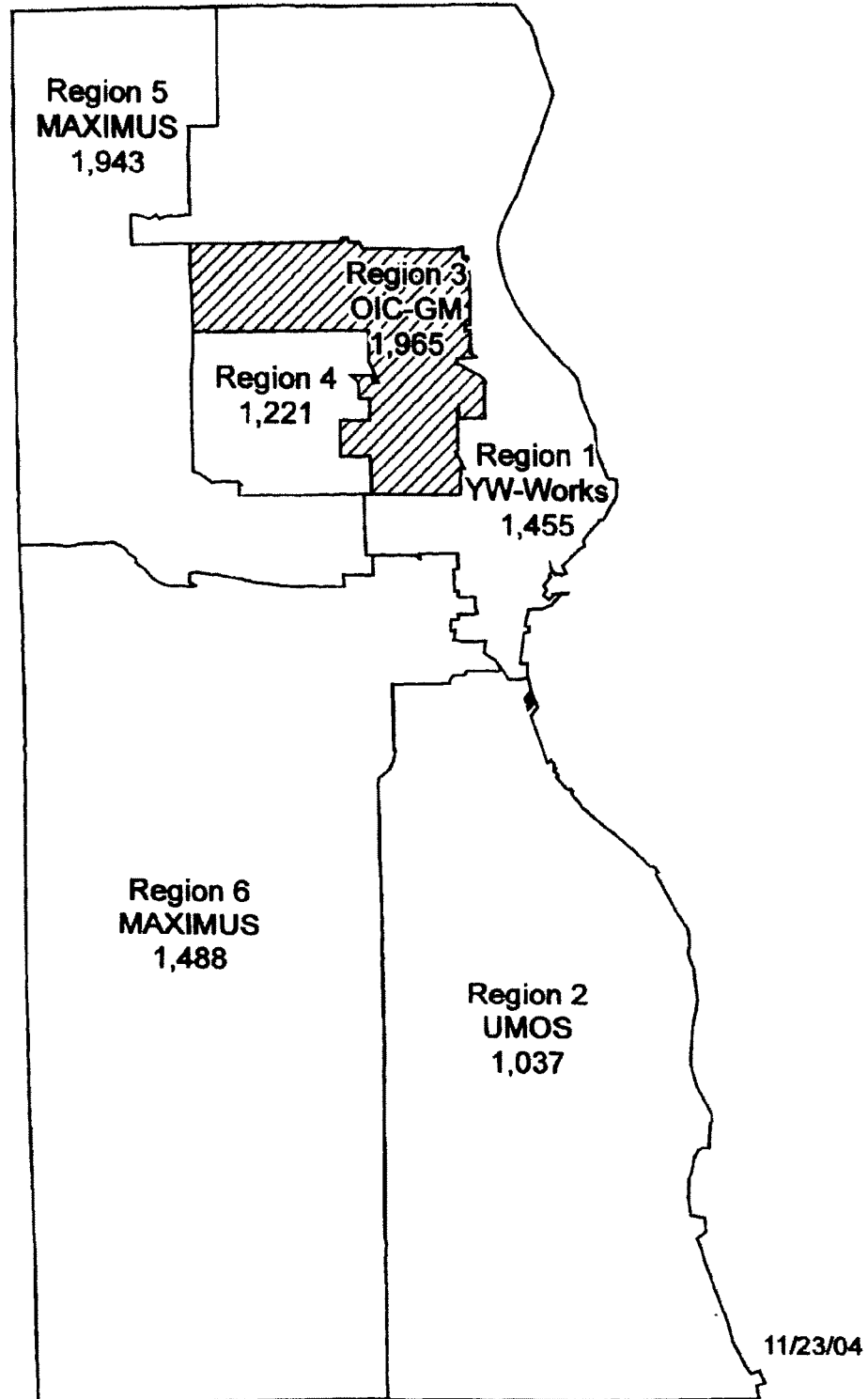


Current Milwaukee W-2 Regions Paid Participants



11/23/04

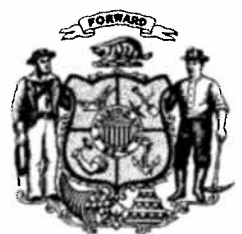
New 2005 Milwaukee W-2 Regions Paid Participants



Wisconsin Department of Workforce Development, Bureau of Workforce Information
Data source: October 2004 W-2 Participant Universe



WISCONSIN STATE LEGISLATURE



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State of Wisconsin
Department of Workforce Development
Jim Doyle, Governor
Roberta Gassman, Secretary

**Testimony of Secretary Roberta Gassman
Wisconsin Department of Workforce Development
December 1, 2004
Joint Audit Committee Hearing on Legislative Audit Bureau Letter Review of
OIC-GM**

Good morning Co-chairs Senator Roessler and Representative Jeskewitz and members of the committee. I appreciate the opportunity to appear before you to provide an update on the Department of Workforce Development's efforts to improve operations of the W-2 program, specifically regarding the financial operations of Opportunities Industrialization Center of Greater Milwaukee, Inc (OIC-GM).

We appreciate the work of State Auditor Janice Mueller and LAB staff to bring this matter before you. I look forward to updating you on our department's progress regarding the W-2 program and OIC-GM's current contract for 2004 – 2005.

I also appreciate your understanding of my tight schedule today. From here I must travel to Chicago to present to the Joyce Foundation. As you know, Joyce has been very generous to Wisconsin. I apologize in advance for having to dash out of here at 9:30 a.m.

Bill Clingan, our Division Administrator for Workforce Solutions, is here to present additional information and to answer any questions that you may have.

As you know, DWD is charged with overseeing the W-2 program, which involves substantial federal and state funds for connecting low-income people to work and lives of economic self-sufficiency. W-2 is one of Wisconsin's most important programs, especially as state leaders are working hard to grow Wisconsin's economy.

DWD and the Doyle administration are committed to the W-2 program and continually strengthening it. DWD believes that W-2's emphasis on jobs and job development is the most important aspect of the program and we believe that W-2 must work in **all parts of our state**.

The Wisconsin economy has recently shown greater strength and the highest job growth in the Midwest. Our state's unemployment rate has sustained some of the lowest levels in the past three years.

This year, particularly given the rebound in Wisconsin's economy, DWD has asked all W-2 agencies to focus on the workforce attachment goals of the W-2 program.

We are pleased that since this past spring, nearly 1,000 of Wisconsin's paid 12,000 cash benefit participants have been connected with employment.

Without our partners and our strong relationships with counties and W-2 providers, we could not have accomplished this. We continue to work with our partners to strengthen our system and ultimately connect low-income parents to work.

We have advanced to Governor Doyle recommendations that he consider in the 2006-2007 state budget for initiatives to better connect participants to work such as Workforce Attachment and Advancement (WAA), transportation, job loans and a "trial jobs plus" initiative.

Now let me address DWD's work with OIC-GM during the current two-year contract.

Last December, as DWD was about to sign a two-year contract with OIC-GM, public disclosures by the U.S. Attorney uncovered financial improprieties at OIC-GM. DWD, therefore, added provisions to the contract requiring three audits, a special monitor, increased financial and program oversight and a provision allowing DWD to reconsider the extension for the W-2 contract beyond the initial contract year into 2005.

Last August, we disallowed \$215,997 in W-2 costs associated with illegal payments and \$58,780 in costs related to the failure of OIC-GM to engage a new audit firm in a timely manner as required by DWD.

For the past year DWD has been engaged in an aggressive effort to assure that OIC-GM provides the best possible W-2 services to its participants in a manner that finds jobs for recipients and uses public funds wisely.

In September, we took the unusual step of issuing a letter to OIC-GM requiring that they submit a Corrective Action Plan (CAP) to DWD; this CAP eliminated the ability of OIC-GM to have a "right of first selection" for any future W-2 contracts (OIC-GM is the only W-2 agency, among 52, that has been placed under a CAP this year). The CAP required a series of program and financial actions by OIC-GM within strict timeframes as a condition for continued operation of the W-2 contract. - *only agency in state under a CAP*

In November, I met with OIC-GM's top leaders to review the seriousness of the outstanding issues before OIC-GM and to inform OIC-GM of additional fiscal and program management oversight steps that DWD would be taking.

After the LAB review of OIC-GM's administration confirmed DWD's findings regarding the need for improvements in the fiscal management of the W-2 program in Regions 1, 3 and 4 in Milwaukee, we informed OIC-GM that all financial audit findings by LAB would be incorporated into their CAP.

Last week, I issued a letter to OIC-GM noting that DWD will be changing the geographic responsibilities of OIC-GM with Regions 1 and part of Region 4 being transferred to YW Works. I also directed additional fiscal oversight, job development and program management.

I would now like to update you on developments regarding the seven recommendations made in the LAB letter report.

1) Regarding the recommendation that DWD 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, I offer the following:

- Under the DWD-issued CAP, OIC-GM is required to provide this information; and
- In an administrative memo to be issued December 21, DWD will require this annual information of all W-2 agencies.

- 2) Regarding the recommendation that the departments of Workforce Development, Administration, and Public Instruction require OIC-GM to reimburse the State for \$293,008 in state and federal funds used in payments to Mr. Sostarich, DWD notified OIC-GM this month that these funds will be deducted from the next two months of OIC-GM's 2004 – 2005 contract reimbursement. 293,008
- 3) Regarding the recommendation that the departments of Workforce Development, Administration, and Public Instruction OIC-GM 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, DWD has taken the following actions for our portion of the \$113,200:
- \$95,000 in legal fees to Richard Porter have been disallowed and will be recovered in the next two months of OIC-GM's 2004 – 2005 contract reimbursement; and, also 95,000
 - DWD is seeking the amount paid to Porter from W-2 funds since January 2004, an additional \$50,000.
- 4) Regarding the recommendation that DWD closely review the telecommunications expenditures that agencies charge to the W-2 program and the procedures W-2 agencies use for allocating telecommunications costs across programs, this will be incorporated into our fiscal oversight of all W-2 agencies.
- 5) Regarding LAB's recommendation that OIC-GM repay \$6,930 in unallowable costs, DWD has notified OIC-GM that these funds will be deducted from the next two months of OIC-GM's 2004 – 2005 contract reimbursement. 6,930
- 6) Regarding the recommendation that OIC-GM either repay the \$86,375 in questioned costs or provide additional documentation and justification, DWD has notified OIC-GM these funds will be deducted from the next two months of OIC-GM's 2004 – 2005 contract reimbursement. 86,375
- 7) Finally, regarding the recommendation that DWD closely review the advertising and information expenditures agencies charged to W-2, as of this month, DWD will be increasing our monitoring of all advertising costs of all W-2 agencies.

Although the LAB audit did not specifically disallow such expenses, DWD is recovering from OIC-GM \$8,000 in questionable advertising costs uncovered during our recent monitoring of the agency. 8,000

As we work to continually strengthen Wisconsin's important W-2 program, we look forward to working with and responding to the full W-2 LAB audit that will be released in early 2005. DWD continues to improve and update the W-2 system so that more low-income citizens will have access to lives of employment and economic security.

A chronology outlining our efforts is also attached to my testimony for your convenience.

Thank you very much for your work on this important effort.

Attachment: DWD Chronology

Jim Doyle
Governor

Roberta Gassman
Secretary



State of Wisconsin
Department of Workforce Development

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--end--



Opportunities Industrialization Center of Greater Milwaukee

Legislative Audit Bureau
December 2004

1

Overview

- ◆ OIC is one of three W-2 agencies serving Milwaukee County
- ◆ It is the largest provider of W-2 services
- ◆ OIC has been awarded contracts totaling \$231.5 million since 1997
- ◆ OIC has been the subject of criminal investigations associated with a kickback scheme involving state and federal funds

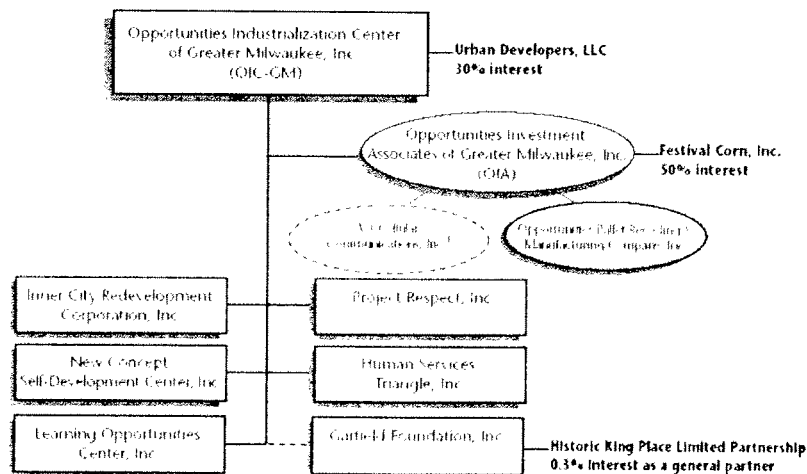
2

Sources of Revenue

- ◆ Since 1997, W-2 has provided the largest share of OIC's revenue
- ◆ OIC also receives funding to administer:
 - DOA's weatherization assistance program
 - DPI food programs
 - Community development programs through Milwaukee County and the City of Milwaukee

3

Organizational Relationships



Act Cellular Communications, Inc., discontinued operations on March 31, 2003

4

Overlap in Leadership

- ◆ Extensive overlap in leadership among the organizations
- ◆ OIC's former president held leadership roles with six related organizations
- ◆ OIC's former board chair holds leadership roles with four related organizations

*roles in
6 of orgs*

Carl Mei
Richard Porter
2/99-04
Chair of
OIC Board
& leadership in
4 orgs

5

Legal Service Expenditures

- ◆ Three people were convicted of felonies in connection with the kickback scheme *\$270,000*
- ◆ Since 1997, OIC has spent \$1.1 million on legal services
- ◆ We questioned a total of \$421,200:
 - \$308,000 for questionable work that was inadequately supported
 - \$113,200 paid to an officer of OIC while he was chair of OIC's board -- *Mr. Porter*

6

OPE & DOA funds as well

Leased Space and Telecommunications Expenditures

- ◆ OIC pays a related organization for much of the space it leases
- ◆ Amount of space and cost were reasonable
- ◆ Telecommunications costs were high
- ◆ OIC spent \$330,700 for telecommunications under the 2002-2003 contract
- ◆ OIC spent \$47,200 for cellular phone services, compared to \$12,600 by Maximus

1 building owned by Mr. See

2/3 more than Maximus

Comparable in terms of participate

~~of telecommunications~~

7

\$84k for new phone system

Additional Questioned Costs

- ◆ We reviewed the reasonableness of direct, non-staff costs for the 2002-2003 contract period
- ◆ We used standards identified in:
 - DWD's W-2 financial management manual
 - Office of Management and Budget's Circular A-122
- ◆ We reviewed 303 transactions totaling \$1.2 million

8

Unallowable Costs

- ◆ Unallowable costs we identified totaled \$6,930:
 - \$5,532 for services not related to W-2
 - \$1,118 in bank fees for checks written with insufficient funds
 - \$145 in late charges to a copy machine vendor
 - \$135 to the City of Milwaukee for towing charges and release of an impounded vehicle

9

Questioned Costs

- ◆ Questioned costs totaled \$86,375:
 - \$75,100 for payments related to sponsorship of local radio programming
 - \$9,015 for costs associated with editing OIC's response to request for proposals
 - \$1,900 in excessive payment for van transportation provided to W-2 participants
 - \$360 in retail supply purchases for which no invoice or receipts could be found

— only 02-03 contract!

10

Radio Broadcasts

- ◆ OIC spent \$199,850 on radio programming from 1997 through 2001
- ◆ DWD should review these costs for appropriateness
- ◆ Radio broadcasts provide useful information and are valued by community members
- ◆ Radio programming does not appear to be sufficiently targeted to the purpose of W-2 to adequately justify its cost

11

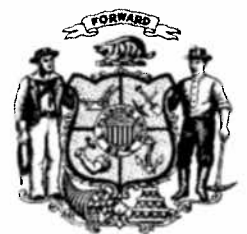
Recent Developments

- ◆ DWD will require OIC to reimburse the State for questioned costs identified in our audit
- ◆ YW Works will assume responsibility for administration of more than one-third of OIC's current service area
- ◆ OIC will be required to contract for fiscal agent and W-2 placement functions

12



WISCONSIN STATE LEGISLATURE



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State of Wisconsin
Department of Workforce Development
Jim Doyle, Governor
Roberta Gassman, Secretary
Bill Clingan, Division Administrator

January 14, 2005

The Honorable Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator Roessler and Representative Jeskewitz:

On November 9, 2004, the Legislative Audit Bureau (LAB) issued its findings from a review of the administration of the Wisconsin Works (W-2) program by Opportunities Industrialization Center of Greater Milwaukee, Inc. (OIC-GM). This review was undertaken as part of LAB's ongoing, comprehensive 2004 audit of the W-2 program.

On December 1, 2004, LAB presented its findings on OIC-GM to the Joint Legislative Audit Committee (JLAC). Representatives from the Department of Workforce Development (DWD) were also present at the meeting of JLAC to answer questions regarding the Department's oversight of OIC-GM. At that time, JLAC requested that DWD submit a monthly report on the progress it has made in implementing LAB's recommendations.

Since then, the Department has fully implemented four of the seven recommendations made by LAB, including recovery of all identified disallowed and questioned W-2 funds and have put in place activities to address the remaining three items. The Department will incorporate LAB's recommendation regarding information on the number of full-time equivalent positions in an Administrator's Memo to be released in February 2005. Finally, the Department has incorporated the remaining two recommendations into our Financial Monitoring program for this coming year.

Monitoring the expenditures of the W-2 program is a top concern to our Department. Through our increased annual audit reviews and from subsequent findings from the Financial Monitoring Program, DWD seeks to continuously upgrade the quality of its financial monitoring efforts. As part of its ongoing efforts, DWS welcomes recommendations from LAB and JLAC regarding how our efforts can be further strengthened.

Thank you for your continued support of the Department's efforts.

Sincerely,

A handwritten signature in black ink that reads "Bill Clingan". The signature is written in a cursive, flowing style.

Bill Clingan
Division Administrator

Enclosures

cc: Roberta Gassman, Secretary
Senator Robert Cowles
Senator Scott Fitzgerald
Senator Mark Miller
Senator Julie Lassa
Representative Samantha Kerkman
Representative Dean Kaufert
Representative David Travis
Representative David Cullen
Janice Mueller, Legislative Audit Bureau

**DWD Report to the Joint Legislative Audit Committee
January 14, 2005**

Background

On November 9, 2004, the Legislative Audit Bureau (LAB) issued its findings from a review of the administration of the Wisconsin Works (W-2) program by Opportunities Industrialization Center of Greater Milwaukee, Inc. (OIC-GM). This review was undertaken as part of LAB's ongoing, comprehensive 2004 audit of the W-2 program.

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Attachment 1 contains a summary of all actions taken by DWD to date to implement the seven recommendations contained in LAB's November 9, 2004 report. DWD will continue to make updates to this report as necessary. In addition, the Department will provide JLAC with information in future reports regarding additional actions DWD has taken to resolve problems that have come to light since LAB issued its report on November 9, 2004.

In addition to the actions required in LAB's report, the Division of Workforce Solutions (DWS) within DWD works directly with W-2 agencies to provide direction and oversight on how W-2 funds are spent. DWS conducts ongoing fiscal monitoring and provides technical assistance to all W-2 agencies. A summary of these activities is included with this report as Attachment 5.

Attachment 1 - DWD Report to the Joint Legislative Audit Committee
 LAB Findings and DWD Action Taken in the OIC-GM Financial Audit
 January 14, 2005

LAB Recommendation	Actions Taken	Future Planned Actions	Comments
<p>1 LAB recommended that the Department of Workforce Development (DWD) require all W-2 agencies to provide information annually on the number of full-time equivalent (FTE) administrative and program staff positions supported with W-2 funds during the previous contract year. DWD will also include indirect staff and administrative staff salary costs in the request. (Page 8 of LAB 11/9/04 Audit Letter)</p>	<ol style="list-style-type: none"> 1. FTE information is required as part of all W-2 agencies' original agency program plans at the start of every contract period. 2. Substantial changes to original agency program plans must be submitted to DWD via a plan modification process during the contract period. 3. DWD will include oversight of agency FTE counts in onsite monitoring visits to W-2 agencies. (Ongoing) 4. DWD is collecting the salaries of all executives, managers and supervisors who charge to the W-2 program as part of the Financial Monitoring Program. 5. DWD has secured the 2003 Compensation and Benefits Survey for Nonprofit Agencies and the Salary Guide for Accounting Occupations and will compare the salaries of W-2 agency executives and key managers with the salary guidelines. 	<ol style="list-style-type: none"> 1. DWD is developing and will release an Administrator's Memo requiring an annual FTE count, including indirect staff and administrative staff salary costs, for each W-2 agency. (February 2005) 	

Attachment 1 - DWD Report to the Joint Legislative Audit Committee
 LAB Findings and DWD Action Taken in the OIC-GM Financial Audit
 January 14, 2005

LAB Recommendation	Actions Taken	Future Planned Actions	Comments
<p>2 LAB recommended that DWD (\$241,318), Department of Administration (DOA) (\$31,558), and Department of Public Instruction (DPI) (\$20,132) require Opportunities Industrialization Center of Greater Milwaukee, Inc. (OIC-GM), to reimburse the State for \$293,008 in state and federal funds used in supporting payments to Mr. Sostarich. (Page 19)</p>	<p>1. DWD sent a letter to OIC-GM on 11/29/04 (see Attachment 2) identifying DWD funds to be recovered as a result of the LAB audit, SFS monitoring and DWS review. DWD also identified the method of recovery in this letter. 2. Recovered all DWD funds (\$241,318) from the December 2004 and January 2005 checks to OIC-GM. (See Attachments 3 and 4.)</p>	<p>1. No additional action required.</p>	
<p>3 LAB recommended that DWD (\$95,000), DOA (\$11,200), and DPI (\$7,000) require OIC-GM, to reimburse the State for \$113,200 in state and federal funds used to support payments to Richard Porter since 1999, and that these State agencies no longer fund legal services provided by Richard Porter while he is an officer of the corporation. (Page 20)</p>	<p>1. DWD sent a letter to OIC-GM on 11/29/04 (see Attachment 2) identifying DWD funds to be recovered as a result of the LAB audit, SFS monitoring and DWS review. DWD also identified the method of recovery in this letter. 2. Recovered all DWD funds (\$95,000) from the December 2004 and January 2005 checks to OIC-GM. (See Attachments 3 and 4.)</p>	<p>1. No additional action required.</p>	

Attachment 1 - DWD Report to the Joint Legislative Audit Committee
 LAB Findings and DWD Action Taken in the OIC-GM Financial Audit
 January 14, 2005

LAB Recommendation	Actions Taken	Future Planned Actions	Comments
<p>4 LAB recommended that DWD, 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. (Page 23)</p>	<p>1. DWD has increased the sample size of expenditures reviewed for proper documentation of their financial monitoring and auditing processes. (December 2004)</p> <p>2. DWD added more specific monitoring requirements in the W-2 Agency Financial Monitoring Guide. (December 2004)</p>	<p>1. The increased sample size and more specific monitoring requirements will be used by the CPA firms that DWD subcontracts with to conduct the 2005 Financial Monitoring. (January 2005 - June 2005)</p> <p>2. In 2005, DWD is collecting information on telecommunications spending through the CPA firms. This information will be thoroughly reviewed and, if necessary, financial policies will be developed to address problem areas. (January 2005 - June 2005)</p>	<p>1. SFS and Jefferson Wells are conducting the 2005 Financial Monitoring. All private W-2 agencies and several county agencies will be monitored as part of this initiative.</p>
<p>5 LAB recommended that DWD require OIC-GM to repay \$6,930 in unallowable costs (\$5,532 for a consultant for WIA; \$1,118 for bank fees for insufficient funds; \$145 in rental late fees; and \$135 for towing and impound charges to the City of Milwaukee). (Page 25)</p>	<p>1. DWD sent a letter to OIC-GM on 11/29/04 (see Attachment 2) identifying DWD funds to be recovered as a result of the LAB audit, SFS monitoring and DWS review. DWD also identified the method of recovery in this letter.</p> <p>2. Recovered all DWD funds (\$6,930) from the December 2004 and January 2005 checks to OIC-GM. (See Attachments 3 and 4.)</p>	<p>1. No additional action required.</p>	

Attachment 1 - DWD Report to the Joint Legislative Audit Committee
LAB Findings and DWD Action Taken in the OIC-GM Financial Audit
 January 14, 2005

LAB Recommendation	Actions Taken	Future Planned Actions	Comments
<p>6 LAB recommended that DWD require OIC-GM, to either repay the \$86,375 in questioned costs or have OIC-GM provide additional documentation that adequately justifies the expenditure of program funds (\$75,100 for radio station programming sponsorship; \$9,015 in RFP 2004-05 consultant fees; \$1,900 for van transportation; and \$360 in undocumented retail supplies). (Page 25)</p>	<p>1. DWD sent a letter to OIC-GM on 11/29/04 (see Attachment 2) identifying DWD funds to be recovered as a result of the LAB audit, SFS monitoring and DWS review. DWD also identified the method of recovery in this letter. 2. Recovered all DWD funds (\$86,375) from the December 2004 and January 2005 checks to OIC-GM. (See Attachments 3 and 4.)</p>	<p>1. No additional action required.</p>	

Attachment 1 - DWD Report to the Joint Legislative Audit Committee
 LAB Findings and DWD Action Taken in the OIC-GM Financial Audit
 January 14, 2005

LAB Recommendation	Actions Taken	Future Planned Actions	Comments
<p>7 LAB recommended that DWD, 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 W-2 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. (Page 28)</p>	<ol style="list-style-type: none"> 1. DWD provided enhanced training on Financial Monitoring to Regional Office Staff. (December 2004) 2. Financial onsite monitoring of all Milwaukee agencies and a sample of agencies in the balance of the state to identify and resolve issues prior to becoming an audit issue -- (Ongoing) 3. DWD has increased the sample size of expenditures reviewed for proper documentation of their financial monitoring and auditing processes. (December 2004) 4. DWD added more specific monitoring requirements in the W-2 Agency Financial Monitoring Guide, including collecting information on advertising expenditures, legal services and the use of legal retainers. (December 2004) 	<ol style="list-style-type: none"> 1. In 2005, information collected through the Financial Monitoring Program by the CPA firms on advertising and information expenditures, legal services and legal retainers will be used to establish limits on spending in future contracts in these areas. If necessary, additional financial policies will also be developed. (July 2005) 	<ol style="list-style-type: none"> 1. SFS and Jefferson Wells are conducting the 2005 Financial Monitoring. All private W-2 agencies and several county agencies will be monitored as part of this initiative.

Jim Doyle
Governor

Roberta Gassman
Secretary



State of Wisconsin
Department of Workforce Development

OFFICE OF THE SECRETARY
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-7552
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e-mail: dwdsec@dwd.state.wi.us

November 29, 2004

Tyrone P. Dumas
Interim President
Opportunities Industrialization Center of Greater Milwaukee, Inc.
3353 N. Dr. Martin Luther King Jr. Drive
Milwaukee, WI 53212

Dear Mr. Dumas:

This letter informs you that DWD is recovering \$444,623 from OIC-GM based on the findings of the Division of Workforce Solutions (DWS) review of OIC-GM; the SFS On-Site Fiscal and Program Monitoring Report of May 2004; and the State Legislative Audit Bureau Letter Report of OIC-GM of November 2004.

The department has erroneously reimbursed OIC-GM for expenses as follows:

DWD Direct Questioned and Disallowed W-2 Expenses	\$93,305
Legal Fees for attorney Sostarich (\$215,997 identified by DWD per letter of August 13, 2004; amount increased to \$241,318 by LAB)	\$241,318
Legal Fees for OIC Chair Porter through 2003	\$95,000
Subtotal	\$429,623

In addition, the following outstanding questioned costs, covered in a letter from Paul Gannaway to Michele Buckingham, remain unsubstantiated since September 3, 2003 and are now disallowed. Disallowing these costs addresses all disallowed and questioned costs from the SFS Monitoring Report.

Advertising, TR Murphy	\$8,000
HVAC	\$7,000
Subtotal	\$15,000

The full recovery amount is therefore \$444,623. DWD will recover this sum by deducting \$222,311.50 each month for the next two months of your 2004 – 2005 contract. We had also disallowed \$58,780 in costs paid to Coleman and Williams after February 29, 2004 for Single Audit services. OIC-GM has provided documentation that the payments to Coleman and Williams after February 29 have been reclassified and are no longer charged to the W-2 program. This is acceptable to DWD.

In addition to the above, the department is disallowing the W-2 portion of an additional \$50,000 in legal fees to Richard Porter for the retainer that was in place from January 2004 through October 2004, when Mr. Porter stepped down as chair. This amount has not yet been included in the recovery amount DWD is seeking, pending that OIC-GM quantifies the exact amount that was allocated to W-2 and provides proper documentation that the amount has been reclassified and no longer charged to W-2. Failure to quantify and reclassify the amount with proper documentation will mean DWD will recover the full amount of these questionable expenditures.

Tyrone P. Dumas
OIC-GM
November 29, 2004
Page 2 of 2

The recovery outlined in this letter addresses financial adjustments resulting from the three reviews mentioned above. This recovery does not relieve OIC-GM of the policy and procedure changes outlined in the Corrective Action Plan and all other directions provided by DWD to OIC-GM.

Sincerely,

A handwritten signature in black ink that reads "Bill Clingan". The signature is written in a cursive, flowing style.

Bill Clingan
Administrator

cc: Reverend Dr. Fred L. Crouther
Georgia Cameron
Cordelia Ekwueme

Department of Workforce Development
 Division of Workforce Solutions
 Administrator's Office
 P.O. Box 7972
 Madison, WI 53707-7972
 Telephone: (608) 266-0327
 Fax: (608) 261-6376
 e-mail: [dwd@dws@state.wi.us](mailto:dwd@dws.state.wi.us)



State of Wisconsin
 Department of Workforce Development
 Jim Doyle, Governor
 Roberta Gassman, Secretary
 Bill Clingan, Division Administrator

November 30, 2004

Cordelia Ekweume
 OIC-GM
 2835 North 32nd St.
 Milwaukee, WI 53210

Dear Ms. Ekweume:

Enclosed please find a check for \$2,096,282.50 which is reimbursement for OIC's September 2004 expenditures less 50% of the disallowed expenses communicated to you on a letter by Bill Clingan, DWS Administrator, dated 11/29/04 (copy attached).

Following is an itemization of the enclosed payment:

September 2004 W-2 Administration (Contract Code 2000)	\$495,224.00
September 2004 W-2 Program (Contract Code 2250)	\$1,631,423.00
September 2004 W-2 Consortium Incentive Funding (Contract Code 2258)	\$6,310.00
September 2004 Job Access Loans (Contract Code 2304)	\$34,642.00
September 2004 Job Access Loans Repayments (Contract Code 2305)	(\$641.00)
September 2004 Contracted Child Care (Contract Code 2312)	\$45,492.00
September 2004 W-2 Emergency Assistance (Contract Code 2328)	\$106,306.00
September 2004 W-2 Agency Collections	(\$162.00)
First half of \$444,623 Recovery of Disallowed Expenses	(\$222,311.50)
Total September 2004 Reimbursement	\$2,096,282.50

Please let me know if you have any questions

Sincerely,

Jacquie Piraino
 Contracts & Grants Section Chief
 (608) 266-3804

cc: Tyrone P. Dumas, OIC Interim President
 Reverend Dr. Fred L. Crouther
 Howard Bernstein

Department of Workforce Development
Division of Workforce Solutions
Administrator's Office
P.O. Box 7972
Madison, WI 53707-7972
Telephone: (608) 266-0327
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e-mail: dwdds@dwd.state.wi.us



State of Wisconsin
Department of Workforce Development
Jim Doyle, Governor
Roberta Gassman, Secretary
Bill Clingan, Division Administrator

December 30, 2004

Cordelia Ekweume
OIC-GM
2835 North 32nd St.
Milwaukee, WI 53210

Dear Ms. Ekweume:

Enclosed please find a check for \$1,315,981.91 which is reimbursement for OIC's October 2004 expenditures less the following: final 50% of the disallowed expenses communicated to you on a letter by Bill Clingan, DWS Administrator, dated 11/29/04; 1/3 of the prepayments related to the funding allocations for Milwaukee regions 1 and 4 for the time period 01/01/05 – 12/31/05.

Following is an itemization of the enclosed payment:

October 2004 W-2 Administration (Contract Code 2000)	\$466,279.00
October 2004 W-2 Program (Contract Code 2250)	\$1,405,239.00
October 2004 Job Access Loans (Contract Code 2304)	\$68,648.00
October 2004 Job Access Loans Repayments (Contract Code 2305)	(\$1,783.00)
October 2004 Contracted Child Care (Contract Code 2312)	\$61,566.00
October 2004 W-2 Emergency Assistance (Contract Code 2328)	\$93,441.00
October 2004 W-2 Agency Collections	\$67.00
Final half of \$444,623 Recovery of Disallowed Expenses	(\$222,311.50)
1/3 of Prepayment Take backs relating to CY2005 Allocations for Reg 1 & 4	(555,163.59)
Total October 2004 Reimbursement	\$1,315,981.91

Please let me know if you have any questions

Sincerely,

Jacquie Piraino
Contracts & Grants Section Chief
(608) 266-3804

cc: Tyrone P. Dumas, OIC Interim President
Benson Muzondo
Reverend Dr. Fred L. Crouther
Howard Bernstein

Attachment 5 - DWS Types of Fiscal Monitoring

1/14/05

There are many ways that the Division of Workforce Solutions (DWS) in the Department of Workforce Development (DWD) provides both ongoing and special financial oversight of the Wisconsin Works (W-2) program and other programs it administers.

a. State and Federal Policies/Laws/Regulations/Circulars

DWS issues financial policies directing W-2 agencies how they are to spend DWS funding and thereby provides a cost control function. These financial policies are based on state and federal laws, regulations and federal circulars from the Office of Management and Budget (OMB). DWS has issued financial policies relating to:

- Cost Allocation
- Auditor Independence
- W-2 Subcontract Requirements
- Equipment
- Real Property
- Prohibition on Profit
- Cost Allocation Bases
- Subcontract Audit Waivers

In addition, DWS follows and requires all contract and grant agencies to follow the applicable state and federal laws and OMB circulars. The federal regulations for each of our programs supercede the OMB circulars where the federal regulations are more stringent.

b. Expenditure Reporting

Each of the DWS programs that award contracts or grants have specific reporting instructions that detail both allowable costs and how they are to be claimed by the provider agencies.

c. W-2 Regional Monitoring

The W-2 DWS Regional staff monitors the overall contract spending as reported by the agencies. The objective of regional monitoring is to ensure that agencies are within contract limits and that the activities that are being funded make sense when compared to the participant enrollments and outcomes. In December 2004, a new monitoring format was implemented that includes monitoring accrual expenditures as well as current expenditures.

d. Single Audit

DWS requires a single audit for contracts and grants exceeding \$25,000. Sub-grantees and sub-contractors are also required to have single audits if they exceed the \$25,000 threshold. DWS uses the Single Audit Guide provided by the Department of Administration (DOA) and the joint Provider Agency Audit Guide used by the Departments of Health and Family Services and Workforce Development (DWD). DWS has made certain sections of these guides specific to its programs. DWS auditors review single audits. If there are significant problems, DWS auditors will require an action plan to correct the problems and/or they will visit the site personally to follow up.

e. Financial Monitoring Program

The DWS Financial Monitoring Program is a technical assistance effort aimed at helping agencies better manage contracts within state and federal parameters and potentially, to avoid audit findings. Monitoring is conducted onsite, and it is intended to identify and correct local agency issues, support the development of new statewide policy and recover costs as necessary. As such, the Financial Monitoring Program is not intended to be an audit of agencies.

The Financial Monitoring Program has resulted in the development of several new financial policies listed above under (a). In addition, DWS has worked with the W-2 agencies to resolve 214 findings identified in the 2003-2004 monitoring by the independent CPA firms that DWS subcontracted with to perform the Financial Monitoring reviews.

The Financial Monitoring Program has specific tools developed for Workforce Development Board monitoring, Wisconsin Works (W-2) agency monitoring and Child Care Provider monitoring.

f. Special Monitoring

When questions of potential fraud arise (either through client, staff or agency expressed concerns), DWS auditors conduct special and focused reviews of the identified agencies. In the past two years, auditors have conducted special reviews of two Child Care providers, a child care resource and referral agency, and three W-2 agencies.

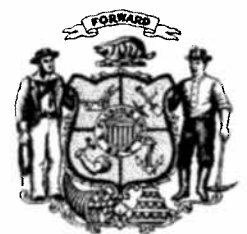
g. Administrative Cap

Under the W-2 program, the Administrative Cap provides a cost control function. The tight nature of the cap limits the degree to which unreasonable or unnecessary costs can be charged to the program by any provider.

DWS will continue to issue additional financial policy guidelines as necessary through findings from the above oversight activities.



WISCONSIN STATE LEGISLATURE



Fax

To: Representative Suzanne Jeskewitz **From:** Rev. Fred L. Crouther

Fax: 608-282-3624 **Pages:** 8

Phone: **Date:** 1/13/2005

Re: Monthly Report from OIC-GM Board Chair **CC:**
to the Legislative Audit Committee

Urgent **For Review** **Please Comment** **Please Reply** **Please Recycle**

Find attached the first monthly report from the OIC-GM Board Chair to the Legislative Audit Committee. A copy of this letter along with a full reports with attachments will be mailed on Friday, January 14, 2005. Please, feel free to call me at 414-908-3482 if you require additional information or need further clarification. As stated before, we truly appreciate the interest and support you have shown OIC-GM.



OPPORTUNITIES INDUSTRIALIZATION CENTER

OF GREATER MILWAUKEE, INC.

Corporate Office

3353 N. Dr. Martin Luther King Jr. Drive • Milwaukee, Wisconsin 53212
414 908-3300 • Fax 414 908-3485 • TTY 414 908-3241

Administrative Office

2835 N. 32nd Street • Milwaukee, Wisconsin 53210
414 908-3300 • Fax 414 908-3337 • TTY 414 908-3241

January 15, 2005

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:

The Board of Directors and Staff of Opportunities Industrialization Center of Greater Milwaukee, Inc., are committed to its founding principles of “self-help” and the continuation of OIC-GM as a viable source for good in the community of Milwaukee. We have a 37 year history of developing individuals for jobs and providing hope where there was no hope.

OIC-GM Board of Directors

Since the Joint Legislative Committee Audit Review meeting on December 1, 2004, the Board of Directors has implemented a number of initiatives. We have recruited additional members to serve on the Board of Directors. Unfortunately, due to OIC's present status of being highlighted negatively in the press each day a number of qualified men and women with impeccable credentials has decided to post-pone their acceptance as a director on the OIC-GM Board of Directors. However, we have been fortunate to recruit two new board members, who were voted in unanimously at the January 10, 2005 Board meeting. Those new members are Mr. Fred Jones, Entrepreneur and owner of the new IHOP restaurant recently opened in the Midtown Shopping Center on Fond du Lac Ave., in Milwaukee, and Mr. Richard Cox, retired Superintendent of Corrections for Milwaukee County. (*Attachment 1 – OIC-GM Board of Directors*)

Board of Directors Resumes'

Senator Cowles had requested resumes of all new board members. However, I am including resumes of both new and existing board members. Additional resumes' will be included with the February OIC-GM report.

(*Attachment 2 – Board of Directors Resumes*)

The present board of directors is committed to fulfilling all obligations and responsibilities pertaining to all requirements of OIC-GM. The board is in complete

oversight of all programs and activities. We are in support of the president and the staff as long as they are in compliance with the state's requests.

Board Committees

Board Committees are normally appointed at the OIC-GM Board of Directors Annual Meeting. During 2004, several new committees were appointed to provide additional oversight to the organization. In December 2004, the Search Committee was combined with the HR Committee and the Inquiry and Practices Committee with the Finance Committee. Since duties were overlapping, this was the best use of board members valuable time. These committees meet regularly and are looking more closely at all aspects of the agency's operations and relations with other entities. The HR Committee will be responsible for ensuring that the Code of Ethics is followed by both employees and board members. (*Attachment 3 – OIC-GM Board Committee Appointments*)

Code of Business Conduct and Ethics – Board Members

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.

Members of the OIC-GM Board of Directors have signed Code of Business Conduct and Ethics Policy Statement, which was approved at the January 10, 2005 Board of Directors meeting. (*Attachment 4- Code of Business Conduct and Ethics*)

Employee Code of Ethics

OIC-GM has implemented an employee code of ethics policy and upper management level employees have been required to sign this policy statement. In addition, this policy statement will become a part of the revised HR policies and procedures. (*Attachment 5 – Employee Code of Ethics*)

The Board of Directors will continue to stress the importance of employees and board members maintaining the highest level of ethics while representing OIC-GM.

Finance Committee

The OIC-GM Finance Committee met 12 times in 2004 and plans to continue to meet regularly to increase its oversight of all functions by initiating a review process for all current and future contracts. The Finance Committee will also analyze past practices for the purchase of goods and services and develop procedures to ensure that the highest level of integrity is adhered to regarding the administration of OIC's contracts and purchasing of goods and services. All contracts will be reviewed and initialed by the Board Chair or the Chair's designee prior to being signed by the President.

Human Resources Committee

The Human Resources Committee is in the process of reviewing the proposed revised personnel policies and procedures. After completion of their review, the policies and procedures will be forwarded to the Board of Directors with a recommendation. To address OIC-GM's budget issues the following actions were taken by the Board of Directors to address cost reductions:

- The company will not make a 3% discretionary profit sharing contribution to employee accounts for 2004. Nor did OIC-GM contribute in 2003. OIC-GM will also suspend its 2% 401(k) employee matching contribution for 2005. A board motion to adopt this decision was approved at the December 13, 2004 Board of Directors Meeting.
- A section of the revised Personnel Policies and Procedures was adopted by the Board for implementation on January 1, 2005. The Board adopted the new Paid Time Off Policy (PTO), which creates a single bank of paid time off by combining vacation and sick leave; a change to the holiday schedule, and the creation of a medical leave reserve in lieu of banked sick leave. *(Attachment 6- Paid Time Off; Medical Leave Reserve; Company Holidays)*
- The Board of Directors reviewed the Compensation Study at its January 10, 2005 meeting and formally moved to approve the salary adjustments on January 12, 2005. *(Attachment 7 – OIC-GM Compensation Study)*

Board Development and Restructuring

The OIC-GM Board of Directors has been working closely with OIC of America for Board Development and Restructuring. We are in close communications with Ms. Thomasenia Cotton, President/COO of OIC of America and the Board Chair of OIC of America, Ms. Connie Wilson Collins. Representatives from OIC of America came to Milwaukee to assist in a review of its finances as well as Attorney Jean M. Robinson who is a corporation attorney specializing in dealing with the restructuring and rebuilding crisis organizations. OIC-GM will continue to work with the National OIC regarding further board development.

OIC-GM Reorganization

The Board of Directors voted to accept the organizational chart proposed by President Tyrone P. Dumas and is continuing to work with him on identifying the appropriate employees to fill those positions. *(Attachment 8-Organizational Chart)*

Bankers Task Force

The Bankers' Task Force includes representatives from M&I Bank, North Milwaukee State Bank and Legacy Bank, OIC-GM's Finance Committee and Garfield Foundation's Board of Directors.

This group is charged with meeting monthly at a minimum and working with OIC-GM, OIA and The Garfield Foundation to establish parameters for efficient and effective operation of OIC-GM and the dissolution of OIA and The Garfield Foundation Inc. The group will identify and provide resources when possible in an effort to move OIC-GM to a position of solvency and assure its continued operation and service to the community.

To date the banks have provide consultation regarding processes to assist the President with more stringent oversight of fiscal operations. Provided outside auditing support for processes to assist the President in his role. Provided pro-bono legal services for evaluations of status of companies and options for continuation or liquidation, sale of specific properties, lease underwriting options, and options for the US Attorney to consider as he works with OIC-GM, OIA and The Garfield Foundation, Inc. The Bankers' Task Force are providing leadership in developing divestment plans for OIA and The Garfield Foundation, Inc.

OIC-GM & Affiliates

OIC-GM & Affiliates and The Garfield Foundation, Inc. have begun the process of restructuring and have begun preparation to dissolve OIA and The Garfield Foundation, Inc.. As a result of the criminal investigation, both entities were identified as vehicles for illegal activities. While no board members were implicated, the entities have submitted plea agreements and will continue to work cooperatively with the government to take required actions.

Two affiliates, New Concept Self Development Center and Inner City Redevelopment Corporation, have begun the 'dissolution of affiliation' process by obtaining the approval of their respective boards. The legal aspects of dissolutions as they relate to signing loan guarantees are being assessed at this time. Staff who were previously employed by OIC-GM will become staff of their respective affiliate. Interfund transactions will be reconciled and eliminated.

Project RESPECT, Inc. will become a program under OIC-GM. The board has approved this dissolution.

Human Services Triangle was closed in September 2004. Dissolution papers will be filed.

The OIC-GM board approved termination of the 30% partnership in Urban Developers Limited Liability Corporation effective December 31, 2004. Financial obligations will be investigated and releases sought.

The Garfield Foundation, Inc.

The Garfield Foundation, Inc. is no longer controlled by OIC-GM with the elimination of common board members between OIC-GM and the Foundation. Additionally, working with the Bankers' Task Force will establish and start the implementation of the Foundation's divestment of properties process. As with the affiliates that are terminating affiliate status, the Foundation has already discontinued inter fund transactions.

The 2003 audit is nearing completion and where practical, all outstanding liabilities between OIC-GM, affiliates and the Foundation will be reconciled and eliminated. This will provide a cleaner and clearer record going forward.

A number of inquiries regarding properties for sale have been received. A real estate lawyer has been retained to assist with the disposition of properties and clean up of outstanding real estate transactions. The bankers from M&I, Legacy and North Milwaukee State Bank and two members of the OIC-GM Finance Committee are working with the Foundation board and staff to assist in establishing and monitoring a disposition of property plan.

Opportunities Investment Associates, Inc.

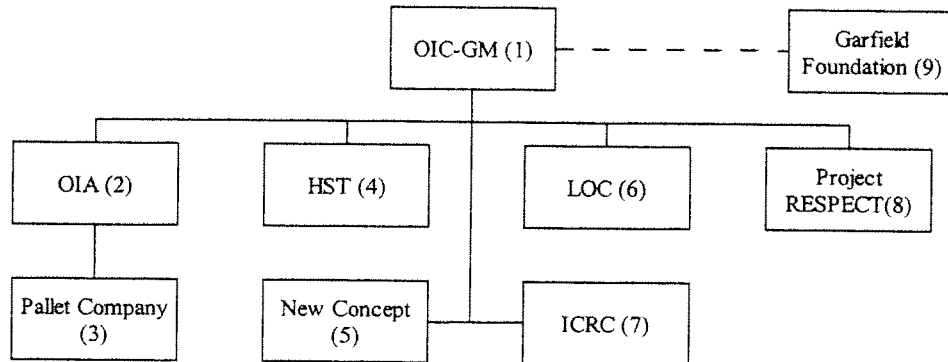
Opportunities Investment Associates, Inc. has been working on a process to dispose of leased equipment to pay off the loan on these items prior to closing this subsidiary. The Opportunities Pallet Company that was under the OIA umbrella was closed on October 1, 2004. After receipt of year-end city tax bills, the final process for closeout will be completed and dissolution papers filed. OIA's investment in Festival Corn will be divested.

Summary

Changes are moving the organization forward to simplify the structure and become a more transparent organization. Steps are being taken to add more checks and balances for all staff with authorization to act on behalf of the agencies. The Boards have become significantly more involved and stepped forward to provide oversight and approval or disapproval for staff actions. The frequency and length of board and committee meetings has increased dramatically. The board has committed to and demonstrated that they will no longer operate as a "rubber stamp". The degree of power and control formerly delegated to the President/CEO cannot be allowed again if the board is to exercise its fiduciary responsibilities.

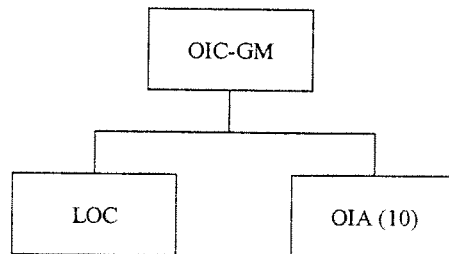
Upon completion of all of the dissolution and close-out processes, this will leave a much smaller, simpler organization consisting of OIC-GM and one affiliate, Learning Opportunities Center, Inc.

**OPPORTUNITIES INDUSTRIALIZATION CENTER OF GREATER MILWAUKEE
 AFFILIATES, SUBSIDIARY AND RELATED ENTITY
 2004**



- (1) Urban Developers Limited Liability Corporation 30% investment approved to end 12/31/04
- (2) Opportunities Investment Associates (OIA) to dispose of equipment and Festival Corn Investment and close
- (3) Opportunities Pallet Recycling & Manufacturing Company closed 10/04
- (4) Human Services Triangle (HST) closed 9/04
- (5) New Concept's board approved disaffiliation effective 12/31/04
- (6) Learning Opportunities Center (LOC) to continue operating childcare and education/training services
- (7) Inner City Redevelopment Corporation (ICRC) board approved disaffiliation effective 12/31/04
- (8) Project RESPECT approved by the board to dissolve and become a community outreach program under OIC-GM
- (9) Garfield Foundation was never an affiliate. Now no longer under common control. Will develop divestment plan.

**OPPORTUNITIES INDUSTRIALIZATION CENTER OF GREATER MILWAUKEE
 AFFILIATE AND SUBSIDIARY
 2005**



- (10) OIA timeframe for dissolution to be determined by the government allowing for closeout of business obligations.

Resignation of OIC-GM Board Members

Existing members of the OIC-GM Board of Directors are submitting their resignations from the Board.

- A.) Six members have resigned effective January 14, 2005
 - B.) Three board members are resigning effective February 25, 2005
- (Attachment 9- OIC-GM Board Resolution re. Board Member Resignations)*

On behalf of the OIC-GM Board of Directors, I want 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 appreciates the gravity of the situation, and we will do all 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 founding principles of OIC-GM of helping people out of the despair of poverty through job training and employment.

Thank you.

Respectfully,



Rev. Dr. Fred L. Crouther, Board Chair
OIC-GM