

👉 **05hr\_JC-Au\_Misc\_pt04d**



👉 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**

Department of Workforce Development  
Office of the Secretary  
201 East Washington Avenue  
P.O. Box 7946  
Madison, WI 53707-7946  
Telephone: (608) 266-3131  
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State of Wisconsin  
Department of Workforce Development  
Jim Doyle, Governor  
Roberta Gassman, Secretary

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For Immediate Release: Thursday, February 10, 2005  
Contact: Rose Lynch (608) 266-6753

## **DWD Terminates Contract with OIC-GM for W-2 Region 3 – DWD to Take Over Operation in Region 3 and Transition to New Providers**

### ***Department Takes Steps to Protect W-2 Funds***

Madison -- Wisconsin Department of Workforce Development (DWD) Secretary Roberta Gassman announced today that DWD was terminating its contract with OIC-GM effective February 10, 2005. The Department is working with the Attorney General's office to recoup W-2 funds from OIC-GM, and is taking over operation of the program through February 28 while also transitioning to other providers effective March 1, 2005, and continuing through the balance of this calendar year.

On Monday, February 7, 2005 the OIC-GM board voted to cease all operations, including operating the W-2 program in Milwaukee, and to communicate with DWD on the transition of the agency's W-2 participants to other providers. DWD met with OIC officials on Wednesday, February 8.

DWD will implement the following transition of the W-2 program in Region 3 following OIC-GM's decision to cease W-2 operations:

- DWD is terminating its contract with OIC-GM effective immediately, February 10, 2005;
- DWD has designated Brenda Bell-White, Director of the Milwaukee Regional Office, as the interim director of the W-2 program for Region 3; Ms. Bell-White will manage all aspects of the program for Region 3 through February 28, 2005;
- DWD is deploying existing DWD staff to this location to assist Ms. Bell-White with the oversight of operations and transition activities;
- Existing OIC-GM staff will continue to report to work and be supervised by Ms. Bell-White;
- DWD is withholding December 2004 and January 2005 reimbursements, and will withhold February 2005 reimbursements;
- As of February 11, Maximus and UMOS will have staff on site to begin the transition process until those agencies assume full operation of the W-2 program for this Region on March 1<sup>st</sup>; W-2 participants will continue to be served at this site through February 28<sup>th</sup>;
- DWD will secure the services of Virchow Krause to assist the state in the fiscal management of operations for the next two weeks and into transition;
- OIC will receive no further reimbursements from DWD;
- DWD has asked Attorney General Lautenschlager to file liens and take any other legal action to recoup additional funds owed to the state by OIC-GM, estimated to be approximately \$2.2 million; under the W-2 program since 1997—as with

many similar state and federal programs—agencies receive a portion of their allocation at the beginning of the contract to cover early operating expenses; because the state is ending the contract early, OIC-GM is obligated to return the funds; the state will take steps to recover these funds.

DWD will make the following changes for the operation of Region 3, effective March 1, 2005 through the end of the current calendar year:

- 30% of the current Region 3 paid caseload, approximately 490 participants, will be transferred to Maximus' Region 5 and will be served through the Maximus center located at 6550 North 76<sup>th</sup> Street; and,
- 70% of the current Region 3 paid caseload, approximately 1160 participants, will be transferred to UMOS' Region 4 and will be served at the UMOS center located at 4030 North 29<sup>th</sup> Street.

--end--



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: [dwddws@dwd.state.wi.us](mailto:dwd@dwddws.dwd.state.wi.us)



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

February 15, 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:

I am writing to submit the second report from the Department of Workforce Development (DWD) regarding the findings of the November 9, 2004 Legislative Audit Bureau (LAB) from its 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.

As a result of the Department's ongoing concerns and the overall financial instability of OIC-GM, as reflected in the Virchow, Krause and Company independent audit requested by the Department, DWD decided to terminate its contract with OIC-GM effective February 10, 2005. Working with the Attorney General's office, DWD recouped \$1,273,920.72 in W-2 funds from OIC-GM on February 11, 2005 and took over the day-to-day operation of the W-2 program in region 3 through February 28, 2005. As of March 1, 2005, ongoing responsibility for the operation of the W-2 program in region 3 will be divided between UMOS in region 4 and MAXIMUS in region 5. From March 1, 2005 through December 31, 2005, the Department will operate the W-2 program as follows:

- Region 1 – YWCA of Greater Milwaukee (YWCA-GM)
- Regions 2 and 4 – UMOS
- Regions 5 and 6 – MAXIMUS

OIC-GM is receiving no further reimbursement from DWD. DWD is withholding December 2004 and January 2005 reimbursements from OIC-GM and will also withhold any February 2005 reimbursements. DWD has asked Attorney General Lautenschlager to file liens and take any other legal action to recoup additional funds owed to the state by OIC-GM under the W-2 program since 1997. The Department estimates that approximately \$2.2 million in W-2 funds are owed to the state. Similar to other state and federal programs, W-2 agencies receive a portion of their allocation at the start of each two-year contract period to cover early operating expenses. Because DWD is ending the W-2 contract early, OIC-GM is obligated to return this up-front funding.

The Department is available to answer any specific questions regarding the termination of the OIC-GM W-2 contract and the steps that DWD has taken to ensure a seamless transition to new W-2 providers on behalf of the customers we serve along with protecting current state assets.

As noted in the January 14, 2005 to the Joint Legislative Audit Committee (JLAC), the Department has fully implemented four of the seven recommendations made by LAB in their

Senator Roessler and  
Representative Jeskewitz  
February 15, 2005  
Page 2

November 9, 2004 report, including recovery of all identified disallowed and questioned W-2 funds. The Department has also taken steps to address the remaining three items in LAB's report. Attachment 1 has been updated to reflect updates to these three remaining areas.

Monitoring the expenditures of the W-2 program continues to be a top concern of our Department. As stated in our last report, DWS welcomes recommendations from LAB and JLAC regarding how the Department can continue to improve in this area.

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

Sincerely,



Bill Clingan  
Division Administrator

Enclosure

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**  
**LAB Findings and DWD Action Taken in the OIC-GM Financial Audit**  
 February 15, 2005

LAB Recommendation	Actions Taken	Future Planned Actions	Comments
<p>1</p> <p>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)</p>	<p>1. FTE information is required as part of all W-2 agencies' original agency program plans at the start of every contract period.</p> <p>2. Substantial changes to original agency program plans must be submitted to DWD via a plan modification process during the contract period.</p> <p>3. DWD has drafted the Administrator's Memo to require an annual FTE count, including indirect staff and administrative staff salary costs, from each W-2 agency. This requirement will begin for calendar year 2004. The Admin Memo will be published to the DWD website by February 21, 2005.</p>	<p>1. DWD will include oversight of the requirement to provide FTE information through on-site monitoring visits to W-2 agencies. (Ongoing)</p> <p>2. 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. (June 2005)</p> <p>3. 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. (June 2005)</p>	
<p>2</p> <p>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 A) 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 (\$241,318) from the December 2004 and January 2005 checks to OIC-GM. (See Attachments B and C.)</p>	<p>1. No additional action required.</p>	

**DWD Report to the Joint Legislative Audit Committee**  
**LAB Findings and DWD Action Taken in the OIC-GM Financial Audit**  
 February 15, 2005

<b>LAB Recommendation</b>	<b>Actions Taken</b>	<b>Future Planned Actions</b>	<b>Comments</b>
<p>3                      LAB recommended that DWD (\$95,000), DOA (\$11,200), and DPI (\$7,000) 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 A) 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 B and C.)</p>	<p>1. No additional action required.</p>	
<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 their financial monitoring and auditing processes. (December 2004)                      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)                      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>

**DWD Report to the Joint Legislative Audit Committee**  
**LAB Findings and DWD Action Taken in the OIC-GM Financial Audit**  
 February 15, 2005

LAB Recommendation	Actions Taken	Future Planned Actions	Comments
<p>5</p> <p>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 A) 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 B and C.)</p>	<p>1. No additional action required.</p>	
<p>6</p> <p>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 A) 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 (\$86,375) from the December 2004 and January 2005 checks to OIC-GM. (See Attachments B and C.)</p>	<p>1. No additional action required.</p>	

**DWD Report to the Joint Legislative Audit Committee**  
**LAB Findings and DWD Action Taken in the OIC-GM Financial Audit**  
**February 15, 2005**

<b>LAB Recommendation</b>	<b>Actions Taken</b>	<b>Future Planned Actions</b>	<b>Comments</b>
<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"> <li>1. DWD provided enhanced training on Financial Monitoring to Regional Office Staff. (December 2004)</li> <li>2. Financial on-site 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)</li> <li>3. DWD has increased the sample size of their financial monitoring and auditing processes. (December 2004)</li> <li>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)</li> </ol>	<ol style="list-style-type: none"> <li>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)</li> </ol>	<ol style="list-style-type: none"> <li>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.</li> </ol>





WISCONSIN STATE LEGISLATURE

## Joint Audit Committee

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

February 23, 2005

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

Dear Ms. Gassman:

The Joint Legislative Audit Committee will hold a hearing on follow-up related to the Legislative Audit Bureau's letter report on the Opportunities Industrialization Center of Greater Milwaukee (OIC-GM) (November 2004). This hearing will be conducted with invited testimony only and be held on Wednesday, March 2, 2005, at 10:00 a.m. in Room 412 East of the State Capitol.

Given the recent closing of the agency, we ask that you, and appropriate members of your staff, be present at the hearing to offer testimony relating to the transitions taking place and to address questions from committee members. Before you begin testifying at the hearing, please plan to provide each committee member with a written copy of your testimony.

Please contact Ms. Karen Asbjornson in the office of Senator Carol Roessler at 266-5300 to confirm your participation in the hearing. Thank you for your cooperation and we look forward to seeing you on March 2<sup>nd</sup>.

Sincerely,

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

Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

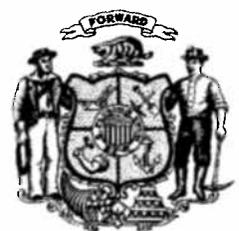
cc: Janice Mueller  
State Auditor

SENATOR ROESSLER  
P.O. Box 7882 • Madison, WI 53707-7882  
(608) 266-5300 • Fax (608) 266-0423

REPRESENTATIVE JESKEWITZ  
P.O. Box 8952 • Madison, WI 53708-8952  
(608) 266-3796 • Fax (608) 282-3624



# WISCONSIN STATE LEGISLATURE



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# Opportunities Industrialization Center of Greater Milwaukee

Legislative Audit Bureau  
March 2005

1

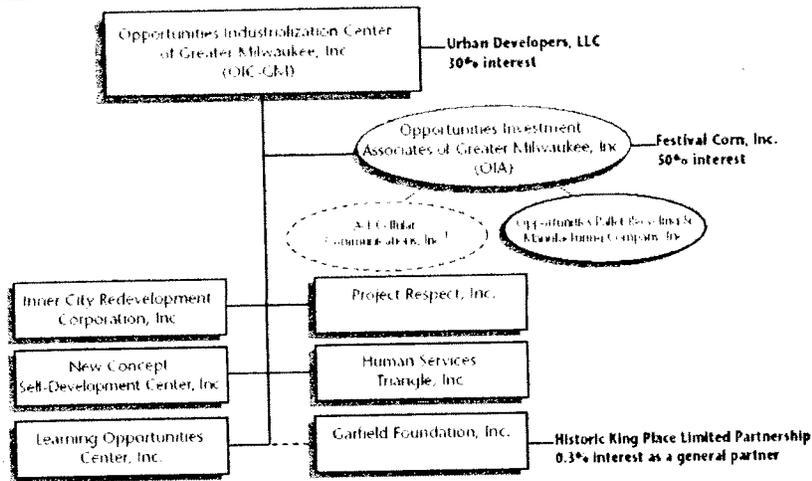
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## Overview

- ◆ In 2004, OIC was one of three W-2 agencies serving Milwaukee County
- ◆ It was the largest provider of W-2 services
- ◆ OIC had been awarded contracts totaling \$231.5 million since 1997
- ◆ The former CEO is serving a 2-year prison term for a felony conviction related to kickbacks of legal service fees

2

## Organizational Relationships



3

## Questioned Costs

- ◆ \$421,200 associated with inadequately documented legal service expenditures
- ◆ \$6,930 in unallowable costs, largely for expenditures not related to the W-2 program
- ◆ \$86,375 for other questioned costs, most of which were for payments related to sponsorship of local radio programming

4

## 2005 Key Events

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- ◆ January 1 – OIC discontinues providing services in 2 of its 3 regions
- ◆ January 14 – OIC board members resign
- ◆ January 25 – OIC's former chief financial officer is charged with a felony
- ◆ February 1 – release of a 2003 financial audit completed by a private accounting firm
- ◆ February 7 – OIC's Board votes to cease all operations
- ◆ February 10 – DWD terminates OIC's W-2 contract

5

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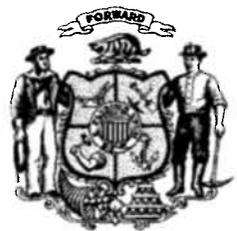
## Opportunities Industrialization Center of Greater Milwaukee

Legislative Audit Bureau  
March 2005

6



WISCONSIN STATE LEGISLATURE



## **OIC-GM Update March 2, 2005**

### **OIC-GM Status**

- OIC-GM Board on 2/7/05 voted to cease operations, including W-2, and notified DWD of this on 2/8/05.
- On 2/10/05 DWD notified OIC-GM that DWD was terminating OIC-GM's W-2 contract and DWD would operate W-2 Region 3 until February 28, 2005.
- DWD designated Brenda Bell-White as interim Region 3 W-2 director through February 28, 2005.
- DWD deployed staff on 2/11/05 and began operations of W-2 Region 3, keeping all W-2 employees and operating out of Sullivan Center located at 2947 N. MLK Jr. Drive.
- Tyrone Dumas assisted the W-2 program during this transition.

### **Staff**

- Brenda Bell-White and Bill Clingan of DWD met with OIC-GM W-2 employees on 2/11/05 to inform them of their continued employment for W-2 Region 3 and their possible continuation by new providers, UMOS and Maximus.
- UMOS interviewed former OIC-GM W-2 employees from 2/12/05 through 2/16/05. UMOS made 67 job offers on 2/18/05.
- Maximus interviewed from 2/15/05 through 2/17/05 and made 18 job offers on 2/18/05.
- Staff not provided with job offers is receiving services from DWD Job Service staff. A meeting for former employees was held at the OIC Sullivan Center on 2/25/05 at 9:00 am.

### **Participants**

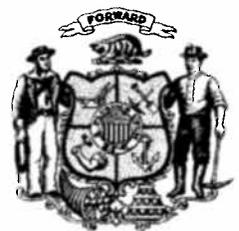
- DWD developed transfer lists for Region 4 and 5.
- Client notification letter, informing clients of their new service locations, sent on 2/22/05. A press release indicating this change sent on 2/23/05.
- 30% of Region 3 paid caseload, approximately 490 participants, were transferred to Maximus Region 5 and are being served through the Maximus center located at 6550 North 76<sup>th</sup> Street.
- 70% of the current Region 3 paid caseload, approximately 1160 participants, were transferred to UMOS' Region 4 and will be served at the UMOS center located at 4030 North 29<sup>th</sup> Street.
- UMOS and Maximus had information booths at OIC lobby from 2/22/05 through 2/28/05.

### **Close-out**

- DWD Milwaukee staff and former OIC-GM staff are working on follow-up logistics regarding retention of records, payroll close-outs, participant files, and related items during the week of 2/28/05.



# WISCONSIN STATE LEGISLATURE



**Matthews, Pam**

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**From:** Handrick, Diane  
**Sent:** Wednesday, March 02, 2005 9:20 AM  
**To:** Matthews, Pam  
**Subject:** FW: OIC Audit Hearing

*Send to Kaufert. ✓*

-----Original Message-----

From: psfendt@uwm.edu [mailto:psfendt@uwm.edu]  
Sent: Wednesday, March 02, 2005 9:08 AM  
To: Sen.Roessler; Rep.Jeskewitz  
Subject: OIC Audit Hearing

3-2-05

Dear Senator Roessler and Representative Jeskewitz,

I am writing to you as co-chairs of the Audit Committee, on the subject of OIC and the administration of W-2 in Milwaukee County. W-2 has been one of my primary areas of research in my position at the Center for Economic Development at UWM. I have followed the development of the policies and their implementation since the beginning of the program.

I applaud legislative interest in making sure that the program is run in an accountable manner. As bad as the situation deteriorated at OIC, the problems really extend back to the creation of the program and the way it was operated since in 1997. There was such an emphasis from the governor's office that the program be considered a success, and many early problems were swept under the rug. When state officials tried to hold agencies accountable, many times those interventions were stopped through political access. I remember the outcry for stricter controls and reporting after the Maximus and Employment Solutions scandals and misuse of funds were uncovered early in the program, but substantively nothing changed. This experiment in the privatization of social services has been very much hampered by lack of sufficient safeguards for use of taxpayer dollars.

In Milwaukee, we now have a very strong DWD regional office, which is responsible for monitoring programming and services. Many improvements have been made -- families that had fallen through the cracks are being identified and helped. The Department is being more prescriptive with Milwaukee agencies, and service provision is more even across the Milwaukee county regions as a result. It was the DWD appointed auditor that uncovered the true extent of OIC's financial situation.

In the next round of contracts, it is imperative that changes be made to how W-2 is operated in Milwaukee County. I believe the seeds for these changes have been planted in how DWD is responding to this current situation. The dollars wasted through corruption are one thing, but where the real savings might be found is by focusing more scrutiny on the funding in general, especially where it has been wasted on duplicative administrative and overhead functions by the Milwaukee agencies. There MUST be more emphasis on dollars for client benefits and services as the priority for the program to fulfill its true mission.

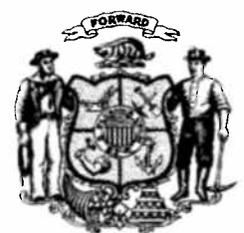
In the coming months as we finish the current W-2 contract cycle, the remaining Milwaukee agencies will face dire circumstances if the Joint Finance Committee does not release additional benefits funding for Milwaukee. The economy has not absorbed as many entry-level workers as predicted, and there are still thousands of families that rely on the Temporary Assistance to Needy Families funding provided through W-2. In addition to the audit process, the release of funds to help these families is another important aspect of program responsiveness and accountability.

Sincerely,

Pamela Fendt, policy analyst  
UW Milwaukee Center for Economic Development  
414-229-6155 phone  
414-229-4370 fax



# WISCONSIN STATE LEGISLATURE



**Asbjornson, Karen**

---

**From:** Malszycki, Marcie  
**Sent:** Wednesday, March 02, 2005 9:24 AM  
**To:** Asbjornson, Karen  
**Subject:** FW: OIC Audit Hearing

CR email

-----Original Message-----

**From:** psfendt@uwm.edu [mailto:psfendt@uwm.edu]  
**Sent:** Wednesday, March 02, 2005 9:08 AM  
**To:** Sen.Roessler; Rep.Jeskewitz  
**Subject:** OIC Audit Hearing

3-2-05

Dear Senator Roessler and Representative Jeskewitz,

I am writing to you as co-chairs of the Audit Committee, on the subject of OIC and the administration of W-2 in Milwaukee County. W-2 has been one of my primary areas of research in my position at the Center for Economic Development at UWM. I have followed the development of the policies and their implementation since the beginning of the program.

I applaud legislative interest in making sure that the program is run in an accountable manner. As bad as the situation deteriorated at OIC, the problems really extend back to the creation of the program and the way it was operated since in 1997. There was such an emphasis from the governor's office that the program be considered a success, and many early problems were swept under the rug. When state officials tried to hold agencies accountable, many times those interventions were stopped through political access. I remember the outcry for stricter controls and reporting after the Maximus and Employment Solutions scandals and misuse of funds were uncovered early in the program, but substantively nothing changed. This experiment in the privatization of social services has been very much hampered by lack of sufficient safeguards for use of taxpayer dollars.

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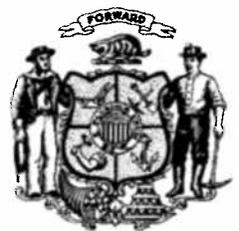
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Sincerely,

Pamela Fendt, policy analyst  
UW Milwaukee Center for Economic Development  
414-229-6155 phone  
414-229-4370 fax



# WISCONSIN STATE LEGISLATURE





**Testimony of Secretary Roberta Gassman  
Wisconsin Department of Workforce Development  
March 2, 2005**

**Joint Legislative Audit Committee Hearing on Legislative Audit Bureau Letter Review of  
OIC-GM and Transition Activities to New W-2 Providers**

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 steps the Department of Workforce Development (DWD) has taken to implement recommendations from the November 9, 2004 Letter Review by the Legislative Audit Bureau (LAB) and the transition of the Wisconsin Works (W-2) program from Opportunities Industrialization Center of Greater Milwaukee, Inc (OIC-GM) to new providers. Because you specifically requested information regarding the transition of the W-2 program in Milwaukee, I would like to begin my testimony with this update.

As I shared with you when I appeared before you last December, on November 23, 2004, I reduced DWD's W-2 contract by \$17,915,959, cutting their area of responsibility from three W-2 regions to one. I did this because of a number of deficiencies, including:

- Inadequate program operations and management;
- Limited workforce attachment for participants;
- Performance standards not being met;
- Improper administrative and fiscal procedures; and,
- Lack of responsiveness to request by the Department and outside auditors.

The Department also placed additional controls on OIC-GM at that time including a directive to retain Virchow Krause for financial oversight, retain outside firms for job placement assistance and increased onsite supervision by DWD.

Following the January 21, 2005, receipt of the DWD-required 2003 single audit of OIC-GM by Virchow, Krause and Company, DWD, on February 1, 2005, notified OIC-GM that it would terminate its W-2 contract with OIC-GM if OIC-GM did not take the following actions by February 28, 2005:

1. Institute new financial system practices and procedures:
  - Develop consolidated financial statements with standardized chart of accounts, standard elimination worksheets, and a standard reporting package of each OIC-GM entity;
  - Consolidate thirty existing checking accounts into three to reduce complexity, sources of error and produce administrative savings; and,
  - Institute monthly reconciliation of accounts and posting to the general ledger with appropriate documentation and internal control procedures.
2. Select an accounting firm for completing the 2004 audit by June 30, 2005, the standard date set for all calendar year 2004 audits, and establish a board policy to rotate audit firms every five years.
3. Develop immediate cash flow and monthly budget practices, including;

- Short term cash flow projections of 30, 60, and 90 day periods for salary, contractor, consultant, lease and other costs; and,
  - Alignment of expenditures with revenue on 30, 60, and 90 day increments.
4. Establish written board bylaws, conflict of interest policies and related board governance and program practices:
- Train new board in management responsibilities including financial statements and operations, accounting and auditing compliance, code of conduct, conflict of interest, and monitoring of internal controls;
  - Review and update corporate documents and develop a conflict of interest policy that covers board and senior management to ensure personnel are not related to each other, prohibit employees from business dealings with companies affiliated with OIC-GM, and ensure that all transactions are with officials of the organization and are adequately controlled, approved by the board and disclosed in the organizations' records;
  - Simplify the current corporate structure;
  - Increase the financial information provided to the board on a monthly basis to include, at a minimum, statement of financial position, statement of activities, comparison of actual versus budget and cash flow analysis;
  - Establish responsibilities and expectations of accounting department including staffing levels and training needs;
  - Record board minutes signed by secretary of corporation and approved at board meetings; and,
  - Establish an audit committee to work with the independent auditor.

As a result of OIC-GM's February 7, 2005, decision to cease all operations, which was communicated to DWD on February 8, 2005, DWD terminated its contract with OIC-GM effective February 10, 2005. Working with the Attorney General's Office, DWD recouped \$1,273,920.72 in W-2 funds from OIC-GM on February 11, 2005, and took over the day-to-day operation of the W-2 program in Region 3 through February 28, 2005. As of March 1, 2005, DWD has divided ongoing responsibility for the operation of the W-2 program in Region 3 between UMOS in Region 4 and MAXIMUS in Region 5. On an interim basis, from March 1, 2005, through December 31, 2005, the Department has contracted for the provision of W-2 program services in Milwaukee as follows:

Region 1 – YWCA of Greater Milwaukee (YWCA-GM);  
Regions 2 and 4 – UMOS; and,  
Regions 5 and 6 – MAXIMUS.

OIC-GM will receive no further reimbursements from DWD. DWD is withholding the December 2004 and January 2005 reimbursements from OIC-GM and will also withhold any February 2005 reimbursements. DWD has asked the Attorney General's Office to file liens and take other legal action to recoup additional funds owed to the state by OIC-GM under the W-2 program. The Department estimates that approximately \$2.4 million in W-2 funds are owed to the state. Similar to other state and federal programs, W-2 agencies receive a portion of their allocation at the start of each two-year contract period to cover early operating expenses. Because DWD terminated OIC-GM's contract before the end of the contract period, OIC-GM is obligated to return the early operating funds.

Our February 15, 2005, report informed this committee that the Department had terminated its contract with OIC-GM effective February 10, 2005.

During the February transition period, DWD facilitated the interviews and hiring opportunities for OIC-GM staff that were directly involved in the delivery of services to W-2 clients and to those administrative staff who were critical to the transition of the operation.

Approximately seventy (70) percent of the paid caseload from Region 3 will be served by UMOS from their Region 4 location at 4030 North 29<sup>th</sup> Street. The remaining thirty (30) percent of the paid caseload will be served by MAXIMUS out of their Region 5 location at 6550 North 76<sup>th</sup> Street. The primary determining factors in dividing the service delivery area between UMOS and MAXIMUS were the proximity of the new W-2 providers to the Region 3 clients, the experience of these agencies in providing large-scale W-2 services, staff knowledge of this complex program, and the ability to take on this growth immediately. Client notification letters went out on February 22, 2005 informing clients of their new service locations effective March 1, 2005.

These two agencies began operation as the new W-2 providers for former Region 3 W-2 participants beginning yesterday, March 1, 2005. Both agencies have had staff on-site in Region 3 throughout the transition period. This transition has gone very smoothly, with no disruption to services to W-2 participants.

UMOS and Maximus have offered jobs to 73% of the W-2 staff who were employed by OIC-GM prior to the agency's closure. Former OIC-GM employees who did not receive job offers have been receiving services from DWD's Job Service staff.

Following the completion of my testimony, I would be happy to answer any questions you may have regarding the Department's termination of OIC-GM's W-2 contract and the transition to new W-2 program providers in Milwaukee.

I would now like to briefly update you on progress the Department has made in implementing the seven findings from LAB's November 9, 2004, Letter Review.

Regarding LAB's recommendation that DWD require all W-2 agencies to provide annual information on the number of full-time equivalent (FTE) administrative and program staff positions supported by W-2 funds during the previous contract year, the Department is requiring all W-2 agencies to submit this information on an annual basis starting with calendar year 2004 as a requirement stated in Administrator's Memo 05-03. DWD is also reviewing the salaries of all executives, managers and supervisors who charge to the W-2 program as part of its 2005 Financial Monitoring program.

Regarding all four of LAB's recommendations that OIC-GM repay certain unallowable costs, as indicated during my testimony in December, DWD has recouped payments for all unallowable costs to OIC-GM, including any costs that were identified by LAB as questionable.

Regarding LAB's recommendation that DWD, as part of its ongoing fiscal monitoring efforts, 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, DWD increased the sample size of its financial monitoring and auditing processes in December 2004 and added additional monitoring requirements in the W-2 Agency Financial Monitoring Guide in December 2004. In 2005, DWD is collecting information on telecommunications spending through the CPA firms that conduct our financial monitoring. This information will be thoroughly reviewed and, if necessary, financial policies will be updated to address problem areas.

Finally, regarding LAB's recommendation 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, DWD increased the sample size of its financial monitoring and auditing processes in December 2004, and added additional monitoring requirements in the W-2 Agency Financial Monitoring Guide in December 2004. LAB further recommended that DWD place limits in future contracts on the amount of advertising and information expenditures that agencies are allowed to charge to the W-2 program. In 2005, DWD is collecting information on advertising and information expenditures through the CPA firms that conduct our financial monitoring. This information will be thoroughly reviewed and used to develop limits in future contracts for how much can be expended on these activities.

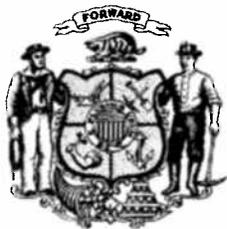
In closing, I am pleased with the progress the Department has made in meeting its commitment to providing ongoing, quality services to the former clients of OIC-GM. This has been a very trying time for the community served by OIC-GM, their staff and especially their clients. We at the Department are committed to supporting the successful transition to new W-2 providers.

Thank you very much for your work in support of this effort and I would be pleased to answer any questions that you may have.

Attachments



# WISCONSIN STATE LEGISLATURE



Jim Doyle  
Governor

Roberta Gassman  
Secretary



State of Wisconsin

Department of Workforce Development

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**CHRONOLOGY OF OIC-GM ACTIVITIES RELATED TO DWD  
AND W-2 SINCE 2003  
March 2, 2005**

***August 2003***

- Following positive ratings of OIC-GM's proposal, DWD notifies OIC-GM of intent to award contract to OIC-GM for delivery of W-2 services in Regions 1, 3 and 4 for 2004-2005 W-2 contract period.

***November 2003***

- DWD 2004-2005 W-2 contract work plan calls for DWD to issue contract to 2004-2005 W-2 providers by fall, 2003 thereby allowing agencies adequate preparation time to be delivering W-2 services on January 1, 2004.
- Gary George and Mark Sostarich indicted on kickback charges related to OIC-GM funds. Indictment alleges Sostarich paid George 80% of monthly retainer fee from OIC-GM and approximately half of other payments from OIC-GM.
- DWD Attorney Howard Bernstein writes to OIC-GM Board Chair Richard Porter asking a series of questions about OIC-GM's knowledge of any W-2 related OIC-GM financial arrangements between Mark Sostarich and Gary George.
- OIC-GM Board chair writes to DWD denying any OIC-GM W-2 related wrong-doing.

***December 2003***

- DWD entered into 2004-2005 W-2 contract with OIC-GM noting special review periods, extraordinary monitoring provisions, language stating that the Department may reconsider the extension of the W-2 contract beyond the initial contract year (2004).
- 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.
- George pleads not guilty to felony charges that he took \$400,000 in kickbacks, including \$270,000 from OIC-GM.

***January 2004***

- Gary George pleads guilty to a kickback charge, sentencing delayed.
- Special on-site monitor for daily monitoring of OIC-GM operations of W-2 program begins.

### **February 2004**

- DWD's Legal Counsel issued a letter to OIC-GM detailing DWD's contract language with OIC-GM requiring three separate audit and monitoring actions:
  1. Independent audit firm Virchow, Krause and Company (VK) to conduct the 2003 single agency audit;
  2. A financial monitoring entity, SFS Group LTD, to review all OIC-GM fiscal systems; and,
  3. DWD internal auditors to be stationed at OIC-GM to monitor procurement processes, billing and retainers.
- Letter from Joint Legislative Audit Committee Chairs Senator Carol Roessler and Representative Suzanne Jeskewitz to Janice Mueller with information to use in considering requests from Senator Darling for an audit of the W-2 program and from Senator Panzer for a related W-2 audit of OIC-GM.
- Joint Audit Committee voted for LAB to conduct W-2 audit, including audit of OIC-GM.

### **March 2004**

- OIC-GM CEO Carl Gee indicted on kickback conspiracy charges.

### **April 2004**

- DWD informed OIC-GM that Coleman and Williams could not perform OIC-GM single audit for 2003 because Coleman and Williams was under contract to OIC-GM for on-going accounting services to the agency. DWD directed OIC-GM to retain VK as auditor for 2003 single audit.
- Draft Fiscal Monitoring Report by SFS Group issued noting deficiencies regarding cost allocation; subcontract awards; direct costs; time and salary allocation; and, agency and policy manual provisions.

### **May 2004**

- DWD's Legal Counsel issued letter to OIC-GM, telling agency that they were not in compliance and must allow VK access to OIC-GM files.

### **June 2004**

- Final SFS Fiscal Monitoring Report provided to OIC-GM, noting operational deficiencies, and giving OIC-GM final opportunity to amend or expand the report.

### **July 2004**

- OIC-GM raised objections to findings of the SFS report.

### **August 2004**

- DWD released its own fiscal monitoring report, questioning OIC-GM payment of legal service retainer fees, directing OIC-GM to amend any retainer agreements to include number of hours of service provided each month, directing OIC-GM to correct improperly reported administrative costs to the appropriate cost pool.
- DWD disallowed \$215,997 in W-2 costs associated with unallowable 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.
- Gary George sentenced to 4 years.
- Carl Gee convicted on kickback conspiracy charge.

### **September 2004**

- 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 ~~eliminated the ability of OIC-GM to~~ have a "right of first selection" for the 2006-2007 W-2 contract period. 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.

### **October 2004**

- OIC-GM objection to DWD's finding that \$215,997 must be refunded to DWD.
- Tyrone Dumas hired by OIC-GM as Interim Director.
- DWD issued a follow-up letter to OIC-GM's inadequate CAP specifying additional required actions by OIC-GM.
- DWD follow-up letter to OIC-GM that DWD continues to have serious concerns about OIC-GM's operations of the W-2 program in Milwaukee.

### **November 2004**

- DWD rejects OIC's appeal of repayment of \$215,997.
- DWD's top leaders 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.
- LAB completed review of OIC-GM administration of W-2, making 7 recommendations for change.
- DWD writes to OIC-GM reducing their areas of responsibility from 3 regions to 1, reducing their contract by \$17,915,959, ordering that VK be retained for fiscal oversight, ordering that outside firms be retained for job placement services and increasing DWD on-site monitoring.
- DWD informs OIC-GM that DWD will recover \$444,623, including amounts previously disallowed, from inappropriately paid W-2 funds.

### **December 2004**

- DWD awards interim contract to YWCA of Greater Milwaukee (formerly YW Works) covering Region 1 which is expanded to also include the southeast corner of Region 4 in Milwaukee.
- DWD awards interim contract to UMOs covering Region 4 in Milwaukee.

### **January 2005**

- OIC-GM announces entire board has resigned, two new members named and that several affiliates eliminated.
- OIC-GM terminates top management leaders of agency, including COO and Cfo.
- Carl Gee sentenced to 2 years.
- Former chief financial officer of OIC-GM charged with illegally using \$46,000 worth of agency money to buy cell phones for shipment to Africa.
- VK single agency audit for 2003 for OIC-GM received by DWD.

### **February 2005**

- DWD informed OIC-GM that all findings by VK have been incorporated into OIC-GM's Corrective Action Plan and that DWD would terminate its W-2 contract with OIC-GM if agency did not make all required changes by February 28, 2005.
- OIC-GM board votes to cease operations.
- DWD terminates W-2 contract with OIC-GM effective February 10, 2005 and immediately assumes operations of Region 3 W-2 program through February 28, 2005.
- DWD secured remaining \$1.2 million of W-2 funds held by OIC-GM to successfully operate program in Region 3 for balance of February 2005.
- DWD also announces that as of March 1, 2005, DWD will contract with UMOS and Maximus for delivery of W-2 services in former Region 3 for balance of 2005.

### **March 2005**

- Region 3 caseload, staff and equipment successfully transferred to UMOS and Maximus.





**COLEMAN & WILLIAMS, LTD.**  
*A Professional Services Firm*

March 3, 2005

Representative Suzanne Jeskewitz, Co-Chair  
Joint Legislative Audit Committee  
Room 314 North  
State Capitol  
P.O. Box 8952  
Madison, WI 53708

Transmitted via Fax (608) 282-3624

Dear Representative Jeskewitz:

RE: Opportunity Industrialization Center of Greater Milwaukee Matter (OIC-GM)

Pursuant to the on-going "blame games" in the Milwaukee Journal/Sentinel about Coleman & Williams, Ltd., I thought you should be aware of our response and the action steps we are about to embark on. Therefore, I have attached for your information our letters to Ms. Gassman & Mr. Dumas.

Sincerely,

A handwritten signature in black ink, appearing to read "W. B. Coleman". The signature is written in a cursive, somewhat stylized font.

William B. Coleman

C.C. Patrick Knight, Esq.

Attachments: 2

316 North Milwaukee Street, Suite 350  
Milwaukee, Wisconsin 53202  
Telephone 414.278.0170  
Facsimile 414.278.1169



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POWERFUL LEGAL REPRESENTATION

RECORDED  
MAR 02 2005

Writer's Direct E-mail  
pknight@grgblaw.com

March 1, 2005

Howard Bernstein, Legal Counsel  
Office of the Secretary  
Department of Workforce Development  
201 East Washington Avenue  
Post Office Box 7946  
Madison, Wisconsin 53707-7946

Re: *Coleman & Williams, Ltd.*

Dear Mr. Bernstein:

As I have advised, this office has been retained to represent Coleman & Williams, Ltd. to seek redress and correction of defamatory public statements issued by DWD Secretary Roberta Gassman during press conferences following the DWD decision to terminate funding of the Opportunities Industrialization Center of Greater Milwaukee. Statements by Secretary Gassman, which were widely publicized on February 10 and 13, 2005, alleged that Coleman & Williams "... gave a false picture of the Center's finances in approving payments and renewing contracts" and that Coleman & Williams provided "extremely inaccurate information" regarding OIC's financial status. Those statements were false and intended to wrongfully harm the reputation of Coleman & Williams in the estimation of the community and to deter others from associating with the firm. Accordingly, I seek an immediate and public retraction of those statements in order to mitigate the harm that has been visited upon my client. Additionally, I am in receipt of your letter dated February 14, 2005, removing Coleman & Williams from the DWD list of presumptive suppliers of accounting and financial services. This action is also without factual basis and should be reversed immediately.

As we have discussed, DWD did not review the 2002 audit and financial statements of OIC-GM prior to either publishing defamatory statements or taking action with regard to the presumptive provider list. Had that report been reviewed, DWD and Secretary Gassman would have recognized the following:

TWO PLAZA EAST  
SUITE 1170  
330 E. KILBOURN AVE.  
MILWAUKEE, WI 53202  
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1. The Coleman & Williams, Ltd. audit report of the operations of OIC-GM for the year ended December 31, 2002 accurately depicted the serious and substantial financial problems at OIC-GM. Disclosures were made regarding the occurrences of significant losses for three programs; management's intention to cease certain operations; the proposed elimination of many positions and suspension or reduction of obligations and; the occurrence of losses by affiliates and the de-obligation of performance bonuses by DWD. All of the above disclosures were properly set forth in the 2002 report.

2. The accounts payable and accounts receivable subsidiary ledgers reconciled to the general ledger at December 31, 2002 and were not misstated.

3. Interim financial statements, which were prepared by management during 2003, were, as reflected in the board minutes and discussions with OIC-GM financial personnel, available for oversight review. Those interim financial statements, which contained timely and accurate information, were provided to the board.

4. The use of separate cash accounts for subsidiaries was not an optional financial decision selected by OIC-GM. Separate cash bank accounts for each program was mandated by the predecessor agency to DWD in 1993 as a precondition for OIC-GM to obtain Job Option grants.

5. The 2002 audit by Coleman & Williams was performed on the accounting systems and records in existence during the years up to December 31, 2002. The impact of the subsequent non-recurring events and highly unusual activities that occurred during the 2003 fiscal year were not subject to earlier audit procedures. In 2003, the chief financial officer of OIC-GM was on maternity leave for substantially all of that year. In addition, a manager in the accounting department resigned to take a position with another entity. These factors, which had significant impact on the financial management of OIC-GM, were not in existence during the 2002 Coleman & Williams audit and thus could not have been a subject of review or comment.

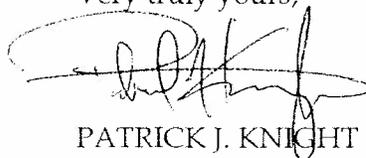
Coleman & Williams was hired by DWD to perform oversight on the 100% continuous time reporting and other audit activities at several W-2 agencies throughout the state. Coleman & Williams was commended by the Department of Workforce Development for the quality of the audit work provided to those agencies. The Department of Administration and Department of Health and Family Services have both conducted in-office reviews of the audit work and have accepted the accuracy. Most significantly, the DWD had the opportunity to review the Coleman & Williams report on the 2002

financial statements before making the 79.4 million dollar two year award to OIC-GM. To date, the DWD has never requested the audit work papers relating to OIC-GM that document the accuracy of the audits prepared by Coleman & Williams. Those work papers remain available for review by you or your designee. Had such a review been conducted, the derogatory statements would never have been uttered.

As you are aware, Coleman & Williams has, in all regards, cooperated with the Department in all matters related to inquiries into the past finances of OIC-GM. What is clearly unconscionable is that the DWD, through its Secretary, has published defamatory statements regarding the quality of the audit work performed by Coleman & Williams, *prior to reviewing past audits that accurately reflected the perilous financial condition of the entity*. Similarly, the Department's action to remove Coleman & Williams from the presumptive provider list was done without the review of prior audits that were timely and accurately provided to your agency. Additionally, the published stories of the defamatory statements included reference to the state having "ousted" Coleman and Williams, thus implying improper conduct. As you advised, the decision to hire Virchow Krause as the new OIC-GM auditor resulted from revelations of criminal conduct by OIC-GM management unrelated to practices subject to prior audit review. This public perception, uncorrected by DWD, has and will cause substantial business injury to Coleman Williams.

The public and private harm caused by Secretary Gassman's comments and the Department's subsequent action is substantial and ongoing. The continuing damage can only be addressed by public retraction and corrective action. Please advise this office within ten (10) days if the Department intends to correct the public record and retract all statements that suggest the audits of Coleman & Williams in any way misled the Department in its oversight of OIC-GM.

Very truly yours,



PATRICK J. KNIGHT

PJK

c William Coleman  
Thomas Wanat  
Patrick Farley

civl/Coleman&Williams/DWD-Bernstein2005-03-01



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POWERFUL LEGAL REPRESENTATION

Writer's Direct E-mail  
pknight@grgblaw.com

March 1, 2005

Tyrone P. Dumas  
5963 North 78<sup>th</sup> Street  
Milwaukee, Wisconsin 53218

Re: *Coleman & Williams, Ltd.*

Dear Mr. Dumas:

This law firm has been retained to represent Coleman & Williams, Ltd. in all matters arising out of false defamatory statements you issued during the week of February 7<sup>th</sup>. In particular, on February 9, 2005, you made statements to reporters of the Milwaukee Journal Sentinel that OIC's former auditors "misled [you] about the mangled state of OIC's finances." In a subsequent news story published on February 13, 2005, you are quoted as saying that Coleman & Williams are responsible for the financial woes of OIC-GM.

As you know, those statements are false and clearly tend to damage the otherwise excellent reputation that Coleman & Williams has developed over the past fifteen years. Had you actually examined the prior audits of OIC-GM prepared by Coleman & Williams, you would have learned that the historically fragile financial status of the Center has been well documented. Additionally, you consistently declined the opportunity to be educated about the audit history of OIC-GM during your term as OIC president.

Your statement that you were "misled," and your implication that prior audits did not reveal the continuing financial losses therefore, were knowingly false and not protected by any recognized legal privilege. Our client has authorized us to take any and all steps necessary to undo the harm caused by your defamatory statements.

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POWERFUL LEGAL REPRESENTATION

In order to minimize the ongoing harm caused by your statement, a public retraction is necessary. Please advise this office within ten (10) days if you intend to retract the aforementioned statements and correct the false public record you have created.

Very truly yours,

A handwritten signature in black ink, appearing to read 'P. Knight', written over a horizontal line. The signature is stylized and somewhat cursive.

PATRICK J. KNIGHT

*Civil/Coleman&Williams/Dumas*

cc: William Coleman  
Thomas Wanat



# WISCONSIN STATE LEGISLATURE



State of Wisconsin - Department of Workforce Development

Secretary's Office  
Department of Workforce Development  
201 E Washington Ave Room No.A-400  
Madison, WI 53702

**FAX COVER SHEET**

Date Sent:

TO: Rep. Jeskewitz

AGENCY/COMPANY: Legislative Assembly

FAX #: 282-3624

TELEPHONE #: 266-3796

Pages Sent (Including this cover):

FROM: Secretary Roberta Gassman

RE:

FAX #: 266-1784

TELEPHONE #: 266-9427

Special Instructions (optional):

Urgent

Review/Comments

Response Required

FYI

This message is intended only for the addressee and may contain information that is confidential. Use by any unauthorized party is strictly prohibited. If you received this communication in error, please telephone the sender and return the original message by mail. Thank you.

If there were any problems with the transmission or not all pages were received, please contact sender immediately at sender's telephone number above.

Jim Doyle  
Governor

Roberta Gassman  
Secretary



State of Wisconsin

Department of Workforce Development

OFFICE OF THE SECRETARY  
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February 14, 2005

William Coleman  
Coleman & Williams Ltd.  
316 N. Milwaukee St. Suite 350  
Milwaukee WI 53202-5892

Re: Status of Coleman & Williams as a presumptive provider of  
services to DWD

Dear Mr. Coleman:

As you know, Coleman & Williams has received contracts in past years to provide financial monitoring services to DWD under programs such as W-2. DWD has informed Coleman & Williams in the past that it is on the DWD list of presumptive suppliers of such services, meaning that the firm would be considered for future contracts of this type.

I am now writing to inform you that this status has changed. DWD now considers Coleman & Williams to be removed from its list of presumptive suppliers of accounting and financial services.

The reason for this is DWD's review of the report provided by Virchow Krause & Co. for the operations of the Opportunities Industrialization Center of Greater Milwaukee, Inc., as of December 31, 2003.

The Virchow Krause report provides numerous details of serious problems with financial records and accounting at OIC-GM. Examples include the lack of timely and accurate financial statements, causing management to have an inaccurate picture of the financial status of the organization; the use of numerous separate cash accounts, causing reconciliations to be delayed; and the failure to reconcile subsidiary ledgers to the general ledger on a monthly basis, causing accounts payable and receivable to be misstated.

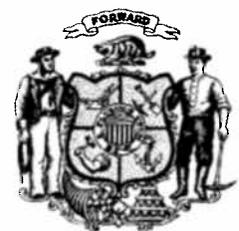
The volume and seriousness of these problems has led DWD to question why these issues were not discovered and addressed in the audits of OIC-GM which your firm conducted in the years before 2003. Until we have had a chance to evaluate the performance of your firm in prior audits of OIC-GM, we will not be considering your firm for future work in the W-2 program.

Sincerely,

Howard Bernstein  
Legal Counsel



# WISCONSIN STATE LEGISLATURE



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

March 15, 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:

I am writing to submit the third report from the Department of Workforce Development (DWD) regarding the findings of the November 9, 2004 Legislative Audit Bureau (LAB) from its 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.

As you know from the Department's February 15, 2005 report, the Department has fully implemented four of the seven recommendations made by LAB in their November 9, 2004 report, including recovery of all identified disallowed and questioned W-2 funds. The Department has also taken steps to address the remaining three items in LAB's November 9, 2004 report.

Since our February report, the Department has issued Administrator's Memo 05-03 requiring an annual count of all full-time equivalent (FTE) staff, including indirect staff and administrative staff salary costs, from each W-2 agency. This Administrator's Memo was issued on March 1, 2005. This requirement will begin for calendar year 2004 for all W-2 agencies. Earlier this month, W-2 agencies already began submitting their 2004 FTE reports. The attachment to this report has been updated to reflect this action by the Department.

In the Department's February, I described the details of the transition to new providers in Region 3 in Milwaukee now that OIC-GM is no longer a W-2 provider. I am pleased to report that this transition has gone smoothly with no interruption of services to customers.

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

Sincerely,

Bill Clingan  
Division Administrator

Enclosure

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**  
**LAB Findings and DWD Action Taken in the OIC-GM Financial Audit**  
 March 15, 2005

<b>LAB Recommendation</b>	<b>Actions Taken</b>	<b>Future Planned Actions</b>	<b>Comments</b>
<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)</p>	<p>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 issued Administrator's Memo 05-03 requiring an annual FTE count, including indirect staff and administrative staff salary costs, from each W-2 agency on March 1, 2005. This requirement will begin for calendar year 2004. W-2 agencies have already started submitting their 2004 FTE reports.</p>	<p>1. DWD will include oversight of the requirement to provide FTE information through on-site monitoring visits to W-2 agencies. (Ongoing)                  2. 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. (June 2005)                  3. 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. (June 2005)</p>	

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<b>LAB Recommendation</b>	<b>Actions Taken</b>	<b>Future Planned Actions</b>	<b>Comments</b>
<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 A) 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 (\$241,318) from the December 2004 and January 2005 checks to OIC-GM. (See Attachments B and C.)</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 A) 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 (\$95,000) from the December 2004 and January 2005 checks to OIC-GM. (See Attachments B and C.)</p>	<p>1. No additional action required.</p>	

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<b>LAB Recommendation</b>	<b>Actions Taken</b>	<b>Future Planned Actions</b>	<b>Comments</b>
<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 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 A) 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 B and C.)</p>	<p>1. No additional action required.</p>	

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 March 15, 2005

<b>LAB Recommendation</b>	<b>Actions Taken</b>	<b>Future Planned Actions</b>	<b>Comments</b>
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)	1. DWD sent a letter to OIC-GM on 11/29/04 (see Attachment A) 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 B and C.)	1. No additional action required.	

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 March 15, 2005

<b>LAB Recommendation</b>	<b>Actions Taken</b>	<b>Future Planned Actions</b>	<b>Comments</b>
<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"> <li>1. DWD provided enhanced training on Financial Monitoring to Regional Office Staff. (December 2004)</li> <li>2. Financial on-site 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)</li> <li>3. DWD has increased the sample size of their financial monitoring and auditing processes. (December 2004)</li> <li>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)</li> </ol>	<ol style="list-style-type: none"> <li>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)</li> </ol>	<ol style="list-style-type: none"> <li>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.</li> </ol>