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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**

\* Contents organized for archiving by: Stefanie Rose (LRB) (September 2012)

**Jim Doyle**  
Governor

**Roberta Gassman**  
Secretary



**State of Wisconsin**  
**Department of Workforce Development**

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March 17, 2005

Patrick J. Knight  
Gimbel Reilly Guerin Brown  
330 E. Kilbourn Avenue, Suite 1170  
Milwaukee WI 53202

Re: Coleman & Williams, Ltd.

Dear Mr. Knight:

In response to your letter of March 1, 2005, I do not agree that statements made by the DWD Secretary in relation to Coleman & Williams, Ltd., can be characterized as defamatory.

Your letter refers to statements "which were widely publicized on February 10 and 13, 2005." You have not provided any further details, but the Milwaukee Journal-Sentinel published articles on those dates which contained quoted comments on OIC and Coleman & Williams by a number of persons, including the DWD Secretary. In the absence of any further information, I have assumed that these are the statements that you reference.

The point made by these articles, in part, was that the recent Virchow Krause audit report provides numerous details of serious problems with financial records and accounting at OIC-GM that were not disclosed by Coleman & Williams in its earlier audits of OIC. A few of the many examples are 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 a number of persons, including state legislators and OIC management, 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.

You make a number of points in your letter of March 1, 2005, concerning the findings of the Coleman & Williams audit report on OIC for calendar year 2002. It is true that the Coleman & Williams audit report did note issues such as losses in some programs. However, this audit did not show OIC to be in "perilous financial condition," as you state. The issues disclosed in the Virchow Krause report for 2003, as summarized in the examples given above, are of a far more basic and serious nature than the issues disclosed in the Coleman & Williams audit for 2002.

Again contrary to your statements, DWD staff had previously reviewed earlier OIC audits and was aware of the contrast between the picture presented by those audits and the Virchow Krause report.

Your letter also does not mention the significant delay encountered by Virchow Krause in completing the 2003 audit due to the objections raised by Coleman & Williams to the hiring of Virchow Krause. Despite the clear explanation that the 2003 review would have to include a review of actions by Coleman & Williams, and that the firm clearly could not conduct an audit of itself, Coleman & Williams was slow to cooperate in the handover to Virchow Krause.

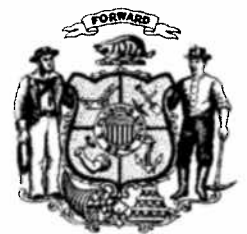
One further example illustrates the factual basis for the comments that have been made. You explain that Coleman & Williams did not question the use of separate cash accounts for subsidiaries because it was "mandated" in 1993 by a predecessor agency to DWD under a now-discontinued program. This is the sort of issue that should be raised by an auditor rather than passed over. If in fact there are numerous separate cash accounts which create great complexity and problems for an organization's internal accounting, and the reason for keeping the accounts separate no longer exists, an auditor should raise the issue, as Virchow Krause did. It is clearly not defamatory to comment on such major differences in two audits when the financial management of an organization becomes a matter of intense public interest, as has been the case with OIC.

Sincerely,

Howard Bernstein  
Legal Counsel



# WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

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

March 23, 2005

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

Dear Ms. Gassman:

Thank you for your testimony before the Joint Legislative Audit Committee on March 2, 2005. We also wish to acknowledge receipt of the Department's third monthly report, which updates the Committee on the status of actions taken by the Department in response to the Legislative Audit Bureau's November 2004 letter report on OIC-GM. We appreciate the Department's cooperation in providing monthly updates to the Committee in 2005, and note the Department's progress in meeting the recommendations presented by the Legislative Audit Bureau.

These reports clearly indicate that four of the seven formal recommendations now have been fully implemented or addressed. Given the attentiveness the Department has demonstrated to the recommendations, it seems appropriate to suspend our request for monthly updates. In your latest report, we note that the three outstanding recommendations involve future actions that will be completed this summer. Therefore, we ask that you submit your next follow-up report to the Committee on August 15, 2005. In addition to a general status update on the Department's overall monitoring of W-2 agencies, we anticipate that this report will include:

- key findings of the Department's comparison of the salaries of W-2 agency executives and key managers with the *2003 Compensation and Benefits Survey for Nonprofit Agencies* and the *Salary Guide for Accounting Occupations*;
- information the Department has collected on telecommunications expenditures through its financial monitoring program, and a discussion of any problem areas found; and
- information the Department has collected on advertising and information expenditures through its financial monitoring program, and a discussion of any problem areas found.

Thank you for your cooperation. We look forward to receiving your report on August 15<sup>th</sup>.

Sincerely,

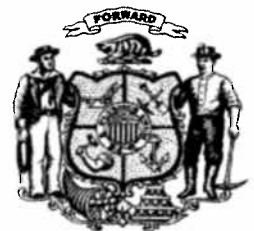
Senator Carol A. Roessler, Co-chair  
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

cc: Janice Mueller  
State Auditor



# WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE

*Joint Legislative Audit Committee*

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

May 20, 2005

Mr. Bill Clingan, Administrator  
Division of Workforce Solutions  
Department of Workforce Development  
201 East Washington Avenue, Room A200  
Madison, Wisconsin 53703

Dear Mr. Clingan:

Thank you for your letter, dated April 15, which updates the Committee on the status of the Department of Workforce Development's efforts to implement the recommendations presented in the Legislative Audit Bureau's evaluation of the Opportunities Industrialization Center of Greater Milwaukee (letter report, November 2004).

Your letter requests permission to delay the next report on the implementation status of these recommendations until October 2005 when the Department submits a report in response to the Audit Bureau's evaluation of the Wisconsin Works (W-2) program (report 05-6). Enclosed, please find a letter we sent to Secretary Gassman, dated March 23, which requests the Department to report to the Committee by August 15 on the status of recommendation implementation and other issues.

We look forward to reviewing both your August and October reports. Thank you for your cooperation and assistance.

Sincerely,

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

Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

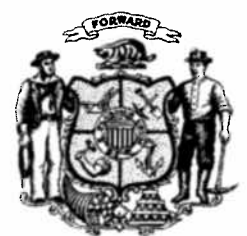
Enclosure

cc: Roberta Gassman, Secretary  
Department of Workforce Development

Janice Mueller  
State Auditor



# WISCONSIN STATE LEGISLATURE







STATE OF WISCONSIN

Legislative Audit Bureau

22 E. Millin St., Ste. 500  
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Leg.Audit.Info@legis.state.wis.us

Janice Mueller  
State Auditor

August 3, 2005

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

Dear Senator Roessler and Representative Jeskewitz:

Maximus, Inc., a private agency providing services to participants of the Wisconsin Works (W-2) program in Milwaukee, has responded to our requests for information on the number and amount of bonuses it paid to all staff from 2002 through 2004. This information had been requested in January 2005, but the data Maximus provided us were incomplete at the time we issued our July 2005 letter on the financial management of selected W-2 agencies. Using recently submitted data, we are now able to provide complete information on bonuses paid by W-2 agencies to their employees.

As noted in our prior audit reports, the practice of W-2 agencies providing their employees with bonuses had raised concerns. In November 2001, in response to prior audit recommendations, the Department of Workforce Development (DWD) instructed W-2 agencies on acceptable practices for paying employee bonuses with W-2 funds. DWD now approves agencies' employee bonus policies, and bonuses must be "necessary and reasonable" for administering the W-2 contract.

From 2002 through 2004, 12 of the 16 W-2 agencies we reviewed reported that they did not pay any bonuses with W-2 funds. Four agencies did:

- Based on the most recent data reported to us, Maximus used W-2 funds to pay bonuses totaling \$115,248 in 2002, \$187,462 in 2003, and \$391,816 in 2004.
- ACS State and Local Solutions, which administers the W-2 program in Waukesha County, used W-2 funds to pay a total of \$5,245 in bonuses to two employees in 2004.
- Opportunities Industrialization Center of Greater Milwaukee used W-2 funds to pay a total of \$2,460 in bonuses to three employees in 2003.

- Forward Service Corporation, a private agency that administers W-2 in a number of counties, used W-2 funds to pay one employee approximately \$75 in 2002, and another employee \$275 in 2003.

Maximus indicated that the compensation provided to all staff who work on the W-2 program is directly linked to performance standards established by DWD. In addition, Maximus noted that a fundamental principle of its compensation strategy is to stress performance by linking it directly to compensation. As a result, total compensation for its staff consists of a base salary, as well as a performance bonus component that is built into the overall compensation structure. Based on this strategy, Maximus pays monthly and quarterly bonuses to employees who meet performance measures. The following table summarizes the bonuses Maximus paid to its program staff and senior managers. Maximus reported that a total of 96.3 percent of these amounts were paid using W-2 funds.

---

**Bonuses Paid to Maximus Employees<sup>1</sup>**

Year	Program Staff		Senior Managers		Total	
	Number	Amount	Number	Amount	Number	Amount
2002	129	\$114,676	1	\$ 5,000	130	\$119,676
2003	109	181,646	2	13,019	111	194,665
2004	178	383,379	4	23,491	182	406,870

<sup>1</sup> Of these amounts, 96.3 percent was paid using W-2 funds.

---

From 2002 to 2004, the total amount Maximus paid in bonuses increased by \$287,194, or by 240.0 percent. Among those who received bonuses in 2004, the amount paid to program staff ranged from \$45 to \$4,665 and the amount paid to senior managers ranged from \$3,291 to \$8,500.

Finally, Maximus' employee bonus compensation plan was approved by DWD. A copy of the plan provided to us by DWD clearly indicates that senior officials, who include the vice president, project director, and project managers, are not included in the compensation plan. Unless a separate bonus compensation plan for these individuals was submitted to DWD and approved, Maximus is not in compliance with its contract requirements under the W-2 program. We recommend DWD review the bonuses Maximus paid to its senior managers and determine if these payments are consistent with the requirements it has established for W-2 agencies, or if they should be repaid.

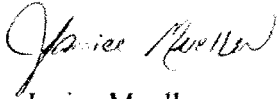
Senator Carol A. Roessler and Representative Suzanne Jeskewitz, Co-chairpersons

Page 3

August 3, 2005

I hope you find this information helpful. Please contact me if you have additional questions.

Sincerely,



Janice Mueller  
State Auditor

JM/PS/bm

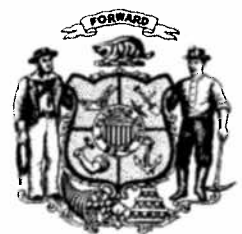
cc: Senator Robert Cowles	Representative Samantha Kerkman
Senator Scott Fitzgerald	Representative Dean Kaufert
Senator Mark Miller	Representative David Travis
Senator Julie Lassa	Representative David Cullen

Ms. Roberta Gassman, Secretary  
Department of Workforce Development

Mr. Jerry Stepaniak, Vice President for Workforce Services  
Maximus



# WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

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

August 23, 2005

Mr. Bill Clingan, Administrator  
Division of Workforce Solutions  
Department of Workforce Development  
P.O. Box 7972  
Madison, Wisconsin 53707-7972

Dear Mr. Clingan:

We have received your letter of August 15, 2005. Thank you for providing us with an update on the efforts that the Department of Workforce Development (DWD) has taken to oversee Wisconsin Works (W-2) agencies in response to the Legislative Audit Bureau's November 2004 report on the Opportunities Industrialization Center of Greater Milwaukee, Inc. (OIC-GM).

The need for effective oversight was again demonstrated earlier this month, when the Audit Bureau identified that Maximus had failed to comply with the provisions of its bonus plan and had inappropriately paid bonuses to its senior managers. We commend DWD's prompt action in recovering these funds.

We look forward to receiving in November 2005 the additional information about the cost containment caps that DWD is considering for W-2 agencies' telecommunications, advertising and information, and legal expenditures. Even though only OIC-GM may have incurred excessive expenditures in these three areas to date, it is important that DWD take steps to ensure that future expenditures are limited to those reasonable and necessary to serve program participants.

Thank you again for the information you have provided to date.

Sincerely,

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

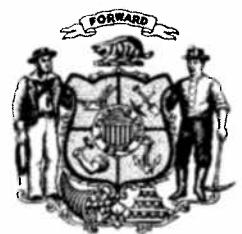
Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

cc: Roberta Gassman, Secretary  
Department of Workforce Development

Janice Mueller, State Auditor  
Legislative Audit Bureau



# WISCONSIN STATE LEGISLATURE



## Recommendations:

- We recommend that the Department of Workforce Development require all W-2 agencies to provide information annually on the number of full-time equivalent administrative and program staff positions supported with W-2 funds during the previous year; (page 8)
- We recommend that the Department of Workforce Development, Administration, and Public Instruction require OIC-GM to reimburse the State for \$293,008 in state and federal funds used in supporting payments to Mr. Sostarich; (page 19)
- We recommend that the Department of Workforce Development, Administration, and Public Instruction 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 they no longer fund legal services provided by Richard Porter while he is an officer of the corporation; (page 20)
- We recommend that the Department of Workforce Development, as part of its ongoing fiscal monitoring efforts, closely review the telecommunications expenditures that agencies charge the W-2 program and the procedures W-2 agencies use for allocating telecommunications costs across programs; (page 23)
- We recommend that the Department of Workforce Development require OIC-GM, to repay \$6,930 in unallowable costs; (page 25)
- We recommend that the Department of Workforce Development require OIC-GM to either repay the \$86,375 in questioned costs or provide additional documentation that adequately justifies the expenditures of program funds; and (page 25)
- We recommend the Department of Workforce Development, as part of its ongoing fiscal monitoring efforts, closely review the advertising and information expenditures agencies charge to the W-2 program to ensure are necessary to the programs' 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)





Original URL: <http://www.jsonline.com/news/metro/sep04/261027.asp>

## State tells W-2 agency to improve

### OIC given 10 days to devise corrective plan or lose contract

By **STEVE SCHULTZE**  
[sschultze@journalsentinel.com](mailto:sschultze@journalsentinel.com)

*Posted: Sept. 22, 2004*

State officials Wednesday ordered a troubled Milwaukee social service agency to improve its performance as Wisconsin's largest provider for the Wisconsin Works welfare reform program - or risk losing its lucrative contract.

The state has serious concerns about how the agency, Opportunities Industrialization Center of Greater Milwaukee, has been operating W-2, including a rising caseload at a time when caseloads are dropping elsewhere, says a letter from the state released Wednesday.

The agency was given 10 days to complete a plan to correct a series of problems, such as improperly claiming reimbursement for some administrative costs under W-2, failing six of 10 performance standards of the program and having an inexperienced new set of managers.

"This causes us great concern as it appears that familiarity with W-2 and its program and policy guidelines are not well known by the highest levels of OIC," wrote William Clingan, administrator of the state Division of Workforce Solutions.

The letter is couched in dire terms and comes on the heels of earlier demands for improvement. The agency has been in flux for a year, after the conviction of Carl Gee - OIC's former president and chief executive - in connection with a kickback scheme involving former state Sen. Gary R. George.

Gee will face a maximum penalty of five years in prison when he is sentenced in November.

He and other top OIC officials quit this year after the scandal. The agency is now being run by an acting chief executive and chief operating officer.

### Tough stand

The action the state takes against OIC depends on how well the agency complies with the demand for reforms, said Dick Jones, a spokesman for the state Department of Workforce Development, which oversees W-2.

If OIC fails to cooperate, the agency may face payment reductions "and ultimately, if necessary, (the state may be) moving to terminate the contract," Jones said in a statement.


"We are prepared to take whatever action is necessary to see that the W-2 participants are well-served," he said. The department won't speculate on who would take over OIC's contract for W-2, if the agency were to lose it, he said.

OIC holds an \$84 million 2004-'05 contract for operating W-2 in three of six Milwaukee County regions. That's on top of some \$250 million the agency was paid under earlier W-2 contracts since 1997.

"Everything the state has raised we are either in the process of resolving or have already resolved," said Todd Robert Murphy, a private public relations consultant and spokesman for OIC. "We are hunkering down in a way we have never hunkered down before."

### W-2

#### Related Story

 Kane: At last, W-2 revealed as flawed

Murphy claimed there was no other agency in the state prepared to step in and take over OIC's caseload. Two other private agencies operate W-2 locally, Maximus Inc., and United Migrant Opportunity Services.

The state's letter said OIC:

- Failed state performance standards for placing W-2 clients in jobs, improving their literacy and earning high school equivalency diplomas. It also says the agency is flunking three out of four "client satisfaction survey" questions.
- Improperly claimed W-2 payments for some administrative costs. For example, the state is demanding further documentation to show what portion of payments from OIC to Murphy can be legitimately billed to W-2. The state also is questioning the portion of salaries of several OIC managers that were billed to W-2. No figures were provided.

The state "strongly recommends that OIC begin an organizational streamlining initiative" so money can be shifted to direct services for clients, the letter said.

- Failed to pay some of its subcontractors and vendors in a timely manner. The state ordered OIC to pay all its bills within 30 days. Murphy said the complaint was partly true, but that OIC was "moving to rectify that."
- Reminded OIC it still must repay \$216,000 in legal fees the agency billed to W-2, but which federal prosecutors said were used as kickbacks paid to George through one of OIC's lawyers. George is serving a four-year prison term in Minnesota in connection with the kickbacks.

The state also questioned why OIC's caseload was rising, something Murphy said could be the result of many factors. He noted that OIC serves a difficult clientele.

The W-2 caseload for families getting cash assistance through OIC increased by 527 families, or 11.4%, between January and August this year, reaching a total of 5,145, according to state records. That compares with a 1.75% decline for the rest of Milwaukee County and 1.2% W-2 caseload decline for the rest of the state for the same period.

OIC has 41% of the state's W-2 caseload of 12,482 families.

There has been an increase in complaints about OIC from clients in recent months, said Pat DeLessio, an attorney for Legal Action of Wisconsin who has represented many W-2 clients.

Clients have complained of an inability to reach their caseworkers by phone and difficulty getting appropriate work training assignments, she said. "We are seeing significant service problems with OIC," DeLessio said.

Said OIC's Murphy: "There's two sides to every story" and many complexities behind each of the shortcomings the state alleged.

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Posted Sept. 26, 2004

## Editorial: W-2 problems don't make for a failed agency agenda

The W-2 welfare-to-work program has received a few hits to the head, making it look weaker than the serious program that is to get people off public support.

New York Times writer Jason DeParle recently received critical acclaim for his book, "American Dream: Three Women, Ten Kids and a Nation's Drive to End Welfare." He followed three women through W-2. Two did not escape welfare's clutches.

This past week, the Opportunities Industrialization Center of Greater Milwaukee was given 10 days to correct its problems as an agency that delivers W-2 services. It's a major agency with an \$84 million contract that failed six of 10 standards. Past president Carl Gee was convicted and awaits sentencing for taking kickbacks from former state Sen. Gary George.

Since some 80 percent of W-2 is given out in Milwaukee, some may be inclined to wonder whether Milwaukee is the bigger problem and let's drop W-2 altogether.

But, like it or not, it's now the state's welfare program. Taxpayers all have a vested interest. People's lives have been freed from the death grip of the old welfare system that rewarded women with money for birthing more dependents. W-2 has flaws but, to coin a phrase, a few failures does not a complete failure make. What happened to the third woman in DeParle's book? She entered the world of work and distanced herself from the clutches of welfare.

There also has been Wisconsin legislative oversight of W-2. Earlier this year, state Sen. Carol Roessler, R-Oshkosh, also co-chairwoman of the legislative Joint Audit Committee, joined other elected officials in a call for the legislative Audit Bureau to investigate W-2. Properly timed, its review will appear early next year – in time for recommendations to make their way into the 2005-'07 budget to be passed next summer.

That audit may reveal some interesting facts, and particularly about OIC as a major contractor of W-2 services. OIC was asked by the state to receive more cases. That may be part of its problems.

As a major player with W-2 problems pointing the way to future successes, Roessler should convene a special hearing just to discuss the Audit Bureau's

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findings on the OIC case. As an architect of W-2 herself, Roessler will know the specific questions to ask to find out why a major agency screwed up what is supposed to be the straightforward delivery of services.

A lot more rides on W-2 than keeping people off the public dime. The state has a reputation on the line, as a pioneer of the program under former Gov. Tommy Thompson.

Having to confront W-2's problems, even to the point of an OIC hearing, doesn't make it a bad agency. Confronting W-2's problems really represents the writing of a handbook for its success in the future.

Without review, what have we got? We have the old system of welfare that just threw money at problems without accountability. W-2 is different. W-2 is welfare with accountability. With so much on the line, in reputation and taxes, let's make sure our state sees every problem with W-2 as an opportunity to make it better. Lives depend on it.

**The Final Thought:** Problems with the W-2 welfare program should be seen as opportunities to improve its future performance.

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## State warns W-2 agency

### OIC, reeling from conviction of leader, is told to improve or lose its contract

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

*Posted: Oct. 22, 2004*

Barring dramatic improvements, the state's largest Wisconsin Works welfare reform provider stands to lose all or part of its contract at the end of the year, officials said Friday.

Efforts by Opportunities Industrialization Center of Greater Milwaukee to fix a host of problems have fallen short, state Department of Workforce Development officials said in an interview and in a letter to OIC.

The state put OIC on notice earlier this year that its W-2 work wasn't up to par, following a series of blows to the agency.

Its former president, Carl Gee, was convicted this summer in federal court for a role in a kickback scheme that routed W-2 funds to former state Sen. Gary R. George. George is serving a federal prison term for conspiracy in the kickback deal. Several other top OIC managers also have left the agency in the wake of the scandal.

The firm continues to fail most performance standards for its W-2 clients, it has not cooperated with a state-authorized auditor, and it hired a new chief executive without giving state officials a heads-up, the letter says.

And the firm, which is operating under a two-year, \$84.4 million contract, has been denied an additional \$8.3 million because state officials determined OIC's plan for how it would use the money was inadequate.

"We are seriously looking at options for changing the OIC contract," JoAnna Richard, a top Workforce Development official, said in a prepared statement. "We are looking at a full range of options, from termination to changing regions or to changing the program management" at OIC, Richard said.

The firm issued a statement Friday saying it would work with the state to address its concerns.

"We are working diligently to meet the performance expectations within the timelines established," the statement says.

Richard provided no clues as to who would handle all or some of OIC's W-2 caseload if it fails to quickly turn things around. The agency currently handles the W-2 program in three of six Milwaukee County regions. In addition to its current contract, OIC has had more than \$250 million worth of W-2 contracts between 1997 and 2003.

### Poor performance

The state's main concern is improving the way OIC is serving its clients, said Bill Clingan, administrator of the state Division of Employment Solutions, which oversees W-2.

"OIC has failed several of our customer service performance measures and has not made significant improvements in those measures within the last month," Clingan said. "In addition, we are concerned about the number of individuals entering employment. OIC's numbers are not where they should be, and the idea is to connect individuals to work."

OIC had told the state it planned to cut its large caseload roughly in half to 2,545 by the end of 2005, when its current W-2

contract expires.

That doesn't seem realistic, given the agency's shortage of qualified managers, said Rose Lynch, a spokeswoman for the Workforce Development Department.

State figures show that OIC failed six of 10 performance standards for the period of January through September this year, including the percentage of clients finding jobs, improving reading and math skills and earning high school degrees.

For example, 22% of OIC's clients found jobs during the period, missing its goal of 35%, and only 20% of its clients posted literacy gains, missing its goal of 45%.

Other problems noted by Clingan included glitches with a new computer system used by OIC to track cases, a tardy annual financial audit and ongoing payments by OIC to its former auditor.

The state also raised concerns about a legal services contract OIC board chairman and interim president Richard Porter has with the agency. The contract, which provides for a base payment of \$5,000 a month, must be amended to state what types of legal services Porter is expected to provide and how many hours a month he'll work, Clingan's letter says.

Porter declined to comment.

In addition, Clingan faulted OIC for hiring Tyrone Dumas as interim chief executive without giving the state adequate notice. Clingan said it wasn't clear what knowledge Dumas had about the W-2 program.

OIC publicly announced Dumas' hiring in mid-October, saying he'd be paid \$155,000 a year. Dumas formerly worked as an administrator with Milwaukee Public Schools and Milwaukee County. Dumas couldn't be reached for comment.

The state's tough stance with OIC "is the most serious challenge the state has ever issued" to a W-2 agency, said Kathleen Mulligan-Hansel, W-2 project coordinator for the non-profit Institute for Wisconsin's Future. She said the state faces a difficult decision in whether to terminate OIC. While services to its clients have suffered, she said, it would be difficult to find a suitable replacement.

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## **Audit questions expenses of welfare agency**

**Bureau wants money returned to state**

**BY JULIET WILLIAMS**

**Associated Press**

MILWAUKEE — The largest provider in the state's welfare-to-work program had more than half a million dollars in questionable expenses in one year, including nearly \$300,000 paid to a lawyer convicted of conspiracy in a kickback scheme with a former state senator, an audit released Tuesday said.

The nonpartisan Legislative Audit Bureau also said Opportunities Industrialization Center of Greater Milwaukee paid about \$2.1 million from its 2002-03 contract to agencies that it owned or was affiliated with, raising questions about whether they could benefit from state and federal funds.

The audit said the agency, which has been awarded state contracts totaling \$231.5 million since 1997, should repay the state for unallowable expenses, including more than \$400,000 in attorney fees paid to its former board chairman, Richard Porter, and former attorney Mark Sostarich.

OIC said in a statement that it took the audit very seriously and was working to resolve its problems. The agency has new leadership in the wake of several legal problems in the past two years.

It said corrective steps have been taken to ensure that no officer, board member or employee is paid for professional services, and it will put tighter controls on services.

The state Department of Workforce Development, which oversees the W-2 program, has told OIC it must repay \$216,000 in fees it paid Sostarich and on Monday revised its contract to address the new issues raised in the audit, DWD Secretary Roberta Gassman said Tuesday.

OIC was placed on a corrective action plan in September, and Gassman said the state has warned the agency it could lose all or part of its contract at the end of the year if it doesn't fix its problems. OIC serves about half the W-2 clients in the Milwaukee area, or about 40 percent of clients statewide.

"There are serious questions about their capacity to administer the program in all three regions in which they currently have a contract," Gassman said. She said she would decide in the next week whether the new measures, including forcing OIC to hire outside auditors and having a state program monitor, are enough or whether OIC should lose part of its contract.

The agency serves more than 5,000 clients in the state program that aims to get people off welfare and into jobs.

The review released Tuesday addressed only financial expenses. OIC's programs will be dealt with in a report on the entire W-2 program to be released next year. The Joint Legislative Audit Committee had asked for the review after ongoing problems at the agency, including several indictments in a federal conspiracy scheme.

Rep. Suzanne Jeskewitz, R-Menomonee Falls, co-chairwoman of the committee, said the internal contracts OIC has with other agencies "reeks of deception. I cannot comprehend how OIC-GM found it appropriate to retain an officer of the company as their lawyer when clearly prohibited by federal regulations."

Federal law prohibited Porter from acting as OIC's attorney while he served on its board.

The audit bureau also said OIC should pay back \$293,000 it paid to Sostarich, who pleaded guilty to conspiracy for giving former state Sen. Gary George 80 percent of his monthly retainer and half of additional legal fees from OIC. Both were convicted of conspiracy, along with former OIC president and chief executive officer Carl Gee.

OIC said it was working with the state on settlements, but Gassman said she does not believe that taxpayer funding is negotiable.

The audit bureau also found:

- OIC spent at least \$330,700 on telecommunications in its 2002-03 contract, including \$275,000 in radio programming to advertise its services. OIC said it was withdrawing such advertising.
- Gee held several positions at agencies OIC did business with until he resigned his positions in August. He is appealing his federal conspiracy conviction.

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## Editorial: Contract savings overdue

From the Journal Sentinel

*Posted: Nov. 10, 2004*

Ninety-three million dollars here, \$93 million there and pretty soon you're talking about real money - as in enough to regain public confidence that state government is being run as efficiently as possible.

The \$93 million is what the state will save over five years by putting to competitive bidding the contract to administer Wisconsin's Medicaid program. The winner is EDS Corp., the previous holder of a contract that had simply been extended from year to year. Under the new contract, EDS will be paid \$32.4 million a year, 36% less than what it was paid in the previous contract.

The savings follow a Journal Sentinel story this summer that the state had turned over management of its road signs to a contractor, tripling the cost for the state. The agreement was cancelled.

Gov. Jim Doyle ordered all state agencies to analyze existing contracts when he discovered in September that the state did not have a uniform way of analyzing whether nearly \$750 million in state contracts are the best the state can do.

The savings in this Medicaid contract are a welcome turn as the state looks at grappling with yet another budget deficit in January. Administration Secretary Marc Marotta said more announcements about contracts will be forthcoming.

A case can be made that the Doyle administration should have caught this sooner, but the governor took office in January 2003. The Medicaid contract was last put out to bid in 1994. EDS didn't get that contract but soon took it over after Unisys Corp. encountered problems. EDS then kept the contract on extensions.

Confusing is why EDS can suddenly do the job of administration and billing for Medicaid, BadgerCare and SeniorCare for millions less than it had been doing when it didn't have to bid competitively. An EDS spokesman declined to comment on that aspect.

We're looking forward to even more thrilling tales of contract savings. In any case, these savings illustrate once again the value of competition.

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## Former welfare execs' pay total in millions

### In 1997-2003, Gee got \$1.75 million, Clay \$1.35 million

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

Posted: Nov. 12, 2004

The state's welfare reform program and the taxpayers who fund it provided millions of dollars to two former executives of Opportunities Industrialization Center of Greater Milwaukee.

State figures show Carl Gee, OIC's former chief executive, and Bill Clay, the agency's chief operating officer, each reaped well more than \$1 million in salary, bonuses and benefits from 1997 through 2003.

Gee was paid \$1.75 million during the period, while Clay got \$1.35 million, according to a report prepared by the Legislative Audit Bureau. The Wisconsin Works welfare reform program, which is funded mainly by a federal grant, provided about \$2.3 million of the overall \$3.1 million paid to Gee and Clay. Other government grants to OIC paid the rest.

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

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

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

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

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

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

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

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

### Opportunities Industrialization Center

#### By The Numbers

##### \$1.75 million

Salary, and benefits, paid former chief executive Carl Gee from 1997 to 2003

##### \$1.35 million

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

##### \$250,000 and \$46,000

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

##### \$231.5 million

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

##### \$40.5 million

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

#### Recent Coverage

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

## Problems identified

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

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

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

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

But extras significantly boosted their total compensation.

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

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

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

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

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

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

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

## Another radio sponsor

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

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

Jones did not have figures for how much Employment Solutions, a subsidiary of Goodwill Industries, paid the station or

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10/2/04: Spivak & Bice: Opportunity knocks twice for Carl Gee

9/22/04: State tells W-2 agency to improve

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

whether any of its funds went to McGee. Lynch, the state spokeswoman, said she could not provide the figures immediately.

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

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

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

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*Posted: Nov. 21, 2004*

## Spivak & Bice



### **Cary Spivak & Dan Bice**

For them to know . . .

It seemed like an obvious question to ask **Tyrone Dumas**, the new boss of the **Opportunities Industrialization Center of Greater Milwaukee**: Just how much is your scandal-plagued agency paying its new PR firm - **Martin Schreiber & Associates**?

"Around \$15,000 a month," said Dumas, the affable interim head of the jobs agency that has landed more than \$230 million in state contracts to administer the W-2 program.

Dumas took over OIC after his predecessor, **Carl Gee**, was convicted in August for playing a key role in a kickback scheme involving ex-Sen. **Gary George**.

But Dumas was vague about the specifics of the three-month contract with Schreiber, an ex-guv who is buddy-buddy with current Gov. **Jim Doyle**, so we asked for a copy of the contract. Because OIC depends on government sources for funding, it seemed to us like a reasonable and simple request.

That is, until a flack / lobbying firm got involved in the process.

"We would prefer not to have our contract released to the media," said **Linda Sowell**, a Schreiber staffer working with OIC.

So Dumas, who had been pretty talkative about the pact, suddenly got very quiet. He eventually sent us a very formal six-paragraph letter telling us to take a hike.

"Please consider this inquiry closed," Dumas' note concluded.

OK, but one last question - how much will OIC have to pay Schreiber to help keep Schreiber's fee secret?

Original URL: <http://www.jsonline.com/news/metro/nov04/278099.asp>

## Lawmakers pledge sentencing reforms

### Senator requests audit of four-year-old law

By MARY ZAHN  
[mzahn@journalsentinel.com](mailto:mzahn@journalsentinel.com)

Posted: Nov. 23, 2004

Lawmakers from both parties in the Legislature have vowed to work to reform a state law that requires criminals to serve their entire prison sentence with virtually no chance for early release.

The legislators are responding to a series of reports that began Sunday in the Journal Sentinel about Wisconsin's truth-in-sentencing law. Among key findings:

- The law was implemented four years ago without the cost ever being assessed. If current trends continue, the additional cost to taxpayers for inmates admitted through 2025 will be an estimated \$1.8 billion, an analysis by the Journal Sentinel showed. Prisons are approaching the university system in state tax dollars; 12 years ago, taxpayers invested three times as much in universities as in prisons.
- Thousands of inmates are on waiting lists for prison jobs, education and treatment programs. Wardens report more bad conduct and hopelessness among offenders.
- Wisconsin has one of the toughest truth-in-sentencing laws in the country. It applies to both violent and non-violent offenders, provides no role for the parole board and allows wide latitude for judges in sentencing.
- Even for terminally ill inmates, early release is next to impossible. Good behavior and rehabilitation in prison do not earn a chance for a shorter sentence.

### A matter of priorities

"I think the whole issue needs to be re-addressed," state Sen. Alberta Darling (R-River Hills) said Monday. "I think your article is a tremendously timely one as we look at our priorities and our commitment to the budget.

"Corrections and Medicaid are the issues that have taken most of our discretionary new dollars. This can't continue. We have to look at our state and our priorities."

Darling sent a letter Monday to the Legislature's Joint Committee on Audit requesting a state audit to review problems with the law and make recommendations. If approved, the audit would be done by the non-partisan Legislative Audit Bureau.

"As a strong supporter of the original law, and the subsequent update of sentencing guidelines, I believe it has had a positive effect on Wisconsin," Darling wrote to the audit committee. "However, recent media reports have raised legitimate questions regarding the cost and inflexibility of the sentencing guidelines.


### Sentencing Reform

#### Quotable

“The question is, what is the best consequence both for safety and for the taxpayer's pocketbook?”

- Sen. Alberta Darling, (R-River Hills)

#### Related Coverage

 **Sting!**: Make the punishment fit - and stick

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■ **Series:** Previous installments

■ **Sunday:** Offenders who are released into the community find long waiting lists for help with jobs, housing and drug treatment. Many end up back in prison.

■ **Monday:** The restorative justice movement works to help offenders change their thinking and behavior by bringing offenders face to face with victims and survivors.

"I would like this law to succeed, but I believe a thorough examination of the law's implementation by the non-partisan Legislative Audit Bureau will help lawmakers identify improvements."

State Sen. Spencer Coggs (D-Milwaukee) said he supports the audit request and "will urge that it be approved." Additionally, Coggs and others said they supported legislation that would create more alternatives to prison, such as treatment for non-violent drug offenders.

## Categories of crime

"The question is, what is the best consequence both for safety and for the taxpayer's pocketbook?" Darling said.

Many non-violent drug offenders fail to get treatment and job training, becoming "a burden on the taxpayer for a very long time," she said.

"We need to look at different categories of crime differently," Darling said. "People jump on it and say, 'You're being weak on crime.' No, you're going to be smart on crime."

Coggs said that in past years, "nearly a quarter of our prison population were first-time non-violent property and drug offenders."

"Treatment instead of prison is a way to cut down a number of those costs," he said.

## Invitation to judges

State Rep. Pedro Colon (D-Milwaukee) said he will call on judges and others involved in the initial implementation of the law to help propose reforms to the truth-in-sentencing legislation.

"I will work on a legislative package that will address and alleviate some of the problems you have identified," said Colon, who is an attorney. "My hope is that we can do something where we don't scrap truth in sentencing, but address some of the issues where things are clearly going wrong."

Among the issues that need to be addressed, he said, is whether the law should be changed to allow offenders to petition judges for early release based on rehabilitation or other factors, whether sick or elderly inmates should have better options for early release and whether inmates should be given credit for good prison behavior, he said.

## Aging and dying inmates

State Rep. Sheldon Wasserman (D-Milwaukee) who is a physician, said he was particularly troubled by the law's restrictive release provisions for the terminally ill and elderly and would introduce legislation to change them.

Terminally ill inmates must now get two doctors to sign affidavits stating that the offender will die within six months. Inmates must then get approval from prison officials to petition the sentencing court for release. They are not entitled to legal help.

Release due to the infirmities of old age also are limited under the law. In order to petition a court for release, an inmate must be at least 65 and have served at least five years in prison or be at least 60 and have served at least 10 years in prison. "There should be faster release when people are getting ready for end-of-life issues," Wasserman said.

With the exception of sex offenders, he said, elderly and infirm offenders who are no longer a threat to society should be able to be released from prison and "off the tax rolls."

"A legislative change has to be made," he said.

### Quotable

“ My hope is that we can do something where we don't scrap truth in sentencing, but address some of the issues where things are clearly going wrong. ”

- State Rep. Pedro Colon,  
(D-Milwaukee)

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## OIC loses state weatherization work

### \$11 million contract shifted to other agencies

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

Posted: Dec. 14, 2004

The state has taken another bite out of the troubled Opportunities Industrialization Center of Greater Milwaukee, shifting its multimillion dollar contract for weatherization to two other agencies.

The change announced Tuesday means OIC will be out of the business of preparing low-income Milwaukee families' homes for winter, a job the agency has held since 1990 and that has paid it a total of \$61.7 million. The contract this year was worth nearly \$11 million and involved installing home insulation and repairing or replacing furnaces and boilers.

Starting next month, the Social Development Commission, of Milwaukee, and La Casa de Esperanza, based in Waukesha, will inherit the work, state officials said. Each agency will earn up to \$2.5 million for six months.

If their work is satisfactory, the state will issue one-year pacts in July worth \$5 million to each of those agencies.

Tyrone Dumas, interim president of OIC, said he was disappointed the state ended the weatherization contract. He insisted the center had done an exemplary job and said the agency was being punished for other problems it has had.

"It's a major slap in the face" that will hurt the city's African-American community and OIC's weatherization workers and their families, Dumas said. He said OIC plans to appeal the state's action.

The state's removal of OIC's weatherization contract was the agency's second big blow in less than a month. The state earlier cut its Wisconsin Works welfare reform contract by \$23 million for next year, a 60% reduction.

That action followed a critical state audit and the conviction of former OIC President Carl Gee for conspiracy. Prosecutors said Gee played a role in a kickback scandal that funneled W-2 money from OIC to former state Sen. Gary R. George through an intermediary.


"This is severe punishment for the agency in many ways," Dumas said. "That's what we are reaping for other people's actions."

Dan Schooff, administrator for the state weatherization program, said the decision to hire different agencies was not done to punish OIC. The other agencies scored higher than OIC in competitive bids, he said.


OIC got lower marks for "organizational capabilities" than La Casa or the Social Development Commission, according to a bid score sheet. OIC's scores on "technical requirements" were mostly higher than the other two bidders, however.


### Opportunities Industrialization Center


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
The industrialization center has until Dec. 27 to protest the decision by the state Department of Administration, Schooff said. If the decision isn't reversed, OIC could then appeal to Administration Secretary Marc Marotta.

Dumas said he didn't know how many workers would be laid off as a result of the state's action. OIC officials will seek to subcontract with the new agencies for some of the weatherization work, said agency spokeswoman Linda Sowell.

*Georgia Pabst of the Journal Sentinel staff contributed to this report.*

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## OIC affiliate charged over payments

### Holloway firm was paid for building that never changed hands, records say

By GINA BARTON and STEVE SCHULTZE  
[gbarton@journalsentinel.com](mailto:gbarton@journalsentinel.com)

Posted: Dec. 15, 2004

A real estate firm headed by Milwaukee County Board Chairman Lee Holloway and his wife was paid \$165,000 by an affiliate of Opportunities Industrialization Center of Greater Milwaukee for a building that never changed hands, according to federal charges filed Wednesday.

The Holloways kept the money, but the sale was never completed, and the social service agency never took possession of the building, the charges say.

Despite that, OIC also filed a federal block grant application - which contained at least three forged documents - seeking \$245,000 to renovate the building, falsely claiming the deal was on the verge of completion, according to court records.

Although the grant was denied, felony charges were issued Wednesday against the Garfield Foundation, an OIC affiliate, in connection with the payments to the Holloways' company, Webb Investments.

Holloway, his wife, Lynda, and Webb Investments have not been charged for accepting the money in several separate transactions between 1994 and 1998. Under federal law, the statute of limitations for most crimes committed by individuals is five years.

Federal and state investigations into OIC are continuing.

Holloway declined an interview request but issued a written statement:

"I am not currently nor have I ever been involved in any illegal business dealings with the Opportunities Industrialization Center of Greater Milwaukee nor was I charged with any illegal business dealings.

"I am cooperating fully with the United States Attorney's Office on this matter."

The 4,600-square-foot building is a two-story brick structure in the 2100 block of W. Atkinson Ave. that was ordered boarded up by City of Milwaukee building inspectors in April 2003. Its current property assessment is \$68,100. City records list the building as now being owned by Lee and Lynda C. Holloway, trustees of Holloway Living Trust.

The Garfield Foundation, which owns more than \$4 million worth of property for OIC, is accused of obstructing justice for presenting a forged check to a federal grand jury during the investigation of OIC's former Chief Executive Officer Carl Gee. A second subsidiary, Opportunities Investment Associates of Greater Milwaukee, was charged Wednesday with misapplication of funds in connection with \$200,000 that Gee gave to former state Sen. Gary George as an investment in a Virgin Islands television station.

### Troubles at OIC



Photo/File

Milwaukee County Board Chairman Lee Holloway

### OIC Troubles Continue

OPPORTUNITIES INDUSTRIALIZATION CENTER OF GREATER MILWAUKEE

NEWS, IN CONNECTION

The following are the names of the individuals involved in the OIC troubles.

<b>Carl Gee</b> OIC former CEO	<b>Lee Holloway</b> Milwaukee County Board Chairman	<b>Lynda Holloway</b> Milwaukee County Board Chairman's wife	<b>Webb Investments</b> Real estate firm	<b>Garfield Foundation</b> OIC affiliate

**OPPORTUNITIES INDUSTRIALIZATION CENTER OF GREATER MILWAUKEE**

NEWS, IN CONNECTION

The following are the names of the individuals involved in the OIC troubles.

<b>Opportunities Industrialization Center of Greater Milwaukee</b>	<b>Opportunities Investment Associates of Greater Milwaukee</b>	<b>Garfield Foundation</b>	<b>Webb Investments</b>	<b>Holloway Living Trust</b>
1000 W. Atkinson Ave. Milwaukee, WI 53233	1000 W. Atkinson Ave. Milwaukee, WI 53233	1000 W. Atkinson Ave. Milwaukee, WI 53233	1000 W. Atkinson Ave. Milwaukee, WI 53233	1000 W. Atkinson Ave. Milwaukee, WI 53233

Players and history of the OIC's troubles

### Quotable

If convicted, each affiliate could be fined up to \$500,000.

Gee, George and former OIC attorney Mark Sostarich all have been convicted of felony conspiracy in federal court. Sostarich's conviction is not related to OIC.

State auditors, legislators and others have questioned the series of interlocking OIC firms and the reason for the non-profit parent firm having for-profit subsidiaries.

Dave Cannon, an attorney for OIC, declined to say whether the OIC affiliates would be dissolved.

U.S. Attorney Steven M. Biskupic believes they should be.

"These charges are an attempt to target and punish those organizations that were used as tools for criminal involvement," he said. "OIC specifically was spared in order to allow new management an opportunity to carry on its stated intention of reform."

OIC paid the Holloway firm about \$105,000 in rent payments between 1994 and 1998 and an additional \$60,000 in 1998 toward purchase of the building, the charges say, yet the sale was never completed and OIC never used the building.

Sostarich, one of OIC's private lawyers, wrote to Lee Holloway in December 1998 on the pending purchase of the building, according to court documents. In a letter to OIC dated Nov. 14, 2000, Sostarich said "that he followed up with Mr. Holloway a number of times, but the final closing was never scheduled."

"No possession of the building was ever taken, and an effort to recoup the funds paid to Webb Investments was abandoned," according to the charging documents. OIC spokeswoman Linda Sowell was unable to explain why, saying most of the OIC staffers involved in the transaction no longer work there. She said the OIC affiliates were cooperating with the ongoing federal inquiry and declined further comment.

Garfield also filed a falsified application for a \$245,000 city block grant for fixing up the Holloway property in question, according to the charges. A purchase offer on the Holloway property included a signature of Lynda Holloway, who testified during Gee's trial in federal court in August that her name had been forged. She also testified that she believed there was a lease agreement for OIC to occupy the building.

The block grant application also included a letter bearing the name of OIC board member Douglas Brodzik, who testified that it, too, was forged.

A letter purportedly from Lee Holloway also accompanied the block grant application, which vouches for the value of the project but does not mention that the Holloways owned the building, according to court records.

## Discrepancies cited

Lee Holloway told federal investigators that the letter had been forged and "pointed to various discrepancies, including a facsimile number on the top of the page and the lack of a signature, that did not correspond to a legitimate letter from his office," according to court records.

No one has been charged with the forgeries, and no suspect has been publicly identified.


According to the charges against the Garfield Foundation, an original check from Garfield to Gee had the word "consulting" in the memo line, but that had been obscured in the version handed over to a federal grand jury.

"Therefore, the copy of the check produced to the grand jury had been altered to conceal the purpose of the check," according to the document.


**“ These charges are an attempt to target and punish those organizations that were used as tools for criminal involvement. OIC specifically was spared in order to allow new management an opportunity to carry on its stated intention of reform. ”**

**- Steven M. Biskupic, U.S. Attorney**

## Related Coverage

 **Shared History:** Holloway's connections date to the 1980s

## Previous Coverage

 **Archive:** Previous coverage of troubles at the Opportunities Industrialization Center of Greater Milwaukee

A federal jury convicted Gee, 63, of helping to funnel nearly \$500,000 illegally to George and to the Virgin Islands television station controlled by George's family. His sentencing is scheduled for Jan. 25.

George is serving a four-year prison term.

Sostarich, former chairman of the state Democratic Party, was not charged in connection with the OIC conspiracy. He pleaded guilty to a federal conspiracy charge involving George and the Police Athletic League. He is scheduled to be sentenced March 11.

The new charges don't detail the source of the money that went to Holloway, but OIC's budget has been almost exclusively funded by taxpayer money since its creation 37 years ago.

## State interested

The state Department of Workforce Development will examine the new charges closely to determine whether state money was used by OIC for the Holloway payments, department spokeswoman Rose Lynch said. If so, the state will demand repayment, Lynch said.

"We want to ensure that no public dollars were used inappropriately by any of the parties involved," she said.

As a result of an earlier department probe, OIC was ordered to pay back \$440,000 in W-2 money that was improperly spent on the George kickbacks, attorney fees and a portion of the \$275,000 paid to radio station WNOV-AM (860) and one of its talk-show hosts, former Ald. Mike McGee.

Garfield, one of OIC's seven affiliates, was set up in 1967 - the same year the parent firm was incorporated - to hold property and collect rent, according to information gathered by state auditors.

Many of the same people on OIC's board have simultaneously served on the boards of the affiliates. That close set of relationships caused the Legislative Audit Bureau, state lawmakers and others to question whether transactions among the firms were appropriate.

The investment subsidiary was set up in 1977 as "a holding company for many of OIC's economic development enterprises," according to information provided to auditors. Among that firm's activities: a pallet company, a corn-roasting company, a cell phone company and part interest in Urban Developers, a company set up to develop prison pre-release centers for the state in Milwaukee.

Holloway has official ties to OIC. His county biography indicates that he is chairman of OIC's Children's Service Network (CSN). He also served as a member of the Children's Service Network's advisory board.

*Dave Umhoefer of the Journal Sentinel staff contributed to this report.*

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## OPPORTUNITIES INDUSTRIALIZATION CENTER TROUBLES CONTINUE

Two of OIC's affiliates could be fined up to \$500,000 each if convicted in federal court.



1997 FILE PHOTO

1993 FILE PHOTO

**Gary George**

FORMER STATE SENATOR

Pleaded guilty to a federal conspiracy charge. Serving a four-year prison term.

**Mike McGee**

FORMER MILWAUKEE ALDERMAN, TALK-RADIO HOST

Received federal money from OIC for a radio show. Not charged.

**Mark Sostarich**

FORMER CHAIRMAN OF THE STATE DEMOCRATIC PARTY

Gave legal fees from OIC to Gary George. Pleaded guilty to a kickback charge involving Police Athletic League.

**Carl Gee**

FORMER PRESIDENT AND CEO OF OIC

Convicted by a jury of a federal conspiracy charge. Will be sentenced Jan. 25.

**Lee Holloway**

MILWAUKEE COUNTY BOAF CHAIRMAN

Real estate firm and his wife had a \$165,000 for building that never changed hands. Not charged.

**OIC AND RELATED ENTITIES**

■ = Agency may be fined

AGENCY, YEAR IT WAS ESTABLISHED	STATUS, ASSOCIATION	PURPOSE
Opportunities Industrialization Center of Greater Milwaukee, 1967	Non-profit	Community economic development corporation that assists low-income people.
■ Garfield Foundation, 1967	For-profit affiliate	Owns \$4 million worth of property. Charged Wednesday.
New Concept Self-Development Center Inc., 1975	Non-profit affiliate	Serves youth and families through services such as mentoring and parenting classes.
■ Opportunities Investment Associates of Greater Milwaukee Inc., 1977	For-profit subsidiary	A holding company for many of OIC's economic development enterprises. Charged Wednesday.
Project Respect Inc., 1977	Non-profit affiliate	Develops programs to reduce crime and assist victims.
Inner City Redevelopment Corporation Inc., 1978	Non-profit affiliate	Works to revitalize a section of N. King Drive in Milwaukee
Human Services	Non-profit	Operates residential facilities and

Original URL: <http://www.jsonline.com/news/metro/dec04/285915.asp>

## OIC laying off 130

### Third of staff to go as agency's funding slashed

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

*Posted: Dec. 20, 2004*

The troubled Opportunities Industrialization Center of Greater Milwaukee is laying off 130 of its employees - more than a third of its work force - after losing a major chunk of its funding, OIC officials said Monday.

Layoff notices were formally issued to workers Friday and their jobs will end Dec. 31, OIC spokeswoman Linda Sowell said. An unknown number of them were expected to be given jobs by the two agencies taking over 60% of OIC's Wisconsin Works caseload.

OIC administrators "are deeply saddened by the fact they are having to take this step, particularly at this time of the year," she said.

The OIC layoffs were prompted by the state's decision to lop \$23 million from OIC's \$39 million contract to operate the state's welfare reform program in Milwaukee County next year. The agency also is losing its state contract for weatherizing homes for 2005, a pact worth nearly \$11 million this year.

Also Monday:

### Won't step down

Milwaukee County Board Chairman Lee Holloway resisted a call by two county supervisors for him temporarily to give up his leadership position, saying he'd "done absolutely nothing wrong" in connection with his receipt of \$165,000 from OIC for a building the agency never used or formally purchased.

"I continue to stand by the fact that I'm innocent," Holloway said, in his first interview since the matter was made public in criminal charges last week against two OIC subsidiaries.

He said attempts to finalize a sale with OIC faltered several years ago when the agency wanted purchase documents to list the price on the two-story building in the 2100 block of W. Atkinson Ave. as \$160,000. Holloway said the price was supposed to be \$60,000 and he wouldn't go along with the higher amount on the sale documents for fear of getting into trouble with the IRS.


### Changes in works

Gov. Jim Doyle said more changes in how W-2 is run in Milwaukee County were under consideration for 2006, including breaking service contracts into much smaller pieces. Since the program started seven years ago, five agencies - including OIC - have shared the entire pot of W-2 money for serving poor clients in the county.

During a meeting with Journal Sentinel editors and reporters, Doyle said it would have been too disruptive to clients to yank OIC's entire W-2 contract for next year.

### OIC Troubles

#### Previous Coverage

 [Archive](#): Previous coverage of troubles at the Opportunities Industrialization Center of Greater Milwaukee

"When we renew a contract in a year, that's the time that you make a major change," Doyle said. The year will give new OIC administrators a chance to show whether they can reform the agency, he said.

Of those laid off, 90 worked on the W-2 program, Sowell said. The other 40 employees given pink slips worked in the weatherization program. Additional layoffs among managers and office staff are possible, she said.

The agency employed about 350 before the layoffs.

Many of the 90 W-2 workers might wind up working for YW Works or United Migrant Opportunity Services, the two agencies that will pick up parts of OIC's contract for next year, Sowell said.

Representatives from those companies and job and other counselors were on hand for both laid-off and remaining workers to deal with "the practical and emotional" issues caused by the mass layoff, she said.

The W-2 cutback was prompted by OIC's role in a kickback scheme, its poor performance in placing W-2 clients in jobs and improper spending on lawyer fees and a Milwaukee radio station.

Two of the company's affiliates also face felony charges that accuse them of investing \$200,000 of OIC's money in a Virgin Islands television station controlled by former state Sen. Gary George and forging a check.

In the charges filed against OIC affiliates last week, prosecutors cited what they said were forged documents relating to the Holloway building. Holloway said he didn't sign and had nothing to do with a letter urging the city to approve a block grant for fixing up his building.

U.S. Attorney Steven M. Biskupic has said his intent in charging the two OIC affiliates with felonies was to put them out of business. He also wants to give the parent firm a chance to survive and rehabilitate itself.

On Monday, County Supervisors Mark Borkowski and Paul Cesarz presented Holloway with a letter urging him to give up his board chairmanship temporarily. The ethical issue posed by Holloway's financial dealings "has cast a cloud on all of us" on the board, Borkowski said in an interview.

"If you are clean, come clean," Borkowski said he told Holloway.

Holloway said he was optimistic that he could soon work out details with the new OIC administrators to complete the building's sale.

He said he also would soon amend county ethics statements to disclose his ownership interest in his building. Holloway listed the property from 1991 to 1994 on county ethics disclosure reports, but not after that.

Borkowski and Cesarz said Holloway's financial links with OIC raise a question of whether he should have voted on county business with OIC. For example, Holloway voted in favor of a county contract with OIC in 1997 for \$374,751 for services to persons with disabilities.

Holloway said he didn't view that as a conflict because his building had nothing to do with the county's contract with OIC.

An OIC affiliate, Learning Opportunities Center, wanted to use the building for a remedial learning center. Holloway said OIC officials changed their minds several times on what they wanted to do with the building.

Holloway couldn't explain why OIC let the building sit for so long, even though an affiliate of the organization had paid Holloway's real estate firm more than \$105,000 in rent and later another \$60,000 for the purchase of the building, according to charges against the affiliate.

"It didn't seem important to them," Holloway said. "They were just taking their time."

OIC's current leaders have declined to comment on what previous OIC officials had in mind for the building. Former OIC President Carl Gee was convicted in summer of conspiracy in connection with a kickback scheme involving George, the

former state senator. Gee and virtually all of the agency's top administrators have since left the agency.

Also Monday, Ald. Michael McGee and about 30 protesters rallied outside the studios of radio station WNOV-AM (820) to demand that his father's Word Warriors show be reinstated.

Station owner Jerrel Jones this month suspended McGee's father, Mike McGee, the talk show host and former alderman, for his use of the F-word in castigating lawmakers for criticizing OIC.

Jones said McGee's suspension would continue despite the protest.

OIC improperly sent W-2 money to both the station and McGee to sponsor radio shows, a state audit says. Jones and McGee also have served on the boards of directors of two OIC affiliates.

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## Legislators deny more welfare funds to Milwaukee agencies

### OIC among groups in line for \$10.8 million

By STEVEN WALTERS  
[swalters@journalsentinel.com](mailto:swalters@journalsentinel.com)

Posted: Jan. 4, 2005

**Madison** - Angry legislators Tuesday refused to give three Milwaukee County agencies \$10.8 million in additional funds for the state's welfare reform program.

They cited abuses that they say have turned the non-profit Opportunities Industrialization Center of Greater Milwaukee into a poster child for government waste.

The Legislature's Joint Finance Committee voted, 16-0, to give Wisconsin Works, or W-2, providers in other parts of the state \$4.19 million, in addition to \$257 million budgeted statewide for an 18-month period. But the committee denied the three Milwaukee County organizations any additional funds until state officials convince them that tighter controls and reforms are in place.

For the final six months of 2005, state officials had recommended an additional \$3.52 million for OIC; \$4.57 million for United Migrant Opportunity Services; and \$2.7 million for YW Works. The three agencies had been expected to get about \$130.9 million in W-2 contracts from 2004 through mid-2005.

The agencies train low-income residents and place them in jobs. They also administer cash payments to qualified participants.

Repeatedly identifying OIC as the worst offender, legislators were not impressed by promises from state officials that the three organizations are now being closely monitored and have been given more specific goals and deadlines. It was the second public scolding of OIC by lawmakers in a month.

"This has been an ongoing nightmare," said Rep. Dean Kaufert (R-Neenah), committee co-chairman. "There's been so much misusing of taxpayer dollars down there in Milwaukee County."

"This is taxpayer money; it's not Monopoly money," Kaufert added.

Kaufert peppered state Department of Workforce Development officials with questions: Why did they want to give more money to Milwaukee-area agencies plagued with problems? What changes had been made already? Aren't other agencies competing for those contracts?

### Changes promised

William Clingan, administrator of the division of Workforce Solutions, said he and other state officials have taken several steps to reform how Milwaukee County social service agencies run W-2.

"There's been a lot of work done in the last year, and we take this very seriously," Clingan said. He added that few social

### Quotable

“ This has been an ongoing nightmare. There's been so much misusing of taxpayer dollars down there in Milwaukee County. This is taxpayer money; it's not Monopoly money. ”

- Dean Kaufert,  
 (R-Neenah), co-  
 chairman of the  
 Legislature's Joint  
 Finance Committee



service agencies in Milwaukee County are positioned to provide the services required.

Clingan said OIC's contracts have been rearranged to give it less of Milwaukee County's caseload. It already has lost \$23 million in W-2 contracts.

"We think we've acted pretty aggressively," he added.

JoAnna Richard, executive assistant in the Department of Workforce Development, said the three agencies affected by Tuesday's vote have had problems administering W-2.

"There are no pure providers here," Richard said.

State officials said they could provide more information on reforms within a few weeks. If satisfied, the committee could release the \$10.8 million in February.

But Sen. Alberta Darling (R-River Hills) called for top-to-bottom changes in OIC before it gets more tax funds.

OIC's interim president, Tyrone Dumas, has promised major changes in the organization within six months.

But Darling said: "There's no evidence that OIC is going to change the way they do business. They've got to clean house, with the board and the staff, to go forward."

Rep. Jeff Stone (R-Greendale) accused state officials of "going with people who have failed in the past."

Rep. Pedro Colon (D-Milwaukee) warned that it would be "perverse" to deny W-2 participants cash benefits they need to buy food and clothes, but he also questioned whether OIC can fix itself.

Colon and another Milwaukee legislator, Democratic Sen. Lena Taylor, both voted to withhold the \$10.8 million.

"Maybe it's time to talk about taking over OIC," Colon said.

Rep. Scott Jensen (R-Town of Brookfield) said no governor - Republican or Democrat - has been able to bring accountability to the W-2 program, which replaced the old entitlement system of cash welfare benefits.

Every few months since then, legislators and governors have had to move "tens of millions of dollars" to cover shortfalls and other problems in Milwaukee County's W-2 programs, Jensen said.

"There is no other program like this," he added.

Calls to OIC officials were not returned Tuesday.

Reeling from scandals and losing state W-2 and weatherization funds, OIC has been forced to lay off more than one-third of its workers. It is the subject of state and federal investigations, has been ordered to repay \$440,000 to the state and had its former president, Carl Gee, convicted in a kickback scheme involving former state Sen. Gary George.

UMOS spokesman Roderick A. Ritcherson said it was "disappointing" that legislators would not release the additional \$4.57 million his agency needs.

If legislators reconsider that decision and authorize the money within a few weeks, no W-2 participant will lose services, Ritcherson said.

A YW Works official was not available for comment Tuesday.



WisBusiness.com | WisPolitics.com



## W-2 Opened Door to OIC Troubles

1/5/2005

By Robert Miranda

Belling and Sykes and the other neo-cons around the state are pounding the tables and bellowing their contempt for the "old fashioned" corruption unraveling at the Opportunities Industrialization Center of Greater Milwaukee (OIC-GM).

Once considered one of the most powerful social service agencies in Milwaukee, OIC is under a tremendous amount of political pressure to clean up its house. As OIC moves to try to clean out some rather unsightly dirty laundry, the effort to fend off public scrutiny and legal actions for mishandling hundreds of thousands of public dollars is being complicated by the ever-increasing attacks being launched upon the agency by the neo-conservatives.

Yes, former state Sen. Gary George, D-Milwaukee, former OIC President Carl Gee and lawyer Mark Sostarich (the former Wisconsin Democratic Party chairman) all were convicted for profiteering from OIC funds they received under the state's W-2 program.

While this may be part of the issue at hand, the other story, the one that is systemic, has yet to be debated.

Indeed, over the past few weeks the neo-conservatives have spun the issue in a manner that focuses attention away from the real guilty party -- the profiteers, the ones who gave birth to the OIC scandal and the individuals engaged in its corruption.

What has yet to be discussed is the issue of welfare reform, the underbelly of this corruption scandal now destroying OIC. The right-wingers have yet to ask whether the Republicans and former Gov. Tommy Thompson should accept responsibility for creating a privatized welfare system.

Let's be clear. The corruption that took place at OIC has hurt many poor people who depend upon these funds to survive; this makes the issue of W-2, and not OIC, a matter in need of serious review.

To be sure, in their efforts to reform welfare, the Republicans and Thompson employed a business model of operation rooted in the notion of Laissez-faire.

Similar to the ideas of school choice, where oversight of taxpayer dollars is being argued along the lines of government intrusion, W-2 should be of a concern to all who pay taxes.

It can be argued that the Welfare to Work program -- the Republican Party/Thompson plan -- opened the door to the corruption that took place at OIC. State oversight of W-2 is lacking.

Under their own idealistic views, the Republicans left our public wealth vulnerable to the greed of private entrepreneurs interested in profit rather than ensuring that the needs of children were met.

Indeed, the Republicans say that government handouts will never solve poverty. To fight poverty they encourage the growth of a system that encourages a market approach as a solution to ending poverty.

The War on Poverty is lost because taxpayers are funding private welfare systems that work under the ideals of profit and not under the values of humanity. Is the concept taxpayer friendly? Will the Republicans talk about this?

Well, like the saving and loans scandals of the 1980s and the corporate scandals of today, the lessons of corporate greed have been learned by the OIC bunch. Now, can the lessons of humanity begin?

Nevertheless, the issue for the taxpayer now is to decide whether spending money to increase private business philosophies in the non-profit arena warrant less oversight by the state or more laissez-faire.

*-- Miranda is a national award-winning columnist, Latino community activist and columnist for the Milwaukee Spanish Journal.*

Original URL: <http://www.jsonline.com/news/metro/jan05/290872.asp>

## Surprise, surprise: A new OIC scandal

Posted: Jan. 6, 2005

### Spivak & Bice

Investigators from a slew of federal agencies are probing the recent purchase by a top official at the **Opportunities Industrialization Center of Greater Milwaukee** of about \$45,000 worth of cell phones, using OIC resources, for apparent shipment to Nigeria.

The surprises at the beleaguered non-profit agency just keep coming.

"I'm thoroughly surprised, disappointed and angered that this could happen - that anybody would use OIC for their own personal gain," interim President **Tyrone Dumas** said Thursday.

The person at the center of the probe, former Chief Financial Officer **Cordelia Ekwueme**, refused to answer questions, except to refer us to her lawyer, **Marty Kohler**. Kohler declined to discuss the matter.

"No more comments, goodbye," said Ekwueme, a native of Nigeria who left OIC last week after seven years with the agency. Dumas said her departure was unrelated to the current investigation.



### Cary Spivak & Dan Bice

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According to Ekwueme's bio on the OIC Web site, she "welcomes the review of OIC-GM's financial records, knowing that all reports justify the faith funding sources have placed in the organization to administer monies in the public interest."

U.S. Attorney **Steven Biskupic** declined comment when asked about the investigation, which is in its early stages.

Dumas said he first learned of the latest round of allegations Wednesday morning after prosecutors contacted OIC lawyer **David Cannon**, summoning him and top agency officials to a sit-down at the federal courthouse.

Involved in that one-hour session were Biskupic, representatives from the U.S. Department of Homeland Security, U.S. Customs and the Federal Bureau of Investigation, Dumas and the Rev. **Fred Crouther**, chairman of OIC's board. Dumas said he was given a grand jury subpoena for all records dating back to Aug. 1 relating to the purchase of more than 500 cell phones. The records are to be delivered by Tuesday.

"I don't know the full extent," Dumas said. "Something did happen, and it's not good."

Dumas said his agency is cooperating with investigators and also is looking into the allegations itself. He said the initial review showed OIC did purchase the cell phones late last year - after he took over the agency.

"It was on our invoice, I know that," said Dumas, a former Milwaukee Public Schools official.

Dumas said it isn't clear whether other employees may have been involved. Also not clear is why OIC was buying the phones or if Ekwueme was planning on reimbursing the agency.

All Dumas knows is that this was a lousy way to start the new year.


"My stomach has been rolling for two days," he said.

Last year wasn't too hot for the social-service agency either.

Longtime CEO **Carl Gee** was convicted of conspiracy for his role in a kickback scheme involving former state Sen. **Gary George**, who is serving a four-year sentence in federal prison for his own misdeeds. Gee and ex-OIC lawyer **Mark Sostarich** are expected to be sentenced this

### OIC Troubles

#### Previous Coverage

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year.

More recently, state officials have responded to OIC's woes by lopping \$23 million from the agency's \$39 million contract to operate the state's welfare reform program in Milwaukee County this year. The agency also is losing its state contract for weatherizing homes this year, a pact worth nearly \$11 million in 2004.

Those cuts have forced Dumas, who took over the agency on Oct. 25, to lay off about one-third of its employees.

Initially, Dumas said Thursday that he wasn't sure how big a deal the cell-phone inquiry was. But he sat up and took notice during his meeting with the feds.

"It's bigger than anything I ever thought it would be," he said.

According to Dumas, U.S. Customs officials first raised suspicions about the massive shipment of phones to Africa, setting off the chain of events leading to the grand jury subpoena.

Dumas said his internal investigation will be much broader than just the phone purchase.

"I want to go back and see if there's anything else that might be tapped into," he said.

The onetime candidate for county executive, a campaign that first put him in the public spotlight, said he's grown weary with all the surprises in his new job.












"Sometimes I feel like **Gomer Pyle**: 'Surprise, surprise,' " Dumas said. "I don't know if I should scratch my head or rub my eyes."

So, if he knew then what he knows now, would he have left the security of his MPS post to take the helm of the OIC ship amid all the icebergs?

"I don't know," Dumas said, pausing. "It would have been the toughest decision I would have made."

From the Jan. 7, 2005, editions of the Milwaukee Journal Sentinel  
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Original URL: <http://www.jsonline.com/news/metro/jan05/291110.asp>

## Subcontractors say OIC owes \$655,000-plus for weatherization

### 2 say weatherization work losses nearly ruining businesses

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

Posted: Jan. 7, 2005

Subcontractors doing weatherization work for the troubled Opportunities Industrialization Center of Greater Milwaukee claim they're owed more than \$655,000 and - at least for now - OIC can't pay.

As a result, two of the contractors were forced to lay off workers and say they're close to going out of business.

Ed Johnson, an owner of Pro-Tech Mechanical Inc. of New Berlin, did about \$2 million worth of furnace and water heater installations under subcontract with OIC since late 2003. But the company is still owed more than \$500,000 for work done as far back as July, he said.

"They are basically ruining our entire business," Johnson said.

Pro-Tech was forced to lay off two dozen workers and is left with just three, as its suppliers and lenders have slapped on late-payment fees.

OIC last month lost its state contract for upgrading furnaces and installing insulation and air conditioning in homes and apartments of low-income people in Milwaukee County - a pact that was worth nearly \$11 million last year and almost \$62 million since 1990. Some of the work was done by OIC staff, while increasing portions of its weatherization work were completed by subcontractors over the past two years.

The state has also cut \$23 million of OIC's \$39 million contract to operate Wisconsin Works welfare reform programs in Milwaukee County this year, citing improper spending of W-2 taxpayer funds and program shortcomings. As a result of the state funding cuts, OIC laid off 130 of its 350 employees at the end of last year.

Steve Sennholz is another unhappy OIC subcontractor. His Shorewood firm, S & E Insulation, has filed suit against OIC, claiming it's owed \$154,966 for home insulation work done for 76 OIC clients since January 2003. The OIC work was by far his company's biggest source of income, Sennholz said.

With repeated badgering, OIC made only partial payments over the past year as the agency's financial woes mounted, Sennholz said.

S & E was forced to lay off six of its 10 employees over the past several weeks, Sennholz said. If Sennholz didn't have a side business rehabilitating homes, he would have been forced to file for bankruptcy, he said.


Tyrone Dumas, OIC's interim president, is working to find a way to pay the subcontractors, said Linda Sowell, an OIC spokeswoman. OIC is owed about \$450,000 by the state for weatherization work done in 2004, she said.

However, that leaves a gap between amounts claimed by OIC subcontractors and the sum the agency still hopes to receive from the state, Sowell said. There are likely other subcontractors claiming smaller amounts owed by OIC, she said.

Dumas couldn't be reached Friday.

#### OIC Troubles

#### Previous Coverage

 [Archive](#): Previous coverage of troubles at the Opportunities Industrialization Center of Greater Milwaukee

Meanwhile, some desperate OIC subcontractors have sent notices of intent to file liens against property that had weatherization work done - creating yet another wave of consternation.

Paul Guy this week received a lien notice over \$3,000 worth of unpaid work done on his property in the 2500 block of N. 15th St., said Guy's lawyer, Trina Dennis. The work was done in late October - four days after OIC sent Guy a letter notifying him that it had run out of money and couldn't do the work.

A tenant allowed the workers to install a new furnace, water heater and insulation, and when Guy found out, he assumed OIC had found some additional funds to do the job, Dennis said.

"OIC was supposed to pay the costs, not the homeowners," she said.

Sowell said OIC officials were working with upset property owners who have received lien notices.

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## OIC subcontractors owed thousands from troubled agency

January 10, 2005

MILWAUKEE - Two subcontractors for the Opportunities Industrialization Center of Greater Milwaukee claim they are close to going out of business because the troubled agency can't immediately pay them the more than \$655,000 it owes them.

Ed Johnson, an owner of Pro-Tech Mechanical Inc. of New Berlin, did about \$2 million worth of furnace and water heater installations under subcontract with OIC since late 2003. But the company is still owed more than \$500,000 for work done as far back as July, he said.

"They are basically ruining our entire business," Johnson said.

Pro-Tech was forced to lay off two dozen workers and is left with just three, as its suppliers and lenders have added on late-payment fees.

OIC last month lost its state contract for upgrading furnaces and installing insulation and air conditioning in homes and apartments of low-income people in Milwaukee County - an agreement worth nearly \$11 million last year and almost \$62 million since 1990. Some of the work was done by OIC staff, while increasing portions of its weatherization work were completed by subcontractors.

The state has also cut \$23 million of OIC's \$39 million contract to operate Wisconsin Works welfare reform programs this year, citing improper spending of W-2 taxpayer funds and program shortcomings. As a result of the state funding cuts, OIC laid off 130 of its 350 employees at the end of last year.

Steve Sennholz's Shorewood firm, S & E Insulation, has filed suit against OIC, claiming it's owed \$154,966 for home insulation work done for 76 OIC clients since January 2003. The OIC work was by far his company's biggest source of income, Sennholz said.

S & E was forced to lay off six of its 10 employees over the past several weeks, Sennholz said. If Sennholz didn't have a side business rehabilitating homes, he would have been forced to file for bankruptcy, he said.

Tyrone Dumas, OIC's interim president, is working to find a way to pay the subcontractors, said Linda Sowell, an OIC spokeswoman.



OIC is owed about \$450,000 by the state for weatherization work done in 2004, she said.

But that leaves a gap between amounts claimed by OIC subcontractors and the sum the agency still hopes to receive from the state, Sowell said.

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*Associated Press*