

City of Detroit

OFFICE OF THE AUDITOR GENERAL



**Audit Of
Detroit Workforce Development Department
Summer Youth Employment Program
Funded by the American Recovery and
Reinvestment Act**



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AUDITOR GENERAL

MEMORANDUM

DATE: September 30, 2011

TO: Honorable City Council

FROM: Loren E. Monroe, CPA
Auditor General *Loren E. Monroe*

RE: Audit of the Detroit Workforce Development Department
Summer Youth Employment Program
Funded by the American Recovery and Reinvestment Act

CC: Mayor Dave Bing
Pamela Moore, Director
Cheryl Johnson, Group Executive/Finance Director

Attached for your review is our report on the audit of the Detroit Workforce Development Department Summer Youth Employment Program funded by the American Recovery and Reinvestment Act. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit findings and recommendations; and the responses from the Detroit Workforce Development Department and the Finance Department.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Detroit Workforce Development Department. Responsibility for monitoring the implementation of recommendations is set forth in Section 4-205 of the City Charter which states in part:

Recommendations that are not put into effect by the department shall be reviewed by the Finance Director who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

We would like to thank the employees of the Detroit Workforce Development Department for their cooperation and assistance extended to us during this audit.

Copies of all of the Office of the Auditor General reports can be found on our website at <http://www.detroitmi.gov/CityCouncil/LegislativeAgencies/AuditorGeneral.aspx>.

**Audit of the Detroit Workforce Development Department
Summer Youth Employment Program
Funded by the American Reinvestment and Recovery Act**

February 2009 - September 2010

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AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

AUDIT PURPOSE

The audit of the Detroit Workforce Development Department (DWDD) Summer Youth Employment Program funded by the American Recovery and Reinvestment Act (Recovery Act) was performed in accordance with the Office of the Auditor General's (OAG) charter mandate to investigate the administration and operation of City agencies once every two years and report findings and recommendations to the City Council and the Mayor.

AUDIT SCOPE

Our audit focused on DWDD's procedures for monitoring and reporting Recovery Act funds related to the Summer Youth Employment Program. We also focused on internal control procedures established by the organization contracted to administer the program, and compliance to Recovery Act guidelines, other State and Federal regulations, and City policies and directives. In July 2009, the Government Accountability Office (GAO) issued a report on Recovery Act programs and funding. Included in that report were findings related to DWDD's Summer Youth Employment Program. In September 2009, we issued a memorandum to DWDD and the Mayor outlining issues of concern regarding the program. The scope of this audit also includes the status of the findings reported by the GAO and the issues reported in our memorandum. Our audit period was February 2009 through September 2010.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

AUDIT OBJECTIVES

Our audit objectives were:

- To determine whether the program's goals were achieved;
- To determine whether internal controls over the use of the funds were sufficient;
- To determine whether DWDD and the organization contracted to administer the program complied with Recovery Act guidelines, grant terms, and other State and Federal requirements;
- To determine DWDD's compliance with the City's Finance Directives, policies, plans, procedures; and
- To determine the status of prior audit findings issued by the GAO and concerns reported by the OAG.

AUDIT METHODOLOGY

To accomplish our audit objectives, our audit work included:

- Reading the prior audit report(s) and memorandum related to Recovery Act funding;

- Reviewing prior audit work-papers, City Charter, Municipal Manual, DRMS reports, the department's budget reports, the CAFR, Single Audit A-133, and organization charts and any federal or state requirements related to the Recovery Act funds;
- Gathering policies and procedures of core operations and other similar data;
- Conducting an audit-planning meeting to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit;
- Interviewing department personnel and other personnel involved in the Summer Youth Employment Program;
- Observing and testing a sample of transactions that we considered adequate to accomplish our objectives;
- Documenting and testing processes related to the program, and
- Other audit procedures necessary to accomplish our objectives.

CONCLUSIONS

As a result of our audit we have concluded that:

- The achievement of the Program's goals could not be determined due to inadequate recordkeeping.
- Appropriate internal control over the use of program funds was not established.
- Neither DWDD nor the organization contracted to administer the program fully complied with Recovery Act guidelines, grant terms, and other State and Federal requirements.
- DWDD did not comply with the City's Finance Directives, policies and procedures.
- Five of the seven GAO prior audit findings and five of the seven issues discussed in our prior memorandum have not been resolved.

BACKGROUND

The Detroit Workforce Development Department (DWDD) was first established in 1975 to plan and implement federally funded employment training programs for Detroit area residents. The DWDD is one of 25 Michigan Works! agencies that administer and oversee a variety of development activities.

On February 17, 2009, President Barack Obama signed the American Recovery and Reinvestment Act (Recovery Act) into law. The purpose of the Recovery Act is to create jobs, strengthen the economy, and encourage spending.

DWDD was awarded \$11,437,983 in Recovery Act funds to provide summer employment and other youth services through the Summer Youth Employment Program; a program designed to provide quality summer employment opportunities to low-income, Detroit youth ages 14 to 21. The qualifying age was raised to 24 as a requirement of the Recovery Act.

DWDD anticipated servicing more than 7,000 youth using Recovery Act and Workforce Investment Act (WIA) funds. City Connect Detroit (CCD), a non-profit community based organization, was contracted as the program coordinator. The Youth Development Commission (YDC) was subcontracted by CCD to assist in the administration of the program.

The following table shows total Recovery Act funding allocated the Summer Youth Program:

<u>Youth Payroll</u>	<u>Program Coordinator</u>	<u>Administrative</u>	<u>Total Recovery Act Funds</u>
\$7,194,769	\$3,099,416	\$1,143,798	\$11,437,983

Melvin Gupton was the Interim Director of DWDD from September 2008 through July 2009. Larry Hightower served as director from July 2009 through October 2010. The current director, Pamela Moore, was appointed in November 2010.

STATUS OF PRIOR AUDIT FINDINGS

The findings included in the July 2009 report issued by the Government Accounting Office (GAO), as well as, the concerns identified in our September 2009 memorandum are listed below. The name of the agency indicates in which report the concern or finding was first reported. The status of each finding is noted.

1. Neither DWDD nor CCD could provide written policies and procedures for the following functions related to the Summer Youth Employment Program: SYEP Applications and Youth Certifications. (OAG – September 2009)
This finding has been resolved.
2. There is poor communication between DWDD and the Finance Department. (OAG – September 2009)
This finding has been resolved.
3. Youths did not know where to pick up their paychecks. (GAO – July 2009)
This finding has been resolved.
4. No written policies and procedures for Detroit's payroll and its process to determine eligibility and a lack of documentation supporting such decisions. (GAO – July 2009)
This finding has been resolved.
5. DWDD could not provide written policies and procedures specific to the setup and handling of American Recovery Act transactions. (OAG – September 2009)
This finding is unresolved and is discussed in Finding 2 on page 8 of this report.
6. DWDD could not provide a sub lease agreement with the SYEP Coordinator - City Connect Detroit who occupies their building. (OAG – September 2009)
This finding is unresolved and is discussed in Finding 7 on page 16 of this report.
7. CCD did not provide adequate staff or training for the Summer Youth Employment Program. As a result problems occurred with the July 2009 payroll. (OAG – September 2009)
This finding is unresolved and is discussed in Finding 4 on page 11 of this report.
8. Internal control problems with paying youth and weaknesses in the process for making program eligibility determinations. (GAO – July 2009)
This finding is unresolved and is discussed in Finding 5 on page 13 of this report.
9. Detroit had significant internal control problems with paying youth participants on time and in the correct amounts. (GAO – July 2009)
This finding is unresolved and is discussed in Finding 3 on page 10 of this report.
10. The review of participant files revealed inadequate or non existent support of WIA eligibility determinations. (GAO – July 2009)
This finding is unresolved and is discussed in Finding 5 on page 13 of this report.
11. The number of youth participants entered in the WIA State of Michigan website, as required, did not equal the number of youth participants included in the programs' payroll system. (OAG – September 2009)
This finding is unresolved and is discussed in Finding 2 on page 8 of this report.

12. Detroit's process for determining participation in its WIA summer youth program needs improvement. (GAO – July 2009)
This finding is unresolved and is discussed in Finding 5 on page 13 of this report.
13. CCD could not provide DWDD with the worksite agreements, which are the agreements between the employers and CCD that include specific information regarding the worksites and the number of youths assigned to the worksites. (OAG – September 2009)
14. Youths were working at worksites that had not completed the registration process and officials told us that as a result no checks were prepared for these youths. (GAO – July 2009)
These two similar findings (13 and 14) are unresolved and are discussed in Finding 1 on page 6 of this report.

AUDIT FINDINGS AND RECOMMENDATIONS

1. Program Recordkeeping Was Inadequate

A review of the program files revealed the following:

- Separate statistical data for participants in the program year 2009-2010 was not maintained; as a result, the impact of the Recovery Act on youth employment could not be accurately quantified.
 - A review of participants' files disclosed no information identifying the use of Recovery Act funds.
 - The Summer Youth Employment Program (SYEP) Coordinator was unable to determine which participants were funded under Recovery Act and which participants were funded under other WIA funding.
- The SYEP Coordinator did not keep separate accounting records for Recovery Act expenditures; neither DWDD nor the SYEP Coordinator could determine which expenditures were paid with Recovery Act funding. To allocate costs, the SYEP Coordinator did a 50/50 cost split with other Workforce Investment Act (WIA) funding on all invoices.
- The SYEP Coordinator could not locate twenty-one participant files we requested. In addition, some participant files did not contain the required documentation to determine youth eligibility. This condition is discussed further in finding 5 on page 13.
- The SYEP Coordinator could not provide adequate information regarding the worksites where youth participants were placed. Documentation of the evaluations and approvals of SYEP worksites was not maintained.

According to Recovery Act guidelines and objectives, the recipients and uses of all funds must be transparent to the public, and the public benefits of these funds are to be reported clearly, accurately, and in a timely manner.

Section VII of the SYEP Coordinator's contract with DWDD states that records must be maintained and available for inspection, monitoring and/or audit by the City of Detroit and other agencies.

Failure to retain sufficient documentation negates DWDD's ability to track the program's achievements and compare those achievements to established goals and objectives. Lack of appropriate records could jeopardize the City's successful use of Recovery Act and other federal funds.

The SYEP Coordinator had little or no prior experience administering a large youth program. Staffing needs, program timelines, reporting requirements, and other program processes were not adequately developed.

Recommendations

We recommend DWDD and the SYEP Coordinator ensure that sufficient documentation related to the program activities is received and maintained. We also recommend DWDD ensures that any vendor contracted to administer program activities presents a level of experience equal to the goals of the program and has adequately developed a process for administering the program.

2. Internal Controls Over Recovery Act Funds Were Inadequate

A review of DWDD and the SYEP Coordinator's internal controls over Recovery Act funds revealed the following deficiencies:

- Neither DWDD nor the SYEP Coordinator's staff had sufficient knowledge regarding Recovery Act guidelines. Written procedures for Recovery Act funds were not provided to us for review.
- DWDD did not require the SYEP Coordinator to submit adequate documentation for reimbursement requests, i.e., budget line item schedules, payroll documentation including time sheets and deductions (workers' compensation, etc.), invoices, and support for all actual expenditures.
- The SYEP Coordinator did not reconcile the State's fiscal year 2009 Recovery Act SYEP report to the 2009 summer youth employment payroll participant report provided to DWDD.
- Neither DWDD nor the SYEP Coordinator properly accounted for or recorded financial transactions related to the program.
- The SYEP Coordinator did not enter youth participant information into the State of Michigan's website in a timely manner for the program year 2010. Moreover, in program year 2009, the number of youth entered into the program's payroll system did not reconcile to the number of youth entered into the State's website.
- Payroll files were incomplete:
 - The payroll information sheets were missing in 32.5% of the participant files reviewed.
 - We selected 53 payroll information sheets for review and found that 40 or 75.5% were incomplete.
- Youth participants were not given thirty-minute breaks after working five hours, in violation of the State of Michigan Youth Employment Standards Act.

According to the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement 2010, it is essential that management establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements, including internal controls designed to ensure compliance with Recovery Act requirements. The OMB, outlines the following as some of the key control activities for adequate internal controls:

- Personnel with adequate knowledge and experience to discharge responsibilities;
- Adequate source documentation to support amounts and items reported;
- Reconciliations and reviews of reports;
- Reports provided timely to managers for review and appropriate action;
- Accurate information, accessible to those who need it, and
- Management should monitor, review, and compare budgeted expenditures to actual expenditures.

The State of Michigan Youth Employment Standards Act, Act 90 of 1978, states that a minor shall not be employed for more than five hours continuously without an interval of at least thirty minutes for a meal and rest period. An interval of less than thirty minutes shall not be considered to interrupt a continuous period of work.

A lack of adequate controls increases the risk that program goals will not be achieved, and Recovery Act funds will not be spent in accordance to guidelines; thereby jeopardizing the City's successful use of Recovery Act funds. The City may be required to reimburse the State if it is determined that payments were made for unallowable costs.

Based on an assessment of the program, we determined neither DWDD's Finance Division nor the SYEP Coordinator fully understood the importance of internal controls as a means of reducing impediments to the programs overall objectives.

Recommendation

We recommend that DWDD and the SYEP Coordinator strengthen internal control weaknesses to ensure proper accountability and transparency of Recovery Act funds.

3. Payroll Disbursement Process Was Poorly Monitored

The program's payroll disbursement process was poorly monitored. We requested 151 payroll files for review; however, the SYEP Coordinator only located 141 files. Based on our review of the payroll records provided and financial reports for the program, the following was revealed:

- Of the 141 payroll files reviewed, 23 participants or 16.3% had been overpaid, and 3 participants had been underpaid. The net effect of the errors was an over payment of \$2,565.43. The overpayments were primarily due to improperly paying participants who were not given thirty-minute lunch breaks after working five hours.
- According to the City's financial records, total payroll expenditures for the program were \$28,596.29 over the approved budgeted amount.

According to the OMB, management should monitor, review, and compare budgeted expenditures to actual expenditures.

The OMB also states that agencies are required to review Federal awards and, as applicable, provide an estimate of improper payments. Improper payments includes any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and includes any payment to an ineligible recipient.

The State's Youth Employment Act stipulates that a thirty-minute break be given after a youth has worked five hours. The SYEP operational manual states that participants are not to be paid for lunch breaks and time sheets must be computed accurately.

Failure to adequately monitor payroll disbursements increases the risk that improper payments may occur and go undetected. The risk of cost overruns increases when management fails to monitor program expenditures and compare them to budgeted costs. Furthermore, lack of adequate monitoring jeopardizes the continued use of program funding, and may require the City to reimburse the State for payments made for unallowable costs.

Management did not monitor and/or complete an analysis of the summer youth program expenditures to identify unallowable activity costs.

Recommendations

We recommend the program's management monitor, review, and compare budgeted expenditures to actual expenditures. We also recommend program staff comply with State's Youth Employment Act regarding required breaks, and the SYEP operational manual.

4. SYEP Coordinator Did Not Fully Comply with the Terms of Its Contract with DWDD

The SYEP Coordinator did not fully comply with the terms of its contract. We noted the following instances of noncompliance:

- The SYEP Coordinator did not hire or retain sufficient staff to administer the program from the period June 2009 through August 2009. In addition, during August 2010, a large number of summer youth program staff were laid-off, as a result, DWDD personnel, assisted the SYEP Coordinator in administering the program.
- Youth appointment letters were not mailed timely due to a lack of readily available supplies (postage, envelopes, and printing).
- Criterion for locations to become a worksite was not established. As a result summer youth program participants were placed at a worksite that was not approved.
- The SYEP Coordinator's 2009 single audit was submitted two months late.
- The SYEP Coordinator neither completed nor submitted corrective action plans to DWDD in a timely manner, when program performance fell below the goals of the contract.
- The SYEP Coordinator did not submit reimbursement requests by the fifth working day of each month as required.
- Time sheets were not entered into the payroll system in a timely manner. Time sheets were to be submitted each Monday; however, time sheets were being submitted as late as Wednesday of each week.
- Budget Line Item Schedules were not submitted timely despite numerous requests from the DWDD's Finance Division.

According to the terms of the contract, during the full period of the contract, the contractor shall maintain sufficient qualified personnel, furnish all equipment and supplies and all other materials necessary to sustain the program. The contract also requires the contractor's competent performance of youth certification, worksite development, work experience/summer employment opportunities and additional services as integral activities under the City's Detroit Workforce Development system.

Failure of the SYEP Coordinator to comply with the terms of its contract with DWDD increases the risk that the program's goals and objectives will not be met. The SYEP Coordinator's noncompliance increases the risk that DWDD, as the recipient of the grant, did not comply with Recovery Act guidelines and other Federal regulations.

Although DWDD attempted to enforce the contract with the SYEP Coordinator through technical assistance, meetings, mentoring, monitoring, corrective action letters, and training, there were no repercussions for the SYEP Coordinator for non-performance of the contract terms.

Recommendations

We recommend that the SYEP Coordinator fully comply with the terms of the contract. We also recommend DWDD use steps outlined in the contract to enforce compliance, which includes reserving the right to require modification, re-planning or other appropriate action, including reducing the payments to the contractor.

5. SYEP Coordinator Did Not Properly Ensure Eligibility Determinations for Program Participants

Participants' files did not contain required documentation to determine their eligibility for the program. We selected a sample of 71 participant files but only 50 were located. The SYEP Coordinator could not locate 30% of the selected files. Of the 21 files reviewed, the following issues were revealed:

- 42% of files did not contain proof that the social security number listed belonged to the youth participant.
- 14% of the files did not contain proof of age or proof of citizenship for the youth participants.
- 22% of the files did not contain proof of residency or proof of income for the youth participants.
- 16% of the files did not contain Pre-Registration/Registration Forms.
- 28% of the files did not contain a Family Income Worksheet or Income Computation Sheet.
- 18% of the files did not contain a signed SYEP Participant Agreement for the youth participants.
- 47% of the eligible employees did not have a Work Permit on file for the youth participants under 18 years old.
- 34% of the files did not contain an Employment Eligibility Verification Form.
- 20% of the files did not contain a Medical Consent Form for the youth participants.

According to the SYEP's standard operation procedures for the Summer Youth Program, employee eligibility determination and registration is a core process. A file should be maintained for each applicant that includes: a pre-registration application, work permit, medical consent form, and document of family income, social security number, city residency, and citizenship. In addition, a SYEP Participant Agreement and employment eligibility verification form should be completed.

The lack of adequate documentation increases the risk that individuals who were ineligible received Recovery Act funds. Failure to maintain required eligibility documentation for the participants may jeopardize the future use of program funds, and may require the City to reimburse the State for payments made for unallowable costs.

Based on our review, we determined the SYEP Coordinator had little or no prior experience administering a large youth program; as a result, staffing needs, program timelines, reporting requirements, and other program processes were not adequately developed.

Recommendations

We recommend the SYEP Coordinator ensure that all participant files include required documentation which supports eligibility for the program. We also recommend DWDD ensures that any vendor contracted to administer program activities presents a level of experience equaled to the goal and objectives program and has adequately developed a process for administering program.

6. Bank Statements Were Not Reconciled Timely

The DWDD did not consistently reconcile and approve Recovery Act bank statements in a timely manner. Of the thirteen reconciliations requested for review:

- Two were missing and/or not available for review.
- Two were not prepared in a timely manner.
- Management did not approve nine reconciliations in a timely manner.

The Finance Department memo dated February 28, 1998 requires that all departments and/or agencies complete monthly bank reconciliations, for each account tied directly to its funds, no later than 45 days after the bank statement.

Failure to reconcile and approve bank statements in a timely manner increases the risk that errors or instances of misappropriation will not be quickly identified, and management will not be provided with accurate financial information necessary to make sound decisions.

The auditors determined that the reconciliation and approval of the Recovery Act bank account was not a priority for the DWDD Finance Division.

Recommendation

We recommend that the DWDD fully comply with the Finance Department's Bank Reconciliation Policy and complete bank statement reconciliations for all accounts within 45 days of the bank statement date.

7. DWDD Did Not Secure a Sub-lease Agreement

The DWDD did not secure a sub-lease agreement for the SYEP Coordinator who occupies office space in one of DWDD's leased facilities.

Effective managerial controls include securing the appropriate contractual agreements in landlord/tenant matters. Lease and sub-lease agreements specify the term and conditions of the leased property, and the responsibilities of both the tenant and landlord.

The DWDD's failure to secure a sub-lease agreement from the tenant who occupies office space in DWDD's building increases the risk that misinterpretations regarding the provisions and conditions of the tenant's occupancy and DWDD's liability may occur.

The auditors determined that securing a sub-lease agreement from occupants of DWDD's leased facilities was not a priority for the DWDD.

Recommendation

We recommend that the DWDD provide sub-lease agreements to tenants who occupy their buildings.

FINDING RELATED TO THE FINANCE DEPARTMENT

1. The Finance Department-Accounts Payable Division (Accounts Payable Division) Processed Reimbursement Requests with Inadequate Supporting Documentation

A review of selected payment requests submitted by DWDD revealed that the Accounts Payable Division processed disbursements without receiving sufficient documentation, i.e., invoices.

Finance Directive 143 and the Prompt Payment Ordinance (42-98) require that all disbursements be adequately supported and that all requests for payment that lack adequate support and approvals be denied and returned to the requesting department. Good management practices require that all disbursements be adequately supported.

A lack of sufficient supporting documentation for invoices submitted for payment increases the risk of incorrect and/or fraudulent payments. Failure to submit adequate documentation with the request for reimbursements of Recovery Act expenditures jeopardizes the continued use of the Recovery Act funds, and may require the City to reimburse the State for payments made for unallowable costs.

Several factors contributed to the problem:

- The high volume of checks issued (93,253 annually); and
- The lack of a written Accounts Payable procedures manual.

Recommendation

We recommend payment requests that lack supporting documentation be returned promptly to the requesting department.

BENCHMARKING AND PERFORMANCE

Benchmarking

As part of our review, we compared City Connect Detroit's overall performance (implementation, administration and experiences) of the summer youth program to a study conducted by Mathematica Policy Research, Inc. Mathematica was contracted by the Department of Labor's Employment and Training Administration to conduct an implementation evaluation of summer youth employment activities funded by the Recovery Act. The study evaluated 20 local areas using three key criteria: (1) having at least three local areas from each region; (2) choosing areas that planned to spend at least 50 percent of Recovery Act funds during the summer of 2009, and (3) including rural, urban and suburban sites.

Some of the key findings of the study were:

- Enrollment was heaviest in May, June, and July.
- Planning for the SYEP was challenging given the short-time frame.
- YEP providers included a mix of new and experienced WIA youth providers.
- Nearly all sites found it difficult to process large volumes of applicants.
- Health care, public services, parks and recreation and education and child care were the most commonly reported industries for summer jobs.
- More than three-quarters of sites experienced at least some payroll problems. The most common problems involved timesheet collection, paycheck processing and paycheck distribution.

A review of the SYEP Coordinator's implementation of the 2009 SYEP revealed that they had similar issues to those stated above.

Performance

We conducted a survey of the worksite employers and the youth who participated in the SYEP. Our survey revealed that a majority of the worksite employers would rehire the youth from the SYEP, and rated the overall performance of the employees as good. The majority of youth who participated in the program would recommend the program to a friend; enjoyed their work experience, and enjoyed earning money for the summer. Most youth participants wished the program had lasted longer. They also expressed concerns about the payroll process; being paid on time, in the correct amount and waiting to pickup checks.



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June 17, 2011

Ms. Loren E. Monroe, CPA
Auditor General
Office of the Auditor General
2 Woodward Avenue, Suite 208
Detroit, MI 48226

RE: Audit of the Summer Youth Employment Program Funded by the American Recovery & Reinvestment Act

Dear Ms. Monroe:

The Detroit Workforce Development Department (DWDD) submits this response to the City of Detroit Office of the Auditor General's report, dated June 17, 2011, on the audit of the 2009 American Recovery and Reinvestment Act (ARRA) funded Detroit Summer Youth Employment Program (SYEP).

The draft report, notes findings from program year 2009 as unresolved related to the administration of the SYEP. It is our intention to provide information to support the resolution of these issues as they were addressed when presented by the Government Accountability Office (GAO) in Winter 2010. Resolutions are as follows:

Finding 5 – DWDD could not provide written policies and procedures specific to the setup and handling of the American Recovery Act transaction. (OAG – September)

DWDD Response: The policies and procedures for setting up American Recovery Act funding were established by the City of Detroit Central Finance Department. This information was provided to the auditors while on site at DWDD. The Workforce Development Agency (formerly known as Michigan Department of Energy, Labor and Economic Growth, MDELEG) did not require any special handling of the ARRA funding. The Grant Action Notices received from MDELEG listed the funding as WIA, Workforce Investment Act – ARRA (see attached) All WIA-ARRA funding had the same requirements and guidelines as the WIA fund the department received each year. This information was also given to the auditors while on site.

Finding 6 – DWDD could not provide a sub lease agreement with the SYEP Coordinator – City Connect Detroit (CCD) who occupies their building.

DWDD Response: DWDD previously leased the 1300 Rosa Parks location and operated the summer component of our Youth program, as well as other DWDD programs and

operations, from that location for over fifteen years. City Connect Detroit was the most recent contractor that operated the summer program. As City Connect Detroit was a DWDD contractor, operating a DWDD program in a portion of the building that DWDD leased, it was deemed by DWDD not necessary to create a formal agreement to sub-lease the space. At this time, DWDD no longer leases the building.

Finding 7-10 and 12

- # 7 – CCD did not provide adequate staff or training for the SYEP. As a result problems occurred with the July 2009 payroll.
- #8 – Internal control problems with paying youth and weaknesses in the process for making program eligibility determinations.
- #9 – Detroit had significant internal control problems with paying youth participants on time and in the correct amounts
- #10 – The review of participant files revealed inadequate or not existent support of WIA eligibility determinations
- #12 – Detroit's process for determining participation in its WIA summer youth Program needs improvement

DWDD Response: Findings 7 – 10 and 12 were resolved with two (2) critical actions:

1. *The Development of a Standard Operating Procedures (SOP) Manual* - The operational deficiencies discovered in summer 2009 were addressed and resolved as they occurred. The resolution of these deficiencies were documented as best practices, tested with a small pilot program in the fall of 2009, and published in a standard operations manual to be referenced in the implementation of the program. A copy of the SOP Manual was submitted to the GAO on April 13, 2010 in response to the findings noted in the Auditor General's report. The manual addresses critical program components such as; payroll processing, eligibility determination, worksite monitoring, and participant file requirements. DWDD currently uses information directly from the manual to conduct mandatory contractor staff training, and monitor program compliance.
2. *The Procurement of a New Program Operator* – The former operator's contract was terminated March 31, 2011 due to the multiple program deficiencies discovered throughout the 2009 SYEP monitoring process. DWDD's executive management decided to release the Detroit Year Round Youth (YRY) Employment Coordinator Request for Proposal (RFP), December 17, 2010, detailed with specific operational requirements related to the effective administration and implementation of the program. The selected provider responded to the RFP with evident program expertise and special attention to critical program components. This new provider is contracted to operate the Detroit Year Round Youth Employment Program from April 1, 2011 through June 30, 2012.

