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Senator Gary R. George and
Representative Joseph K. Leibham, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator George and Representative Leibham:

We have completed a review of Employment Solutions, Inc. (ESI) and 15 other Wisconsin Works (W-2) agencies as part of a comprehensive audit of the statewide implementation of the W-2 program. We have identified charges for out-of-state work and other unallowable and questioned expenditures by ESI that are similar to those we identified for Maximus, Inc., an agency that also administers the W-2 program in Milwaukee County.

We identified \$270,268 in unallowable costs that were related to ESI's activities outside of Wisconsin but charged to the W-2 program. Most were related to unsuccessful efforts to acquire a contract for administration of Arizona's welfare-to-work program. Our findings suggest the extent of ESI's out-of-state activities was greater than the agency had indicated.

Among \$3.6 million in additional transactions for ESI, we identified \$35,899 in unallowable costs and questioned another \$61,234 in expenditures charged to the W-2 program. Unallowable and questioned transactions include expenditures for entertaining ESI employees, advertising, legal services, local hotel charges, and a variety of restaurant and other food charges.

We also reviewed staff performance incentives that were charged to the W-2 program by three agencies in 1999. ESI provided substantially higher incentives than the other agencies, partly because ESI has chosen to make a portion of employees' compensation contingent upon performance. ESI's incentives averaged \$9,635 each for the 84 employees receiving them. ESI's chief executive officer received a total of \$61,645 in 1999; that amount reflects incentive payments for performance in 1998 and 1999.

Finally, we identified \$12,604 in unallowable costs and \$114,487 in questioned costs made by six other W-2 agencies.

We appreciate the courtesy and cooperation extended to us by the W-2 agencies and the Department of Workforce Development during the course of our review.

Sincerely,

Janice Mueller
State Auditor

JM/PS/bm

ADMINISTRATION OF THE WISCONSIN WORKS PROGRAM BY EMPLOYMENT SOLUTIONS, INC., AND OTHER SELECTED AGENCIES

Section 49.141(2g)(a), Wis. Stats., directs the Legislative Audit Bureau to conduct a comprehensive performance and financial audit of the statewide implementation of the Wisconsin Works (W-2) program. We have released a series of reports under this requirement, including a review of W-2 expenditures after its first year (report 99-3); a review of the Food Stamp Program (report 00-8); a review of the child care subsidy program (report 01-1); and a review of Maximus, Inc.'s administration of W-2. This report addresses program administration by 16 other W-2 agencies. The agencies were selected based on caseload size and geographic location, in order to provide a statewide sample and ensure that a mix of urban and rural agencies was included in our review. Our final W-2 report, which will be issued later this year, will include more comprehensive data on program performance statewide.

Although this report includes a review of 16 agencies, almost all of our findings and disallowances concern Employment Solutions, Inc. (ESI), a provider of W-2 services in Milwaukee County. In conducting our review, we made site visits to each of the 16 agencies and interviewed their staffs. Our interviews included current and former ESI staff and staff of Goodwill Industries of Southeastern Wisconsin and Metropolitan Chicago, Inc., which provides accounting services to ESI. We also examined financial and other records the W-2 agencies maintained.

Employment Solutions

In March 1997, the Department of Workforce Development (DWD) selected ESI, as well as four other private entities, to deliver program services to eligible participants in Milwaukee County under the newly created W-2 program. ESI is a not-for-profit subsidiary of Goodwill Industries that was formed in July 1997 to administer the W-2 program in two of six regions in Milwaukee County. Since 1997, ESI has entered into three contracts related to the administration of W-2 in Milwaukee County with a total value of \$204.6 million:

- a \$4.7 million contract to help prepare for W-2 implementation from March 1997 through August 1998;
- a \$112.4 million contract to provide W-2 services from September 1997 through December 1999; and
- a \$87.5 million contract to provide W-2 services from January 2000 through December 2001.

Out-of-State Costs Charged to W-2

We identified a number of instances in which ESI staff worked on acquiring contracts for administration of welfare reform programs in other states. ESI officials indicate this was done by assisting Goodwill organizations in other states in seeking such contracts. There are no state or federal prohibitions against such activities as long as they are not funded with revenue that is intended for the administration and provision of services under Wisconsin's program. Wisconsin has

been a model for welfare reform in the nation, and a number of states have expressed interest in its program.

During the course of our review, we identified \$270,268 in expenditures charged to Wisconsin’s program that were actually associated with outside work or other activities that were not directly related to administration of W-2. These expenditures are of concern for a number of reasons. First, despite the assurance of ESI officials that only two or three of their staff spent time on out-of-state activities, we found that nine staff had spent at least 315 days on work associated with out-of-state projects or other activities. These activities include:

- a contract for administration of Arizona’s welfare-to-work reform program, which was later awarded to Maximus;
- a contract for a job training program in Polk County Florida; and
- a consulting contract for a welfare reform project with the Ohio Association of Goodwills.

As shown in Table 1, ESI’s unallowable out-of-state costs included \$160,326 in non-staff costs such as airfare, lodging, and car rentals, and \$109,942 in staff costs, including salaries and fringe benefits. More than three-quarters of these costs were for work in Arizona. We also found that the amount charged for airfare was higher than what would normally be incurred by a fiscally prudent organization. ESI’s air travel averaged \$1,008 per person for each out-of-state trip. One reason travel costs were high is the number of first-class airfares charged for out-of-state work. Based on our review, in 19 instances ESI staff upgraded to first-class air travel from business class.

Table 1

Employment Solutions’ Unallowable Out-of-State Costs
1997 through 1999

<u>Location</u>	<u>Non-staff Costs</u>	<u>Staff Costs</u>	<u>Total Costs</u>	<u>Percentage of Total</u>
Arizona	\$131,821	\$ 77,637	\$209,458	77.5%
Florida	10,251	8,314	18,565	6.9
California	10,725	7,255	17,980	6.6
Illinois	3,654	9,799	13,453	5.0
Ohio	3,450	6,937	10,387	3.8
Netherlands*	265	0	265	0.1
Texas	<u>160</u>	<u>0</u>	<u>160</u>	<u>0.1</u>
Total	\$160,326	\$109,942	\$270,268	100.0%

* The majority of costs for this trip had already been appropriately charged to a non-W-2 account.

Second, limitations in ESI's time reporting system make it impossible to determine the actual number of hours staff spent on out-of-state projects that should not have been charged to its W-2 contract. ESI officials contend that only a few staff have worked on non-W-2 activities. However, the biweekly time reporting sheets ESI staff complete do not provide a means of recording time spent on projects other than W-2. Rather, they record only total hours worked; hours for holidays; and hours for sick leave, vacation, and other types of leave.

Any staff costs associated with time spent outside of Wisconsin working on other states' projects are clearly unallowable, and we have included these costs in the \$270,268 in unallowable out-of-state costs we identified. However, we believe this total is understated because it is unlikely that time spent outside of Wisconsin was the only time staff spent on these projects. Some former ESI staff members indicated they spent most of their time, including time in ESI's Milwaukee offices, working on out-of-state projects.

Third, the manner in which some of the charges were recorded in ESI's accounting system makes it difficult to determine which expenditures are unrelated to administration of the W-2 program. For example, an \$11,081 wire transfer ESI made to pay charges on an American Express card was coded as staff training, even though we eventually determined the charges were almost entirely related to work in another state. Moreover, \$49,434 of ESI's out-of-state costs that were not associated with staff salaries and fringe benefits had been charged on credit cards and required a review of credit card bills, for which it was sometimes difficult to determine the nature of the expenditures.

Finally, ESI did not begin reporting the inappropriately billed charges to DWD until after we had requested copies of financial records that included expenditures for ESI's out-of-state work. For example, in July 2000, ESI first notified DWD that it had mistakenly charged some inappropriate costs to its W-2 contract after we had requested financial records that included expenditures for work in Arizona.

Given the extent of out-of-state work charged to W-2, we subsequently expanded our review of ESI's expenditures. On August 24, 2000, we asked to review an additional 233 transactions, including all credit card statements. The following day, ESI officials informed DWD that they had identified an additional \$160,395 in out-of-state costs that had been inappropriately billed to W-2.

ESI has already repaid DWD \$41,930 for a portion of these and other inappropriately billed expenditures it reviewed and found to be unallowable. In addition, ESI has informed DWD that some of the additional inappropriately billed expenditures can be offset by costs that it incurred from July 1998 through December 1999, but did not charge to its initial W-2 contract. We have concerns about this approach. We reviewed the unclaimed costs ESI identified and found that a large percentage are not allowable under the terms of ESI's W-2 contract. In addition, we were provided inadequate documentation to determine whether a number of other costs could have been legitimately claimed. Two examples of unclaimed costs that ESI intends to use as offsets, but that we found to be unallowable or questionable, are:

- \$76,099 for salary and fringe benefits for a staff member who worked on out-of-state projects; and
- \$57,071 for inadequately substantiated work associated with a quality assurance plan for the agency.

Moreover, all claims for reimbursement of eligible costs under ESI's initial implementation contract were required to be submitted by April 2000 but were not. Given that ESI charged clearly unallowable costs to its W-2 contract, we do not believe it would be appropriate to allow these costs, or any other unclaimed costs, to be considered as an offset of ESI's out-of-state expenditures.

ESI's unallowable costs need to be reimbursed, and changes need to be implemented to ensure that similar problems do not occur in the future. Therefore, we recommend Employment Solutions, Inc., immediately modify its time reporting sheets so that staff are required to specify how they spent work time on at least a weekly basis. We further recommend the Department of Workforce Development:

- require Employment Solutions to repay the remaining inappropriately charged costs associated with out-of-state work, and not accept any costs Employment Solutions failed to charge to its initial contract as an acceptable offset to the amount owed; and
- negotiate with Employment Solutions to determine the amount Employment Solutions will provide to reimburse the State for additional staff time associated with out-of-state projects that could not be determined because of inadequate time reporting.

Additional Questioned Costs Charged to the W-2 Program

In addition to reviewing out-of-state costs charged to the W-2 program, we reviewed the appropriateness and reasonableness of the direct costs other than personnel costs that ESI charged W-2 from 1997 through December 1999. In addition to those transactions related to out-of-state travel, we reviewed an additional 617 transactions totaling \$3.6 million, or 12.1 percent of all direct costs that were not staff-related. Of these 617 transactions, we have questioned 82, or 13.3 percent, as unallowable or potentially unallowable. Transactions were not selected randomly; rather, selection was based on transaction size and type of vendor.

We used the standards identified in DWD's W-2 financial management manual to test the appropriateness of ESI's transactions. The manual describes state and federal program and financial compliance requirements; required internal controls, accounting records, and source documentation; and allowable cost criteria. Not-for-profit organizations such as ESI are subject to the specific rules found in the federal Office of Management and Budget's Circular A-122, *Cost Principles for Non-Profit Organizations*, for determining the allowability of costs charged to W-2 contracts. In addition, allowable costs are limited to what is reasonable for proper and efficient program administration. A cost is considered reasonable if it:

- does not exceed the cost that would be incurred by a prudent person;
- is ordinary and necessary to the operation of the agency or the performance of the contract;
- is incurred in accordance with the agency's established procurement policy; and
- is supported by the agency's accounting records and adequate documentation.

Only costs that are directly attributable to specific work under a contract or to the administration of the contract are allowable.

Of the 617 additional transactions we reviewed, we identified 19 expenditures, representing \$35,899 in costs charged to the W-2 program, as unallowable. We have also questioned an additional 63 transactions, representing \$61,234 in costs charged to W-2, as potentially unallowable. We have worked with ESI staff to identify relevant supporting documentation for the transactions we reviewed, and documentation was provided at a number of points during our review. All unallowable and questioned costs we identified are detailed in Appendix 1.

Examples of costs that are unallowable based on the nature of the expenditure included:

- \$31,186 for staff dinners, lunches, banquets, and parties, including \$1,250 for a musical performance for ESI staff;
- \$4,130 for legal services, including \$3,612 related to determining whether the extent of ESI's lobbying activities would jeopardize the agency's nonprofit status; and
- \$493 for credit card interest.

As a private, not-for-profit corporation, ESI may spend its own funds, including any "profits" it earns under its W-2 contracts, as it sees fit. However, federal regulations prohibit the use of W-2 funds for donations, entertainment, expenditures that primarily benefit a contractor or its employees, and expenditures that cannot be shown to directly benefit the W-2 program.

Second, we questioned expenditures that, in whole or in part, do not meet the standard of reasonableness prescribed in federal regulations and in DWD's W-2 financial management manual, primarily because they appear to be excessive, extraordinary, or unnecessary to agency operations or the performance of the W-2 contract. These expenditures represented \$22,426 in costs charged to W-2 for 59 transactions, consisting of:

- \$11,178 for advertising and public relations, including \$7,500 for sponsorship of the 1998 African World Festival and \$3,498 for imprinted brief cases for staff and others;
- \$6,237 for restaurant meals and other food purchases that appear to have benefited agency staff or were not a program need, including \$1,346 for lunches, dinners, and breakfasts at the Milwaukee River Hilton;
- \$1,682 in local hotel charges that ESI staff indicated were for meeting room charges but for which adequate documentation was not available; and
- \$3,329 for air travel and car rental for out-of-state trips that do not appear to have been a W-2 program need.

Finally, we also questioned costs that were unauthorized; for which there was no record of a business purpose; or for which the documents, reports, or other materials purchased could not be produced. These represented four transactions that resulted in charges of \$38,808 to W-2 and consisted of:

- \$23,225 for an ESI building expenditure for which no required approval from DWD had been sought;

- \$15,000 for a training manual associated with career preparation for W-2 participants, which neither ESI officials nor the manual's vendor was able to produce;
- \$435 for undocumented travel expenditures; and
- \$148 for a credit card charge reimbursed without a receipt.

We recommend the Department of Workforce Development require Employment Solutions, Inc., to repay \$35,899 in unallowable costs charged to the W-2 program and either repay the \$61,234 in additional questioned costs or provide additional documentation that adequately justifies the expenditure of program funds for those expenses Employment Solutions believes are appropriate.

Staff Salary Incentives

We have also reviewed the compensatory incentive payments provided by W-2 agencies to their staffs, in part because of concerns that had been raised by some former ESI staff over the size and timing of these incentives. Of the 17 W-2 agencies we visited during the course of our review, we found that 4—ESI, Maximus, Opportunities Industrialization Center of Greater Milwaukee, and YW Works—used W-2 funds to provide incentive payments to their staffs. Our review focused exclusively on incentives that were paid through direct contract charges in 1999 and does not reflect any incentives that may have been provided out of profits earned under the agencies' initial implementation contracts.

DWD has provided no specific guidance to W-2 agencies regarding incentive payments they make to their staffs, but the agencies are subject to federal requirements that any incentive payments provided to staff be reasonable for the services rendered and conform to the policies of the organization. For agencies engaged mainly in federally sponsored activities, compensation is reasonable when it is comparable to compensation for similar work in the labor markets in which the organizations compete for employees. In addition, for not-for-profit organizations, compensation should be reasonable with respect to services rendered rather than a distribution of earnings in excess of costs.

It is not surprising that all of the W-2 agencies that reported using employee incentive payments were private organizations, because counties do not typically provide such incentives to their staff. The number and amount of incentive payments provided to staff varied greatly. As shown in Table 2, while one agency—YW Works—paid incentives to only two staff in 1999, two other agencies paid them to more than 80 staff. Opportunities Industrialization Center provided 81.0 percent of its employees with incentive payments.

Table 2

Employees Receiving Incentive Payments
1999

<u>Agency</u>	<u>Total Employees</u>	<u>Number Receiving Incentive Payments</u>	<u>Percentage Receiving Incentive Payments</u>
Opportunities Industrialization Center	121	98	81.0%
Employment Solutions	149	84	56.4
YW Works	93	2	2.2
Maximus	136	not reported	-

Note: Maximus indicated it provided incentive payments to its staff, but this information was not provided to us.

The average amounts of employee incentive payments also varied substantially. As shown in Table 3, while incentive payments were under \$1,000 per person at two of the W-2 agencies, ESI paid an average of \$9,635 per person. However, it should be noted that ESI's 1999 incentive payments do not always represent incentives earned in that year. ESI officials indicated that in some instances, incentives that were earned in 1999 and would normally have been paid in the first quarter of 2000 were instead paid in 1999.

Table 3

Size of Employee Incentive Payments
1999

<u>Agency</u>	<u>Smallest Payment Provided</u>	<u>Largest Payment Provided</u>	<u>Average Payment Provided</u>	<u>Average Percentage of Employee's Compensation</u>
Employment Solutions	\$ 60	\$61,645	\$9,635	27.4%
Opportunities Industrialization Center	188	14,625	725	2.7
YW Works	750	850	800	2.4
Maximus	not reported	not reported	not reported	-

Note: Maximus indicated it provided incentive payments to its staff, but this information was not provided to us.

Of the 84 ESI employees receiving incentive payments in 1999:

- 49 received payments of \$10,000 or more;
- 6 received payments of \$20,000 or more; and
- 1, the agency's chief executive officer, received incentive payments totaling \$61,645. A payment of \$19,407 in February 1999 reflected performance in 1998. Payments of \$42,238 in December 1999 reflected performance in 1999.

All of the 1999 incentive payments made by Opportunities Industrialization Center were in December, the last month of the initial implementation contract. In contrast, only 81 of ESI's 623 incentive payments in 1999 were made in December, but they totaled \$197,148 and accounted for 24.4 percent of incentives paid by ESI largely because they included payments of \$42,238 to the agency's chief executive officer.

Providing incentives for employees to perform well is a valid goal and may enhance the success of the W-2 program. However, the substantial incentive payments ESI provided to its top managers using W-2 contract funds, in addition to any that may have been provided with profits earned under its first contract, suggest further clarification may be needed. Therefore, we recommend the Department of Workforce Development develop guidelines for the value of incentive payments that W-2 agencies may provide to their managers using W-2 funds and monitor compliance with these guidelines annually.

Other Selected W-2 Agencies

We also reviewed initial implementation contract expenditures of 15 other W-2 agencies: Brown County; Dane County; Eau Claire County; Fond du Lac County; Forward Service Corporation in Vilas County; Grant County; Kenosha County; Manitowoc County; Monroe County; Opportunities Industrialization Center in Milwaukee County; Price County; Rock County; Sawyer County; United Migrant Opportunity Services, Inc., in Milwaukee County; and YW Works in Milwaukee County.

We identified only 9 inappropriate or questioned transactions in our review of these other 15 agencies. Examples include:

- \$66,855 by Opportunities Industrialization Center, for sponsorship and advertising during the television program of the Green Bay Packers' head coach;
- \$5,000 by United Migrant Opportunity Services, for a contribution to support the 1999 Fatherhood Summit held in Wisconsin Dells;
- \$4,168 by YW Works, for travel costs associated with a trip to the Netherlands;
- \$4,141 by Fond du Lac County, for an overcharge resulting from a reconciliation error;

- \$3,393 by Rock County, for incorrect coding of 1996 central services costs; and
- \$882 by Kenosha County, for a late fee paid to a telephone system vendor.

Appendix 2 provides more detail on the \$12,604 in unallowable costs and \$91,237 in questioned costs that we have identified under these agencies' initial implementation contracts.

In addition to these costs, we identified \$23,250 in public funds that United Migrant Opportunities Services spent for sponsorship and advertising of the Milwaukee Brewers' starting lineup in 1999 and 2000. This amount was charged to the agency's Welfare to Work contract with the State. Although it was not a W-2 expenditure, we have questioned this cost as potentially unallowable under state and federal guidelines because it came to our attention during the course of our review.

We recommend the Department of Workforce Development require these six agencies to repay \$12,604 in unallowable costs charged to the W-2 program and to either repay the \$114,487 in additional questioned costs or provide additional documentation that adequately justifies the expenditure of public funds for those expenses the agencies believe are appropriate.

Appendix 1

Unallowable and Questioned Costs for Employment Solutions, Inc.
 March 1997 through December 1999

UNALLOWABLE COSTS

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Benefits to Agency and Staff		
American Express	Gingiss Formalwear--tuxedo rental for staff member	\$ 90
Christopher's Project/Quartet	Accreditation celebration musical performance (September 1999)	1,250
French Quarter Café	Staff lunch (January 1998)	1,270
Fun Services	Accreditation celebration (September 1999)	1,300
Gus Food Services	Accreditation celebration (September 1999)	4,275
Italian Conference Center	Staff appreciation party (November 1999)	6,961
Italian Conference Center	Deposit for employee appreciation party	500
Karl's Party Rental	Accreditation celebration--tables, tent, other supplies (September 1999)	1,038
Manchester East	Staff appreciation night (July 1998)	3,717
Manchester East	Staff appreciation dinner (December 1999)	4,019
Manchester East	Deposit for staff appreciation dinner (December 1999)	350
Sheraton Inn Milwaukee North	Staff appreciation dinner (December 1998)	3,993
Sheraton Inn Milwaukee North	Staff meeting, banquet (March 1998)	2,513
Fees		
Elan Credit Card	Credit card interest	493
Legal Services		
Foley and Lardner	Legal services related to other Goodwill programs	518
Michael Best & Friedrich, LLP	Review of whether lobbying would jeopardize ESI's nonprofit status	3,141
Michael Best & Friedrich, LLP	Supplemental work related to ESI's nonprofit status	120
Michael Best & Friedrich, LLP	Supplemental work related to ESI's nonprofit status	179
Michael Best & Friedrich, LLP	Supplemental work related to ESI's nonprofit status	172
TOTAL UNALLOWABLE COSTS		\$ 35,899

QUESTIONED COSTS

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Advertising and Public Relations		
African World Festival	Sponsorship of 1998 festival/community service booth	\$ 7,500
Clowns Around Town	Clowns hired for Summer Youth Activities Fair	180
Crestline Co.	250 imprinted briefcases	3,498
Restaurants, Meals, and Related Purchases		
American Express	Imperial Garden--Middleton	55
American Express	Houlihan's	82
American Express	Eagan's--Milwaukee	42
American Express	Baker's Square	18
American Express	TGI Friday's	23
American Express	Pizza Hut	32
American Express	Pandls in Bayside--Bayside, Wisconsin	81
American Express	Mannings--Milwaukee	73
American Express	Host, International--St. Louis	51
American Express	Café Knickerbocker--Milwaukee	78
American Express	Weissgerber's--Milwaukee	346
American Express	Mannings--Milwaukee	18
American Express	Yen Chin--Milwaukee	32
Bungalow Restaurant	Deposit for breakfast meeting	100
Deliciously Different Caterers	Lasagna for 16 people	275
Deliciously Different Caterers	20 box lunches	138
Deliciously Different Caterers	5 box lunches	40
Deliciously Different Caterers	11 box lunches	93
Deliciously Different Caterers	Lunch meeting--sandwich buffet	67
Deliciously Different Caterers	20 sub sandwiches	94
Deliciously Different Caterers	24 sub sandwiches	113
Elan Credit Card	Pizza Hut	383
Elan Credit Card	African Hut	635
Elan Credit Card	Kohl's	110
Elan Credit Card	Kohl's	63

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Elan Credit Card	French Quarter Café	500
Elan Credit Card	Sendik's	90
Elan Credit Card	French Quarter Café	525
Elan Credit Card	Elsa's	33
Elan Credit Card	Pizza Hut	44
Elan Credit Card	Mangia	92
Larry's Market	Lunch for 60 people	565
Milwaukee River Hilton	Dinner for 23 people	911
Milwaukee River Hilton	Lunch for 6 people	134
Milwaukee River Hilton	Lunch for 12 people	192
Milwaukee River Hilton	Breakfast for 15 people	109
Hotel Charges		
American Express	Leathem Smith Lodge, Sturgeon Bay	89
American Express	Milwaukee River Hilton	123
American Express	Milwaukee River Hilton	115
American Express	Milwaukee River Hilton	110
American Express	Milwaukee River Hilton	105
American Express	Milwaukee River Hilton	29
American Express	Milwaukee River Hilton	41
American Express	Milwaukee River Hilton	40
American Express	Milwaukee River Hilton	27
American Express	Milwaukee River Hilton	127
American Express	Omni Hotels--Albany, New York	182
American Express	Radisson--Pleasant Prairie	163
Elan Credit Card	Sheraton Hotels--Milwaukee	100
Elan Credit Card	Courtyard by Marriott--Plano, Texas	281
Milwaukee River Hilton	Room rental	150
Air Travel and Car Rental		
American Express	Flight from Milwaukee to Dallas	1,083
American Express	Flight from Milwaukee to Dallas	1,083
American Express	National Car Rental--Albany, New York	76
Elan Credit Card	Hertz--Dallas	190
Uniglobe	Flight from Milwaukee to Albany, New York	897

<u>Payee/Vendor</u>	<u>Description</u>	<u>Amount</u>
Other		
ABCO Building Corporation	Building expenditure for which no required approval from DWD was sought	23,225
Black Media, Unlimited	Training curriculum manual--ESI unable to produce copy of manual	15,000
Elan Credit Card	Datamatch, Inc.--no receipt	148
Firststar Bank, USA	Three undocumented travel expenditures	435
TOTAL QUESTIONED COSTS		\$ 61,234
TOTAL UNALLOWABLE COSTS		<u>35,899</u>
TOTAL UNALLOWABLE AND QUESTIONED COSTS		<u><u>\$ 97,133</u></u>

Appendix 2

Other W-2 Agencies' Unallowable and Questioned Costs
 March 1997 through December 1999

<u>W-2 Agency</u>	<u>Payee/Vendor</u>	<u>Description</u>	<u>Unallowable</u>	<u>Questioned</u>	<u>Total</u>
Fond du Lac County	Not applicable	Reconciliation error resulting in an overcharge	\$ 4,141		\$ 4,141
Kenosha County	Not applicable	Unallowable late fee paid to telephone system vendor	882		882
Opportunities Industrialization Center	City of Milwaukee	Overnight parking violation	20		20
	T. Robert Murphy, Inc.	Advertising and sponsorship: television program of 1999 Green Bay Packers' coach		\$ 66,855	66,855
	Not applicable	Depreciation on two vehicles for which purchase approval was not sought		9,382	9,382
		Subtotal, Opportunities Industrialization Center	<u>20</u>	<u>76,237</u>	<u>76,257</u>
Rock County	Not applicable	Error in coding 1996 central services costs	3,393		3,393
United Migrant Opportunity Services, Inc.*	Hudson Institute	Contribution to support 1999 Fatherhood Summit held in Wisconsin Dells		5,000	5,000
YW Works	Various	Travel to Netherlands for information sharing purposes	4,168		4,168
	African World Festival	Community service booth		10,000	10,000
		Subtotal, YW Works	<u>4,168</u>	<u>10,000</u>	<u>14,168</u>
TOTAL UNALLOWABLE AND QUESTIONED COSTS			<u>\$ 12,604</u>	<u>\$ 91,237</u>	<u>\$ 103,841</u>

* We also identified \$23,250 spent by United Migrant Opportunity Services for sponsorship and advertising associated with the Milwaukee Brewers' starting lineup in 1999 and 2000, which was charged to its Welfare to Work contract.