



November 23, 2004

Mr. Tyrone Dumas
Interim Executive Director
OIC-GM
3353 North Martin Luther King Jr. Drive
Milwaukee, WI 53212

Dear Mr. Dumas:

I appreciate that you have taken on a new position of leadership with OIC-GM. I know that you are committed to working to ensure that OIC moves through what has been a very difficult transition period to a time of operating the important Wisconsin Works (W-2) program in a way which best meets the needs of the participants, the taxpayers and the community.

As you know, the Department of Workforce Development (DWD) is charged with overseeing the W-2 program, which involves substantial federal and state funds for connecting low-income people to work and lives of economic self-sufficiency. We are responsible for guaranteeing that the objectives and operations of the program at the state and local levels are well managed and that all public funds are properly used. Wisconsin needs a strong and well-run W-2 program.

OIC-GM has a major role in the success of the entire statewide W-2 program as your organization's W-2 contract currently uses 33% of the state's W-2 resources. The total caseload of W-2 participants in the three regions OIC manages makes up 41% of the entire state's W-2 caseload.

Given this background, I write to address DWD's continuing concerns about OIC-GM's management of the W-2 program in its three W-2 regions in Milwaukee County and to notify you that DWD, under the authority of our current 2004-2005 W-2 Contract with OIC-GM, is making changes to our contract with OIC-GM regarding its delivery of W-2 services.

The "OIC Appendix" of OIC-GM's current W-2 contract notes, "DWD shall, before December 31, 2004, review the status of the various investigations and reports of the agency monitor and notify the W-2 agency as to whether the W-2 contract will be continued into 2005."

We communicate this information to you now so that timely transition steps may be taken for the best operation of the program in the second year of the current two-year contract which, as you know, begins on January 1, 2005.

DWD has determined that the steps outlined below are necessary and in the best interest of W-2 participants, the public and OIC-GM. The Department has been in continuous communication with OIC-GM for the past twelve months following the filing of criminal charges last November regarding improper payments made by OIC-GM to an attorney, the resulting improper use of public W-2 funds and related program management issues.

In our many communications to OIC-GM this year, including in our September 21 written requirement that it submit a Corrective Action Plan to DWD, we have identified a number of areas of deficiency at OIC-GM:

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

These concerns continue and they are based on extensive interaction with your organization which has included:

- Daily contact by the Milwaukee Regional Office of DWD to monitor progress by OIC-GM in implementing the W-2 Contract;
- Three (3) separate monitoring reviews, two of which were conducted by independent firms and one by DWD, to assess OIC-GM's financial practices;
- An onsite Special Monitor to assess ongoing OIC-GM management of its W-2 Contract;
- Multiple interventions by the Department's Legal Counsel regarding inappropriate expenditures and operations; and,
- OIC-GM's failure to produce an acceptable independent audit of OIC-GM (now projected to be submitted to DWD by OIC-GM at least six months past DWD's required deadline) at a time when the overall financial practices and health of the organization are in question.

Additionally, the November 9, 2004, Legislative Audit Bureau (LAB) review further affirmed the Department's concerns that OIC-GM has not managed its W-2 Contract in the best interest of the participants or the public.

Given all of the above and further analysis, DWD will be making the following changes to our 2004-2005 W-2 contract with OIC-GM:

1. As of December 1, 2004, and for the balance of the current contract, the accounting firm of Virchow Krause will be retained as a fiscal agent with the responsibility for overseeing all fiscal management aspects of the W-2 program in Regions 1, 3 and 4; as fiscal agent, Virchow Krause will assist DWD with the review and approval of all W-2 and W-2 cost allocated expenses in W-2 Regions 1, 3 and 4;
2. As of December 1, 2004, and for the balance of the current contract, DWD will reallocate two DWD staff to Regions 1, 3 and 4 to increase DWD's program management oversight of all W-2 operations on site;
3. As of January 1, 2005, DWD has made the following arrangements for changed OIC-GM responsibilities in the coming year:
 - OIC-GM will no longer have responsibility for the operation of the W-2 program in W-2 Regions 1;
 - OIC-GM will continue to have responsibility for the operation of the W-2 program in Region 3;
 - OIC-GM will subcontract, from its current W-2 contract funds, with Virchow Krause for fiscal agent responsibilities in OIC-GM's continuing areas of W-2 program responsibility;

- OIC-GM will subcontract, from its current W-2 contract funds, with outside staffing agents (Victory Personnel and Manpower) for assistance in successfully placing OIC-GM W-2 participants into jobs;
 - OIC-GM will continue its subcontract, from its current W-2 contract funds, with its Special Monitor to ensure that all required OIC-GM duties are properly implemented;
 - OIC-GM's current W-2 contract will be reduced in accordance with its changed areas of W-2 program responsibility during the second year of the current contract; and
 - OIC-GM will continue to implement any past and future Corrective Action Plan requirements issued to OIC-GM by DWD, including orders to reimburse DWD for all past W-2 funds inappropriately used by OIC-GM; under separate cover, DWD will require OIC-GM to reimburse DWD for all inappropriate uses of W-2 funds identified by the LAB in its November 9, 2004, review.
4. As of January 1, 2005, and for the balance of the current contract, DWD, with \$12,749,131, will contract with YW Works for the provision of W-2 program services in Region 1 and the southeast corner of W-2 Region 4; YW Works will subcontract, from its 2005 W-2 funds, with Virchow Krause for fiscal agent responsibilities in YW Works' area of 2005 W-2 program responsibility; YW Works will transition OIC-GM line staff responsible for Region 1 and the southeast corner of W-2 Region 4 to YW Works staff.

DWD was surprised to receive late last night, the November 22 letter to Governor Doyle from OIC-GM's Chairman of the Board, Rev. Fred L. Crouther, indicating that OIC-GM's board of directors recommends discontinuing OIC-GM's W-2 operations in Region 1 and Region 4. As you know, DWD had been having a dialogue with OIC-GM about Region 4. Given Rev. Crouther's letter, over the coming days, DWD will work with OIC-GM and other entities to develop a plan for the best delivery of W-2 services in Region 4, excluding its southeast corner, for the balance of the current W-2 contract. This plan will address best approaches for meeting the needs of participants and the community, including any needed transition of OIC-GM line staff now responsible for W-2 services to any possible 2005 W-2 entity or entities in Region 4.

I know that you want to manage OIC-GM's W-2 contract effectively and in the best interest of the participants. I am sure that the rapid expansion of OIC-GM's W-2 responsibility from one region to three regions during a time of changes with leadership and significant legal issues involving OIC-GM contractors, has contributed to the current situation. I believe that by narrowing the scope of your W-2 contract, program participants can be best served, public funds can be best directed and OIC-GM can have a more manageable set of responsibilities.

DWD will work with OIC-GM and all parties to facilitate the transition of these changes and minimize any negative impacts on W-2 participants and the community.

OIC-GM may seek any clarification on the requirements of this letter and the subsequent contract amendments that will follow from Howard Bernstein, DWD Legal Counsel. Mr. Bernstein can be contacted by phone at (608) 266-9427 or by e-mail at howard.bernstein@dwd.state.wi.us. OIC-GM may seek clarification on any W-2 program or transition related questions from Brenda Bell-White, Section Chief for the Milwaukee Regional Office. Ms. Bell-White can be reached by phone at (414) 227-4245 or by e-mail at brenda.bell-white@dwd.state.wi.us.

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I thank you very much for your cooperation.

Best wishes,

A handwritten signature in black ink, appearing to read "Roberta Gassman", with a long horizontal flourish extending to the right.

Roberta Gassman
Secretary

cc: Rev. Fred L. Crouther, Chairman, OIC-GM Board of Directors

Attachments: Map of Current Milwaukee W-2 Regions
Map of New 2005 Milwaukee W-2 Regions