



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
525 Health and Welfare Building
Harrisburg, Pennsylvania 17105-2675

KEVIN M. FRIEL
DIRECTOR

JUN 16 2010

TELEPHONE NUMBER
(717) 772-2231
FAX NUMBER
(717) 705-9094

Ms. Melonease Shaw
Chief Executive Officer
Transitional Work Corporation
100 South Broad Street
Philadelphia, Pennsylvania 19102

Dear Ms. Shaw:

I am enclosing the final report of Transitional Work Corporation recently completed by this office. Your response has been incorporated into the final report and labeled as Appendix.

I would like to express my appreciation to all the courtesy extended to my staff during the course of fieldwork. I understand that you were especially helpful to Barbara Miller in expediting the audit process.

The final report will be forwarded to the Department's Office of Income Maintenance (OIM) to begin the Department's resolution process concerning the report contents. The staff from the OIM may be in contact with you to follow-up on the action taken to comply with the report's recommendations.

If you have any questions concerning this matter, please contact Mr. Alex Matoylak, Audit Resolution Section, at (717) 783-7786.

Sincerely,

A handwritten signature in cursive script that reads "Kevin M. Friel".

Kevin M. Friel

c: Mr. Dale Porter
Ms. Linda Blanchette
Dr. Bryon C. Noon
Mr. Leon Simmons
MS. Deborah Glosek



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DIRECTOR

JUN 16 2010

TELEPHONE NUMBER
(717) 772-2231
FAX NUMBER
(717) 705-9094

Mr. Dale Porter, Chief Financial Officer
Philadelphia Workforce Development Corporation
1617 JFK Boulevard, 13th Floor
Philadelphia, Pennsylvania 19103

Dear Mr. Porter:

I am enclosing the final report of Transitional Work Corporation recently completed by this office. Transitional Work Corporation's response has been incorporated into the final report and labeled as Appendix.

This report contains one finding and recommendation that relates to Philadelphia Workforce Development Corporation.

The final report will be forwarded to the Department's Office of Income Maintenance (OIM) to begin the Department's resolution process concerning the report contents. The staff from the OIM may be in contact with you to follow-up on the action taken to comply with the report's recommendations.

If you have any questions concerning this matter, please contact Mr. Alex Matoylak, Audit Resolution Section, at (717) 783-7786.

Sincerely,

A handwritten signature in cursive script that reads "Kevin M. Friel".

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KEVIN M. FRIEL
 DIRECTOR

Ms. Linda Blanchette
 Deputy Secretary for Income Maintenance
 Health & Welfare Building Room 432
 Harrisburg, Pennsylvania, 17120

Dear Ms. Blanchette:

In response to a request from the Office of Income Maintenance (OIM) and the Bureau of Employment and Training Programs (BETP), the Bureau of Financial Operations (BFO) conducted an audit of Transitional Work Corporation's (TWC) Phila@Work contract for the fiscal year ended June 30, 2009.

This report is currently in its final form and therefore contains TWC's views on the reported findings, conclusions and recommendations as an attachment to this report. The data used to prepare the reported findings was discussed with TWC's management at a closing conference held on February 12, 2010.

TWC Corporation
Executive Summary

TWC is a nonprofit organization located in Center City Philadelphia that provides Temporary Assistance for Needy Families (TANF) recipients with the skills and experience they need to obtain full time unsubsidized employment. TWC collaborates with employers in the Greater Philadelphia area to fill their staffing needs.

TWC currently operates a Transitional Work contract, a copying and printing contract (CWT), which employs some of its Phila@Work clients. TWC recently expanded the level of services provided when they agreed to accept a contract to provide EARN services in Philadelphia.

The report findings and recommendations for corrective action are summarized below:

FINDINGS	SUMMARY
<i>Finding No 1 – Performance Based Payments Were Overstated By \$312,677 For Fiscal Year Ended June 30, 2009</i>	TWC included clients who were working less than 25 hours in their claims for Paid Work Experience (PWE) retention payments. According to their contract with PWDC, PWE clients must work at least 25

**Transitional Work Corporation
Fiscal Year Ended June 30, 2009**

Finding No. 1 (Continued)	<p>hours per week to be considered eligible for this incentive. As a result of these inappropriate claims the Philadelphia Workforce Development Corporation (PWDC) was over billed \$312,677.</p> <p>TWC management stated that they believed clients were eligible for the incentive payments if they maintained employment after working an initial work week of 25 hours.</p> <p>OIM program staff confirmed that in order to qualify for the retention payment, the client must meet the hours stated in the contract.</p>
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HIGHLIGHTS OF RECOMMENDATIONS
<p>TWC should:</p> <ul style="list-style-type: none"> • Ensure clients are working the required number of hours per week to ensure they qualify for the retention payment. • Ensure that the performance invoice is supported by all required documentation as stated in the contract. <p>PWDC should:</p> <ul style="list-style-type: none"> • Take the necessary steps to recover the \$312,677 overpayment related to retention payments.

FINDINGS	SUMMARY
<i>Finding No. 2 – TWC Does Not Have A Cost Allocation Plan Sufficient To Allocate Administrative And Overhead Costs.</i>	<p>TWC has expanded the range of services provided and has formed three separate corporations. The current cost allocation plan is no longer effective in allocating shared costs.</p> <p>Moving forward, the administrative staff will be supporting three separate corporations which administer various work training contracts.</p> <p>The revised allocation plan should include procedures to ensure a clear distinction of time worked by the Executive Director and/or staff between TWC duties and a private endeavor.</p>

**Transitional Work Corporation
Fiscal Year Ended June 30, 2009**

HIGHLIGHTS OF RECOMMENDATIONS
<p>TWC should:</p> <ul style="list-style-type: none"> • Develop an equitable cost allocation plan which distributes costs associated with administrative staff and related expenses to all three companies. The plan should be approved by PWDC and BETP. • TWC's Board of Directors draft a contract with the Executive Director stating the number of hours she is expected to devote to TWC. • Develop a time sheet that administrative staff completes weekly detailing the time spent on each of the three companies.

FINDINGS	SUMMARY
<p><i>Finding No. 3 – Some Of The Charges Made To The Phila@Work Contract Were Unallowable</i></p>	<p>Charges for meals, holiday parties and unallowable travel were invoiced to PWDC. The total amount identified was \$4,725.</p>

HIGHLIGHTS OF RECOMMENDATIONS
<p>PWDC should:</p> <ul style="list-style-type: none"> • Take the necessary steps to recover the \$4,725 in unallowable expenses.

FINDINGS	SUMMARY
<p><i>Finding No. 4 – Un-Cashed Checks Were Accounted For As Revenue Totaling \$142,216</i></p>	<p>TWC's independent auditors identified checks which had not been cashed. The majority of the checks were written to Work Partners; staff at the PWE work sites who supervise clients' participation in the PWE program.</p> <p>Because the checks were never cashed, in essence there was no expense to be reimbursed. TWC should have refunded or credited PWDC for the expensed amounts of the voided checks.</p> <p>TWC put forth several elements of cost which they believe should be applied to reduce their liability. A determination for one element is being deferred to OIM.</p>

HIGHLIGHTS OF RECOMMENDATIONS
<p>PWDC should:</p> <ul style="list-style-type: none"> • Take the necessary steps to recover the \$142,216 related to the un-incurred expense.

**Transitional Work Corporation
Fiscal Year Ended June 30, 2009**

<p>OIM should:</p> <ul style="list-style-type: none"> • Make a determination as to the allowability of the \$13,331 in excess Subsidized Wage expense.

FINDINGS	SUMMARY
<p><i>Finding No. 5 – PWDC Needs To Utilize Available Data To Ensure Accurate Performance Payments</i></p>	<p>The majority of the errors identified in our sample related to PWE which is supported by timesheets generated from the Comprehensive Workforce Development System (CWDS). PWDC has access to the same data as TWC through the CWDS data system. PWDC should be utilizing the data they already have to verify that a client is meeting the required number of hours for PWE.</p>

HIGHLIGHTS OF RECOMMENDATIONS
<p>PWDC should:</p> <ul style="list-style-type: none"> • Utilize the data available to them to ensure that benchmark payments to TWC are accurate and in compliance with the contract parameters. <p>TWC should:</p> <ul style="list-style-type: none"> • Carefully review all client timesheets to ensure they have worked the required number of hours as stated in the contract. • Ensure all timesheets are input into CWDS in a timely manor so PWDC has the most current and accurate data available to them.

OBSERVATIONS	SUMMARY
<p><i>Observation No. 1 – TWC Needs To Recruit Active Board Members</i></p>	<p>TWC's Board has only met once in the last 12 months. Management stated that meetings have been scheduled, but were canceled due to a lack of attendance.</p> <p>TWC needs to recruit candidates who are willing to take an active role and who can bring their expertise to the board to help advance the goals of the organization.</p> <p>TWC is working on re-writing their By-Laws to allow them more latitude in recruiting Board members.</p>

**Transitional Work Corporation
Fiscal Year Ended June 30, 2009**

OBSERVATION	SUMMARY
<i>Observation No. 2 – Differences Exist Between Electronic Timesheets And Original Timesheets.</i>	As part of our audit, electronic timesheets were compared to original timesheets. This comparison revealed differences. It appears that the original timesheets were simply the client's scheduled hours, and changes were not explained. Additionally, timesheets were not always signed by the Work Partner, the Career Coach or the client.

Background

The TWC is a 501 (c)(3) corporation originally created by the Commonwealth of Pennsylvania, the City of Philadelphia and the PEW Charitable Trusts, to provide transitional employment to clients working their way off public assistance. While participating in transitional employment, clients also receive supportive and educational services to help develop the skills needed to gain and maintain full time employment.

The PWDC is TWC's primary funder. The contract for the Fiscal Year ended June 30, 2009 included performance payments for Enrollment, Job Site Placement, Paid Work Experience, Work Participation, Retention, Job Placement and Re-placement. The contract for the subsequent fiscal period was re-written to exclude the retention phase of the program.

TWC also has a contract with PWDC to provide photocopying and printing services. This contract provides PWE jobs for some of TWC's clients. Additionally, TWC took on an EARN Center contract to fill the void left by another provider. TWC executive management has decided to create three separate 501 (c)(3) corporations to execute each of these contracts; however, the same administrative and management staff will be administering all three corporations.

TWC's Phila@Work contract discloses a conflict of interest between TWC and PWDC. The Executive Director of PWDC sits on TWC's board and the Executive Director of TWC sits on PWDC's Board. While we did not note any beneficial treatment between the two entities, the BFO's position is that an actual or potential conflict of interest could arise in such circumstances. Both PWDC and TWC should take the necessary steps to safeguard against organizational conflict of interest. Accordingly, board members who have a potential conflict of interest should not participate in or vote on matters affecting transactions between TWC and PWDC.

Objective/Scope/Methodology

The audit objectives developed in concurrence with OIM were:

- To determine the propriety of expenditures charged to the Phila@Work contract between the Transitional Work Corporation and Philadelphia Workforce Development Corporation.

**Transitional Work Corporation
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- To determine the effectiveness of the Phila@Work program in meeting intended goals put forth by the Office of Income Maintenance, Bureau of Employment and Training.

In pursuing these objectives, the BFO interviewed OIM staff and TWC management. We also reviewed accounting and financial records, selected invoices, client files and other pertinent data necessary to complete our objective.

We conducted this performance audit in accordance with generally accepted government audit standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

Government auditing standards require that the auditors obtain an understanding of management controls that are relevant to the audit objectives described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of the effectiveness of these controls. Based on our understanding of the controls no material deficiencies came to our attention. Areas where we noted an opportunity for improvement are addressed in the findings of this report.

Results of Fieldwork

Finding No 1 – Performance Based Payments Were Overstated By \$312,677 For Fiscal Year Ended June 30, 2009

The contract with PWDC provides performance payments for clients whose job and work record meet certain criteria. Our audit procedures included extracting a statistically valid random sample of TWC's performance payment claims for the PWE clients. The total universe of PWE and Retention claims was 1876, of which 77 were included in the sample. These claims were tested to ensure compliance with the contract requirements. The tests revealed that 63.64% of the claims sampled were ineligible for reimbursement. An application of this error rate to the total of PWE and Retention payments for the fiscal year ended June 30, 2009 resulted in an over payment of \$312,677.

The contract between TWC and PWDC requires that a client obtain a position with at least 25 hours of PWE per week to meet the performance benchmark. In most cases the clients were working on average less than 20 hours per week. The actual time worked is documented by their electronic timesheets. These time sheets were input into CWDS and used to generate the weekly payroll for clients.

PWDC also uses the data in CWDS to generate the monthly performance invoices. PWDC earmarks the clients who should be eligible for the performance benchmark based on enrollment date. The invoice is then sent to TWC, who documents that the client was indeed eligible and sends the invoice, along with the last timesheet or pay stub, back to PWDC for payment. PWDC reviews the documentation and makes the payment.

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TWC claimed performance payments for clients whose work hours did not meet the criteria detailed in the contract. These errors were not identified by PWDC's monitoring process and overpayments were made. When the deficiencies were discussed with TWC management we were informed that they believed that clients who worked 25 hours in the first week of employment continued to remain eligible for performance payments if they retained their position in subsequent weeks. Our follow-up with BETP confirmed that the contract was drafted with the expectation that performance payments could only be requested for clients who worked 25 hours each week.

Recommendations:

The BFO recommends that TWC ensure clients are working the required number of PWE hours as stated in the contract; and that the performance invoice is supported by appropriate documentation in compliance with contract requirements.

The BFO also recommends that PWDC take the necessary steps to recover the overpayment of \$312,677.

Finding No. 2 – TWC Does Not Have A Cost Allocation Plan Sufficient To Allocate Administrative And Overhead Costs.

Moving forward, TWC management will be administering three contracts – Phila@Work, CWT and the EARN Center. While TWC management had elected to create separate 501(c)(3) corporations, essentially the same management and administrative staff will be working for and running all three companies. As presented, the entities will be considered related parties. As a result, the time and expense associated with these staff, including occupancy costs, needs to be equitably distributed to all three companies. The current cost allocation plan is not capable of equitably distributing these costs and a new plan will have to be developed.

In addition to the three corporations we note that the Executive Director has moved her private business into office space leased by TWC on another floor. TWC used this space until a downsizing resulted in an excess of space. The excess space was initially used by another company under a sub-lease arrangement. When this company vacated the space, the Executive Director relocated her company to relieve TWC of the burden of the rental expense.

The Executive Director utilizes an office that is located within the space leased by her private business when she represents TWC. Because her TWC office is located in her private business office space, there is no clear distinction between the time devoted to TWC and the time devoted to her private business endeavors. Additionally, there was at least one TWC staff who indicated that she had office space on both the TWC administrative floor and the floor of the private business where she had access to both businesses computers. Her time had been charged 100% to TWC.

Due to the seemingly unclear boundaries between TWC and the Executive Director's private business and the three contracts, a cost allocation plan is essential to ensure appropriate costs are being charged to the OIM/BETP programs.

**Transitional Work Corporation
Fiscal Year Ended June 30, 2009**

Recommendations:

The BFO recommends TWC develop an equitable cost allocation plan to distribute the costs associated with administrative staff and related expenses such as supplies and overhead, to all three companies. Once developed, the cost allocation plan needs to be approved by PWDC and BETP.

The BFO also recommends that TWC's Board of Directors draft a contract with the Executive Director stating the number of hours per week it expects her to devote to TWC and its endeavors. Currently the only documentation available was board minutes which stated a percentage of time.

Finally the BFO recommends TWC develop a time sheet that administrative staff completes weekly detailing the time spent on each of the three contracts.

Finding No. 3 – Some Of The Charges Made To The Phila@Work Contract Were Unallowable

In reviewing certain expense items, we identified expenses which were charged to and paid by PWDC that were unallowable. These included \$2,307 for meals, \$1,976 for a staff holiday party and \$442 for airfare to the 2008 Democratic National Convention.

The total amount related to these identified charges was \$4,725.

Recommendation:

The BFO recommends that PWDC take the necessary steps to recover the \$4,725 in unallowable expenses.

Finding No. 4 – Un-Cashed Checks Were Accounted For As Revenue Totaling \$142,216

TWC's independent auditors identified "old" checks totaling \$163,580 which had not been cashed. The majority of the checks were payments for Work Partner incentives. The checks were written over the course of three fiscal years; June 30, 2005; 2006, and 2007.

A Work Partner is defined as an employee at a work site who supervised TWC clients while participating in the PWE program. TWC management stated that the Work Partner incentive payments were TWC's way of showing appreciation for the time and effort the Work Partners put into working with the PWE clients. During this time period, PWDC allowed these payments to be categorized as an incentive cost and reimbursed them at 100%. PWDC later took the position that these payments should be categorized as an operating cost. The change in funding along with the difficulty TWC was having in administering the program caused TWC to make the decision to eliminate this payment.

**Transitional Work Corporation
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The Work Partner incentives were invoiced to PWDC as expenses when the checks were prepared. When the checks were voided the expense, in essence was eliminated. As a result appropriate credits should have been issued to PWDC. In response to our questions in this area TWC provided that appropriate credits were issued. TWC met our request to review the documentation for the credits with the following three responses:

- The first item relates to Work Partner Incentive costs for the fiscal year ended June 30, 2005. TWC incurred costs which exceed the amount invoiced to PWDC. Based on this, \$21,364 related to the Work Partner Incentives was credited against the total amount of the un-cashed checks.
- The second item relates to Subsidized Employment Wages. PWDC was credited \$13,331 on the final invoice for fiscal year ended June 30, 2006. Although TWC incurred costs which exceed the amount invoiced to PWDC, these expenses do not relate to Work Partner Incentives.
- For the third item, TWC provided documentation pertaining to a pass through contract indicating they did not invoice for one month. While this statement was determined to be accurate we noted that TWC did not incur costs related to this contract, so there are no unreimbursed costs to apply to the un-cashed checks.

Based on the documentation provided, \$21,364 was applied to the balance of un-cashed checks. As a result \$142,216 in un-incurred expense remains.

Recommendations:

The BFO recommends PWDC recover the \$142,216 related to the un-incurred expense.

The BFO also recommends the OIM make a determination as to the allowability of the \$13,331 in excess Subsidized Employment Wages expense.

Finding No. 5 – PWDC Needs To Utilize Available Data To Ensure Accurate Performance Payments

Pertaining to Finding No. 1, the majority of the errors identified in our sample related to PWE, which is supported by timesheets generated from the DPW software program, CWDS. TWC is responsible for inputting a client's PWE hours worked into CWDS and generating a timesheet. PWDC, in turn, accesses CWDS to generate the monthly invoice for PWE. Once the invoice is generated, it is sent to TWC for verification and requisition of the required documentation. In the case of PWE, the required documentation is the electronic timesheet for the last week of the performance period.

As such, one week's time is used to support the validity of the entire performance period. The BFO believes this process contributed to the number of performance payment errors TWC encountered.

PWDC has access to timesheets for the entire performance period through CWDS. As a result, PWDC should be utilizing the data they already have to verify that a client is

**Transitional Work Corporation
Fiscal Year Ended June 30, 2009**

working the required number of hours for PWE. TWC would only need to verify that the data on the invoice was correct.

One way PWDC could more effectively use the data available, is to summarize the PWE hours in their data system and include this information on the invoice. This would provide an indication of whether or not the client had the required number of hours to be eligible for the performance payment.

Recommendations:

The BFO recommends PWDC utilize the data available to them to ensure that benchmark payments to TWC are accurate and in compliance with the contract parameters. PWDC should consider including the total number of PWE hours worked for the performance benchmark period on the invoice.

The BFO also recommends TWC carefully review all clients included on the monthly invoices and ensure they have worked the required number of hours as stated in the contract.

Finally, BFO recommends TWC input timesheets into CWDS on a timely bases to ensure PWDC has the most current and accurate data available to generate the monthly performance invoices.

Observation No. 1 – TWC Needs To Recruit Active Board Members

TWC has only held one board meeting in the last 12 months. Management stated that board meetings had been scheduled, but were canceled due to lack of attendance. Additionally, a board retreat had also been canceled due to a lack of attendance. The Board of a non-profit plays a significant role in the oversight of management and provides direction for the agency as a whole. Furthermore, TWC has expanded through the administration of an EARN Center contract making Board oversight and guidance more essential.

In reviewing prior board minutes, it appears that this has been an ongoing concern for some time. The Board minutes indicated that they were trying to address this issue, but had not made any improvement. TWC needs to actively recruit members who are willing to take an active role on the Board. Potential candidates should be able to bring their expertise to the board to help advance the goals of the organization.

TWC management stated that they are in the process of re-writing the agency's By-Laws to give them more latitude in recruiting Board members. Recently, two people from the local community came to the Board. TWC is hopeful that their experience and familiarity in the local area will be beneficial to the agency and its mission.

**Transitional Work Corporation
Fiscal Year Ended June 30, 2009**

Observation No. 2 – Differences Exist Between Electronic Timesheets And Original Timesheets.

In reviewing client payroll, electronic timesheets were compared to the original timesheets. This comparison identified differences between the original timesheet and the electronic one. Primarily, it appeared that the original timesheets were simply the clients scheduled hours. In some cases, there were changes on the original timesheet; however, it appeared that the changes were made upon input with no explanation. Additionally, in some cases the time sheets were not signed by the work partner, the career coach or the client. Prior to input into CWDS, signatures from all three should appear on the original timesheet, particularly when changes were made. These are procedure weakness which could result in inaccurate payments to clients.

Exit Conference

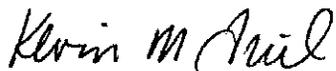
On June 3, 2010 an exit conference was held at TWC's administrative offices. In addition to staff from TWC and BFO, representatives from BETP and PWDC were in attendance. Based on discussion at the exit conference, no changes were made to the draft report as issued.

In accordance with our established procedures, an audit response matrix will be provided to your office. Once received, please complete the matrix within 60 days and email the Excel file to the DPW Audit Resolution Section at:

RA-pwauditresolution@state.pa.us

The response to each recommendation should indicate your office's concurrence or non-concurrence, the corrective action to be taken, the staff from your office responsible for the corrective action, the expected date that the corrective action will be completed, and any related comments.

Sincerely,



Kevin M. Friel

Attachment

c: Ms. Melonease Shaw
Mr. Dale Porter
Dr. Bryon Noon
Mr. Leon Simmons
Ms. Deborah Glosek

**TRANSITIONAL WORK CORPORATION'S
RESPONSE TO THE DRAFT REPORT**

APPENDIX

Mr. Daniel Higgins
Audit Manager
Bureau of Financial Operations
Division of Audit and Review
Philadelphia, PA 19107-3126

Dear Mr. Higgins:

Transitional Work Corporation(TWC) is in receipt of your letter dated March 29, 2010, in which you disclose, on behalf of the Division of Audit and Review (DAR), possible non-compliance with reporting requirements under TS09-127 contract. Transitional Work Corporation appreciates BETP's willingness to disclose and correct any non-compliance issues at its facility in a timely manner. Moreover, we appreciate your tremendous support in helping to maintain Transitional Work Corporation's premier role in "Paid Work Experience" in Philadelphia. Lastly, TWC would like to request an exit conference with BETP and PWDC to address the report contents as well as ensure clarification of the timely implementation of the report recommendation.

The purpose here is to respond to the findings presented from the DAR audit.

Finding No.1 – Performance based payments were overstated by \$312,677 for Fiscal Year Ended June 30, 2009.

TWC Responses:

TWC's fiscal year began on July 1, 2008, however, the Philly@ Work FY08/09 contract was not received until the first week of November 2008 and contract implementation began on November 17, 2008. By this time, a lapse of 5 months had already passed and we were operating without knowledge of the performance measures associated with PWE retention. It should also be noted that the FY08/09 contract marked the first year that payment points associated with the Retention at the Paid Work Experience level was implemented. We believed that we were operating as mandated in both the Master Guidelines as well as the contract submitted by PWDC. With that said, more emphasis was placed on worksite placements, development of worksites and days in retention. It was not until BFO presented its findings that we were made aware of non-compliance issues surrounding payments associated with PWE validation.

During the fiscal year 08/09, we were audited several times by both BETP and PWDC (i.e., Annual Time and Attendance Audit, PWDC financial audits, and annual BETP evaluation). At no time was TWC cited for contractual non-compliance within these various audits. As previously mentioned, TWC believed that we were operating in accordance with our Contractual Agreement and Master Guidelines.

As a result of the findings from BFO, we have surmised that the language presented in both the Contract as well as the Master Guidelines was unclear to all parties and adjustments to the "wording" may have played a large part in the miscommunication of benchmark payments.

Within the FY08/09 Contract and Master Guidelines, there were several discrepancies with regards to the PWE definition and required hours. In some cases, the mandated hours are 20 hours but in other cases, 25 hours of participation is expected. In addition, in the scope and services section of our fiscal contract, the measurement for a successful retention met is measured through days in retention. The following excerpts illustrate the "verbiage" found in the Master Guidelines and Contract:

- Page 28 of PWDC Contract -- Paid Work Experience -- "Participants may participate in PWE a maximum of 20 hours per week, up to a 6-month lifetime limit."
- Program Summary Page within the Scope of Services Section of the Contract -- "Participants in TWC's Philadelphia@Work program will participate in the transitional experience for twenty-five (25) hours a week, while earning minimum wage. Participants will spend up to 10 (ten) hours a week in wrap around activities."
- Work Participation as defined in the Master Guidelines -- "Required hours of participation for a TANF single parent with a child over the age of 6 and extended TANF participants, regardless of the child's age, is 30 hours; 20 hours in a core activity; 10 hours in a non-core activity."
- "Required hours of participation for a single parent if the household contains a child under the age of six (6) is 20 hours; all 20 hours must be in a core activity."

We have found that these performance measures were not taken into consideration when we invoiced PWDC monthly. Instead, we were paid exclusively for the number of days in retention as opposed to number of hours at the worksite. What follows is a detailed corrective action to address the other findings BFO found during their audit.

TWC will take the necessary steps to discuss with PWDC a repayment plan for the \$312,677 in overpayment related to retention payment. Also TWC would like to receive a copy of the documentation of the calculation of the overpayment for the \$312,677.

Finding No.2 -- TWC does not have a cost allocation plan sufficient to allocation administrative and overhead cost.

TWC Response:

The Revised Cost Allocation Plan summarizing the procedure that will be used by the Executive Director and staff implemented as soon as PWDC and BETP approves the plan.

The following information will be included in the plan:

- Compensation of Personnel Services - Documented with a weekly timesheet detailing the distribution for all employees and allocation based on time spent on each program. The documentation will be based on each of the three companies (i.e., TWC, GEC and CWT).
- Travel Costs – allocated base on purpose of travel.

Finding No. 3 – Some of the charges made to the Phila@Work Contract were Unallowable

TWC Response:

In response to the unallowable expenses made during the FY 08/09 year, Transitional Work Corporation will comply with the requested recovery payment for the unallowable expenses as recommended by BFO. TWC will request a payment arrangement with PWDC to repay these monies.

Finding No. 4 - Un-cashed checks were accounted for as revenue totaling \$142, 216

TWC Response:

In reviewing the \$165,000, these were funds that were allotted for Work Partner Incentives, Subsidized Employment Wages, Training/Certifications and Client Incentives. Some of the funds have already been credited back to PWDC via the following invoices:

1) See exhibit #1, Page 3

Funds were allocated throughout fiscal year 2006, however, on final invoice #12 dated July 31, 2006, PWDC was credited a total amount of \$13,331 for Subsidized Employment Wages.

2) Exhibit #2

A total amount of \$123,675 was allocated throughout FY '05 per trial balance (See exhibit 2, Page 4). However on Invoice #12 (Year End Closeout), dated August 8, 2005, only \$102,311 was charged to PWDC's contract. (See exhibit #2, Page 2) A total of \$21,364 was not charged to PWDC's contract.

3) Exhibit #3

This arrangement was a financial pass-through on behalf of The Workforce 2000 Initiative between PWDC and TWC. We invoiced PWDC July 2005 through December 2005 and payment was forwarded to The Workforce 2000 Initiative on the amount of \$21,250 each

month. An invoice for the month of January 2006 was entered in our accounting software and was captured by the McGovern audit firm as a payable; however, PWDC was never invoiced for the amount of \$21,250.

The statements above account for \$55,945 of the \$165,000 in question. Please be advised that during the 2005 Fiscal Year, TWC reported a loss of approximately \$90,000. Moreover, TWC used a portion of its funding to cover its loss during this time. Based on these findings, we do not believe that we should have to refund PWDC the difference between the \$55,000 and \$165,000.

Finding No. 5 - PWDC needs to utilize available data to ensure accurate performance payments.

TWC Response:

Based upon TWC's findings, all parties (i.e., PWDC, BETP and TWC) share in the misinterpretation of the scope of services directly related to the number of required hours a client must work at their respective worksites. During our annual Guidelines training with BETP, all EARN systems, TWC and other providers were urged to work with those clients who were not meeting the WPR to avoid a surge of negative terminations. It should also be noted that EARN payments are based solely on their ACR and WAR which is paid on a sliding scale in that they are paid on the percentage of the goal met. While this is not the case for TWC, we are requesting that the same be applied to our PWE retention payment points. As it currently stands, the present goal is unattainable and does not allow for clients to miss any time throughout their Paid Work Experience. As stated in our Scope of Services, we service those clients who are hard to place, have employment barriers, and have very little skill set. With that said, our clients have doctor's appointments, CAO appointments and other emergencies that require them to miss time from sites. In addition, effective March 8, 2010, excused absences will no longer count towards retention which means most of our clients will not meet the perfect attendance requirement. Currently, there are very few clients in the Philadelphia EARN system who meets this requirement. In an attempt to address this issue, we are methodically and tediously negotiating the terms of our 09/10 contract which we believe should clearly identify a more realistic goal and requirement for retention for PWE clients. Moreover, we have implemented the following internal procedures to help us achieve our benchmark goals:

- 1) Identify the minimum and maximum of hours a client must work at their worksites.
- 2) Reconcile electronic timesheets to manual timesheet prior to Kronos upload.
- 3) Define the definition of a successful PWE retention met.
- 4) Finalize a process for payment reconciliation and validation with PWDC.

Below, please find the response to the BFO observations as reported during the audit.

Observation #1

4

Observation #2

TWC will be reconciling original timesheets with the electronic version on Wednesdays prior to hours being uploaded into Kronos and CWDS. We have streamlined this process to avoid delays in entering time into CWDS. Moreover, we have implemented one day per week to enter late timesheets (Thursday) prior to Kronos upload to ensure time and attendance is current.

Thank you in advance for your attention and consideration in this matter and we look forward to discussing the contents of this response at the exit interview to be determined by your office.

Respectfully Submitted,

A handwritten signature in black ink that reads "Melonease Shaw". The signature is written in a cursive style with a large, prominent "S" at the end.

Melonease Shaw

President/CEO Transitional Work Corporation

TRANSTECHICAL WORKS CORPORATION
 P&W Expenses 06/01/06-06/30/06

PROGRAM SERVICES:	BUDGET	RE-Sudget	INV.#1 Jul-05	INV.#2 Aug-05	INV.#3 Sep-05	INV.#4 Oct-05	INV.#5 Nov-05	INV.#6 Dec-05	INV.#7 Jan-06	INV.#8 Feb-06	INV.#9 Mar-06	INV.#10 Apr-06	INV.#11 May-06	O ACTUAL FISCALY REPORTED	CURRENT MONTHS Jun-06	Q ACTUAL 7/05-06/06
Administrative Salaries	369,275	501,852	47,377	50,053	53,802	53,428	61,614	45,729	48,259	43,808	-	-	-	404,167	-	404,167
Admin. Staff fringe	87,312	126,454	11,844	12,513	13,451	13,367	15,403	11,432	12,064	10,976	-	-	-	101,042	-	101,042
Administrative Operating Expenses:																
Inurances	85,000	85,000	-	-	16,607	5,231	5,231	385	5,231	5,231	5,231	5,231	5,231	53,617	-	53,617
Audits	26,200	26,200	-	-	-	2,625	6,375	6,351	1,065	3,375	-	-	2,813	24,634	-	24,634
Legal	25,000	25,000	-	2,628	-	4,520	2,761	267	-	-	1,208	2,667	-	14,351	-	14,351
Computer Network Services	50,000	50,000	503	521	521	15,545	948	5,529	521	2,596	347	10,451	498	37,987	-	37,987
ADP Costs	50,000	50,000	3,262	2,796	3,405	1,192	3,279	2,515	2,164	10,993	3,002	2,351	2,369	37,236	-	37,236
Total Admin. Operating Expenses	206,200	206,200	3,771	5,944	20,535	29,413	19,592	17,058	9,030	22,094	9,789	20,369	10,622	167,246	-	167,246
Administrative, Equipment Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Administrative	662,787	833,506	62,592	68,510	87,768	96,189	85,609	74,218	69,353	76,976	9,768	20,369	10,622	872,455	-	872,455
PROGRAM SERVICES																
Program Staff Salaries	3,933,150	3,820,573	274,831	269,198	268,709	261,808	275,937	266,091	276,828	261,653	-	-	-	2,153,854	-	2,153,854
Merit Pool	300,000	300,000	(1,721)	-	-	-	15,450	61,225	23,570	41,795	-	-	-	140,322	-	140,322
Program Staff Salaries, Total	4,233,150	4,120,573	273,110	269,198	268,709	261,808	291,387	327,316	300,200	293,448	-	-	-	2,294,176	-	2,294,176
Program Staff Fringe	1,058,203	1,030,061	68,276	70,050	66,877	65,452	72,847	61,829	70,050	73,362	-	-	-	573,544	-	573,544
Operating Expenses:																
Telephone	70,000	61,101	1,840	2,222	1,913	6,054	(532)	2,229	3,523	3,270	4,450	4,652	3,759	33,260	-	33,260
Rent	551,260	551,360	45,912	45,912	45,912	45,912	45,912	45,957	42,760	43,700	43,700	44,287	-	430,686	-	430,686
Travel for Job Costs/Sales	52,500	81,298	824	6,513	6,548	5,262	5,773	6,565	3,829	2,848	6,963	8,693	5,720	61,398	-	61,398
Communications/Systems/Print	15,000	15,000	-	-	-	811	-	-	-	-	-	0	0	611	-	611
Staff Training	25,000	25,000	-	335	-	3,265	-	129	119	2,490	357	2,676	-	9,471	-	9,471
Temporary Help	25,000	25,000	-	-	-	1,693	4,006	1,732	518	-	-	0	-	7,949	-	7,949
Teacher-Training Consultants	40,000	40,000	-	315	-	-	-	2,000	-	-	3,680	3,570	-	9,515	-	9,515
Total Operating Expenses-Program	778,860	778,860	48,577	55,268	54,175	62,997	55,159	60,603	51,668	52,306	59,150	63,679	5,479	573,110	-	573,110

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TRANSITIONAL WORK CORPORATION
 POW Expenses 06/01/05-06/30/06

PROGRAM SERVICES:	BUDGET	RE-Budget	INV#1 Jul-05	INV#2 Aug-05	INV#3 Sep-05	INV#4 Oct-05	INV#5 Nov-05	INV#6 Dec-05	INV#7 Jan-06	INV#8 Feb-06	INV#9 Mar-06	INV#10 Apr-06	INV#11 May-06	ACTUAL		ACTUAL 7/05-06/08
														PREVIOUSLY REPORTED	CURRENT MONTHS Jun-06	
Equipment	150,000	150,000	8,840	884	8,856	8,853	7,251	15,967	1,777	1,890	1,871	2,632	2,345	80,966	-	80,966
Supplier	205,000	205,000	9,123	10,173	5,111	5,404	12,316	16,098	9,025	7,304	10,781	3,866	6,329	96,549	-	96,549
Wages and Incentives:	1,875,000	1,488,164	113,001	119,887	84,511	69,780	65,485	88,360	87,308	59,572	73,389	63,898	85,562	884,141	80,374.47	968,115
Subsidized Employment Wages	25,000	35,444	20,018	203	1,298	2,276	6,274	(13,331)	4,064	700	351	3,559	3,559	25,443	-	25,443
Performance Incentives	252,500	252,500	2,838	37,170	65,283	61,540	60,333	124,745	55,368	79,300	52,840	61,540	37,170	640,116	60,070.00	700,186
Retention Incentives	20,000	36,308	8,098	3,468	1,512	2,357	2,000	(2,622)	-	384	190	1,797	2,873	20,987	7,374.22	28,061
Supportive Services	15,000	166,447	200	1,814	70	1,888	578	469	1,276	36	355	30	1,026	7,859	387.46	8,247
Participant Workers Comp.	100,000	100,000	-	17,264	-	-	26,026	(429)	5,179	5,179	5,179	29,146	94,023	-	-	93,523
Participant Payroll Taxes	57,500	57,500	8,645	9,161	6,467	5,336	6,027	5,330	6,824	4,867	5,542	5,113	6,964	58,078	6,347.90	75,426
Total Wages and Incentives	2,025,000	1,950,863	152,791	189,046	160,111	143,179	155,722	182,842	155,975	153,171	136,665	137,708	166,539	1,743,746	155,764.06	1,898,502
Other Client Costs:	225,000	327,809	18,526	28,883	24,043	25,904	18,524	37,028	28,008	25,531	23,378	20,853	22,888	274,855	26,097.24	300,952
Program Participation	30,000	-	2,160	-	(294)	4,417	4,560	6,450	1,728	550	889	730	2,770	24,047	2,810.00	26,857
Background Checks	100,000	103,328	-	-	-	284	28,587	-	(98)	-	25,872	0	25,333	77,704	25,198.00	102,800
Work Partner Incentives	2,000	-	274	-	-	-	-	-	-	-	-	154	-	428	-	428
Work Partner Training	357,000	431,137	19,526	32,286	23,749	30,615	49,681	43,478	28,630	26,081	49,540	20,847	51,091	377,034	84,103.24	431,137
Total Other Client Costs	5,500,000	5,500,000	614,036	708,455	677,473	674,576	749,971	803,341	692,698	594,540	768,186	246,231	246,404	6,391,582	209,867.30	6,601,439

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Transitional Work Corporation
Normal Trial Balance - TWC - FY 2005 - Unposted Transactions Included in Report
From 7/1/2004 Through 6/30/2005

Account Code	Account Title	Debit Balance	Credit Balance
12000	Accounts Receivable	155.00	
19101	Furniture	287,022.98	
19102	Computer Equipment	327,197.45	
19103	Software	135,354.28	
19104	Training Equipment	30,032.32	
19109	Miscellaneous Equipment	7,328.00	
19200	Leaschold Improvements	15,320.00	
19900	Accumulated Depreciation		474,469.77
20001	Temp. Accounts Payable	10,841.78	
21400	401 (K) Withholding	19,134.25	
22200	Accrued Payroll, Clients		7,307.22
22501	AFLAC premiums	222,347.96	
23102	Capital Lease Incentives	5,999.01	
39001	Net Assets		78,367.49
41100	PWDC-P@W Grants		9,451,304.72
51190	Salaries	3,642,662.59	
51191	Salaries - 100%	199,058.05	
51192	Staff Incentives	38,861.97	
51210	Payroll Taxes	372,252.09	
51220	Workers Comp	26,034.91	
51230	Health Insurance	763,210.73	
51240	Dental Insurance	69,117.03	
51250	Life Insurance	19,677.43	
51260	Retirement 403(b)	118,597.97	
51261	403(b) Administration	950.00	
51299	Allocated Fringe Benefit:		313,697.18
52110	Client Wages	1,773,025.49	
52135	Subsidized Employment Wages	48,706.30	
52140	Performance Incentives	490,054.83	
52145	Supportive Services	2,075.00	
52150	Retention Incentives	34,223.27	
52160	Workers Comp, Clients	127,552.73	
52170	Client Payroll Taxes	143,765.03	
52210	Program Participation	256,888.94	
52230	Background Check	24,826.90	
52241	Client Certifications	1,500.00	
52310	Work Partner Incentives	223,673.00	
52320	Work Partner Training	842.87	
53100	Office Supplies		6,807.21
53103	Coffee/Water Service	6,149.45	
53104	Photocopying Costs	104,807.59	
53106	Copier/Printer Supplies	16,446.78	
53107	Program Supplies	8,558.22	
53110	Training Supplies	4,055.26	
53120	Postage & Delivery	11,924.11	
53130	Membership / Subscription	7,977.57	
53140	Printing & Reproduction		1,075.41
53150	Training Materials	30,568.99	
53200	Telephone	13,271.54	
53220	Rent	627,330.80	
53230	Travel	32,966.33	
53231	Meals	17,058.28	
53232	Staff Events	7,253.18	
53235	Conferences/Meetings	1,395.00	
53250	Communications	20,715.35	
53270	Payroll Processing	49,919.35	

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Ex. 1

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Transitional Work Corporation
 Normal Trial Balance - TWC - FY 2005 - Unposted Transactions Included in Report
 From 7/1/2004 Through 6/30/2005

Account Code	Account Title	Debit Balance	Credit Balance
53303	Consultant	34,234.80	
53310	Training Consultants	4,991.58	
53329	Training & Seminars, Staff	26,049.57	
53350	Liability Insurance	34,706.98	
53370	Advertising/Printing Costs	3,393.75	
53375	Marketing	6,210.00	
53380	Professional Fees, Accounting	13,410.05	
53390	Professional Fees, Legal	30,318.11	
53410	Repairs & Maintenance	40,681.51	
53501	Temporary Help	27,560.33	
54101	Cubicles/Furniture		50,325.70
54200	Computer Equipment & Supplies	93,127.66	
54300	Software / Site Licenses	92,626.08	
54301	Computer Network	80,190.15	
54900	Other Equipment	2,131.27	
Report Total		10,768,511.75	10,375,354.70
Report Difference		393,157.05	

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EXHIBIT 2

CONTRACT NUMBER		PHILADELPHIA WORKFORCE DEVELOPMENT CORP		INVOICE #17 Year End Closeout - Revised		EX PENSES		BUDGET BALANCE	
AGENCY	PROJECT	ACTUAL	CONTRACT	ACTUAL	CONTRACT	ACTUAL	CONTRACT	ACTUAL	BUDGET
NO.	NO.	NO.	NO.	NO.	NO.	NO.	NO.	NO.	NO.
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
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100	100	100	100	100	100	100	100	100	100

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TRANSITIONAL WORK CORPORATION
Philadelphia@Vet
Expenses 06/01/05-06/30/05

RE. BUDGET	A	BVA1	BVA2	BVA3	BVA4	BVA5	BVA6	BVA7	BVA8	BVA9	BVA10	BVA11	O	P	Q	S				
		Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Actual to Date (3-1-05)
PROGRAM SERVICES:																				
Administrative Salaries	714,065	59,615	57,500	52,778	55,349	49,695	47,837	42,049	50,528	45,154	50,730	571,870	571,870	46,672.23	518,850.37	619,559				
Admin. Staff Fringe	178,518	14,389	14,204	12,194	13,837	12,421	11,269	10,202	12,657	11,269	12,663	140,970	140,970	27,878.42	170,946.05	170,949				
Administrative Operating Expenses:																				
Rent	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00				
Telephone	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00				
Insurance	34,707	0	34,707	0	0	0	0	0	0	0	0	0	0	0	0.00	34,702.00				34,707
Audits	20,000	0	0	0	0	4,000	3,350	2,945	0	1,075	2,010	13,410	13,410	9,900	13,410.00	13,410.00				13,410
Legal	40,000	3,900	17,719	0	1,450	1,001	0	2,804	0	2,034	0	2,002	2,002	1,002.68	30,710.11	30,318				
Computer Network Services	60,000	2,037	347	10,589	347	6,002	16,235	1,364	347	12,375	347	50,340	50,340	347.42	50,566.40	50,695				
AOP Costs	45,000	3,729	3,886	3,157	5,170	3,107	3,422	2,889	13,767	2,406	4,278	47,316	47,316	2,602.88	48,918.75	49,919				
Total Admin. Operating Expenses	108,707	9,215	21,455	48,423	5,594	10,668	24,278	7,602	19,683	2,844	20,622	175,097	175,097	3,453.65	179,050.29	179,050				
Administrative, Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00				
Supplies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00				
Total Administrative	1,002,268	83,633	85,975	120,023	71,466	79,750	87,385	67,308	72,404	66,128	75,004	669,945	669,945	78,604.70	868,650.80	868,550				
PROGRAM SERVICES																				
Program Staff Salaries	3,150,001	237,182	244,842	254,829	245,314	250,031	267,511	250,871	234,893	271,255	240,667	273,058	2,771,146	2,852,258.89	3,005,435.22	3,066,405				
Merit Pmt	200,000	(1,175)	2,700	1,789	0	1,675	58,368	0	2,290	225	4,519	2,531	72,800	172,843.54	245,643.64	245,644				
Program Staff Salaries, Total	3,350,001	235,007	247,542	256,618	246,914	251,706	325,879	250,871	237,093	271,480	245,186	275,589	2,843,946	3,025,102.43	3,251,078.86	3,312,049				
Program Staff Fringe	830,750	59,002	61,885	64,142	61,383	62,634	61,479	62,719	60,273	61,971	61,694	60,847	711,444	763,411.38	866,755.40	866,755				
Work Payroll	100,000	0	695	784	0	41,250	2,800	284	0	943	34,354	0	80,351	21,000.00	100,311.00	100,311				
Work Payroll - Family's	3,000	0	0	135	129	84	161	125	0	0	0	45	429	213.63	432.82	433				
Total Work Payroll	103,000	0	695	919	129	41,334	2,961	409	0	943	34,354	45	80,780	22,173.63	101,163.82	101,164				
Other Client Costs:																				
Program Participation	250,000	15,262	22,094	18,749	15,748	24,385	22,153	21,128	16,914	18,450	17,555	9,917	204,449	33,035.74	237,489.06	237,490				
Confidentiality	40,000	0	0	0	0	0	0	0	0	0	0	0	1,500	0.00	1,500.00	1,500				
Background Checks	250,000	15,262	22,094	18,749	15,748	24,385	22,153	21,128	16,914	18,450	17,555	9,917	204,449	33,035.74	237,489.06	237,490				
Total Other Client Costs	250,000	15,262	22,094	18,749	15,748	24,385	22,153	21,128	16,914	18,450	17,555	9,917	204,449	33,035.74	237,489.06	237,490				
Wages and Incentives	2,650,000	174,841	210,953	191,208	172,598	182,798	175,037	141,550	165,357	126,684	133,359	129,258	1,734,953	1,874,822	1,972,975.16	1,972,975				
Subcontracted Employment Wages	300,000	3,362	700	2,030	352	1,070	12,239	10,628	8,386	2,437	6,562	0	31,715	16,497	46,702.30	46,702				
Performance Incentives	40,000	983	4,628	2,718	2,577	895	1,465	1,600	0	81,000	51,430	51,014	390,816	5,338	400,658.33	400,659				
Retention Incentives & SS	150,000	0	27,806	5,958	6,769	28,658	8,439	8,439	6,439	6,439	6,439	6,439	118,216	6,337	127,552.73	127,553				
Participant Payroll Taxes	278,000	14,537	10,147	14,637	13,267	14,772	12,300	10,927	8,110	9,643	10,228	9,545	104,502	9,291	143,782.57	143,782				
Total Wages and Incentives	3,240,000	183,743	260,240	267,562	195,304	239,542	177,313	173,324	176,435	199,077	222,205	232,379	2,430,715	2,607,490	2,718,204.65	2,718,205				

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