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May 9, 2014

Peter M. Rivera  
Commissioner  
New York State Department of Labor  
Building 12  
Harriman State Office Campus  
Albany, New York 12240

Re: NYSIG 1630-023-2013

Dear Commissioner Rivera:

My office conducted an investigation into the use of state funds by the Washington County Economic Opportunity Council, Inc. (WCEOC), a non-profit organization, through its operation of the Washington County One Stop. The investigation was conducted in response to a complaint that Workforce Investment Act of 1998 (WIA) funds were being inappropriately handled by then-WCEOC Executive Director [REDACTED].

The investigation determined that anomalies exist in the handling of state funds at the Washington County One Stop warranting further review by the Department of Labor and the implementation of necessary internal controls. Specifically, rent payments were made, purportedly with WIA funds, to [REDACTED] brother and cousin, landlords of program applicants. [REDACTED] signed payment approvals and the checks issued to her family members. In addition, [REDACTED] used her personal credit card on numerous occasions for agency expenses, and then issued herself a check from the One Stop's checking account for reimbursement. [REDACTED] should not have been permitted to write checks to herself or her family members from WCEOC funds without oversight from the Board.

In another instance, a WCEOC employee received money from a WCEOC program at [REDACTED] direction without applying for services. After the fact, [REDACTED] advised the WCEOC Board of the payment and received the Board's ratification of her

actions. In no instance should an employee receive benefits from a program administered by WCEOC without submitting the required application. Indeed, in such circumstances, the application should undergo heightened scrutiny to prevent even the appearance of impropriety.

While my investigators were reviewing the complaints against [REDACTED], we received 15 additional complaints against current WCEOC Executive Director [REDACTED]. These complaints also allege misuse of WIA funds as well as Trade Act of 1974 (Trade Act) funds and monies from the Community Service Block Grant administered by the Division of Community Services at the New York State Department of State. The allegations claim that WCEOC staff receive inflated salaries, purchase expensive furniture, and fail to pay benefits to applicants. We were also advised that WCEOC's former bookkeeper died in late 2011 and WCEOC is struggling to understand her paper ledgers, but has recently installed a new computerized accounting system. While we understand that audits have been conducted by your staff at the regional investment area, the Department of Labor has never audited WCEOC.

Based on the foregoing, I am referring this matter to the Department of Labor to conduct an audit of the use of Department of Labor funds, including the propriety of expenditures and the procedures under which those expenditures are made. In addition, the Department of Labor should assist WCEOC in instituting procedures and internal controls relating to financial transactions and conflicts of interest. By copy of this letter, I am also referring this matter to the Department of State Division of Community Services for a similar audit of WCEOC expenditures.

Please advise me of the results of your examination by June 6, 2014. If you require any further assistance, please do not hesitate to contact me.

Sincerely,

[REDACTED]  
Catherine Leahy Scott  
Inspector General

cc: Veronica Cruz, Director  
Division of Community Services  
New York State Department of State  
Albany, New York 12231-0001