



New York City Department of Investigation

**Investigation of Seedco's Workforce Center Contracts
with the New York City Department of Small Business Services**

**Commissioner Rose Gill Hearn
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I. Introduction

On August 8, 2011, the New York City Department of Investigation (“DOI”) initiated an investigation after receiving a referral on the same date from the New York City Department of Small Business Services (“DSBS”) regarding an allegation of fraud by the Structured Employment Economic Development Corporation (“Seedco”). On August 9, 2011, the *New York Times* reported on this allegation, citing its source, Bill Harper, a former Deputy Director of the Seedco-operated Upper Manhattan Workforce Center. According to Harper, over 400 job placements for which Seedco reported to DSBS, during the first quarter of 2011 at the Upper Manhattan Workforce Center, were false because they were based on jobs that jobseekers had previously obtained before ever coming to a Workforce Center.

A. Background

Seedco is a \$60 million national not-for-profit organization that was founded in 1987 in New York City, and has expanded its services to thirteen other states and Washington, D.C. Its mission is to advance economic opportunity for people, businesses, and communities in need. Seedco is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and receives funding from the federal government and state governments, including New York State, as well as funding from the City of New York. Seedco is also supported by foundations, private organizations, and community organizations. Seedco manages \$200 million in assets through its community development subsidiary, Seedco Financial Services.

Seedco currently has four City contracts with DSBS totaling \$22.2 million, to operate the City’s Workforce1 Upper Manhattan and Bronx Career Centers, as well as the City’s Lower Manhattan and Upper Manhattan Business Solutions Centers.

The value of Seedco’s current DSBS contracts to operate both the Upper Manhattan and Bronx Workforce Centers is \$9,100,000 each, for a total of \$18.2 million. The Upper Manhattan Workforce Center contract began in April of 2011 and ends in March of 2014. Prior to April of 2011, Seedco held an earlier contract with DSBS to run the Upper Manhattan Workforce Center which began in April of 2004 and ended in March of 2011, after a three-month extension which expanded Seedco’s existing services to the Bronx Workforce Center. Seedco then entered a new contract with DSBS to run the Bronx Workforce Center, which began in April of 2011 and ends in March of 2014.

The value of Seedco’s current DSBS contract to operate the Lower Manhattan Business Solutions Center is \$1,835,016. This contract began in January of 2011 and ends in December of 2013. The value of Seedco’s current DSBS contract to operate the Upper Manhattan Business Solutions Center is \$2,227,227. This contract began in January 1, 2011 and ends in December 31, 2013.

B. DOI's Investigation

To date, DOI's investigation has included, but is not limited to, subpoenas and requests for relevant documents and information from Seedco and DSBS, interviews of employees at DSBS, interviews of current and former employees at Seedco, and interviews of jobseekers.

Of particular relevance to DOI's documentary review and analysis are: 1) the contracts, contract amendments, and operating plans between DSBS and Seedco, as produced to DOI by DSBS; 2) DSBS and Seedco job placement policies and procedures, as produced to DOI by DSBS and Seedco; 3) all available Customer Information Forms (CIFs) from February of 2011 to August of 2011, from the Upper Manhattan and Bronx Workforce Centers, as produced to DOI by DSBS; 4) all available CIFs from September of 2010 through May of 2011, as produced to DOI by Bill Harper; 5) all available resumes, as produced to DOI by Bill Harper; 6) all available job placement data in DSBS' electronic Worksource1 database system ("Worksource1") from January of 2010 to August 8, 2011, as produced to DOI by DSBS; 7) all available e-mail communications between and among Seedco employees, from 2010 through 2011, as produced to DOI by Seedco; 7) information regarding Seedco's internal investigation following Bill Harper's allegations against Seedco in April of 2011, as produced to DOI by Seedco; and 8) DOI's verification of Seedco's reported job placements since January of 2010 through information provided to DOI by employers and jobseekers.

DOI's investigation has substantiated the allegation that Seedco reported false job placements to DSBS. From the available documents, DOI has made the following findings of fact, as discussed in greater detail throughout this report:

- The Seedco-operated Upper Manhattan and Bronx Workforce Centers submitted approximately 528 false job placements to DSBS during the reporting period of January 1, 2011 to August 8, 2011, based on the documents made available to DOI.¹
- Seedco developed regular practices to report false placements to DSBS.
- Multiple Seedco employees processed, directed, and/or had knowledge of the reporting of false placements to DSBS.

¹DOI's findings of false job placements in Worksource1 were limited to the period of approximately January 1, 2011 to August 8, 2011 because as discussed at greater length below, in 2008, pursuant to guidelines from the New York State Department of Labor regarding the protection of personal and confidential information contained in documents used at the Workforce Centers, DSBS deemed it acceptable for all documents containing personal and confidential information, to be shredded once the information from the documents was entered into Worksource1. In February of 2011, DSBS rescinded this policy and instructed all their Workforce Center vendors, including Seedco, to retain all original documents which contained a relevant release clause. Other records used to conduct this analysis were obtained from Bill Harper and other sources, some of which pre-dated February 2011.

- Seedco employees articulated several reasons and motives for Seedco’s reporting of false placements to DSBS.

II. Seedco-DSBS Workforce Center Contracts

The relevant contract provisions of the Seedco-DSBS Upper Manhattan and Bronx Workforce Center contracts are identified below. The prelude in both of the original contracts for the Upper Manhattan and Bronx Workforce Centers discusses the underlying premise and purpose of the City’s Workforce Centers:

“Whereas, the purpose of Title 1 of the Federal Workforce Investment Act of 1988 (WIA), the United States government identified a need to provide workforce investment activities in order to *increase* the employment, retention, and earnings of participants, and to *increase* occupational skill attainment by participants, thereby *improving* the quality of the workforce, reducing welfare dependency, and *enhancing* the productivity and competitiveness of the United States economy.” (emphasis added).

A. Upper Manhattan Workforce1 Career Center Services Agreements

Since 2004, Seedco has entered into two successive contracts with DSBS to operate the City’s Upper Manhattan Workforce Center. The term of the first contract ran from April 1, 2004 until April 1, 2007, and it was extended for an additional three-year renewal period from April 1, 2007 until April 1, 2010. In a series of amendments to the contract, the term was extended through June 30, 2010, extended again through December 31, 2010, and extended for a final additional three-month period through March 31, 2011.

On April 1, 2011, Seedco entered a new contract with DSBS in order to continue operating the City’s Upper Manhattan Workforce Center. This contract expires on March 31, 2014. Under this current DSBS contract, Seedco’s is eligible to receive up to \$9,100, 000 in expense reimbursement to operate the Upper Manhattan Workforce Center.

2004 Contract: Relevant Provisions and Amendments Regarding Compensation for Services

Among other provisions, the 2004 contract defines in Article 5, “Compensation for Services,” how DSBS shall compensate Seedco for its performance of services. Sections 5.03 and 5.04 structure Seedco’s compensation under the contract to consist of two types of payments: 1) a percentage of Seedco’s total payment under the contract will come from “Cost Reimbursement,” which is the amount that DSBS shall pay to Seedco for all costs reasonably and actually incurred; and 2) the remaining percentage of Seedco’s total payment under the contract will come from “Performance Payments,” which is the amount DSBS shall pay to Seedco for achieving certain “service levels, exit levels, and outcome goals.” Under Article 4, “Service Levels and Outcome Goals,” the contract further defines “service levels” in terms of the minimum number of people Seedco must register at the Workforce Center, “exit levels” in terms

of the minimum number of people's cases Seedco must close, and "outcome goals" in terms of minimum "entered employment rates" and "employment retention rates."

On November 21, 2006, there was a "Second Amendment" to the contract which, among other amendments to the original contract, makes reference to an amended Operating Plan in "Exhibit A," "Year 3 Final Operating Plan – Revised, Submitted by Seedco to DSBS on June 30, 2006." This Operating Plan delineates how Seedco will achieve performance outcomes in the areas of job "placement," "retention," and "career advancement."

On April 20, 2007, there was an additional "Amendment" to the contract which hinged Seedco's "Performance Based Payments" to their achievement of the following outcome goals: "Total Job Placements," "General Employment Retention," "Employer-Specific Retention," and "Employer Fulfillment." Distinct from the original contract, this amendment eliminated any percentage of performance payments being based on the achievement of minimum "service levels," i.e., registering a minimum number of people at the Workforce Center.

2011 Contract: Relevant Provisions Regarding Compensation for Services

Among other provisions, the 2011 contract defines in Article 2, "Scope of Work and Budget," how DSBS shall compensate Seedco for its performance of services. Section 2.04, entitled, "Payment," structures Seedco's compensation under the contract to consist of two types of payment: 1) a percentage of Seedco's total payment under the contract will come from "Cost Reimbursement," which is the amount that DSBS shall pay to Seedco for its expenses; and 2) the remaining percentage of Seedco's total payment under the contract will come from "Performance Payments," which is the amount DSBS shall pay to Seedco for achieving its "Operating Plan," attached to the contract as "Exhibit B." The Operating Plan delineates an annual target for the total number of job placements.

B. Bronx Workforce1 Career Center Services Agreement

Since January 1, 2011, Seedco has contracted with DSBS to run the City's Bronx Workforce Center. On January 1, 2011, Seedco's original contract with DSBS to operate the Upper Manhattan Workforce Center was amended in order to extend the contract for a three-month period, thereby allowing Seedco to expand its existing services to the Bronx Workforce Center. On April 1, 2011, Seedco entered a new contract with DSBS in order to continue operating the Bronx Workforce Center. This contract expires on March 31, 2014. Under this current DSBS contract, Seedco's receives \$9,100,000 to operate the Bronx Workforce Center.

2011 Contract: Relevant Provisions Regarding Compensation for Services

Among other provisions, the 2011 contract defines in Article 2, “Scope of Work and Budget,” how DSBS shall compensate Seedco for its performance of services. Section 2.04, entitled, “Payment,” structures Seedco’s compensation under the contract to consist of two types of payment: 1) a percentage of Seedco’s total payment under the contract will come from “Cost Reimbursement,” which is the amount that DSBS shall pay to Seedco for its expenses; and 2) the remaining percentage of Seedco’s total payment under the contract will come from “Performance Payments,” which is the amount DSBS shall pay to Seedco for achieving its “Operating Plan,” attached to the contract as “Exhibit B.” The Operating Plan delineates an annual target for the total number a job placements.

2011 Upper Manhattan and Bronx Workforce1 Center Contracts Explained by DSBS

DSBS Deputy Commissioner Angie Kamath stated in an interview with DOI that there is no contractual bonus payment structure whereby Seedco gets paid more money for making more job placements or for overall good performance. Rather, DSBS sets quarterly goals in conjunction with Seedco, and Seedco gets paid for a percentage of the number of verified placements that it makes. Specifically, since 2000, if between 80 – 100% of Seedco’s placements are verified, Seedco would get paid 100% of the contract amount for performance payment. However, if only 77% of Seedco’s reported placements are verified, Seedco would only get paid 77% of the contractual amount for performance payment. In addition, while the current contracts for the Upper Manhattan and Bronx Workforce1 Centers allot 80% of the contractual amount for expense reimbursement, the remaining 20% of the contractual amount eligible for expense reimbursement is tied to the achievement of performance milestones.

C. Business Solutions Centers Agreements

Seedco holds two current contracts with DSBS to run the Upper Manhattan Business Solutions Center and the Lower Manhattan Business Solutions Center. The purpose of the Business Solutions Centers is to serve the small business community by facilitating financing awards, fulfilling business hiring needs, and providing access to services through partnerships with neighboring Workforce1 Career Centers. These two contracts are similar, and both dictate 100% compensation for costs reimbursement, with a right to DSBS to retain up to 30% for performance based outcomes in accordance with the Operating Plan sales and outcome goals.

III. DSBS Policies and Procedures at the Workforce Centers

A. Background

DSBS has nine Workforce1 Career Center contracts, six of which are federally funded by the Workforce Investment Act (WIA), and three of which are funded through the Center of Economic Opportunity. The Upper Manhattan and Bronx Workforce1 Centers, which are

operated by Seedco, receive federal funding through WIA. DOI's investigation determined that there is no single source of information regarding the policies and procedures of the Seedco-operated Workforce1 Career Centers in Upper Manhattan and the Bronx. Rather, the policies and procedures derive from Strategic Operating Plans between DSBS and Seedco, DSBS written documents and e-mails, as well as discussions and meetings among DSBS and Seedco employees. The relevant guidelines and the sources of these guidelines are summarized below.

B. Strategic Operating Plan Rating Guide

On April 1, 2010, DSBS issued a "Year 4 Strategic Operating Plan Rating Guide" which outlines the framework within which DSBS rates the Workforce Center vendor. The evaluation framework is divided into the following categories of performance measurement: 1) Objective A: Planning; 2) Objective B: Account Management and Fulfillment; 3) Objective C: Jobseeker Sourcing and Placement; and 4) Objective D: Bonus. For each of these categories, the Workforce Center can earn a certain number of points, up to a maximum of 155 points, towards its fulfillment of certain "metrics" that count towards its overall performance as a City vendor. For instance, under "Objective C: Jobseeker Sourcing and Placement," the Workforce Center is rated for its achievement of "Total Placements," which is a "metric" defined as the number of placements set forth in its quarterly goal. Under "Objective D: Bonus," the Workforce Center can score bonus points for demonstrating success in the metrics of "implementation of contracted goals," and "participation and execution of all DSBS-facilitated trainings on project functionality and processes." In addition, the Workforce Center can score bonus points for exceeding its target goals, such as by achieving more than 100% of the quarterly goal for each metric. The Annual Strategic Operating Plan final rating score is used to rate the Workforce Center vendor's programmatic performance in the City's VENDEX system.

C. Worksource1 Electronic Database

Worksource1, which was implemented in 2006 by DSBS, is the electronic system of record for jobseeker customer information for multiple workforce development programs operated by DSBS, including the Upper Manhattan and Bronx Workforce Centers. Both DSBS and Seedco employees have access to the Worksource1 database. Seedco employees, typically staff members from the Intake Unit at the Workforce Centers, enter into Worksource1 customer information, including personal identifying information, contact information, and past employment information, referred to as "Work History." In addition, Seedco employees at the Workforce Centers enter into Worksource1 job placement information for any jobs that Seedco helped the jobseeker to obtain. The job placement information includes, but is not limited to, the name of the employer, job title and description, job start date, salary, number of hours worked per week, and the name of the Seedco employee who entered the job placement information into Worksource1.

DSBS Deputy Commissioner Kamath, provided further explanation to DOI about Worksource1. Kamath explained that the information that is entered into Worksource1 is accessible at any point in time by employees at DSBS. DSBS relies on the information entered in Worksource1 to track Seedco's performance and to ultimately determine Seedco's payment under the contract. DSBS routinely runs reports from the information in Worksource1, such as management reports, quality assurance reports, placement rosters, and lists of people who were not referred for a job but who are qualified job candidates. DSBS also utilizes Worksource1 as a means to communicate with Seedco. Based on the information entered into Worksource1, DSBS is able to monitor Seedco's performance and communicate to Seedco as to how it is performing. Other than Seedco's entries into Worksource1, DSBS does not require Seedco to provide DSBS with any records related to their performance.

Because the information in Worksource1 is submitted directly to DSBS and to federal authorities, all data entries must be as accurate and timely as possible. Thus, Kamath stated that each Workforce Center has a Strategic Operations Coordinator, who manages data integrity and data entry in WorkSource1. DSBS meets with Seedco once a month to discuss any enhancements for the system, and there is a manual on how to use Worksource1. Other policies and procedures involving the use of Worksource1 are more fully described below.

D. Worksource1 Online Library and DSBS E-mails to the Workforce Centers

Along with the implementation of the Worksource1 database in 2006, DSBS created an Online Library which is accessible from every screen in the Worksource1 database. All users of Worksource1 have access to the Online Library. The Online library contains written policies, templates, and other information essential to the operation of the Workforce Centers. According to Matthew White, Assistant Commissioner of Policy and Planning at DSBS, the Online Library serves as the central point of communication between DSBS and its centers. The Online Library is regularly updated by DSBS with amendments or clarifications to its policies. DSBS frequently sends e-mails regarding policies and procedures to all relevant Workforce Center staff, as well as directly to the Workforce Center leadership. The relevant content of these e-mails, such as policies, are also posted in the Online Library. The DSBS staff member who is in charge of disseminating weekly e-mails to the Workforce Centers also has the responsibility to ensure that all new policies and amendments are updated in the Online Library.

E. Workforce Center Intake Process

In April of 2007, the NYC Operator Consortium, which consists of the City University of New York, New York State Department of Labor, and DSBS, published a procedural manual to provide the Workforce Centers staff with guidelines for serving customers who enter the Workforce Centers. The manual outlines a step-by-step procedure for how each Workforce Center should process a client who enters the Workforce Center. The customer intake process is summarized as follows: 1) Customer enters a Workforce1 Career Center; 2) Membership Team

welcomes the customer; 3) Customers who have never been to the Center before are asked to complete a Customer Information Form (CIF), which is a form that requests the following from the customer personal identifying and contact information, demographic information, employment status, work history, verification of information, and authorization to employer to release information; 4) Customer fills out the CIF; 5) Customer returns CIF to Membership Team for data entry into Worksource1; 6) Membership Team data enters CIF and produces swipe cards; 7) Customer attends Orientation; 8) Membership Team delivers common orientation; 9) Customer meets with Membership Team for post-orientation; 10) Membership Team conducts Eligibility Determination; 11) Membership Team conducts Initial Assessment; and 12) Customer receives swipe card and next steps to achieve employment goals.

DOI received further information from DSBS Deputy Commissioner Kamath about the intake process at the Workforce Centers. Kamath stated that the Workforce Centers are the first point of contact for many jobseekers seeking to obtain employment. The Workforce Centers offer resume assistance, computer and research access, job training, and job referrals. Upon entering the Workforce center, the jobseeker receives orientation, completes a CIF, and receives a Center membership card entitling him or her to use the Workforce Center facilities and services at any time. The information from the jobseeker's completed CIF is inputted into WorkSource1 by Seedco staff members.²

F. Job Placement Record Policy

On April 16, 2010, DSBS issued a written policy (last issued on July 1, 2008) entitled, "Worksource1 Placement Record Policy," ("2010 Policy") which recognized the need for accurate placement data, and provided guidance for job placement data entry in "Worksource1." The 2010 Policy provided guidance within four particular areas: 1) placement data entry; 2) placement validation process; 3) placement categorization by program area; and 4) placement classification and records management.

The 2010 Policy defined "placement" in the same manner as it was defined in the relevant contracts, stating in substance that a placement is "a customer obtaining paid employment at a qualifying job that meets one of the two following categories in terms of hours and wage: 1) minimum work period of twenty (20) hours a week on a regular basis; and a salary of no less than the current New York State minimum wage of \$7.25 an hour; and 2) the average

²According to Kamath, in August 2011, DSBS learned from Seedco that sometimes when a jobseeker was placed at a job, the jobseeker was given back his or her original CIF by Seedco, and the jobseeker updated that same form with his or her new job information by including that information in the "Additional Work History" section of the form. Kamath informed DOI that this was an improper practice. Kamath further said that, if DSBS had known of this practice, DSBS would have strongly discouraged it as it represents poor customer service to request that customers return to the Workforce Center merely to sign a form.

weekly income is equal to or greater than an amount equal to twenty (20) times the minimum wage (the equivalent of \$145 a week).” The 2010 Policy states that a jobseeker’s wages cannot be subsidized by funds associated with their participation in a workforce development or public assistance program, such as the NYC Department of Parks & Recreation Parks Opportunity Program.

In addition, the 2010 Policy states that the Workforce Centers must conduct their own internal placement validation process, such as through a verbal or written attestation from the jobseeker or employer. Duplicate or erroneous placements must be corrected and corrections submitted to “Worksource1 Support” within the same month that they are identified. The 2010 Policy refers to the Performance Data Verification Policy (also summarized below) for more details regarding data entry issues. The 2010 Policy notes that, for contractual payment purposes, final validation of a jobseeker’s employment status is conducted by a third-party organization.

Furthermore, the 2010 Policy outlines specific information such as “Job Information,” “Compensation Information,” “Employer Information,” and “Employer Contact Information,” that must be entered into Worksource1 in order for the Workforce Center to receive placement credit. Moreover, the 2010 Policy defines several categories of placements that must be tracked in Worksource1 in order to measure the performance of the program areas set forth in the Strategic Operating Plan. Specifically, the Workforce Center must indicate whether the placement was generated by job orders from the Workforce Center, or job orders from a Business Solutions Center, or by training providers via the Individual Training Grants Program, or via an individual jobseeker’s own efforts. If a placement was generated through a jobseeker’s own effort, this was known as a “self-placement.” The 2010 Policy defined a “self-placement” as “a placement obtained without direct referral by center staff to center job orders (that are not Training Provider placements).” A “self-placement” included any jobseeker who received job readiness services at a center but ultimately found a job on his or her own outside of the Workforce Center’s fulfillment activity.

The 2010 Policy also provided guidelines as to the timeliness of a placement entry. All placements should be entered no more than 180 days after the jobseeker’s job start date. And, a jobseeker should have participated in the following services prior to the job start date: 1) orientation; 2) initial or other staff-assisted assessment, or recruiting event assessment; and 3) a minimum of one additional service. In addition, the job-start date should be 180 days or less from the last service. The 2010 Policy discounted any placements with a job start date greater than 180 days in the past as “Work History” as opposed to a placement for which the Workforce Center could receive credit. In addition, the 2010 Policy stated that a jobseeker should not have more than two placements recorded within the same quarter.

The 2010 Policy did not define “direct” or “indirect” placements. Through interviews with DSBS, DOI learned that both DSBS and Seedco commonly used these terms to refer to

two types of job placements. A “direct placement” is a job placement made through an actively managed account, which is an employer with whom the Workforce Center has an established relationship. An “indirect placement” is a job placement that is made with an employer with whom the Workforce Center does not have an established relationship.

On August 12, 2011, subsequent to the commencement of DOI’s investigation, DSBS amended its 2010 Placement Record Policy, and issued an updated policy entitled, “Worksource1 Placement & Promotion Policy” (“2011 Policy”). This policy provides clarification for job placements as well as promotions for the Workforce1 Career Center programs. The 2011 Policy refers to the relevant contracts and Operating Plans for additional details. Below is a summary of the sections of the 2011 Policy that are amended from the 2010 Policy.

In the 2011 Policy, a “placement” is defined as “employment obtained by jobseeker customer after consumption of services through Workforce1 programs.” The 2011 Policy further delineates what a “placement” is by stating the following: “work history can never be entered as a placement; self-employment can never be entered as a placement; contractors operating Workforce1 programs may not enter any staff hired by their organization as placements; employment cannot be entered as a placement if wages are subsidized.” The 2011 Policy further defines “work history” as a job that a jobseeker started prior to being enrolled and receiving services from Workforce 1. Moreover, for the first time, the 2011 Policy defined a “direct placement” as a job placement made to an actively managed account.

Notably, since at least 2008, DSBS has informed all Workforce Centers that it is a violation of DSBS policy to report Workforce Center employees as placements. This policy was codified in the 2011 Policy described above.

G. Performance Data Verification Policy

On May 28, 2010, DSBS issued a written policy (originally issued on October 1, 2009) entitled, “Performance Data Verification Policy,” which outlined the Performance Data Verification Process for the Workforce Centers, and provided guidance on reconciling errors to ensure accurate performance reporting for the Center Job Order Management Report. This is a report that displays descriptive information of Job Orders and respective fulfillment activity. DSBS generates this report monthly and posts the resulting data set to the Worksource1 Library to ensure that DSBS and the Workforce Centers have access to the same data set used to calculate performance metrics.

The Data Verification Policy, does not, however, address means to ensure the veracity of the reported placements in Worksource1. Rather, assuming that the reported placement itself is a true and actual placement, the Data Verification Policy focuses on identifying and eliminating errors in the entry of the data. The Workforce Center Strategic Operations Coordinator is the staff member who is responsible for enforcing the Data Verification Policy.

Specifically, the Strategic Operations Coordinator is responsible for identifying and correcting the following types of data errors: 1) “duplicate placements,” defined as two or more of the same placement entered for a jobseeker; 2) “cross-center duplicate placements,” defined as duplicate placements entered for the same jobseeker by different Workforce Centers; and 3) “un-linked placements,” defined as a placement for an Actively Managed Account that does not have a referral linking the placement to its corresponding Job Order. As explained by Matthew White, DSBS Assistant Commissioner of Policy and Planning, duplicate placements can occur when two staff members, either within the same Workforce Center or at different Workforce Centers are working with the same jobseeker, and both staff members claim the jobseeker as a placement. Un-linked placements can occur when placement data entry precedes the data entry of its corresponding referral, or when the Job Order Referral and placement are entered into Worksource1 by different Workforce Centers.

In addition, the Strategic Operations Coordinator is responsible for identifying and correcting the following types of errors in the classification of placements: 1) all placements must be categorized under the correct “origin of job order;” and 2) all placements must be classified under the correct “occupation and sector/subsector.”

The Data Verification Policy further describes a “Monthly Performance Data Verification Process” in which the DSBS Program Management Team will work with the Workforce Center Strategic Operations Coordinator to review, identify, and reconcile all errors in Worksource1 within the first seven days of each month. As DSBS Assistant Commissioner White explained, after the Workforce Centers review the data, DSBS will check data to make sure that the Workforce Centers did not overlook any duplicate placements. DSBS’ goal is to ensure that the information DSBS later sends for external validation (explained below in Section H) is as close to the final product as possible.

Furthermore, after the last day of each quarter, the Workforce Center has sixty (60) days to review and update data entered into Worksource1. On the 61st day after the last day of the quarter, DSBS will run reports to collect outcomes towards the Standard Operating Plan metrics. DSBS will send the Workforce Center a final Standard Operating Plan Rating Summary no more than seventy-five (75) days after the last day of the quarter.

H. DSBS External Data Verification Policy

In addition to the Data Verification Policy utilized at the Workforce Centers, DSBS engages an external auditor to verify the reported placements in Worksource1. Between 2007 through January of 2011, Charney Research Company was the third party auditor. As described by DSBS Deputy Commissioner Kamath, Charney’s methodology consisted of calling a sample of individuals reported as placements during the previous quarter in order to ascertain through a phone interview whether they were in fact employed. Kamath noted that Charney Research would call the individuals on the roster until they were able to make contact with a sufficient

sample size. Kamath further explained that, in order for a jobseeker to be a part of the sample, the individual would have to answer the phone when called by Charney and provide relevant information regarding employment status. If Charney was unable to make contact with a jobseeker, the reported placement was excluded from the sample. Charney's contract with DSBS expired in January of 2011.

Since January of 2011, DSBS has employed a different external auditor, The Work Number, to verify placements. Kamath stated that DSBS wanted to engage a new outside auditor who would utilize an enhanced methodology to verify placements, not simply by contacting the jobseeker to determine whether they were employed, but to also contact employers to verify their employment. Shortly after engaging the Work Number, DSBS amended the CIF to include an authorization allowing third party firms like the Work Number to share a customer's information with DSBS as part of the verification process. Under the enhanced methodology, the Work Number utilizes an employer database in which the company has access to the records of all employers who opt in to have their records kept in the database. The Work Number also e-mails employers to ask them to verify whether an individual is employed. DSBS's goal in utilizing the enhanced verification process is to achieve a higher confidence in the veracity of the placements reported in Worksource1.

I. Contractual Payments to Seedco Based on Information in Worksource1

DSBS Deputy Commissioner Kamath explained the process by which Seedco is paid is based on its contractual "performance outcome." Weekly, monthly, and quarterly, DSBS sends the Workforce Centers a report which indicates how many placements were made based on what Seedco reported in Worksource1. Each month, DSBS holds a meeting to discuss the Workforce Centers' progress towards their contractual job placement goals. DSBS uses a red light/green light dashboard system to help pace the Workforce Centers' progress towards their performance goals. If a Workforce Center is not on pace to meet its goals, DSBS will show the Workforce Center a red light, and if the Workforce Center is on pace to meet its goals, DSBS will show the Workforce Center a green light.

Each quarter, DSBS submits Seedco's reported placements from Worksource1 to their external validator to verify the placements before actually reimbursing Seedco's expenses tied to the achievement of performance milestones. DSBS uses the third party verification results to calculate Seedco's payment. DSBS' Workforce Division communicates with DSBS' Accounts Payable about payments that may be processed. DSBS pays Seedco monthly, until its 80% expense reimbursement threshold is met, and then immediately upon confirmation of performance milestones.

J. DSBS Document Retention Policy

According to DSBS Deputy Commissioner Kamath, in 2008, DSBS encouraged all their Workforce Center vendors, including Seedco, to "go paperless" in accordance with

guidelines from the New York State Department of Labor as to the protection of personal and confidential information contained in documents used at the Workforce Centers. DSBS deemed it acceptable for all documents containing personal and confidential information, including CIFs, to be shredded once the information from the documents was entered into Worksource1. According to Kamath, in February of 2011, the CIF was amended to include an “Authorization to Release Information” clause from the jobseeker at the bottom of the form. The insertion of this jobseeker release clause was prompted by the need to disclose the information in the completed CIFs for purposes of auditing and conducting external data verification of reported placements. Once this jobseeker release clause was inserted in the CIF in February of 2011, DSBS instructed all their Workforce Center vendors, including Seedco, to retain all original documents, including completed CIFs. DSBS did not maintain its own written documentation retention policy, but relied on written guidelines from New York State Department of Labor.

IV. DOI’s Findings Regarding False Job Placements

DOI has substantiated the allegation that Seedco reported false job placements in the Worksource1 database to DSBS. Furthermore, DOI determined that Seedco developed regular practices to report false placements to DSBS.

These findings, as summarized below, are a result of the following investigative steps: 1) a review and analysis of all original and available CIFs from February of 2011 to August of 2011, from the Upper Manhattan and Bronx Workforce Centers, as produced to DOI by DSBS; 2) a review and analysis of all available CIFs from September of 2010 through May of 2011, as produced to DOI by Bill Harper; 3) a review and analysis of all available resumes as produced to DOI by Bill Harper; 4) a review and analysis of all available job placement data in Worksource1 from January of 2010 to August 8, 2011, as produced by DSBS; and 5) interviews of multiple Seedco employees at both the Upper Manhattan and Bronx Workforce Centers.

DOI’s findings, to date, are summarized below.

A. Seedco Reported False Placements to DSBS Based on Previously Obtained Jobs

1) Documents and Database Entries in Worksource1

Based on DOI’s review of the aforementioned CIFs, resumes, and Worksource1 placement data, DOI determined that during the reporting period of January 1, 2011 to August 8, 2011, the Seedco-operated Upper Manhattan and Bronx Workforce Centers reported approximately 528 false job placements to DSBS. By comparing the jobseekers’ completed CIFs and resumes to their corresponding placement data in Worksource1, it is evident that Seedco employees had entered the jobseekers’ previously obtained employment into Worksource1, and created new and fake start dates in order to report the jobseekers as Seedco placements. Thus, for all these reported placements, Seedco had never assisted in obtaining the job. In effect, Seedco created fake jobs, and claimed these as placements.

- Approximately 436 out of 3,245 placements reported by the Upper Manhattan Workforce Center during the time period of January 1, 2011 to August 8, 2011, were false.
- Approximately 92 out of 3,824 placements reported by the Bronx Workforce Center during the time period of January 1, 2011 to August 8, 2011, were false.

Given that CIFs were shredded up until February of 2011, these findings are limited by the data made available to DOI, and do not necessarily represent the total number of false placements during the reporting period of January 1, 2011 to August 8, 2011.

2) DOI's Interviews of Jobseekers

DOI interviewed several Seedco jobseekers whose names were reported as placements in Worksource1, but whose CIFs provided to DOI by DSBS revealed that they had already obtained their reported jobs prior to registering with the Workforce Center. Through these interviews, DOI confirmed that Seedco reported as placements jobs which these jobseekers had previously obtained prior to coming to the Workforce Center, and prior to receiving any services from Seedco. Moreover, as detailed in several of the examples below, DOI's comparison of information entered by Seedco into Worksource1 as a job placement, with the work history from the jobseekers' CIFs showed that Seedco staff intentionally manipulated information from the CIF work history sections in order to create aspects of fictitious employer information which was entered into Worksource1 as a job placement.

Examples of DOI's analysis and jobseeker interviews are summarized below.

Jobseeker A

Worksource1: Jobseeker A was reported as a placement in Worksource1 at the Upper Manhattan Workforce Center with a placement entry date of April 14, 2011. Worksource1 indicates that Jobseeker A began working at Employer 1, located in "Palmetto, New York, 33433" on August 1, 2006 as a server.

CIF: Jobseeker A's completed CIF indicates in the "Work History" section that Jobseeker A worked at Employer 1 at "Palmetto Pk. Rd., Boca Raton, Florida, 33433" from August of 2006 until August of 2007.

DOI's comparison of the information entered into Worksource1 as a job placement, with the work history from Jobseeker A's CIF showed that:

- Worksource1 records a job placement of Jobseeker A at Employer 1 with a placement entry date of April 14, 2011. Worksource1 indicates that Jobseeker A began working at Employer 1 on August 1, 2006 as a server. However, Jobseeker

A's CIF work history states that Jobseeker A worked at Employer 1 from August of 2006 until August of 2007.

- Worksource1 records Employer 1's location as "Palmetto, New York, 33433." However, Jobseeker A's CIF work history states that Employer 1 is located at "***Palmetto*** Pk. Rd., Boca Raton, Florida, **33433**" (emphasis added). It appears from the comparison that Seedco used aspects of the employer location from Jobseeker A's CIF work history (i.e., ***Palmetto*** and **33433**) in order to create a new fictitious employer location in Worksource1.

Interview: DOI interviewed Jobseeker A under oath. Jobseeker A stated that she had never heard of Seedco, did not know what a Workforce Center is and had never been to any Workforce Center. Jobseeker A stated that she did live in Florida prior to coming to New York City to attend school. However, she never worked at Employer 1 in Florida or in New York. DOI showed Jobseeker A the completed CIF, and she stated that she did not recognize it, never filled it out, and does not recall ever signing or dating the form. In addition, while the CIF indicates that Jobseeker A worked as a hostess at another restaurant in New York from May of 2008 until December of 2009, Jobseeker A stated that she never worked at that restaurant. In fact, Jobseeker A stated that she has never had a paid employment position in New York. Furthermore, while the CIF indicates Jobseeker A had a Bachelor's Degree, Jobseeker A stated that this is not true as she is currently attending undergraduate college. Jobseeker A confirmed that her contact information in the CIF was correct, including her social security number, date of birth, and email address. DOI confirmed with a family member of Jobseeker A that she has been living in New York City as a student for over one year. This family member also confirmed that Jobseeker A did not work at Employer 1 in Florida.

Jobseeker B

Worksource1: Jobseeker B was reported as a placement in Worksource1 at the Bronx Workforce Center with a placement entry date of April 5, 2011. Worksource1 indicates that Jobseeker B began working at Employer 2 in Yonkers, New York, on April 4, 2011 as a Client Services Rep.

CIF: Jobseeker B's completed CIF indicates in the "Work History" section that Jobseeker B began working at Employer 2 in Yonkers, New York on June 30, 2008 as a Client Services Representative, and Jobseeker B was currently employed at this job at the time that Jobseeker B signed and dated the CIF on April 5, 2011.

DOI's comparison of the information entered into Worksource1 as a job placement, with the work history from Jobseeker B's CIF showed that:

- Worksource1 records a job placement of Jobseeker B at Employer 2 with a placement entry date of April 5, 2011. Worksource1 indicates that Jobseeker

Began working at Employer 2 on April 4, 2011. However, Jobseeker B's CIF work history states that Jobseeker B worked at Employer 2 beginning on June 30, 2008. Jobseeker B's work history clearly states that Jobseeker B was currently employed at Employer 2 at the time that Jobseeker B signed and dated the CIF on April 5, 2011.

Interview: DOI interviewed Jobseeker B over the phone. Jobseeker B stated that she went to the Bronx Workforce Center some time during April of 2011. At the time, she was already employed on an as-need basis with Employer 2, and went to the Workforce Center hoping to find a full time position. Jobseeker B stated that Seedco did not provide her with any services prior to her obtaining her position at Employer 2 because she had already obtained this job prior to coming to the Workforce Center. Jobseeker B stated that Seedco has not contacted her since she visited the Workforce Center in April of 2011.

Jobseeker C

Worksource1: Jobseeker C was reported as a placement in Worksource1 at Upper Manhattan Workforce Center with a placement entry date of July 21, 2011. Worksource1 indicates that Jobseeker C began working at Employer 3(a Staffing Agency) in 295 Staffing Agency, New York, on July 11, 2011 as a cook.

CIF: Jobseeker C's completed CIF indicates in the "Work History" section that Jobseeker C began working with Employer 3 in New York, New York on August 8, 2010 as a cook, and Jobseeker C was currently employed at this job at the time that Jobseeker C signed and dated the CIF on April 12, 2011.

DOI's comparison of the information entered into Worksource1 as a job placement, with the work history from Jobseeker C's CIF showed that:

- Worksource1 records a job placement of Jobseeker C at Employer 3 with a placement entry date of July 21, 2011. Worksource1 indicates that Jobseeker C began working at Employer 3 on July 11, 2011. However, Jobseeker C's CIF work history states that Jobseeker C worked at Employer 3 beginning on August 8, 2010. Jobseeker C's work history clearly states that Jobseeker C was currently employed at Employer 3 at the time that Jobseeker C signed and dated the CIF.
- Worksource1 records Employer 3's location as "295 ***Staffing Agency***, New York." However, Jobseeker C's CIF work history states that Jobseeker C worked at Employer 3, a ***Staffing Agency***(emphasis added). It appears from the comparison that Seedco used information from Jobseeker C's CIF work history (i.e., that she worked at a ***Staffing Agency***) in order to create a fictitious employer location in Worksource1 (i.e., "295 ***Staffing Agency***, New York").

Interview: DOI interviewed Jobseeker C over the phone. Jobseeker C stated that he went to the Upper Manhattan Workforce Center some time during April of 2011. At the time, he was working for Employer 3, a temporary staffing agency, where, approximately once a week, he was working as a cook. He was also receiving unemployment benefits, but could not make ends meet, and needed assistance finding a permanent job. When Jobseeker C went to the Workforce Center, he filled out a CIF, but he never heard back from anyone at the Workforce Center. Jobseeker C stated that he never received any assistance from the Workforce Center and is still currently unemployed.

Jobseeker D

Worksource1: Jobseeker D was reported as a placement in Worksource1 at the Upper Manhattan Workforce Center with a placement entry date of June 20, 2011. Worksource1 indicates that Jobseeker D began working at “Target Intermodal Systems, Inc.” at “NYC Term Mkt, New York” on May 9, 2011 as a cashier.

CIF: Jobseeker D’s completed CIF indicates in the “Work History” section that Jobseeker D began working at a Target store located in the Bronx on February of 2007 in Customer Service, and Jobseeker D was currently employed at this job at the time that Jobseeker D signed and dated the CIF on April 29, 2011.

DOI’s comparison of the information entered into Worksource1 as a job placement, with the work history from Jobseeker D’s CIF showed that:

- Jobseeker D’s CIF work history states that she worked at Target, a large national retail chain store, at the time that she completed the CIF. However, Worksource1 records a job placement of Jobseeker D at “Target Intermodal Systems.” It appears from the comparison of Jobseeker D’s CIF work history against the information recorded in Worksource1 that Seedco utilized the name of Jobseeker D’s current employer, *e.g.*, Target, to change the employer to “Target Intermodal Systems,” an actual trucking company located in the Bronx, in order to create a new fictitious employer.
- Worksource1 records a job placement of Jobseeker D at “Target Intermodal Systems” with a placement entry date of June 20, 2011. Worksource1 indicates that Jobseeker D began working at “Target Intermodal Systems” on May 9, 2011. However, Jobseeker D’s CIF work history states that Jobseeker D worked at a Target store in the Bronx beginning in February of 2007. Jobseeker D’s work history clearly states that Jobseeker D was currently employed at the Bronx Target at the time that Jobseeker D signed and dated the CIF.

Interview: DOI interviewed Jobseeker D over the phone. Jobseeker D stated that she went to the Upper Manhattan Workforce Center in late April of 2011. At the time, Jobseeker D was currently employed with Target. Jobseeker D went to the Workforce Center for a job interview

and assessment. However, Jobseeker D stated that Seedco did not provide her with any services prior to her obtaining her position at Target because she had already obtained this job prior to coming to the Workforce Center. Jobseeker D stated that Seedco did not assist her with finding any jobs since she visited the Workforce Center, and Seedco has not contacted her since she visited the Workforce Center in April of 2011. Jobseeker D further stated that she never worked for Target Intermodal Systems.

B. Fabricated Placements Purported to be with Various Employers

In addition to the above document review, DOI contacted multiple employers with whom Seedco reported to have placed large numbers of jobseekers, in order to verify whether the jobseekers were actually placed with these employers. DOI provided employers with a list of jobseekers who Seedco reported as placements during the time period from January of 2010 through August of 2011. The employers then verified based on their own records whether these named jobseekers were placed by Seedco. The verification results from the employers who responded to DOI's inquiry revealed that Seedco falsely reported many of these jobseekers as placements in Worksource1. The results are summarized below.

- 11 out of 39 jobseekers that Seedco reported to have placed with Le Pain Quotidien Bakery and Restaurant were never hired.
- 62 out of 311 jobseekers that Seedco reported to have placed with Legends Hospitality, LLC were never hired.
- 55 out of 227 jobseekers that Seedco reported to have placed with Eataly were never hired (in addition, 2 jobseekers were duplicates, meaning that Seedco reported them twice).
- 37 out of 330 jobseekers that Seedco reported to have placed with Fairway Market were never hired.
- 50 out of 660 jobseekers that Seedco reported to have placed with Ricky's were never hired.
- 27 out of 36 jobseekers that Seedco reported to have placed at jobs with The Royal Care Home Health Services were never actually employed there.

New York City Department of Parks & Recreation Fraudulent Job Placements

DOI's review of the Worksource1 database for the period January 1, 2010 to August 8, 2011 showed that Seedco recorded 85 placements of jobseekers with the New York City Department of Parks and Recreation ("DPR") as job training participants. In order to verify these placements, DOI requested that DPR provide information regarding whether the jobseekers were in fact employed by DPR. Based upon a review of the records provided by DPR, DOI determined the following:

- 4 out of 85 jobseekers that Seedco reported to have placed at jobs with DPR were never hired.
- 43 out of 85 jobseekers that Seedco reported to have placed at jobs with DPR were in fact employed by DPR and/or enrolled as DPR job training participants. *However*, DPR's records reflect that all 43 jobseekers were hired or enrolled *prior* to 2010, yet Seedco reported these placements in Worksource1 as if the placements were made during the time period from January of 2010 to August of 2011.

C. Questionable Placements Based on Duplicate Names in Worksource1

In addition, DOI reviewed all available placement data in Worksource1 for the reporting period of January 1, 2010 to December 31, 2010 and found 296 entries in the Upper Manhattan Workforce Center where the jobseeker's name appeared as a placement twice. For the reporting period of January 1, 2011 to August 8, 2011, DOI found 105 such entries in the Upper Manhattan Workforce Center, and 144 such entries in the Bronx Workforce Center. While many of these were jobseekers who were entered into Worksource1 twice for the same exact jobs, the job start dates were slightly different, and some of the entries were jobseekers who were entered twice, but for different jobs. Therefore, DOI cannot conclusively state, without verifying with each jobseeker and/or employer, that all these duplicate names are false placements.

D. Placements Based Upon Questionable Start Dates

1) Documents and Database Entries in Worksource1

An additional problem was found during DOI's review of the available CIFs dating back to February of 2011, in conjunction with the placement entry data reported in Worksource1 for the time period of January 1, 2011 to August 8, 2011. DOI found that 323 placements where the jobseekers' "job start date" in Worksource1 was *prior* to the date that appears on the jobseekers' CIFs. Because the CIF is a form that is supposed to be completed by the jobseeker at the time of registration with the Workforce Center, this circumstance reveals questionable placements. That is, Seedco could not take credit for a placement based on a job that a jobseeker had previously obtained prior to registering with the Workforce Center. Without knowing more about when the

jobseeker actually registered with the Workforce Center, it is not possible to conclusively state, without verifying with each jobseeker and/or employer, that all 323 of these placements were valid or false.

2) DOI's Interviews of Jobseekers

DOI interviewed four jobseekers whose names were reported as placements in Worksource1 with job start dates prior to the dates indicated on their completed CIFs. Three out of the four jobseekers stated that Seedco did place them at the job which Seedco had reported, on or about the same dates that Seedco reported in Worksource1. The fourth jobseeker stated that she was employed as of the date that was reported by Seedco in Worksource1, but the job she held was not obtained with the assistance of Seedco. In fact, the "job" at which Seedco reported to have placed her was a training program in which she had independently enrolled in 2010, and which she had indicated in her resume which she submitted to Seedco.

E. Placement of Seedco Employee in Violation of DSBS Policy

During the course of DOI's review of placement entries in Worksource1, investigators discovered that Seedco had reported to DSBS one Seedco staff member at the Upper Manhattan Workforce Center as a Seedco job placement, in violation of DSBS policy.

- "Hortensia Gooding" was listed in the 2010 Worksource1 database as being placed as Seedco as an Intake Specialist with a "job start date" of "4/08/2010."

DOI verified that Hortensia Gooding was actually hired by Seedco in April of 2010 as an Intake Specialist at the Upper Manhattan Workforce Center.

V. Testimony of Seedco Personnel

Bill Harper, Deputy Director, Upper Manhattan Workforce Center

As mentioned previously, on August 9, 2011, a *New York Times* article appeared setting forth allegations regarding false placements by Seedco, as reported by former employee Bill Harper. DOI first contacted Bill Harper on August 12, 2011 in order to interview him about the allegations against Seedco that he discussed with the *New York Times*. Having read the allegations, investigators explained that DOI wished to investigate this matter. At that time, Harper stated that he had retained counsel and was not certain if he would be available for an interview with DOI. DOI made efforts through Harper's attorneys to arrange to interview him. Harper's first offer to speak with DOI with his attorney was not until late September of 2011, after filing a lawsuit seeking a monetary recovery relating to his allegations against Seedco.

Bill Harper began working at Seedco in April of 2010 as the Strategic Operations Coordinator at the Upper Manhattan Workforce Center. As the Strategic Operations Coordinator, Harper served as the liaison between Seedco and DSBS. Harper's responsibilities

included training the staff on upgrades to Worksource1 and operating procedures for the Workforce Center, including policy changes. Harper also oversaw the Workforce Center's tracking of performance measurements, which include job placements, (herein referred to as "metrics") to ensure that Seedco was meeting its goals and targets as set by DSBS. In his capacity as the Strategic Operations Coordinator, Harper's direct supervisor was Rick Greene, Deputy Director of the Upper Manhattan Workforce Center.

In his position as Strategic Operations Coordinator, Harper e-mailed weekly status updates to the staff, and attended weekly internal leadership meetings with a team of managers, which included Alex Saavedra (Director), Rick Greene (Deputy Director), Monique Tarry (Intake Coordinator), Tage Chandarpaul (Career Advisement Coordinator), Shandell Santiago-Velez (Community Partner Coordinator), Alan Katz (Business Services Manager), and others. Harper's weekly status updates reflected where the Workforce Center was in terms of meeting performance metrics for the current quarter.

Harper explained the documents used at the Workforce Center, including the CIF and the EIF forms. CIFs are completed by jobseekers when they come to orientation or recruiting events at the Workforce Center. EIFs are completed by staff members upon receiving job placement information through re-engagement phone calls with jobseekers who had already registered with the Workforce Center. EIFs were given to the Data Operations staff to enter as placements in Worksource1. According to Harper, as per DSBS policy guidelines, any Workforce Center documents containing personal information of jobseekers, including CIFs and EIFs, were mandated to be shredded once that information was entered into Workforce1. This policy was in effect until February of 2011, when DSBS rescinded this policy and instructed that all CIFs be maintained at the Workforce Centers.

Harper stated that, as the Strategic Operations Coordinator, he monitored the data in Worksource1, including job referral and job placement data, to ensure that it was being reported correctly in the system. However, Harper noted that his job did not entail the auditing of placements to determine the veracity of the placement data itself. According to Harper, based upon his training of the staff at the Upper Manhattan Workforce Center, he was not aware of any confusion about what constituted a "job placement." The Operations Assistants in the Recruitment and Placement Team were the main employees who were assigned to enter placements into Worksource1. Ana Marchany was primarily responsible for entering placements in the Upper Manhattan Workforce Center until she was transferred to the Bronx Workforce Center in January of 2011. After Marchany was transferred, Irwin Traydman became the primary employee responsible for entering placements into Worksource1. In addition, other Seedco staff assisted in entering placements as needed in order to reduce backlogs. If the Intake Team, which was supervised by Tarry during 2010, was backlogged, then any staff member would assist in entering jobseekers' information from CIFs in order to register them in Worksource1.

In January of 2011, Harper was promoted to Deputy Director of the Upper Manhattan Workforce Center. Greene was promoted to Director of the Upper Manhattan Workforce Center. Harper stated that, within three weeks of his appointment, he discovered that Seedco was reporting false job placements in a variety of ways.

Specifically, Harper stated that he had noticed that Traydman had numerous CIFs piled on his desk, which made Harper curious because the Upper Manhattan Workforce Center had gone from not meeting its targeted placement goals during the first three weeks of the new quarter to suddenly being on target. Harper stated that in order to find out what Traydman was doing with these CIFs, Harper pulled some of them from Traydman's desk when he was not there, and then checked the Worksource1 database for those jobseekers. Harper then compared the employment information indicated in the "Work History" section of the CIF to the job placement information indicated in Worksource1. Harper discovered that the employment information was the same, but the job start date indicated in Worksource1 was different from the job start date indicated by the jobseeker on the CIF. Harper then realized that employees were reporting the past and/or current employment of jobseekers as indicated in their CIFs, as actual Seedco job placements in Worksource1. Similarly, Harper also discovered, by comparing jobseekers' resumes from Traydman's desk to information in Worksource1, that employees were reporting the past and/or current employment information of jobseekers as indicated in their resumes, as actual Seedco job placements in Worksource1. Harper noted that the Seedco-DSBS contract does not allow Seedco to claim placement credit for people who were already employed upon coming to the Workforce Center.

When Harper asked why he did not report these discoveries to DSBS especially since he was a liaison to DSBS, he said that he informed Seedco officials of the situation and thought the matter would be handled internally.

Harper told DOI that he had come to believe that the practice of reporting "Work History" or past and/or current employment as Seedco job placements was known and condoned by the management at the Upper Manhattan Workforce Center. He stated that he grappled with the issues for a while.

Harper also recounted a conversation between himself and Greene in December of 2010 during which Greene told Harper that he "hoped to be completely honest by the third quarter of 2011." Harper stated that he understood Greene's comment to refer to discontinuing methods that Seedco had used to manipulate their performance data in order to meet certain goals set by DSBS. Harper did not report conveying that conversation to anyone at Seedco or DSBS.³

³ Harper further asserted that Greene had a "top down" management style and he felt that Greene would therefore be aware of practices and what occurred at the Center. Moreover, Harper stated that, in his opinion, Saavedra and Greene were very close and had lunch together often.

In April of 2011, after Harper reported his allegations to Seedco's executive management under the protection of Seedco's "Whistleblower Policy," Seedco conducted an internal audit in which, as part of the audit, attorneys from Seedco's office of General Counsel interviewed staff members at both the Upper Manhattan Workforce Center and the Bronx Workforce Center. During this time, when the attorneys were interviewing staff members at the Workforce Centers, Greene sent Harper the following text message, which was provided to DOI by Harper:

From: William (Bill) Harper
To: Bill Harper Subject: "Note to File"
Date: April 13, 2011

Rick, 10:01am: Bill are u coming here first or going straight to the Bronx? Someone @915 [Broadway, Seedco Headquarters] needs to talk to you about our data entry process

Bill: Was planning to go to Bronx but I can come there first. Should be there about 12-12:15

Rick, 10:19am: Seedco is doing an audit about our data entry practices into ws1 [Worksource1]. She actually had a completed cif [CIF] where a work history was claimed as a placement. I explained that this was an error that was not caught in our data verification process.

Bill: Data verification doesn't work that way. It would only catch two placements for one person, unlinked referrals, and duplicate referrals/placements.

Rick: I know but how else would u explain the issue? I can't just say what we really do or what was done in the past. I had to present some process that would try to find these issues and correct them if found.

Bill: Oh, ok. I'll talk to you when I get there. I'll try to head out early.

Rick, 12:05: Bill call me when u get a chancr [sic]

Harper told DOI, that in his opinion, the text message and more specifically Greene's statement "I can't just say what we really do or what was done in the past" meant that Greene was indirectly admitting to the use of CIF work history information to create false of job placements in Worksource1.

According to Harper, on April 26, 2011, a Seedco executive spoke at a Center-wide staff meeting about the results of Seedco's internal audit, which had been prompted by Harper's allegations to Seedco about falsified placement data. The Seedco executive said they had discovered "data entry errors," which they reported to DSBS, and that Seedco would create a Task Force to address these data entry errors. The Task Force consisted of all senior managers at both the Upper Manhattan Workforce Center and Bronx Workforce Center, including Saavedra, Greene, and Katz. Harper attended two of these Task Force meetings, but, in his view, everyone who attended, except for himself, was trying to figure out new ways to not "get caught." For instance, at one of the meetings, the managers discussed whether a re-engagement phone call to a jobseeker who had registered with the Workforce Center over 6 months ago could, in and of itself, be considered a "service" provided by Seedco such that Seedco could claim credit for a job

placement if the jobseeker was currently employed. According to Harper, the policy was that Seedco could claim a placement, but only if the re-engagement call was made within 6 months of the jobseeker registering with the Workforce Center. Everyone at the meeting stated that such a phone call could be considered a “service” for which Seedco could claim a job placement, except for Harper, who stated that he disagreed. Harper stated that by late April 2011, he had lost confidence in Seedco’s ability to investigate this matter itself.

Within one week after the first Task Force meeting, Harper met with a Seedco executive and indicated that he did not agree with what the Task Force was doing, and that he could no longer work with the Task Force or with Greene. Harper requested an internal transfer to a different job position. Subsequently, Harper was told that Seedco had no available positions.

Harper resigned from Seedco in June of 2011.

Irwin Traydman, Operations Assistant, Upper Manhattan Workforce Center

Irwin Traydman began working at Seedco in August of 2009 as an Operations Assistant in the Recruitment and Placement Team at the Upper Manhattan Workforce Center. When Traydman first started working at Seedco, he reported to a former Manager of the Recruitment and Placement Team at the Upper Manhattan Workforce Center. Among Traydman’s responsibilities were scheduling job interviews and appointments for Account Managers, and conducting re-engagement phone calls with jobseekers to ascertain whether they had found jobs. Pursuant to proper Seedco policies and procedures, if the individual was not employed, Traydman would offer Seedco services to assist in obtaining a job in the future. If the individual was employed, Traydman would complete an Employment Information Form (“EIF”), which is an internal Seedco document that is completed upon learning that an individual was currently employed. Upon learning that an individual was employed, Traydman would complete an EIF with information such as the individual’s name, phone number, employment information, Seedco service received, and date that the individual came to the Workforce Center. Traydman would then give all his completed EIFs to Ana Marchany to enter as placements in Worksource1.

During the fourth quarter of 2009, Alan Katz became the new Manager for the Recruitment and Placement Team. According to Traydman, after his former supervisor resigned, the Upper Manhattan Workforce Center began to fall behind its placement targets. Traydman recalls that in one of the Team’s daily meetings, Katz told everyone that Alex Saavedra was putting a lot of pressure on Katz to “meet the numbers.” At this meeting, Katz told everyone that they would have to “get the numbers by any means necessary.” At this meeting, Traydman recalled one of the staff members pointing out that when DSBS conducts their audit to verify the veracity of a Seedco reported placement, DSBS only asks whether the jobseeker is currently working. Katz then told the staff that if a jobseeker comes to the Workforce Center seeking services, and the jobseeker is currently employed, this should be reported as a Seedco job placement.

According to Traydman, Katz further instructed the staff that if an individual came to the Workforce Center for non-job related services such as assistance with earned benefits and food stamps, and he or she was currently employed, he or she should be reported as a Seedco job placement. Katz also requested the Intake Specialists to ask all individuals who came to the Workforce Center to fill out CIFs. Katz requested that all CIFs be collected, and if any individual – whether at the Workforce Center to find a job or to receive non-job related services – indicated on their CIF that he or she was currently employed, then this employment information should be reported as a Seedco placement in Worksource1.

Traydman recalls that Katz sent an e-mail to all staff members at the Upper Manhattan Workforce Center, that if anyone came to the Center and was currently employed, the staff should “hand over the CIF.” According to Traydman, once these practices were adopted by the Recruitment and Placement Team, Seedco began “receiving green lights” on the DSBS dashboard, meaning, Seedco was on track to meeting its targeted placement goals.⁴ DOI verified that these practices contributed to the creation of false placements.

In January of 2011, Seedco began operating the Bronx Workforce Center in addition to the Upper Manhattan Workforce Center. Traydman recalls that Seedco transferred several employees from the Upper Manhattan Workforce Center to the Bronx Workforce Center, including Katz, Marchany, and Chandarpaul. Once Marchany transferred to the Bronx, Traydman became the primary Recruitment and Placement staff member who entered placements into Worksource1 in Upper Manhattan. In his new role, Traydman worked with Candice Perkins and an Operations Assistant, and the three of them reported directly to Mitchell McClinton and Monique Tarry, who in turn reported directly to Rick Greene, the Director of the Upper Manhattan Workforce Center. According to Traydman, both McClinton and Tarry continued to enforce the placement practice directed by Katz: that is, reporting jobseekers who were already employed at the time they registered with the Workforce Center, as Seedco placements in Worksource1. Traydman stated that everyone, including Greene and McClinton, knew that the staff was falsifying placements in that they were “trying to find ways to cheat.”

Under McClinton and Tarry’s direction, Traydman admitted that he entered placements from completed CIFs where the individual indicated on the CIF that he or she was currently employed. Traydman received such CIFs from Intake Specialists, Account Managers, and other staff members, as well as from conducting screening events. By entering a jobseeker’s current employment information from a CIF as a Seedco placement in Worksource1, Traydman was in effect reporting as a Seedco placement a job that the jobseeker had already obtained prior to registering with the Workforce Center. In order to do this, Traydman stated that he altered the

⁴ As noted above in Section III (DSBS Polices & Procedures at the Workforce Centers), DSBS uses a “red light” and “green light” dashboard system to help pace the Workforce Centers’ progress towards their performance goals. For example, if a Workforce Center is not on pace to meet its goals, DSBS will show the Workforce Center a “red light,” and if the Workforce Center is on pace to meet its goals, DSBS will show the Workforce Center a “green light.”

jobseeker's job start date so that it would be consistent with the date that the jobseeker registered with the Workforce Center. According to Traydman, he did this because McClinton told him, "just make it work." He also recalled McClinton directing him, "Do what you have to, to maintain green lights." Traydman acknowledged in sum and in substance that this was wrong.

In addition, under Tarry and McClinton's direction, Traydman entered placements from employment information obtained from individuals' resumes. For example, McClinton instructed Traydman to visit websites such as Career Builder in order to find resumes of people currently working at Employer B. This is because Seedco had a managed account with Employer B, and would regularly recruit jobseekers to interview for jobs with Employer B. Upon finding such resumes online, McClinton instructed Traydman to identify those names which matched the names of jobseekers in Worksource1. In instances where the name of the Employer B employee from the resume matched the name in Worksource1, McClinton instructed Traydman to indicate in Worksource1 that Seedco referred this individual to Employer B, and to indicate a referral date so that it would appear that Seedco had referred the individual to that job. Traydman was also instructed to do the same with regards to Employer C, another employer with whom Seedco had a managed account.

Traydman acknowledged that what he was doing under Katz, Tarry, and McClinton's direction was wrong, and was aware that whatever placements he entered into Worksource1 would be reported to DSBS and would ultimately determine Seedco's payment under the contract. However, Traydman stated that he never believed that what he was doing was illegal. While there were no bonuses or monetary incentives for him to report placements, Traydman stated that he was instructed to enter placements in this way because there was immense pressure for Seedco to be "green," meaning that Seedco had to reach its targeted number of job placements for each quarter in order to get "green lights" on the DSBS dashboard.⁵ Traydman stated that he would have been insubordinate had he not done what he was instructed to do. Traydman stated that Seedco wanted to obtain the Bronx contract in January of 2011, and everyone wanted to keep their jobs. Traydman stated that he received an annual salary of \$31,000 and received a merit increase of \$800 for 2010 and 2011.

Traydman resigned from Seedco on June 20, 2011.

Ana Marchany, Operations Assistant, Upper Manhattan and Bronx Workforce Centers

Ana Marchany began working at Seedco in approximately the spring of 2009 as a Front Desk Clerk at the Upper Manhattan Workforce Center. Approximately half of Marchany's

⁵As discussed in greater detail above in Section II (Seedco-DSBS Workforce Center Contracts), the April 2007 amendment to the contract tied Seedco's "Performance Based Payments" to its achievement of specific outcome goals, including "Total Job Placements." In addition, the 2011 contract stipulates that a percentage of Seedco's total payment under the contract will come from "Performance Payments," which is the amount DSBS shall pay to Seedco for achieving its "Operating Plan" which delineates an annual target for the total number of job placements.

responsibilities included greeting clients, answering questions, assigning clients to job-related workshops, and directing them to the appropriate rooms for services. The other half of Marchany's responsibilities required her to register the jobseekers by entering their information from completed CIFs into Worksource1.

Less than one year after starting her job at Seedco, Marchany was promoted to Operations Assistant with the Recruitment and Placement Team at the Upper Manhattan Workforce Center. In her new position, Marchany was responsible for entering placements into Worksource1. Pursuant to Seedco policies and procedures, Marchany received the names of the individuals to enter as placements from Employment Information Forms ("EIF"). The EIF is an internal Seedco document that staff members complete upon learning that an individual is currently employed. Marchany received completed EIFs from Account Managers who had placed jobseekers at jobs where Seedco had direct relationships with particular employers, as well as from staff members who had conducted re-engagement calls and identified those jobseekers who were currently employed. However, according to Marchany, there was no procedure or system in place, once she received the EIFs, to verify whether Seedco had actually serviced the jobseeker. Marchany would simply enter the names from the EIFs as placements directly into Worksource1.

Marchany recalled that, in 2010, the Upper Manhattan Workforce Center was having difficulty meeting its targeted placement goals. During this time, Marchany stated that Alan Katz, who was the Manager of the Recruitment and Placement Team, instructed the staff to report as a Seedco placement any jobseeker who came to the Workforce Center and who was currently working or who had worked in the past three months. Katz further directed that if individuals' resumes and completed CIFs indicated that the individuals were currently working, the staff should report that employment information as Seedco placements. In line with this, Katz instructed the staff to look for resumes of individuals who were currently employed. Marchany informed DOI that she complied with these instructions because these were the directions that she received from her supervisor.

Marchany stated that Katz disseminated these instructions to the entire staff at weekly mandatory meetings on Fridays, as well as via e-mail. All departments within the Workforce Center were required to attend these meetings, and any employee who was present at work, but who failed to attend the meetings would be written up. According to Marchany, to her knowledge, Katz was the only employee who explicitly instructed staff members to report current employment information from individuals' resumes and completed CIFs as Seedco placements. DOI verified that this practice contributed to the creation of false placements.

In addition, Marchany described another practice by which Seedco identified currently employed jobseekers and reported them as Seedco placements. Marchany stated that in 2010, she attended Recruitment and Placement Unit meetings in which Katz and Andy Marmolejos, the Account Manager for Ricky's, discussed having all newly hired employees at Ricky's fill out

CIFs at Ricky's' new hire orientation day. According to Marchany, the rationale for having Ricky's' new hires complete CIFs at the orientation was so that the new hires could be registered as "Seedco clients" in Worksource1. After the Ricky's orientation, Marmolejos gave the Intake staff the completed CIFs so that Ricky's' new hires could be registered. Then, Marmolejos and Katz gave Marchany the completed CIFs so that she could enter the new hires' current employment information at Ricky's as Seedco placements in Worksource1. DOI interviewed several jobseekers who Seedco reported as "placements" at Ricky's. These jobseekers stated that they had independently obtained jobs at Ricky's, without assistance from Seedco.

In addition to entering placements into Worksource1, Marchany also worked with Harper to reconcile the data in Worksource1 to ensure its accuracy. As Strategic Operations Director, Harper was the liaison between DSBS and Seedco, and once per month, DSBS would send Harper a report which he would have to review for accuracy to ensure that Seedco was not being credited for placements that it did not make. Marchany stated that Harper passed this responsibility on to her and, at times, another Operations Assistant. Specifically, Harper instructed Marchany to review the data in Worksource1 on a monthly basis to delete any duplicate placement entries and to correct any clerical errors. According to Marchany, Harper attended the weekly Friday meetings at which Katz instructed the staff to report individuals' current employment information as Seedco placements in Worksource1, but Harper did not object to these instructions.

In December of 2010, Marchany was informed that she along with Katz, Tage Chandarpaul, and Marmolejos would be transferred to Seedco's newly acquired Bronx Workforce Center. Marchany was asked to train Irwin Traydman and Candice Perkins on how to enter placements since she would be transferring to the Bronx.

In January of 2011, following Marchany's transfer to the Bronx Workforce Center, her duties continued to include entering placements into Worksource1. According to Marchany, as per the instructions previously received from Katz, she continued to enter individuals' current employment information from CIFs and resumes as placements into Worksource1.

In May of 2011, after Harper's complaint and Seedco's subsequent internal investigation of his allegations, Marchany and her colleagues received training for approximately two and a half days on how to report placements in Worksource1. The EIF was amended to require staff members to list the services that Seedco had provided to the jobseeker who was currently employed. Marchany was instructed that "self-placements" (meaning, a job that an individual obtained on his or her own after receiving services from Seedco) could be reported as a Seedco placement if the jobseeker had received at least two services from Seedco, and was a current jobseeker in Worksource1. Despite this training, however, Marchany stated that she continued to receive EIFs from other staff members to enter as placements that were not verifiable as actual placements. Subsequently, Marchany requested a meeting with Katz because she noticed that placements which she had refused to enter because they were clearly false, nonetheless appeared

in Worksource1 as placements “entered by” Andy Marmolejos. Marchany told Katz that she wanted to be transferred to a different position because she no longer wanted to enter placements into Worksource1. Subsequently, Katz transferred Marchany to the Sales side of the Operations Team where Marchany no longer had to enter placements into Worksource1.

According to Marchany, in the fall of 2011, while tracking placement numbers in Worksource1, she noticed that within the course of two days, the number of placements that Seedco reported for Ricky’s had increased from 8 to 200, which Marchany recognized to be an extremely large increase for such a short period of time. Based upon her prior knowledge of Katz and Marmolejos obtaining information from Ricky’s’ new hires at a 2010 orientation – from which DOI learned, from interviews with jobseekers, had resulted in some false Seedco placements - Marchany suspected that many of the 192 Ricky’s placements entered over the two day period were likewise false. In order to confirm her suspicion, Marchany spoke to the new Account Manager for Ricky’s who confirmed that Seedco had once again asked all Ricky’s new hires to complete CIFs, and then reported their jobs at Ricky’s as Seedco placements. Marchany then raised her concerns with Chandarpaul that some of these Ricky’s placements might be false. Chandarpaul told Marchany that Seedco had rightfully assisted the jobseekers in placing them at Ricky’s, and that Marchany should not worry about the issue.

On October 13, 2011, Seedco terminated Marchany.

Tage Chandarpaul, Director, Bronx Workforce Center

Tage Chandarpaul began working at Seedco in March of 2007 as an Intake Coordinator at the Upper Manhattan Workforce Center, and was promoted in 2009 to the position of Career Advisement Coordinator at the Upper Manhattan Workforce Center. Chandarpaul, along with other staff members including Marmolejos, received several emails obtained by DOI, one from Katz and one from Greene, requesting placements based on prior obtained employment.

Chandarpaul acknowledged that Marchany brought to her attention an issue regarding Ricky’s’ placements, but she denied that Marchany had any concerns about those placements being false.

Chandarpaul stated that Seedco does not give bonuses or other monetary incentives for reporting placements. One time, Rick Greene and Bill Harper distributed gift cards and movie tickets via a raffle system to the staff at the Upper Manhattan Workforce Center, but this was for general motivation for the staff’s hard work, and it had nothing to do with placements in particular.

In August of 2011, Chandarpaul was promoted to Director of the Bronx Workforce Center, and Alan Katz was promoted to her former position as Deputy Director.

In late February 2012, Chandarpaul was terminated by Seedco.

Candice Perkins, Community Partner Outreach Specialist, Upper Manhattan Workforce Center

Candice Perkins began working at Seedco in September of 2010 as a Front Desk/Data Entry Clerk at the Upper Manhattan Workforce Center. In addition to her receptionist and data entry responsibilities, Perkins was also assigned to enter placements into Worksource1 when Traydman was unavailable to do so.

In December of 2010, Perkins was promoted to Community Partner Outreach Specialist at the Upper Manhattan Workforce Center. In this position, Perkins helped to establish relationships with numerous community partners, known as “Community Based Organizations,” including colleges and other organizations in the local community. Perkin’s role was to assist in managing and conducting outreach efforts with the Community Based Organizations, and register them into Worksource1, in an effort to link Seedco’s jobseekers to jobs with these partners, and to encourage these partners to refer jobseekers to Seedco. Perkins’ direct supervisor was Monique Tarry, who reported to Mitchell McClinton.

With Perkins’ responsibilities in entering placements in Worksource1 and doing community outreach, she had frequent contact with Mitchell McClinton and Monique Tarry and received specific instructions from both supervisors with regards to the reporting of placements. Perkins stated that McClinton and Tarry instructed the Operations staff, including Perkins and Traydman, to report as a placement any jobseeker who was currently employed. In addition, McClinton and Tarry instructed the staff to report as a placement any jobseeker who had been employed within the past three months, even if they were not currently employed. Given these guidelines, Perkins described several methods developed at the Workforce Center in order to collect as many such “placements” as possible. DOI has verified that these methods, described below, contributed to the creation of false placements.

For example, staff members collected completed CIFs and resumes of those individuals who indicated on their CIFs and resumes that they were currently employed, or who had been employed within the past three months. Perkins would enter information from these CIFs and resumes as placements in Worksource1.

In addition, Perkins was instructed by Tarry that when Perkins visited Community Based Organizations, career fairs, and college fairs, she should ask individuals to fill out CIFs, and to give her their resumes. Perkins was instructed to identify individuals who were currently employed, as indicated on their CIFs and resumes, so that Irwin Traydman could enter their current employment information as Seedco placements.

Furthermore, according to Perkins, there came a time when Tarry instructed the staff to make sure that jobseekers were not filling out the “Work History” section of the CIFs. Specifically, Tarry instructed the Intake Team to make sure that jobseekers entering the Workforce Center did not fill out the “Work History” section of the CIF, but instead, left that

section blank and attached their resume to the CIF. Similarly, Perkins was instructed that when she attended Community Based Organization sites and career and college fairs, she should have individuals complete CIFs, but not fill out the “Work History” section of the CIF. The staff would simply staple the individuals’ resumes to the back of their CIFs. As Perkins explained, Seedco would then enter an individual’s current employment into Worksource1 as a placement. As Perkins explained, Seedco would then indicate in Worksource1 that Seedco staff obtained this information from a follow-up re-engagement call with the jobseeker.

Moreover, Perkins stated that she had heard that jobseekers who came to the Workforce Center for earned benefits assistance, such as assistance with tax preparation or financial counseling, would be asked to complete CIFs. If, on the CIFs, the individuals indicated that they were currently employed, this employment information would be reported as Seedco placements in Worksource1. Perkins stated that this was practice that began before she started working at Seedco in September of 2010.

In addition, Perkins explained that the Account Managers who had particularly good relationships with their assigned employers or Community Based Organizations would attend the employers’ orientation for newly hired employees, and request that all the newly hired employees complete a CIF. The Account Managers would tell the employers that they needed the employees to complete the CIFs for Seedco’s records because Seedco could provide services that the employees might be interested in. The employers allowed the Account Managers to attend these orientations because Seedco paid for the job placement advertisements for the employers and, at times, Seedco would conduct the orientation. Upon receiving the completed CIFs from the newly hired employees, the Account Managers would give the CIFs to the data entry clerks to enter as placements into Worksource1. Thus, as an example, according to Perkins, if there were 200 newly hired employees at an orientation, the Account Manager would receive 200 CIFs indicating these individuals’ current employment, and then this information would be entered as 200 placements into Worksource1. Perkins stated that Andy Marmolejos conducted this practice with Ricky’s, a Community Based Organization with whom Seedco has a partnership.

Perkins stated that Tarry and McClinton both reviewed Perkins’ and Traydman’s placement entries in Worksource1. Perkins further stated that if Seedco was “in the red,” meaning, was falling short of meeting its targeted number of placements for the quarter, McClinton would tell Traydman to check the intake bins for CIFs, and then review the CIFs for any individuals who were currently employed, or had been employed during that quarter. Traydman would collect any such CIFs, as instructed, and enter the information as placements in Worksource1.

According to Perkins, both Tarry and McClinton even asked her whether she had family members whose information could be used to complete CIFs and enter as placements in Worksource1. Perkins stated that she did not.

Perkins stated that she had no knowledge as to whether any staff members received bonuses or other monetary incentives for reporting placements. However, she stated that if Seedco reported a certain number of placements, it could receive extra grant money.

Perkins stated that after the August 9, 2011 *New York Times* article was published in reference to allegations against Seedco's questionable placement reporting practices, Seedco counsel began meeting with staff members, particularly those who were involved in processing placements in Worksource1. At that point, Greene pulled Perkins and Traydman into a room and told them that "there is no need to tell the attorneys the shady practices that occur."

On October 13, 2011, Seedco terminated Perkins.

Hortensia Gooding, Intake Specialist, Upper Manhattan Workforce Center

Hortensia Gooding began working at Seedco in April of 2010 as an Intake Specialist at the Upper Manhattan Workforce Center. Gooding worked with approximately four other Intake Specialists, and reported to Monique Tarry until Tarry was replaced in January of 2011. As an Intake Specialist, Gooding's responsibilities entailed meeting with jobseekers, reviewing their CIFs and resumes, and determining whether they were job ready, or whether they needed further career advisement services. If the jobseekers were job ready, Gooding was directed by Tarry to send them directly to the Recruitment and Placement Team. If the jobseekers were not job ready or needed assistance with their resumes, Gooding would send them to Career Advisement Services. In addition to these responsibilities, Gooding entered jobseeker information from CIFs in order to register them in Worksource1. However, Gooding was not responsible for entering placements into Worksource1, and at least until the time of her interview with DOI, has never done so. While Gooding did not receive any formal training, she stated that she learned through observing other Intake Specialists and asking questions from other staff members, including Tarry. The Intake Unit had weekly meetings and received specific directives from Tarry.

With Gooding's responsibilities in conducting initial assessments of jobseekers, and entering jobseeker information from CIFs into Worksource1, Gooding received specific instructions from Tarry with regards to the "Work History" section of the CIF. According to Gooding, Tarry told her that when entering the information from jobseekers' completed CIFs into Worksource1, she should not enter the information that the jobseeker filled out in the "Work History" section of the CIF if the jobseeker indicated that he or she was currently employed. The explanation that Gooding received from Tarry was that the information in the "Work History" section of a jobseeker's CIF is considered to be a job that had already ended, therefore, it should not be entered into the jobseeker's profile in Worksource1. However, Tarry also told Gooding that if a jobseeker had indicated that he or she was currently employed in the "Work History" section of the CIF, Gooding should take that current employment information and complete an EIF. Tarry told Gooding that she should give all such EIFs containing current employment information to Irwin Traydman, and that these EIFs would be considered as possible placements.

Gooding stated that she did not know that this was improper procedure because she believed that this was part of her duties as an Intake Specialist. In addition, Gooding observed other Intake Specialists doing the same thing. Gooding continued this practice until the fall of 2010, at which point she was instructed to direct jobseekers who were currently employed to career coaches.

Mitchell McClinton, Business Services Manager, Upper Manhattan Workforce Center

Mitchell McClinton began working at Seedco in December of 2009 as an Account Manager in the Recruitment and Placement Unit at the Upper Manhattan Workforce Center. McClinton reported directly to Katz.

McClinton recalled that a few weeks after he started working at Seedco, McClinton went to Restaurant X with Katz and other staff, including Account Managers and members of the Recruitment and Placement Unit. While at the restaurant, Marlene Steele, a Senior Account Manager, approached some Restaurant X employees and told them that she worked at the Workforce Center and could help them find jobs. According to McClinton, Steele asked for the employees' names, dates of birth, and last four digits of their social security numbers, and asked that they complete CIFs. McClinton stated that he did not know what Steele did with the employees' completed CIFs, but, in his opinion, Steele was asking for their information to report as Seedco placements. McClinton remembered thinking to himself at the time, "[If] this is how they do things, this job will be easy." However, McClinton noted that, at the time the incident occurred, he did not think that there was anything wrong with what Steele did because Katz, a manager, was present, and Steele did this in front of other Seedco employees.⁶

McClinton further recalled that during Recruitment and Placement Unit meetings, both Alan Katz and Shandell Velez, who worked closely with Katz, instructed McClinton and the rest of the staff at the meeting to collect the resumes of jobseekers who came to the Workforce Center. Katz and Velez further instructed that if the jobseekers were currently employed, the staff should give their resumes to the Data Operations Unit. McClinton stated that, at the time, he did not know what was done with this current employment information. However, according to McClinton, he never questioned Katz and Velez' instructions, but simply did as they directed. DOI verified that this practice contributed to the creation of additional false placements.

According to McClinton, it was only after questions were raised regarding the veracity of job placements, that McClinton realized the full significance of what Steele had done at Restaurant X, and what Katz and Velez had, at the Recruitment and Placement Unit meetings, instructed the staff to do. In addition, McClinton further spoke with Hortensia Gooding, an Intake Specialist at the Upper Manhattan Workforce Center, and Gooding told McClinton that when Irwin Traydman was employed at Seedco, he would come to the Intake Department and

⁶ Steele, who was interviewed and quoted by the *New York Times* in the September 2011 article, refused to be interviewed by DOI. Steele told the NYT that she knew what she was doing at Seedco was wrong, and felt that she was instructed by her manager to do so.

ask her for CIFs of individuals who were currently employed. Gooding also told McClinton that she later learned that Seedco was reporting this current employment information as placements. Upon learning this, McClinton realized in retrospect that the current employment information from individuals' resumes and CIFs was likely reported as false placements.

Moreover, in or about December of 2010, McClinton was promoted to Business Services Manager ("BSM") at the Upper Manhattan Workforce Center. McClinton replaced Katz who was transferred with other staff members to the newly acquired Bronx Workforce Center. As BSM, McClinton reported to Rick Greene, who had become the new Director of the Upper Manhattan Workforce Center. McClinton informed DOI that he recalled a meeting with Katz, which occurred in late 2010 or early 2011, during the period that he was transitioning into his new role as a BSM. During this meeting, Katz advised him on a method to inflate Seedco's "job fill rate."⁷ According to McClinton, Katz instructed him that if Seedco was certain that it could fill 100% of its employer job orders, but Seedco only needed to fill 80% of its job orders pursuant to its target goal under Seedco's strategic operating plan, then McClinton should create additional job orders beyond what was requested by the employer. This way, as long as Seedco could fill 80% of the inflated number of job orders, Seedco would still meet its target goal and, at the same time, would enhance its overall "job fill rate." However, according to McClinton, although he spoke to Rick Greene about this conversation with Katz, he and Greene never adopted Katz's approach, and never directed any employees to create additional job orders above what was requested by the employers. Moreover, McClinton stated that, as the BSM, he did not instruct his staff or any employee to collect resumes of currently employed individuals to report as Seedco placements.

On November 17, 2011, Seedco terminated McClinton.

In a further interview with DOI, McClinton stated that he recollected that Alex Saavedra at the Upper Manhattan Workforce Center had asked staff members for CIFs, which McClinton felt was "odd." McClinton also stated that Rick Greene, Director of the Upper Manhattan Workforce Center told McClinton that if he was "going down" due to the investigation, he "would take everyone down" with him. Greene invoked his Fifth Amendment privilege in lieu of testifying at DOI.

In discussions with DOI in November 2011, McClinton stated that he had additional incriminating information including tape recorded conversations with persons of relevance. Tape recordings were eventually produced in February 2012 by McClinton pursuant to subpoena. DOI subsequently reviewed the recordings provided by McClinton. The primary relevance of the recordings is that they provide a candid view of the thoughts and opinions of Seedco staff assigned to the Workforce Centers regarding various work-related topics. In

⁷ Seedco's "job fill rate" is the number of employer job orders (job vacancies) that Seedco is able to fill by making job placements.

totality, the recorded conversations demonstrate an over-all lack of discipline at the Workforce Centers regarding following DSBS and Seedco procedures. However, the recordings also provide some relevant statements which demonstrate a lack of integrity of some employees at Seedco's Workforce Centers and relating to Seedco's interactions with DSBS during meetings and through data entered into the Worksource1 database.

In one of the conversations recorded by McClinton in September of 2011, McClinton was apparently in a meeting with Alex Saavedra and Shandell Velez where they appear to be preparing for an upcoming meeting with DSBS regarding Seedco's contracts. At one point in the recorded conversation, Saavedra says to McClinton, "Here's my thing: Alan (Katz) and me -- we're (expletive) gab artists. We know how to (expletive) bullshit. You don't because you're very honest." Later, Saavedra says to McClinton, "Everything you're telling me is accurate. But believe me, you have to smooth it out. Because they don't want to hear 'No.'" This recorded conversation demonstrates that Saavedra was prepared to "bull shit" e.g., not tell the truth, to DSBS in an upcoming meeting and therefore evinces a lack of integrity by Saavedra, a senior Seedco official, in his dealings with the City regarding Seedco's contracts.

In another of the conversations recorded by McClinton in September of 2011, McClinton was in a meeting with Alex Saavedra, Shandell Velez, and Benjamin Tang. During the recorded conversation, Saavedra was discussing his perspective of Seedco and how it developed over the years. Saavedra further detailed how Seedco had finally terminated some of their Workforce Center staff members for misconduct and told McClinton, "We finally got rid of [them] last year. They were the last of the (expletive) crazy (expletive) bunch. And it took forever because HR wasn't helping us. Five (expletive) years . . . And, you know, those women were savvy enough and crafty enough to keep their (expletive) jobs. That's when we were really in danger. 'Cause you know they were doing some (expletive) shady shit." At a later point in the recording, Saavedra told McClinton that while Saavedra was at a meeting with DSBS discussing Seedco's projected job order numbers with employers, Saavedra "made up shit." Towards the end of the recording, Alan Katz joined the meeting, and Saavedra said to Katz, "I was going through this, I was making up shit" while at the DSBS meeting. This recorded conversation further demonstrates an overall lack of integrity by Saavedra and other senior Seedco Workforce Center staff, including Katz and McClinton, regarding Seedco's dealings with DSBS. It is particularly disturbing that Saavedra appears to admit on the recording to "making up shit" to DSBS regarding Seedco's projected job order numbers.

Andy Marmolejos, Business Services Manager, Bronx Workforce Center

Marmolejos began working at Seedco in early 2009 as an Account Manager at the Upper Manhattan Workforce Center. Toward the end of 2009, Marmolejos reported to Katz. DOI's analysis of CIF documentation and Worksource1 data showed that some placements entered by Andy Marmolejos were false in that the employment information on them was taken from previously obtained employment. When asked about those placements, Marmolejos

acknowledged in testimony that he received those placement names and entered them, but that if it was false job placement information, he was not aware of that fact. He explained that it was not his job to verify the information, but rather, only to enter it.

However, Ana Marchany testified that she noticed that placements that she had refused to enter into Worksource1 because they were false placements, had in fact been entered into the Worksource1 under Marmolejos' name. Further, Candice Perkins testified that Marmolejos engaged in practices that resulted in false placements. For example, Perkins stated that Marmolejos attended new hire orientations where he asked attendees to fill out CIFs that he then gave to data entry clerks to be entered as placements. Both Marchany and Perkins testified that Ricky's was one of Marmolejos' accounts and that some of the jobseekers entered as job placements at Ricky's were never actually assisted by Seedco. Several jobseekers interviewed by DOI confirm that they obtained employment at Ricky's, but not by Seedco. Those same jobseekers who were interviewed are in Worksource1 as having been placed at Ricky's with Marmolejos as the Account Manager who recruited them.

In January of 2011, Marmolejos was transferred from the Upper Manhattan Workforce Center to the newly acquired Bronx Workforce Center, where he was promoted to Community Partner Coordinator. As Community Partner Coordinator at the Bronx Workforce Center, Marmolejos reported to Katz, who had become the Deputy Director at the Bronx Workforce Center. By April 2011, at the Bronx Workforce Center, he was given the responsibility of entering placement data into Worksource1. DOI's analysis showed that some placements he entered were false in that the employment information on them was taken from previously obtained employment. Marmolejos stated that while he did not remember particular jobseekers by name, if his name was on placements in the database then he acknowledged generally entering placement information but maintained that he assumed the placements were legitimate. He stated that he was not responsible for verification. In addition, Marmolejos stated that Account Managers would sometimes e-mail him with a list of placements that they had made with particular employers. Again, Marmolejos stated that he assumed they were legitimate and would enter those placements.

Contrary to the combined testimony of Marchany, Traydman, and McClinton, Marmolejos stated that Alan Katz never gave any verbal or written instructions to the staff to collect jobseekers' past or current employment, which would be reported as Seedco placements. At weekly staff meetings with Katz, Marmolejos did testify that there were discussions about meeting their targeted placement goals, as well as activities to help recruit qualified jobseekers. There were also discussions about the need for Seedco to make re-engagement phone calls to ascertain whether jobseekers who had previously registered with the Workforce Center had since obtained employment. However, at these meetings, Marmolejos asserted that there was no mention of using jobseekers' past or current employment as Seedco placements.

Nonetheless, according to Marmolejos, it is possible that he unintentionally entered placements into Worksource1 where the jobseeker's current employment information from the CIF was reported as a Seedco placement. Marmolejos explained that if the information from a jobseeker's "Work History" section of the CIF was not already entered into Worksource1, then when it came time for Marmolejos to enter that jobseeker's placement information, he would not know whether this placement information derived from the jobseeker's CIF "Work History" information. In sum and in substance, Marmolejos asserted that the jobseeker's "Work History" information, would not be noted in the system, so Marmolejos would not have any indication from the system that there was a discrepancy. In other words, Marmolejos would not know whether the placement he was entering into Worksource1 was in fact the jobseeker's current employment that he or she had already obtained prior to coming to the Workforce Center and receiving any Seedco services.

Significantly, staff members including Marmolejos received several emails obtained by DOI, two from Katz and one from Greene, requesting placements based on previously obtained employment.

Marmolejos stated that bonuses or other monetary incentives were not offered to employees to meet their targeted placement goals. If anything, raffles were held for all employees at Seedco.

In late February 2012, Marmolejos was terminated by Seedco.⁸

Monique Tarry, Community Partner Coordinator, Upper Manhattan Workforce Center

Monique Tarry began working at Seedco in February of 2008 as a Membership Coordinator at the Upper Manhattan Workforce Center. As a Membership Coordinator, Tarry supervised four Customer Service Representatives who were responsible for greeting jobseekers who came to the Workforce Center, and five Intake Specialists who were responsible for entering information from completed CIFs into Worksource1. Tarry reported to Rick Greene beginning in approximately October of 2008.

In January of 2011, Tarry was promoted to Community Partner Coordinator at the Upper Manhattan Workforce Center. In this position, Tarry's primary responsibilities included managing Seedco's relationships with community partners, known as "Community Based Organizations," including colleges and other organizations in the local community. Tarry supervised Candice Perkins in managing and conducting outreach efforts with the Community Based Organizations in order to link Seedco's jobseekers to jobs with these partners, and to encourage these partners to refer jobseekers to Seedco. Tarry reported to Mitchell McClinton, the Business Services Manager of the Recruitment and Placement Unit.

⁸ It should be noted that, during the course of DOI's investigation, Marmolejos was promoted to the position of Business Services Manager for the Recruitment and Placement Unit at the Bronx Workforce Center.

In her roles as Membership Coordinator and later as Community Partner Coordinator, Tarry stated that, contrary to the testimony of Traydman and Perkins, she never instructed any staff members to report individuals' current employment information from CIFs or resumes as Seedco placements. Tarry further stated that she never saw or heard Alan Katz instruct the staff to do this either. Moreover, contrary to Gooding's and Perkins' testimony, Tarry stated that she never instructed any Intake staff members to make sure that jobseekers entering the Workforce Center were not filling out the "Work History" section of the CIFs. According to Tarry, it would not make sense to not include the jobseekers' "Work History" in the CIF because Seedco performed queries using jobseekers' "Work History" in order to match jobseekers with current job vacancies. DOI's review of e-mails showed that Tarry did not instruct that work history not be inputted into Worksource1.

In addition, Tarry stated that after she was promoted to Community Partner Coordinator, she never actually supervised any staff members. She was supposed to assist McClinton in supervising the Recruitment and Placement Unit, which included Account Managers and Data Operations Assistants such as Irwin Traydman, but Tarry asserted that no one came to her for guidance or assistance. Rather, according to Tarry, everyone sought guidance and assistance from McClinton because they had an existing rapport with him, given that he had been an Account Manager himself before becoming Business Services Manager. Moreover, Tarry stated that some staff members did not agree with the fact that she had been promoted with no experience in recruiting and placement jobseekers; thus, the staff never went to her for guidance. Accordingly, she denied participating in instructing staff members to engage in improper placement practices, contrary to other Seedco witnesses who stated that she and McClinton gave these instructions.

Regarding McClinton, with whom Tarry was designated to supervise the Recruitment and Placement Unit, she stated that she had limited contact with him as well. According to Tarry, she never had long meetings with McClinton, and never strategized on how to achieve the placement goals. If anything, they would meet for "two seconds" at a time. Tarry stated that McClinton was always unavailable because he had to attend many other meetings, and was consistently holding closed one-on-one meetings with Traydman and Giselle Rodriguez, another Data Operations Assistant, and other Account Managers. Tarry stated that she was excluded from many things that McClinton did with the staff.

In July of 2011, Tarry was promoted to Career Advisement Coordinator at the Upper Manhattan Workforce Center. In this position, Tarry supervised seven Career Advisors and three Career Coaches, who assisted jobseekers with their resumes and career goals. Tarry reported to Shandell Velez, who at that time had become the Deputy Director of the Upper Manhattan Workforce Center.

On October 13, 2011, Seedco terminated Tarry.

Benjamin Tang, Community Partner Coordinator, Upper Manhattan Workforce Center

Benjamin Tang began working at Seedco in January of 2011 as an Account Manager at the Upper Manhattan Workforce Center. Towards the end of June of 2011, when Irwin Traydman resigned from Seedco, Tang assisted the Data Operations Unit with entering placements into Worksource1 for few weeks, until a new employee was hired into the Data Operations Unit. DOI's analysis of Worksource1 data and CIFs showed false placements entered by Tang. Tang denied knowing that any entries that he made were false placements. Like Marmolejos, Tang also testified that he did not verify the placement information that he entered.

Tang was also the recipient of the aforementioned emails from Katz and Greene requesting placements based on previously obtained employment. Moreover, Tang also received an additional e-mail from a Seedco Account Manager telling Tang, in sum and substance, to be aware that the Account Manager received CIFs pertaining to hires at an identified employer that would be entered as Seedco placements.

Tang stated that every Friday, Mitchell McClinton and Monique Tarry held staff meetings with the Recruitment and Placement Unit. Among the topics discussed at the these meetings were updates on placement numbers and expectations, how many placements the Workforce Center had achieved, any unmet goals, and how to improve their placement numbers going forward. Tang stated that no one ever instructed them to report as a placement a jobseeker's past or current employment information, as indicated in the jobseeker's "Work History" section of the CIF. Tang also stated that they were never instructed to report as a placement the current employment of jobseekers who came to the Workforce Center seeking non-job related services. Furthermore, Tang stated that he was never instructed to report as a placement an individual's current employment information from his or her resume. Tang stated that he never personally employed any such practices, and was not aware of any such practices being employed by anyone at Seedco. McClinton and Tarry concurred in their respective interviews that these placement practices were not discussed at these meetings, whereas Perkins and Traydman stated that these various false placement practices were discussed as necessary to keep up placement numbers. However, e-mails obtained and reviewed by DOI sent to staff do indicate that McClinton and Tarry discussed the need to collect information from previously obtained jobs and enter that information as Seedco placements. Katz also sent an e-mail to Tarry instructing Tarry, in sum and substance, to let her staff/team know to use CIF information from people currently working as Seedco job placements (which would be false placements); Tarry responded to Katz that she had spoken to her team.

Tang stated that Seedco has never given bonuses or other monetary incentives for the reporting of placements

Tang is still with Seedco and was promoted in August 2011 to the position of Community Partner Coordinator at the Upper Manhattan Work Force Center.

Shandell Velez, Acting Center Director, Upper Manhattan Workforce Center

Shandell Santiago-Velez began working at Seedco in August of 2000 as an Office Assistant for the Workforce Development Team. Velez was later promoted to Operations Assistant, Senior Operations Assistant, Operations Associate and Senior Operations Associate. In January of 2009, Velez began working as the Community Partner Coordinator at the Upper Manhattan Workforce Center.

McClinton had testified that Velez directed staff to look for resumes of people currently employed to be entered as Seedco placements (which would be false placements). Velez was Katz's deputy. Velez denied giving that instruction to her staff. However, DOI obtained e-mails in which Velez received emails from Katz and Greene instructing her to have staff collect resumes and enter them as placements. There is an additional email from Greene to Velez and Katz in which Greene instructed them not to "over correct too much" on self-placements because "having 100-125 self-placements" is satisfactory and is "more reflective of our placement reality."

In October of 2011, Shandell-Velez was promoted mid-investigation to the position of Acting Center Director of the Upper Manhattan Workforce Center. She resigned from Seedco on March 7, 2012.

Alex Saavedra, Vice President of New York City Community Based Programs

Alex Saavedra began working at Seedco in July of 2001 as a Senior Program Associate in the Workforce Development Department at Seedco's corporate office. In this capacity, he wrote grants to obtain funding for Workforce programs. In April of 2004, Saavedra was appointed the Director of the Upper Manhattan Workforce Center. In this capacity, Saavedra also held the title of Vice President. In January of 2011, Saavedra transferred to the newly acquired Bronx Workforce Center where he was appointed the Director of that Workforce Center. In his capacity as Director, first of the Upper Manhattan Workforce Center, and then of the Bronx Workforce Center, Saavedra reported directly to the Senior Vice President of New York City Programs.

According to Saavedra, DSBS issues all policy directives under which the Workforce Centers operate. Seedco's Workforce Centers operate pursuant to the Strategic Operations Plans, which DSBS required that Seedco submit beginning in 2006, and which are created pursuant to Seedco's contracts with DSBS. Saavedra stated that after 2008, DSBS no longer required Seedco to create Standard Operating Plans because the operating procedure had been established. DSBS simply set the target placement numbers and metrics that it determined Seedco was

capable of achieving. In particular, DSBS set the core number of job placements for each year, with a break down for each quarter, including the types of job placements that Seedco would have to obtain. For instance, Seedco had to obtain a certain number of job placements with “Direct Managed Accounts,” meaning, employers with whom Seedco had established relationships; and Seedco had to obtain a certain number of “Self Placements,” meaning, jobs obtained by the jobseeker on his or her own within a certain number of months after receiving Seedco services. Saavedra said that Seedco negotiated their quarterly placement goals with DSBS. However, according Saavedra, Seedco’s annual placement metrics (targets) were not negotiable.⁹ Saavedra was involved in negotiating Seedco’s quarterly placement goals and metrics with DSBS.

Saavedra stated that he worked with teams of employees in each unit at the Workforce Centers to execute Seedco’s plan to meet the targeted placement goals. Weekly meetings were held with the leadership teams, including the Intake Coordinator, Lead Recruiter or Account Manager, Career Advisement Coordinator, Business Services Manager, Deputy Director, Director, and Strategic Operations Coordinator. Discussions at these meetings ranged from how the Workforce Centers would meet their metrics, to training needs, to Center-wide changes that needed to be made. In addition to these weekly leadership meetings, there were weekly Center-wide meetings where supervisors for each team would communicate to the rest of the staff all policy changes that Seedco received from DSBS’ weekly communications. According to Saavedra, the only Seedco employees who received DSBS’ weekly communications were the Strategic Operations Coordinator, the Deputy Director, and the Director.¹⁰

In addition to the above meetings, managers from the Workforce Centers attended quarterly vendor meetings at DSBS. From the original Upper Manhattan Workforce Center senior management team, Director Saavedra, Deputy Director Rick Greene, Business Services Manager Alan Katz, and Strategic Operations Coordinator Bill Harper, attended these vendor meetings at DSBS. DSBS also discussed these meetings with DOI and indicated that these meetings were an opportunity to present to DSBS any issues regarding the Work Force Centers, targeted goals or contract provisions/compliance.

As the Director of the Upper Manhattan Workforce Center and, later the Bronx Workforce Center, Saavedra stated that he was not aware that any job placements were falsified. Saavedra stated that Harper, as Strategic Operations Coordinator, was responsible for identifying bottlenecks, and performing random audits of data in Worksource1 in order to identify any duplicate placement entries, or any irregular data entries practices. However, Harper did not

⁹ According to Deputy Commissioner Kamath, it is “simply false” that Seedco’s yearly placement metrics were not negotiable with DSBS. Kamath said that Seedco typically accepted DSBS’s proposed annual placement targets and did not actively negotiate the targets as other vendors did.

¹⁰ According to Kamath, all key leadership staff at the Workforce Centers, including Lead Account Managers and Team Coordinators, also received weekly performance data from DSBS.

discuss with Saavedra any concerns he had with placement practices at the Upper Manhattan Workforce Center. According to Saavedra, no such issues were ever brought to his attention during weekly leadership meetings. Moreover, Saavedra stated that, prior to Harper making his allegations and the subsequent Seedco internal audit in April of 2011, he was not aware of any confusion at the Workforce Centers regarding job placements, how a placement was defined, or how to report placements in Worksource1.

Saavedra stated that a jobseeker's "Work History" information from his or her completed CIF could never be reported as a Seedco placement, and that this was never a practice used at either Upper Manhattan Workforce Center or the Bronx Workforce Center. In particular, Saavedra stated that if a jobseeker came to the Workforce Center already employed, his or her current employment information could not be reported as a Seedco placement. Rather, this information would be considered as part of the jobseeker's "Work History."

Nonetheless, according to Saavedra, it is possible that placements were unintentionally entered into Worksource1 where the jobseeker's past or current employment information was reported as a Seedco placement. Saavedra explained that this was possible because the staff member who entered a jobseeker's "Work History" information from the jobseeker's completed EIF was usually a different staff member than the one who conducted a re-engagement phone call with that jobseeker at a future time. Saavedra also stated that the staff member who conducted the re-engagement call would only have on hand the name and contact information for the jobseeker, and would not have the jobseeker's "Work History" information or CIF. Thus, according to Saavedra, the Seedco staff member who subsequently made a re-engagement call with that jobseeker and only asked whether the jobseeker was employed, may not know that the jobseeker's employment was obtained prior to registering with Seedco. As another example, Saavedra stated that if a jobseeker did not disclose that he or she was employed upon entering or registering with the Workforce Center, then the Seedco staff member who conducted a re-engagement call with that jobseeker in the future may not know that the jobseeker's employment was obtained prior to registering with Seedco. Saavedra further stated that the Workforce Center is a large scale operation, and the staff members conducting re-engagement calls may have about 500 calls to conduct. Upon obtaining the employment information from the jobseekers, the staff would provide the information to the Recruitment and Placement Unit to enter as placements into Worksource1. Thus, Saavedra stated, "Work History" information could simply have been mistakenly reported in Worksource1 as placements.

However, DOI obtained emails in which Saavedra receives all-staff e-mails from Katz and Greene instructing the staff to report current employment information as Seedco placements. In an additional e-mail, Saavedra acknowledged and thanked Irwin Traydman's for requesting all staff to continue reporting current employment information as placements in order to help the Workforce Center meet its target placement goals. Saavedra copied his acknowledgement email to a senior officer at Seedco.

In September of 2011, Saavedra was transferred by Seedco to the position of Vice President of Community Based Programs at Seedco's corporate office, and assigned to operate the "Back to Work" contract funded by the New York City Human Resources Administration (HRA). The *Back to Work* program's purpose is to help transition welfare recipients back into the workforce by placing them at jobs. On March 2, 2012, Saavedra resigned from Seedco.

Alan Katz, Business Services Manager, Bronx Workforce Center

DOI attempted to interview Alan Katz; however, Katz invoked the Fifth Amendment, and declined to answer all questions asked concerning Seedco and policies, procedures, and practices regarding job placements at Seedco.

Rick Greene, Director, Upper Manhattan Workforce Center

DOI attempted to interview Rick Greene; however, Greene invoked the Fifth Amendment, and declined to answer all questions asked concerning Seedco and policies, procedures, and practices regarding job placements at Seedco.

Additional Seedco Personnel Who Entered Job Placements into Worksource1

In addition to interviewing the above Seedco employees, DOI interviewed eight lower-level Seedco employees whose names appeared in Worksource1 as having each entered a small number placements which DOI determined to be false. DOI determined that these placements were false because the CIFs revealed that the jobseekers' previously obtained jobs, as indicated in the CIFs, were reported as Seedco placements in Worksource1.

Seven of the Seedco employees interviewed stated that they did not recall entering the false placements identified by DOI. Several of these employees stated that they rarely entered placements into Worksource1 or, if they did enter placements, they did not do so around the time of the placement entry dates associated with their names in Worksource1. At least one witness suggested that his work station was accessible to other staff members, with his computer logged on. Furthermore, some of these employees stated that if they did enter these placements, they had no knowledge that the placements were false.

However, one of the eight Seedco employees interviewed by DOI specifically recalled a false placement entered into the Worksource1 database on April 4, 2011 – the day before Bill Harper presented his allegations to Seedco's executive staff regarding the wide-spread entry of false placements in Worksource1. This employee testified to DOI that after he had entered the "Work History" information from the jobseeker's CIF into Worksource1, he mistakenly selected the "placement" prompt in the database instead of the "work history" prompt. The employee

explained that he immediately informed Bill Harper of the improper entry, and that Harper told him “don’t worry” about the mistake.¹¹

VI. DOI’s Review of Seedco E-mails

As stated above, DOI identified Seedco’s methodology for reporting false placements based on previously obtained employment. This Section analyzes e-mails of Seedco employees which corroborate certain employees’ testimony regarding Seedco’s various false placement practices.¹²

A) Use of CIF “Work History” For False Placements

DOI discovered the following e-mails that corroborate witnesses who testified about Seedco’s practice of collecting a jobseeker’s current employment information from the “Work History” section of CIFs, and then reporting this information as if it were a Seedco job placement.

E-mail #1

From: Alan Katz
To: MoniqueTarry
Subject: “Indirect Placements – CIF”
Date: April 12, 2010

Hi Monique,

A gentle reminder to let the team know that if they see anyone that is currently [sic] working they can give the CIF to Ana to enter as an indirect placement. We shouldn’t enter the CIF into WS [Worksource1] as we cannot capture the placement once the work history is inputted. Let me know if you have any questions. Thanks to you and your team for your efforts.

Alan

Reply to E-mail #1

From: Monique Tarry
To: Alan Katz
Subject: “Indirect Placements – CIF”
Date: April 14, 2010

¹¹Later, the employee entered a notation alongside the “placement” entry in Worksource1 stating, “Incorrect type of work history selection, [the] selection should have been work history.” DOI found that the case notation in the Worksource1 database alongside this “placement” entry corroborates the employee’s statement.

¹² Emails were provided to DOI on a rolling basis, and we assume we have all requested, relevant emails.

Hi Alan,I spoke to Ana and Giselle about this, as far as I know there were only a few EIF's submitted where staff forgot to not enter work history. I also spoke to my team to reinforce that they do not add work history for indirect placements. We have been submitting a lot of placements. I have more to submit today. Thanks

Monique Tarry
Intake Service Assessment Coordinator

Forward of E-mail #1

From: Alan KatzTo: Ana Marchany and Operations Assistant
Subject: "Indirect Placements – CIF" Date: April 14, 2010

Just an fyi..

E-mail #2 (From a Jobseeker to a Workforce Center Account Manager)

From: [Jobseeker]
To: [Account Manager A] at the Upper Manhattan Workforce Center
Subject: WORKFORCE1 FORM: Catering Sales Associate Pre-screening
Date: January 27, 2011

Hello [Account Manager A],

It was a pleasure to speak with you today. Thank you again for taking the time out to discuss the position requirements with me. I have attached the completed form for your review, please let me know if you need anything else on my end.

Safe and warm travels to you too!

[Jobseeker]

Forward of E-mail #2 with Attachment of Jobseeker's Completed CIF

From: [Account Manager A] at the Upper Manhattan Workforce Center
To: Irwin Traydman and Candice Perkins
Subject: "FW: WORKFORCE1 FORM: Catering Sales Associate Pre-screening"
Date: January 28, 2011

Indirect.

DOI interviewed the jobseeker referred to in E-mail #2 and the Forward of E-mail#2 above. She explained how she got her job at a hotel, which was not through Seedco. These emailsarean example of Seedco reporting as a Seedco job placement a person's current employment information from her CIF Work History. Specifically, the jobseeker listed under the "Work History" section of the CIF her current employment at a hotel. That CIF was forwarded to Irwin Traydman and Candice Perkins, from the Seedco Account Manager who noted"Indirect." DOI's review of Worksource1 showed that Traydman entered the jobseeker's employment at a hotel as a job placement made by Seedco, when it was not.

Email #3

From: Andy Marmolejos, Bronx Workforce Center
To: Tagewatee Chandarpaul, Bronx Workforce Center
Subject: "Indirect Placements"
Date: April 6, 2011

Hey Tage – Intake is still entering work history from CIF's. we are losing indirects.

Email #4

From: Tagewatee Chandarpaul, Bronx Workforce Center
To: Alan Katz, Bronx Workforce Center and Andy Marmolejos, Bronx Workforce Center
Cc: Alex Saavedra, Bronx Workforce Center
Subject: "FW: WF1 Performance – COB 4/7/11"
Date: April 7, 2011

Hey Guys – what is our plan for this week to ensure we do not get a red light? We are behind everyone.

Tage

Reply #1 to Email #4

From: Alan Katz
To: Tagewatee Chandarpaul
Cc: Alex Saavedra and Andy Marmolejos
Subject: "RE: WF1 Performance – COB 4/7/11"
Date: April 7, 2011
Importance: High

Tage,

- 1.) The team is following up on all referrals.
- 2.) We've implemented a system in that the Career Coaches are attending our recruitment events and directing all working candidates to their colleagues for services. They're going to enter all of the CIFs into WS and we'll capture the placements.
- 3.) Intake is giving all CIFs to us.

Thanks,
Alan

Reply #2 to Email #4

From: Tagewatee Chandarpaul
To: Alan Katz and Andy Marmolejos
Subject: "RE: WF1 Performance – COB 4/7/11"
Date: April 7, 2011

How are we doing the Intake CIFs, we cannot do this anymore since SBS will be asking for these CIFs?

Reply #3 to Email #4

From: Alan Katz
To: Tagewatee Chandarpaul, Andy Marmolejos, and Ana Marchany, Bronx Workforce Center
Subject: "RE: WF1 Performance – COB 4/7/11"
Date: April 7, 2011

Ana, correct me if I'm wrong, but they're entering the CIFs minus the work history for us to capture the placement without any backlash from SBS, right?

Reply #4 to Email #4

From: Ana Marchany
To: Alan Katz, Tagewatee Chandarpaul, Andy Marmolejos
Subject: "RE: WF1 Performance – COB 4/7/11"
Date: April 7, 2011

Correct

Reply #5 to Email #4

From: Tagewatee Chandarpaul
To: Alan Katz, Andy Marmolejos, and Ana Marchany
Subject: "RE: WF1 Performance – COB 4/7/11"
Date: April 7, 2011

If the work history is on the CIFs, we cannot count that now.

Email #5

From: Alan Katz
To: Tagewatee Chandarpaul
Cc: Alex Saavedra and Andy Marmolejos
Subject: "RE: WF1 Performance – COB 4/7/11"
Date: April 7, 2011
Importance: High

Tage,

The team is following up on all referrals.

- 1.) We've implemented a system in that the Career Coaches are attending our recruitment events and directing all working candidates to their colleagues for services. They're going to enter all of the CIFs into WS and we'll capture the placements.
- 2.) Intake is giving all CIFs to us.

Thanks,
Alan

Reply to Email #5

From: Alex Saavedra

To: Alan Katz

Subject: "RE: WF1 Performance – COB 4/7/11"

Date: April 7, 2011

I will have to speak with you about something that has come to light.

Indeed, all of the emails above are examples of the testimony of Seedco employees who stated that Seedco had regularly used jobseekers' employment information from the "Work History" section of their CIFs and then reported this information as if it were Seedco job placements. Summarized below, are the relevant statements of those Seedco employees who testified to this practice.

- **Ana Marchany** stated that Alan Katz, as Manager of the Recruitment and Placement Unit, instructed the staff to report as a Seedco placement any jobseeker who came into the Workforce Center and was currently working or who had worked in the past three months. Marchany further stated that in order to do this, Katz instructed the staff to look for completed CIFs which indicated that jobseekers were currently working and, that their current employment information should be reported as Seedco placements.
- **Irwin Traydman** stated that, at one of the Recruitment and Placement Team meetings, a staff member had stated that when DSBS conducts its audit of Seedco's reported placements, DSBS only asks whether the jobseeker is currently working. Katz then told the staff that if a jobseeker comes in currently employed, this should be reported as a placement. In order to do this, Katz instructed the staff to collect all CIFs and look for all CIFs where the jobseeker indicated that he or she was currently working and, if so, these jobseekers should be reported as placements to DSBS. Traydman also stated that Katz sent an e-mail to all staff members at the Upper Manhattan Workforce Center, instructing the staff to hand over the CIFs of any jobseekers who came to the Workforce Center currently employed.
- **Hortensia Gooding** stated that Monique Tarry instructed her that when entering the information from jobseekers' completed CIFs into Worksource1, she should not enter the information that the jobseeker filled out in the "Work History" section of the CIF if the jobseeker indicated that he or she was currently employed. Tarry instructed Gooding that, instead, Gooding should take that current employment information and complete an EIF, and give all such EIFs to Traydman to enter as possible placements.
- **Candice Perkins** stated that Mitchell McClinton and Monique Tarry instructed the staff to report as a placement any jobseeker who had been employed within the past three months, even if they were not currently employed. McClinton and Tarry further instructed the staff to collect CIFs and look for all those jobseekers who were currently employed or employed

within the past three months, and to enter those jobseekers into Worksource1 as placements. Tarry further instructed Perkins that when she visited Community Based Organizations, career fairs, and job fairs, she should ask individuals to fill out CIFs, and then hand over to Traydman those CIFs where the individuals indicated that they were currently employed, to enter as placements. Tarry also instructed the staff to make sure that jobseekers were not filling out the “Work History” section of their CIFs, but instead, were leaving that section blank and attaching their resume to the CIFs. This way, the staff member who later does the placement entry into Worksource1 could then enter an individual’s current employment into Worksource1. Seedco could then indicate in Worksource1 that the staff member obtained this information from a follow-up re-engagement call with the jobseeker. Additionally, Perkins stated that if Seedco was “in the red,” or falling short of meeting its targeted number of placements for the quarter, McClinton would tell Traydman to check the intake bins for CIFs of anyone currently employed or employed during that quarter. Traydman would do so, and enter the current employment information as placements. Furthermore, Perkins stated that Tarry and McClinton asked Perkins whether she had family members whose information could be used to complete CIFs and enter as placements in Worksource1.

- **Mitchell McClinton** recalled that a few weeks after he started working at Seedco, some Account Managers, including himself, as well as members of the Recruitment and Placement Unit, and Alan Katz, went to Restaurant X. While there, one of the Senior Account Managers, Marlene Steele, approached some Restaurant X employees and told them that she worked at the Workforce Center and could help them find jobs. According to McClinton, Steele asked for the employees’ names, dates of birth, and last four digits of their Social Security Numbers, and asked that they complete CIFs. McClinton stated that he did not know what Steele did with the employees’ completed CIFs, but he knew that Steele was asking for their information to report as Seedco placements. McClinton also stated that he had a recent conversation with Hortensia Gooding, who told him that when Irwin Traydman was employed at Seedco, he would come to the Intake Department and ask her for CIFs of individuals who were currently employed. Gooding told McClinton that she later learned that Seedco was reporting this current employment information as placements. Upon learning this, McClinton realized in retrospect that the current employment information from individuals’ resumes and CIFs was reported as Seedco placements.
- **Bill Harper** stated that he conducted a review of numerous CIFs in conjunction with corresponding placement entries in Worksource1, and discovered that the Seedco staff was entering as Seedco placements into Worksource1, jobseekers’ past and current employment information, as indicated in their CIFs. Harper provided DOI with copies of the CIFs that he reviewed and found to be used in this manner to create false placements.

B) Use of Resume Information For False Placements

DOI discovered the following e-mail which corroborates Seedco's practice of collecting a jobseeker's current employment information from resumes and then reporting this information as if it were a Seedco job placement.

E-mail #6

From: Alan Katz
To: "Staff WF1 CC" [All staff at Upper Manhattan Workforce Center]
Subject: "RE: Need more Indirect Placements!!!"
Date: May 17, 2010

Good Morning,

I hope everyone enjoyed the weekend. This email serves as a reminder to continue to collect indirect placements. If you have resumes in your area or received resumes from customers, please check to see if the customer is currently working which should be noted as "present" on the resume. We've been hitting the green light on a weekly basis due to your assistance so it is greatly appreciated.

Let me know if you have any questions.

Thanks,

Alan

Summarized below, are the relevant statements of those Seedco employees who testified to this practice.

- **Ana Marchany** stated that Alan Katz instructed the staff to look for jobseekers' resumes which indicated that jobseekers were currently working, and that their current employment information should be reported as Seedco placements.
- **Irwin Traydman** stated that after Ana Marchany was transferred to the Bronx Workforce Center, Traydman became the primary person entering placements into Workforce1. At that point, Alan Katz had also transferred to the Bronx Workforce Center, so Traydman was supervised by Mitchell McClinton and Monique Tarry, who continued to carry out the placement reporting practices that Katz had instructed. Traydman was instructed to enter as placements the current employment information from individuals' resumes. McClinton told Traydman to visit websites such as "Career Builder," in order to find resumes of people currently working at Employer B, an employer with whom Seedco had a managed account. Upon finding such resumes online, McClinton instructed Traydman to identify those names which matched the names of jobseekers in Worksource1. If the name of the Employer B employee from the resume matched a name in Worksource1, McClinton instructed Traydman to indicate in Worksource1 that Seedco referred this individual to Employer B. McClinton

instructed Traydman to do the same with Employer C, another employer with whom Seedco had a managed account.

- **Candice Perkins** stated that Mitchell McClinton and Monique Tarry instructed the staff to collect resumes and look for all those individuals who were currently employed or employed within the past three months, and enter these into Worksource1 as placements. Tarry further instructed Perkins that when she visited Community Based Organizations, career fairs, and job fairs, she should ask individuals for their resumes, and then hand over to Traydman those resumes where the individuals indicated that they were currently employed, so that Traydman could enter these as placements in Worksource1.
- **Mitchell McClinton** stated that Alan Katz and Shandell Velez directed staff to look for resumes of jobseekers who are currently employed, and then give these resumes to Data Operations team.
- **Bill Harper** stated that he conducted a review of numerous resumes in conjunction with corresponding placement entries in Worksource1, and discovered that the Seedco staff was entering as Seedco placements into Worksource1, jobseekers' current employment information, as indicated in their resumes. Harper provided DOI with copies of the resumes that he reviewed and found to be used in this manner to create false placements.

C) Use of CIFs From Employees at New Hire Orientations as Job Placements

DOI discovered the following e-mails which appear to be consistent with witness testimony of the following practice: Seedco attended one or more employer orientation sessions for new hires, and asked all of those new hires to complete CIFs; the current employment information from all of the CIFs was then inputted by Seedco as Seedco job placements even though Seedco had not assisted all of the new hires in obtaining those jobs.

E-mail #7

From: Barbara Martinez, Account Manager, Upper Manhattan Business Solutions Center
To: Ana Marchany
Cc: Alan Katz and Shamsudeen Mustafa, Director of the Upper Manhattan Business Solutions Center
Subject: "HHA Placement Washington Heights People Care"
Date: March 24, 2010

Hello Ana & Alan,

I have opened a draft on Workforce 1 for an HHA [home health aide] placement that was fulfilled by NMIC [Northern Manhattan Improvement Corporation]. I have the CIF and I will be faxing it to you guys but here are the details [...]. Once you receive the CIF please open the draft for us.

Please call me if you have any questions and thank you in advance for your help,

Barbara

E-mail #8

From: Alan Katz
To: Ana Marchany
Cc: Shandell Santiago-Velez; Shamsudeen Mustafa, Director of the Upper Manhattan Business Solutions Center
Subject: "RE: July Accounts"
Date: July 29, 2010
Importance: High

Ana,

You can proceed with all of the requests below. Additionally, please open 10 for Hello Pasta. Lastly, please open an additional 3 for the GM position of Five Guys.

Please note that if Andy returns to the center with the CIF's of hired candidates from his on-site with Barbara, you should open 9 job orders for Green Naturally on Grill.

E-mail #9

From: Michael Kim, Account Manager at the Upper Manhattan Business Solutions Center
To: Mitchell McClinton and Monique Tarry
Cc: Nova Wilson, and Michelle Bhattacharyya, Director of the Upper Manhattan Business Solutions Center
Subject: "[Restaurant Y] placements" Date: June 20, 2011

Dear Monique:

I gave Nova[the] [Restaurant Y] CIF's. I went there this morning and CIFed everyone who didn't fill out the form while they were there for training. If there are people not on the master hired list, they still should be counted as a placement bc the training is paid.

E-mail #10

From: Nova Wilson
To: Kai Pun Benjamin Tang
Cc: Mitchell McClinton and Monique Tarry
Subject: "FW: FOH [Restaurant Y] Hires"
Date: June 22, 2011

Ben, Please see hire list. Also be aware that there are about 15 people on the list (not including) the owners listed, that are not yet in the system. I just received their CIFs and will have them placed in the system by Intake ASAP. I will then enter them as referrals and then they can be entered as placements.

Thanks,

Nova

Reply to E-mail #10

From: Kai Pun Benjamin Tang

To: Nova Wilson
Cc: Mitchell McClinton and Monique Tarry
Subject: "RE: FOH [Restaurant Y] Hires"
Date: June 22, 2011

Hey Nova,

Here is the updated list indicated [sic] the ones we are still missing in Worksource (15 of them), please do follow up with Intake and let me know if it's time to put in the placements once you entered the referrals.

Thank you

Summarized below, are the relevant statements of those Seedco employees who testified to this practice.

- **Ana Marchany** stated that Katz and Marmolejos discussed having all newly hired employees at Ricky's fill out CIFs at Ricky's' new hire orientation day. Marmolejos would give the Intake staff the completed CIFs so that Ricky's' new hires could be registered as "Seedco clients" in Worksource1. Marmolejos and Katz, would give Marchany the completed CIFs so that she could enter the new hires' current employment information at Ricky's as Seedco placements in Worksource1. DOI interviewed several jobseekers who Seedco reported as "placements" at Ricky's. These jobseekers stated that they had obtained work at Ricky's, but not with Seedco's assistance.
- **Candice Perkins** stated that Account Managers who had particularly good relationships with their assigned employers or Community Based Organizations would attend the employers' orientation for newly hired employees, and request that all the newly hired employees complete a CIF. The Account Managers would tell the employers that they needed the employees to complete the CIFs for Seedco's records because Seedco could provide services that the employees might be interested in. Upon receiving the completed CIFs from the newly hired employees, the Account Managers would give the CIFs to the data entry clerks to enter as placements into Worksource1. Thus, as an example, according to Perkins, if there were 200 newly hired employees at an orientation, the Account Manager would receive 200 CIFs indicating these individuals' current employment, and then this information would be entered as 200 placements into Worksource1.

D) Inflation of Job Fill Rate

DOI discovered the following e-mails which appear to be consistent with Seedco's practice of falsely inflating Seedco's job fill rates by falsifying job placements and job orders.

E-mail # 11

From: CK Chung, Director of the Lower Manhattan Business Solutions Center
To: Alex Saavedra
Cc: Rick Greene, Alan Katz, and Shandell Santiago-Velez
Subject: "Job Order Open Request: Shake Shack"
Date: October 21, 2010

Good afternoon Alex –

It's wonderful to have you back. Hope your Thursday geos [sic] well.

I'm writing this email to make a formal request of increasing open job orders for Shake Shack. The employer's demand was 6 and currently we have 6 placements for 6 open job orders. It's 1 on 1 on 1 ration, 100% fulfillment rate.

My suggestions are –

65% of 6 placements – increase to 9 employer demands and open job orders (3 more) 75% of 6 placements – increase to 8 employer demands and open job orders (2 more)

Please let me know your final decision or any questions you may have for the case. Look forward to your response. Thank you very much.

Have a wonderful evening

Reply to E-mail # 11

From: Alex Saavedra
To: CK Chung
Cc: Rick Greene, Alan Katz, and Shandell Santiago-Velez
Subject: "RE: Job Order Open Request: Shake Shack"
Date: October 22, 2010

Let's open Shake Shack by 2 more so we maintain 75% fill rate on this account.

E-mail # 12

From: Shamsudeen Mustafa, Director of the Upper Manhattan Business Solutions Center
To: Alex Saavedra, Director of the Upper Manhattan Workforce Center
Subject: "UM/WH Accounts"
Date: October 28, 2010

Hi Alex,

It's the end of the month and I want to make a formal request to you to open/increase the number of positions for the number of positions for the accounts below:

Upper Manhattan:

1. Red Roster [sic] – The employer has conducted two round [sic] of interviews and will be coming in today for the third round of interviews. We have opened 41 of 85 positions so far and the employer has hired 26 candidates so far. As you know, the employer has been very happy with the services provided [by] us and has been really good

with feedback. Another round of interviews happened today and the employer conducted over 25 interviews. I was hoping that we can open the rest of the positions for this job order. I have assigned three people from my team to work on this account and they have been leading the efforts in sourcing candidates for this employer. The R&P team has done a great job with the screening and I feel that the relationship is secure enough for is [sic] to open all the job orders.

Washington Heights:

2. Bravo- As I mentioned during the WF1/BSC coordination meeting last week, we have been pitching EarnBenefits to our employers and obtained the placement information for 7 candidates from Bravo. These are cashier positions and we will continue to have more placements in the coming weeks. Can we open 10 positions for this job order? I will pass the placement information on to Shandell.

Thanks for your consideration.

Best,

Sham

Reply to E-mail #12

From: Alan Katz
To: Ana Marchany
Cc: Shandell Santiago-Velez, Rick Greene and Shamsudeen Mustafa
Subject: "RE: UM/WH Accounts"
Date: November 1, 2010

Ana, please increase the following Red Rooster job orders:

- *Server – open additional 7 (should reflect 17)
- *Hostess – open additional 2 (should reflect 5)
- *Busser/Runner – open additional 5 (should reflect 15)
- *Line Cook – open additional 3 (should reflect 15)
- *Prep Cook – open additional 4 (should reflect 6)
- *Bartender – open additional 3 (should reflect 6)

Sham, please provide an update for Chocolate.

E-mail #13

From: Michelle Bhattacharyya, Director of the Upper Manhattan Business Solutions Center
To: Mitchell McClintonCc: Monique Tarry, Candice Perkins, and Rick Greene
Subject: "Catching up"Importance: High
Date: March 18, 2011

Hey Mitch,

You mentioned that you would be stopping by so that we can check in on several items before you leave at 12:00. I haven't seen you and am just wondering if you are still planning to come by.

There is another pressing issue for [Store A] that we need to discuss today. Basically, as per our past discussions I asked [DSBS employee A] to push the date back on the [Store A] Inventory position and to bump the demand to 2 as we have 2 CIFs. I just noticed that one of those hires was put under the retail [Store A] opening giving us fulfillment of over 100% and putting you guys into a bind on the one I told [DSBS employee A] to bump up yesterday. We need a strategy to manage this so you guys don't get burned.

Thanks,

Michelle

Forward of E-mail #13

From: Candice Perkins

To: Irwin Traydman Subject: "FW: Catching up" Importance: High

Date: March 18, 2011

We made a mistake on that [Store A] placement

Summarized below, are the relevant statements of those Seedco employees who testified to this practice.

- **Ana Marchany** stated that in her role as the primary staff member entering placements into Worksource1, it was her understanding that, if a Business Solutions Center had a targeted goal of job orders, but an employer was hiring less than that goal, then the Business Solutions Center would request that the Upper Manhattan Workforce Center create additional false job orders, and false placements were used to fill these false job orders. In this way, Seedco could enhance its overall "job fill rate."
- **Mitchell McClinton** stated that Katz advised him on a practice to inflate Seedco's "job fill rate" within the Upper Manhattan Workforce Center itself. Similar to Marchany's statement above, McClinton stated that Katz instructed him on the following: if Seedco only needed to fill 80% of its job orders pursuant to its target goal under Seedco's strategic operating plan, and Seedco was certain that it could fill 100% of its existing employer job orders, then McClinton should open additional false job orders beyond what was requested by the employer. This way, as long as Seedco could still show that it filled 80% of the now inflated number of job orders, Seedco would still meet its target goal and, at the same time, would enhance its overall "job fill rate." It should be noted that, unlike the practice described above by Marchany, the practice described by McClinton did not involve any Business Solutions Center. In the practice described by McClinton, the Upper Manhattan Workforce Center had their own partnerships with particular employers, and therefore could track those employers' job orders independent of any Business Solutions Center.

E) Clients of Non-Job Related Consultant Services Provided at the Workforce Centers Reported As Job Placements

DOI discovered the following e-mail which corroborates Seedco's practice of obtaining current employment information from jobseekers who went to the Workforce Centers seeking non-job related services such as financial tax counseling, then reporting their current employment information as Seedco job placements.

E-mail #14

From: Rick Greene, Deputy Director, Upper Manhattan Workforce Center
To: 46 recipients, including: Irwin Traydman, Ana Marchany, Giselle Rodriguez, Monique Tarry, Mitchell McClinton, Marlene Steele, Andy Marmolejos, Shandell Santiago-Velez, Tagewatee Chandarpaul, Alan Katz, and Alex Saavedra
Subject: "Need more Indirect Placements!!!"
Date: January 29, 2010

All-

Please remember that we still need staff to collect indirect placements to hold us up while the Recruitment and Placement Team makes placements in actively managed accounts. We are missing out on valuable placements by not collecting placement information from the many customers that we re-engage for training, taxes, benefits, etc.

If you do not have EIFs at your desk please see Ana in R&P or Denise for copies.

Thanks,Rick Greene

Summarized below, are the relevant statements of those Seedco employees who testified to this practice.

- **Irwin Traydman** stated that Alan Katz instructed the Recruitment and Placement Unit at a team meeting that, if individuals come to the Workforce Center seeking non-job related services such as assistance with earned benefits and food stamps, and the individuals are currently employed, the staff should report their current employment information as Seedco job placements.
- **Candice Perkins** stated that she heard that staff members would ask individuals who came to the Workforce Center seeking earned benefits assistance, such as assistance with tax preparation or financial counseling, to complete CIFs. Then, if the CIFs indicated that these individuals were currently employed, the staff would report this current employment information as placements into Worksource1. Perkins stated that this practice had started before Perkins started working at Seedco in September of 2010.

F) Other E-mails Indicative of Seedco's Improper Placement Reporting Practices

The e-mails below further exemplify Seedco's improper false activities. In addition, DOI discovered a number of other e-mails that show Seedco's dishonest reporting to the City. Some

of this inaccurate information could have been used in performance evaluations that are taken into consideration by the City. (See e.g. *E-mail #17* below.)

E-mail #15

From: Alan Katz
To: "Staff WF1 CC" [All staff at Upper Manhattan Workforce Center]
Subject: "RE: Need more Indirect Placements!!!"
Date: February 22, 2010 Importance: High

Good Afternoon,

I just want to send a friendly reminder that we need all center staff to continue to collect indirect placements from their jobseekers. Your assistance has helped Upper Manhattan meet our weekly green lights in regards to placement totals. The R&P Team is working diligently to secure placements in the Actively Managed Accounts.

Please let me Ana or [Staff Member B] know if you need additional copies of EIFs. Again, thank you very much for your help and support. Let me know if you have any questions.

Regards,

Alan

Reply #1 to E-mail #15

From: Alan Katz
To: Alan Katz and "Staff WF1 CC" [All staff at Upper Manhattan Workforce Center]
Subject: "RE: Need more Indirect Placements!!!"
Date: April 14, 2010

Just a friendly reminder for indirect placements. Thanks, Alan

Reply #2 to E-mail #15

From: Alan Katz
To: Alan Katz and "Staff WF1 CC" [All staff at Upper Manhattan Workforce Center]
Subject: "RE: Need more Indirect Placements!!!"
Date: April 20, 2010

My weekly reminder....thanks.

E-mail #16

From: Rick Greene
To: Alan Katz and Shandell Santiago-Velez
Subject: "RE: Daily Dashboard report for 8/6/2010"
Date: August 9, 2010

Lets not over correct too much on the self placements. Having around 100-125 for the quarter is still very good and more reflective of our placement reality.

Forward of E-mail #16

From: Alan Katz
To: Ana Marchany, Irwin Traydman, and [Operations Assistant]
Cc: Shandell Santiago-Velez
Subject: "FW: Daily Dashboard report for 8/6/2010"
Date: August 9, 2010

Hi Guys,

From this point forward, please feel free to add 14 indirect placements per week. Let's cap the quarterly number of "indirects" at 140.

Let me know if you have any questions.

E-mail #17

From: William (Bill) Harper
To: "Staff WF1 CC" [All staff at Upper Manhattan Workforce Center]
Subject: "Scheduler Survey"
Date: September 15, 2010

Center Staff who participated in the Scheduler Webinar training will be receiving a survey this afternoon with a submission deadline of September 24, 2010. The feedback will be very helpful as SBS moves forward with exploring and assessing new training and implementation strategies. Response rate (and accuracy) of this survey will also contribute to final bonus point calculations.

Bill Harper

Reply to E-mail #17

From: William (Bill) Harper
To: "Staff WF1 CC" [All staff at Upper Manhattan Workforce Center]
Subject: "RE: Scheduler Survey"
Date: September 15, 2010

Please read the questions very closely as they are a test of your knowledge of the scheduler system. If you start to take the survey and don't know the answers please STOP and come get me before you complete the survey. These surveys are included in our bonus points for this project and are very important.

Bill Harper

Forward of Reply to E-mail #17

From: [Front Desk/Data Entry Clerk] at the Upper Manhattan Workforce Center
To: 10 recipients, including Hortensia Gooding, Candice Perkins, and Monique Tarry
Subject: "FW: Scheduler Survey"
Date: September 15, 2010

In re: to the Survey which take 60 seconds to complete, Bill want[s] us all to get 100% on our survey so if you are unsure of your answers see Bill to make sure all answers are correct before submitting survey.

Thank you,

[Front Desk/Data Entry Clerk]

E-mail #18

From: Monique Tarry
To: 5 recipients, including Hortenisa Gooding
Cc: 4 recipients, including Candice Perkins and William (Bill) Harper
Subject: "We need Indirect Placements"
Date: September 21, 2010

Good Morning Staff,

Although we have the call center we still need indirect placements. Please ensure that you are asking customers their employment status during orientation as well as during assessments. Thank you

E-mail #19

From: Irwin Traydman
To: "Staff WF1 CC" [All staff at Upper Manhattan Workforce Center]
Subject: "Placements"
Date: January 19, 2011

Good Afternoon, This is just a friendly reminder that if you come across any customers who are employed, please capture their placement information and bring it over to me. We are currently at 164 placements, we need to be at 441 placements by the end of the month to achieve a green light for January. Due to all our hard work, we spent the entire 2010 in green. I am sure we would all love for the momentum to carry into 2011, without taking any steps backwards. Your help and hard work is greatly appreciated.

Thank you.

Reply to E-mail #19

From: Alex Saavedra

To: Irwin Traydman and "Staff WF1 CC" [All staff at Upper Manhattan Workforce Center] Cc: Francine Delgado
Subject: "RE: Placements" Date: January 19, 2011

Thanks Irwin,

I would like to emphasize that it is important to be at par with the rest of the system. We are also digging in here in the Bronx to capture as many placements as possible.

Email #20

From: Francine Delgado, Senior Vice President for New York City Programs
To: Alex Saavedra and Rick Greene
Subject: "Fw: WF1 Performance – COB 3/21/11"
Date: March 22, 2011 Importance: High

In typical fashion DBG [DB Grant Associates] surges way ahead of us at the end of the Quarter. How do we think we'll end up next week?

Reply to E-mail #20

From: Alex Saavedra
To: Francine Delgado and Rick Greene
Cc: Alan Katz and Mitchell McClinton
Subject: "RE: WF1 Performance – COB 3/21/11"
Date: March 22, 2011

Well, they haven't yet caught up to the Bronx. But also, remember that UM [Upper Manhattan] has more PST [Professional Services and Technical] focus which is a brand new sector for them. Having said that, I think we will barely meet our targets in both centers. For UM [Upper Manhattan] Rick and I have discussed the fact that they need to really crank out the food and accommodations sector to get volume so as to preserve time and space to continue cultivating PST [Professional Services and Technical]. For Bronx, we are pushing the sales team to get more new location openings which should start seeing traction as Spring begins. In the meantime, we are going to get as scrappy as we have ever been to meet these numbers.

E-mail #21

From: Ana Marchany
To: AlanKatz
Subject: "RE: Q2 Placements So far...."
Date: April 4, 2011

No one is getting me any....[Staff Member C] put in the 10 [Company A placements] but the referral date is today....If you okay I will enter the placements in for today as well

Reply to E-mail #21

From: Alan Katz
To: Ana Marchany
Subject: "RE: Q2 Placements So far"
Date: April 4, 2011

Please accept this email as confirmation to enter the [Company A] placements.

E-mail #22

From: [Career Coach] at the Bronx Workforce Center
To: Ana Marchany
Subject: "RE: Placement Information Needed"
Date: June 10, 2011

Hey Ana,

Customer Name: [X Last 4 of SSN: [XXX]
Employer Name: Kelly Services
Employer Address: 420 Lexington Ave. New York, NY
Position: Stock room Manager
Start Date: 5/2/2010
Salary: 12/hrHrs per week: 20-25

Customer reported placement info. However, I looked in worksource and similar placement info was entered. Hourly wage reported by customer over the phone was 12(worksource entry reports 11 and job title is different)???

VII. Seedco Personnel Involved in False Placement Practices

To date, the evidence described above shows, to varying degrees, that 12 Seedco employees processed and/or directed and/or had knowledge of, for example from emails or testimony, the reporting to DSBS of placements that were not legitimate. Set forth below, are DOI's findings as to each of the 12 Seedco employees.

- **Alex Saavedra**, Vice President of NYC Programs, Director of the Upper Manhattan Workforce Centers, and Director of the Bronx Workforce Center. Saavedra was on multiple email communications that discuss false placement practices. Saavedra was a recipient of an e-mail dated April 7, 2011 from Alan Katz in which Katz explained, in substance, that in order to avoid getting a "red light" on placement numbers, the Bronx Workforce Center would attend recruitment events and collect CIFs from currently working jobseekers, and capture the placement information from the CIFs. That same day, Saavedra responded to Katz's email by stating, "I will have to speak with you about something that has come to light." It is significant that the date of this e-mail exchange was April 7, 2011 -- two days after Bill Harper brought forth his allegations that Seedco had reported a number of false placements based on jobseekers' previously obtained employment. Based upon the timing of this exchange, Saavedra's response to Katz's statement evinces knowledge by Saavedra that the practice discussed by Katz was the type of false job placement which was the subject of Harper's complaint. Saavedra is also on an e-mail in which he acknowledges and thanks Traydman for reminding the staff to "capture" jobseekers' current employment information as placements in order to help the Center reach its targeted placement goals, and states that "We are also digging in here in the Bronx to capture as many placements as possible." Saavedra is also on an e-mail discussion about meeting numbers where Saavedra says to Greene, copying Katz and McClinton, that Seedco will have to "get as scrappy as we have ever been to meet these numbers." In addition, Saavedra attended weekly Workforce Center staff meetings where instructions were given regarding false placements. Saavedra denied knowledge of the improper placements practices.
- **Rick Greene**, Deputy Director of the Upper Manhattan Workforce Center, and Director of the Upper Manhattan Workforce Center. Greene is on various e-mail communications

regarding false placement practices, including e-mails from Alan Katz requesting staff to collect more indirect placements; an e-mail from Greene requesting more indirect placements; an e-mail from Greene to Katz and Shandell Santiago-Velez telling them not to “over correct too much on the self placements;” an e-mail in which Saavedra says to a Seedco executive and Greene that Seedco will have to “get as scrappy as we have ever been to meet these numbers.” In addition, Greene attended weekly Workforce Center-wide staff meetings where staff where instructions were given regarding false placements. Moreover, Candice Perkins testified that when Seedco counsel began meeting with staff members in August of 2011 regarding Seedco’s placement reporting practices, Greene pulled Perkins and Traydman into a room and told them that “there is no need to tell the attorneys the shady practices that occur.” Further, Bill Harper recalled that in a conversation with Greene in December of 2010, during which Greene reportedly stated to Harper that he “hoped to be completely honest by the third quarter of 2011.” Finally, in April of 2011, while Seedco was conducting an audit of potential false placements, Greene sent Harper a text message in which he said “I can’t just say what we really do or what was done in the past” regarding false placements.

- **Alan Katz**, Business Services Manager at the Upper Manhattan Workforce Center, and Business Services Manager at the Bronx Workforce Center. Katz was on multiple emails where Katz gave instructions to staff to create false placements by, among other methods: to not enter “Work History” information from CIFs into Worksource1 so that they could report currently working jobseekers as placements; to add more indirect placements; to “cap the quarterly number of ‘indirect’” placements; and to enter placements where the referral dates and placements dates would be the same. Furthermore, Katz was on a string of e-mails among himself, Tagewatee Chandarpaul, Andy Marmolejos, and Ana Marchany, in which these employees discussed reporting individuals’ current employment information from the “Work History” section of their CIFs as Seedco job placements, and intentionally not entering the “Work History” information from the CIFs into Worksource1 so that SBS would not find out what they were doing. Additionally, Katz received emails from Greene where Katz was directed to not “over correct too much on the self placements.” In addition, multiple witnesses stated that Katz attended weekly Workforce Center-wide staff meetings where he instructed staff regarding false placement practices, including: to collect the resumes of jobseekers who were currently working so as to report these as Seedco placements; to inflate Seedco’s job fill rate; to report as Seedco placements the current employment information of individuals who come to the Workforce Center seeking non-job related services; and to collect the CIFs of jobseekers who were currently working so as to report these as Seedco placements.
- **Tagewatee Chandarpaul**, Intake Coordinator at the Upper Manhattan Workforce Center, Single Stop Coordinator at the Upper Manhattan Workforce Center, Career

Advisement Manager at the Upper Manhattan Workforce Deputy Director of the Bronx Workforce Center, and Director of the Bronx Workforce Center. Chandarpaul is on various e-mail communications regarding false placement practices. Chandarpaul received an e-mail from Andy Marmolejos, informing her in substance that the Intake Unit was entering “Work History” information from CIFs and that, therefore, the Workforce Center was losing “indirect placements.” Furthermore, Chandarpaul was on a string of e-mails among herself, Alan Katz, Andy Marmolejos, and Ana Marchany, in which these employees discussed reporting individuals’ current employment information from the “Work History” section of their CIFs as Seedco job placements, and intentionally not entering the “Work History” information from the CIFs into Worksource1 so that SBS would not find out what they were doing. In addition, Chandarpaul received an e-mail from Rick Greene calling for the staff to collect more indirect placements, and to capture placement information from jobseekers who come to the Workforce Center for non-job related services. Also, Chandarpaul received weekly Workforce Center-wide staff e-mails in which Alan Katz requested more indirect placements. In addition, Chandarpaul attended weekly Workforce Center staff meetings where instructions were given regarding false placements.

- **Mitchell McClinton**, Account Manager at the Upper Manhattan Workforce Center, and Business Services Manager of the Upper Manhattan Workforce Center. Candice Perkins stated that McClinton instructed the staff to report as a placement any jobseeker who had been employed within the past three months, even if they were not currently employed, by collecting CIFs of those currently employed. Katz e-mailed all staff, including McClinton, requesting more indirect placements. Irwin Traydman and Perkins stated that McClinton instructed the staff to collect resumes of those jobseekers who were currently working and to report their current employment information as placements. McClinton was informed that all individuals who attended an employee training were asked to fill out CIFs, and would be reported as placements, and that the staff might get caught for manipulating their job fill orders. McClinton received an email, along with other staffers, requesting more indirect placements. He also received an email referencing Seedco’s practice of capturing jobseeker’s current employment information and reporting that information as Seedco placements, and McClinton was on the email in which Saavedra said to Seedco executives that Seedco will have to “get as scrappy as we have ever been to meet these numbers.” In addition, McClinton attended weekly Workforce Center staff meetings where various witnesses testified instructions were given regarding false placements. Moreover, Traydman stated that McClinton told him, “Do what you have to, to maintain green lights.” McClinton denied knowing that false placements were being made, but stated that in retrospect some of the things that he was observing and hearing should have informed him that some placements practices were not legitimate.

- **Monique Tarry**, Membership Coordinator at the Upper Manhattan Workforce Center, Community Partner Coordinator at the Upper Manhattan Workforce Center, and Career Advisement Coordinator at the Upper Manhattan Workforce Center. Tarry is on various e-mail communications in which there are discussions about false job placements, for example, an email with Alan Katz about the need to make sure that they were not entering the “Work History” information from CIFs into Worksource1 so that they could report currently working jobseekers as placements. Witnesses also testified about Tarry including Hortensia Gooding who said that Tarry instructed her not to enter into Worksource1 jobseeker “Work History” information from their CIFs if the jobseekers indicated that they were currently employed. Candice Perkins stated that Tarry instructed the staff to report as placements any jobseeker who had been employed within the past three months, even if they were not currently employed, by collecting CIFs of those currently employed. Traydman and Perkins said that Tarry instructed staff to collect resumes of those individuals who were currently working so as to enter their current employment information as Seedco placements. Tarry was on the email communication in which staff members were informed that all individuals who attended an employer training orientation were asked to fill out CIFs and would be reported as placements. Tarry was also on an email from the Director of the Upper Manhattan Business Solutions Center which informs Tarry and other staff that they might get caught in an instance where they manipulated their job fill orders. Tarry sent an email to staff asking customers for their employment status during orientation and assessments in order to collect indirect placements, and Tarry was on an email wherein Saavedra replied to staff regarding Traydman’s reference to Seedco’s practice of capturing jobseeker’s current employment information and reporting this information as Seedco placements. In addition, Tarry attended weekly Workforce Center staff meetings where instructions were given regarding false placements.
- **Shandell Santiago-Velez**, Office Assistant for the Workforce Development Team, Operations Assistant at the Upper Manhattan Workforce Center, Operations Associate of the Upper Manhattan Workforce Center, Community Partner Coordinator of the Upper Manhattan Workforce Center, and Acting Center Director of the Upper Manhattan Workforce Center. Velez is on various e-mail communications regarding false placement practices, including e-mails from Alan Katz requesting staff to collect more indirect placements; an e-mail from Rick Greene requesting more indirect placements; an e-mail from Greene telling Velez and Katz not to “over correct too much on the self placements,” and Katz replying to “feel free to add 14 indirect placements per week,” but to “cap the quarterly number of “indirect”” placements; an e-mail from Alex Saavedra replying to all staff regarding Traydman’s reference to Seedco’s practice of capturing jobseeker’s current employment information and reporting this information as Seedco placements. In addition, Mitchell McClinton stated that Velez directed staff to look for

resumes of jobseekers who are currently employed, and then to give these resumes to the Data Operations Team. Moreover, Velez attended weekly Workforce Center staff meetings where instructions were given regarding false placements.

- **Benjamin Tang**, Account Manager, Upper Manhattan Workforce Center. DOI's review of placement entries in Worksource1, in conjunction with CIFs provided to DOI by DSBS, indicate that Tang processed false placements into Worksource1. In addition, Tang was on various e-mail communications regarding false placement practices, including e-mails from Alan Katz requesting staff to collect more indirect placements; and an e-mail from Alex Saavedra replying to all staff regarding Traydman's reference to Seedco's practice of capturing jobseeker's current employment information and reporting this information as Seedco placements; and an e-mail in which Tang is informed of, and participates in, processing placements from CIFs of all individuals who attended a training with the Restaurant Y. Moreover, Tang attended weekly Workforce Center staff meetings where instructions were given regarding false placements.
- **Andy Marmolejos**, Account Manager at the Upper Manhattan Workforce Center, and Community Partner Coordinator at the Bronx Workforce Center. DOI's review of the placement entries into Worksource1, in conjunction with CIFs provided to DOI by DSBS, indicate that Marmolejos processed false placements into Worksource1. In addition, both Ana Marchany and Candice Perkins stated that Marmolejos engaged in practices relating to requesting CIFs from all newly hired employees at Ricky's, which resulted in false placements. Moreover, Marmolejos is on various e-mail communications regarding false placement practices. Marmolejos sent an e-mail to Tagewatee Chandarpaul informing her in substance that the Intake Unit was entering "Work History" information from CIFs and that, therefore, the Workforce Center was losing "indirect placements." Furthermore, Marmolejos was on a string of e-mails among himself, Alan Katz, Tagewatee Chandarpaul, and Ana Marchany, in which these employees discussed reporting individuals' current employment information from the "Work History" section of their CIFs as Seedco job placements, and intentionally not entering the "Work History" information from the CIFs into Worksource1 so that SBS would not find out what they were doing. In addition, Marmolejos is on e-mails from Alan Katz requesting staff to collect more indirect placements, and on an e-mail from Rick Greene requesting more indirect placements. In addition, Marmolejos attended weekly Workforce Center-wide staff meetings where instructions were given regarding false placements.
- **Irwin Traydman**, Operations Assistant at the Upper Manhattan Workforce Center. Traydman had knowledge of and processed false placements into Worksource1. This fact is evidenced by: DOI's review of the placement entries into Worksource1, in

conjunction with CIFs provided to DOI by DSBS, which indicate that Traydman processed false placements into Worksource1; Traydman's own admissions to DOI; and various e-mail communications regarding false placement practices. In addition, Traydman attended weekly Workforce Center staff meetings where instructions were given regarding false placements.

- **Candice Perkins**, Front Desk/Data Entry Clerk at the Upper Manhattan Workforce Center, and Community Partner Outreach Specialist at the Upper Manhattan Workforce Center. Perkins had knowledge of and processed false placements into Worksource1. This fact is evidenced by: DOI's review of the placement entries into Worksource1, in conjunction with CIFs provided to DOI by DSBS, which indicate that Perkins processed false placements into Worksource1; Perkins' own admissions to DOI; and various e-mail communications regarding false placement practices. In addition, Perkins attended weekly Workforce Center staff meetings where instructions were given regarding false placements.
- **Ana Marchany**, Front Desk Clerk at the Upper Manhattan Workforce Center, Operations Assistant at the Upper Manhattan Workforce Center, and Operations Assistant at the Bronx Workforce Center. Marchany had knowledge of and processed false placements into Worksource1. This fact is evidenced by: DOI's review of the placement entries into Worksource1, in conjunction with CIFs provided to DOI by DSBS, which indicate that Marchany processed false placements into Worksource1; Marchany's own admissions to DOI; and various e-mail communications regarding false placement practices. In addition, Marchany attended weekly Workforce Center staff meetings where instructions were given regarding false placements.

VIII. Reasons and Motives for Seedco's False Placement Practices

Witnesses stated to DOI investigators several reasons for why they believed they were instructed to capture placements of individuals who were already employed. While none of the witnesses interviewed stated that there was any kind of monetary incentive or other type of reward for making false placements, witnesses stated other reasons, as identified below:

- They were told that if they did not do this to meet the numbers, their jobs would be on the line.
- They were told that they must do what their supervisors told them to do, and cannot be insubordinate.
- They were told that they must hit the "green lights" in order to be awarded the City contract to operate the Bronx Workforce Center in January of 2011.

IX. Business Solutions Centers

DOI's investigation has found that the Seedco-operated Upper Manhattan and Lower Manhattan Business Solutions Centers were in violation of DSBS's written policies and procedures relating to the timely reporting of "job order referrals" in the Worksource1 database.¹³ DSBS's policy regarding entering "job order referrals" in Worksource1 requires that job order referral data be recorded in Worksource1 in "real time." However, DOI's investigation revealed that the Upper Manhattan and Lower Manhattan Business Solutions Centers and the Upper Manhattan Workforce Center were reporting job order referral data in Worksource1 in an untimely manner.

In particular, the Business Solutions Centers were requesting the Upper Manhattan Workforce Center to open job orders in Worksource1, not as they were committed to by the employer, but as Seedco determined it could fill them with placements, thereby manipulating its job fill rate to create the impression that it was achieving its targeted job fill rate as set by DSBS. This manipulation of Seedco's job fill rate demonstrates a lack of transparency and proper controls in Seedco's operation of both its Workforce and Business Solutions Centers. By not reporting job orders in Worksource1 in a timely manner as they were obtained from employers, the Business Solutions Centers and the Workforce Centers undermined the intent of the program by potentially limiting the ability of jobseekers and employers from accessing each other's employment needs and opportunities.

DOI first learned about potential issues with Seedco's Business Solutions Centers during interviews with Ana Marchany, who worked as an operations assistant at both the Upper Manhattan and Bronx Workforce Centers.

Marchany informed DOI that while working at the Workforce Centers she learned that some of the job orders and job placements that she was told had been obtained by Seedco's Business Solutions Centers were apparently false. Marchany described a method involving the Seedco-operated Business Solutions Centers by which Seedco identified currently employed jobseekers and reported them as job placements. In Marchany's role as the primary staff member at the Workforce Centers entering placements into Worksource1, it was her understanding that, if a Business Solutions Center had a targeted goal of job orders, but an employer was hiring less than that goal, then the Business Solutions Center would request that the Workforce Center create additional job orders. Both Centers would then use the employment information from individuals' who had previously obtained jobs to report them as placements to fill the job orders. According to Marchany, the Business Solutions Centers' job orders were sometime false, and that the Upper Manhattan Workforce Center sometimes used false

¹³ According to DSBS' Job Order Referral Policy, a "job order referral" is defined as any situation where the Workforce Center or Business Solutions Center business customer becomes aware of a potential job candidate after a "job order" is open. A "job order" is a commitment obtained by a Workforce Center or a Business Solutions Center from an employer to make a certain number of job vacancies available for potential jobseekers to fill.

placements to fill these false job orders. It was Marchany's understanding that this was done so that Seedco could enhance its overall job fill rate.

Marchany further stated that Alan Katz, the Business Services Manager of the Upper Manhattan Workforce Center, and Shamsudeen Mustafa, the Director of the Upper Manhattan Business Solutions Center, would meet privately at the Upper Manhattan Workforce Center towards the end of each quarter, when Seedco needed to meet its targeted goals in order to discuss job orders and placements. According to Marchany, after this meeting, Katz and Mustafa would ask her both verbally and via e-mail to open more job orders in Worksource1. According to Marchany, she received instructions regarding the particular employers for which she should open more job orders in Worksource1, and these employers were ones for which she was told that Seedco had already obtained job placements. Marchany further said that Mustafa would ask her to open more orders if the Business Solutions Centers were not meeting their targeted goals as set by DSBS.

In addition, Marchany told DOI that staff members from the Upper Manhattan Business Solutions Center would visit employers with whom they had relationships, and would offer Seedco's "Earned Benefits" services such as assistance with tax preparation, food stamp applications, and insurance. Seedco staff members from the Business Solutions Centers and the Workforce Center would ask current employees at the employers' job sites to complete CIFs, which the staff would bring back to the Upper Manhattan Workforce Center. The Workforce Center staff would then enter these completed CIFs into Worksource1 as Seedco placements even though Seedco had not provided the employees with any services prior to them getting hired. Marchany recalled several instances in which she was told to open additional job orders for employers with which the Business Solutions Centers said they had made placements. Marchany stated that in those instances, Seedco had not provided any services to the jobseekers prior to them obtaining employment, and that these were therefore false placements.

In May of 2009, DSBS issued a written policy regarding "job order referrals" which, among other requirements, states that "centers must carefully screen candidates *before* referring them to business customers." (Emphasis added). The policy clearly states that screening is an important first step in the process of referring candidates to jobs. In addition, a "referral" is defined as "any situation where the business customer becomes aware of a potential candidate *after* the job order is open." (Emphasis added). Furthermore, DSBS explicates the importance of timely data entry. "As much as possible, staff must enter referrals into Worksource1 in real time as they *meet* with the jobseeker When the referral cannot be entered immediately, it must be entered within one business day after the referral is made." (Emphasis added). "The accuracy and value of referral information depends on timely data entry of referrals and status updates."

Despite DSBS' explicit written guidelines regarding the proper method of entering job orders, referrals, and placements into Worksource1, DOI found clear evidence that the Seedco-operated Business Solutions Centers and Workforce Centers were in violation of these

guidelines. DOI's investigation revealed multiple e-mails which show that the Business Solutions Centers were requesting the Workforce Centers to open job orders *after* the Business Solutions Centers had claimed to have obtained job placements with various employers.¹⁴

DOI interviewed Deputy Commissioner Kamath in regards to the e-mails cited above. Kamath noted that some of the e-mails reflected that the Business Solutions Centers were communicating with the Upper Manhattan Workforce Center regarding placement numbers and job order numbers in the context of "CIFs." Kamath stated that based on proper DSBS job order referral policy, there is no reason why the number of job vacancies available from an employer would correlate with the number of CIFs possessed by the Centers.

Kamath also stated that these e-mails indicated a violation of DSBS' policy which requires that job order referral data be inputted in "real time." According to Kamath's review of the e-mails, the Upper Manhattan and Lower Manhattan Business Solutions Centers and the Upper Manhattan Workforce Center were reporting job order referral data in Worksource1 out of sequence. While it is not evident from the e-mails alone whether the job orders and job placements were false, it is evident that the Business Solutions Centers were asking the Workforce Center to open additional job orders in Worksource1, not as they were committed to by the employer, but as Seedco determined it could fill them with placements. The e-mails show that in doing this, Seedco was manipulating its job fill rate so that it could always appear that it was achieving its targeted job fill rate set by DSBS.

As part of the investigation, DOI interviewed current and former employees of the Seedco-operated Upper Manhattan and Lower Manhattan Business Solutions Centers. During the interviews, these employees detailed Seedco's practice of reporting job orders *after* having obtained placements for those job orders. However, these employees expressed that they were not aware that this practice violated DSBS's policies. In fact, some employees stated that they believed this was entirely proper and were not aware of any DSBS policy to the contrary. Indeed, an Account Manager from the Upper Manhattan Workforce Center and an Account Manager from the Upper Manhattan Business Solutions Center both told DOI, in separate interviews, that they thought job referrals and job placements could be entered on the same day, and that job candidates did not necessarily have to be screened by the Workforce Center before going directly to employers' own sites for screenings or new hire orientations. Because of this, they believed that it was entirely proper for Seedco to distribute CIFs at employers' sites for job candidates or newly hired employees to fill out. In addition, employees from the Business Solutions Centers stated that while this practice of reporting job orders, not as they were committed to by the employers, but only as they were filled with placements, benefited the Workforce Center by enhancing its job fill rate, it did not help the Business Solutions Centers whose performance was measured in part by the number of job orders it obtained per quarter.

¹⁴See E-mails #7, #8, #9, #11, Reply to #11, #12, Reply to #12, #13, and Forward of #13 discussed *supra*.

Employees from the Business Solutions Center explained that they needed the Workforce Center to open job orders in Worksource1 because they did not have access to do this in Worksource1 themselves.

It should be noted that DOI's investigation was not able to determine that the job orders and placements that the Business Solutions Centers' reported to the Upper Manhattan Workforce Center were false.¹⁵ Nonetheless, DOI did determine that the Business Solutions Centers and the Upper Manhattan Workforce Center did not timely report their job order referrals in the Worksource1 database. The consequence of the Business Solutions Centers and the Workforce Centers working together to manipulate Seedco's job fill rate was a reduction in the transparency of the entire Workforce Center-Business Solutions Center system. As Kamath explained to DOI, the only way to effectively serve New York City jobseekers and businesses is to have a transparent system so that there is an ability to match all of the existing job opportunities and jobseekers at any given time. Indeed, the evidence uncovered by DOI's investigation has demonstrated that by not reporting job orders, referrals, and placements in Worksource1 *as they were obtained*, the Business Solutions Centers and the Workforce Centers enhanced their actual performance indicators at the expense of jobseekers and employers who might have benefitted from more timely and accurate communication of each other's employment needs and opportunities.

X. Vendex Performance Evaluations of Seedco

In addition to receiving City contracts through DSBS, Seedco has received City contracts through the Department for the Aging (DFTA) and the Department of Youth and Community Development (DYCD). The City has filed 19 performance evaluations regarding Seedco from 2006 through June 2011, from the following agencies: DSBS (15), DFTA (1), and DYCD (3). Of the 19, one was a rating of "excellent;" 11 were "good,;" and 7 were "fair." Broken down by agency, DSBS issued 1 "excellent," 11 "good," and 3 "fair;" DFTA issued 1 "fair;" and DYCD

¹⁵ Although the investigation did not determine that the job orders and placements reported by the Business Solutions Centers to the Workforce Centers were false, the investigation nonetheless uncovered a practice whereby information provided by the Business Solutions Centers apparently resulted in improper placements for "paid training" being entered in Worksource1 by the Workforce Centers. Employees interviewed from the Upper Manhattan Business Solutions Center detailed that job placements were claimed where individuals had received paid training rather than actual employment. The Business Solutions Center employees expressed an understanding that paid training could always be reported as a placement, and knew of no other DSBS policy to the contrary. However, according to DSBS' written "Worksource1 Placement & Promotion Policy" dated October 25, 2011, an amendment was made to DSBS' existing policy to include the following requirement: the "jobseeker must have worked for one day or more in the position" and "job offers" where the candidate has only been trained but hasn't yet started the position cannot be entered as a placement." It is unclear whether DSBS had a written policy prohibiting this practice prior to the issuance of the October 2011 amendment.

issued 3 “fair.” Thus, the evaluations were: “excellent” ratings (5%); “good” ratings (58%); “fair” ratings (37%).

XI. Seedco’s Internal Investigation and Response

The following is a summary of the events relating to Bill Harper’s report to Seedco’s executive staff regarding allegations of false job placements in the Worksource1 database:

A. Bill Harper Reports His Allegations of False Placements to Seedco

Bill Harper informed DOI that in December 2010 he first learned that questionable job placements were being entered by Seedco staff into the Worksource1 database. However, according to Harper, he did not report this discovery to Seedco’s executive staff until approximately three months later when he discussed the issue with Seedco’s General Counsel Solomon Malach.¹⁶

On April 5, 2011, Harper met with Malach in order to report for the first time his discovery regarding questionable job placements.¹⁷ Harper informed DOI that he brought the matter to Malach’s attention pursuant to Seedco’s internal “Whistleblower Policy.” According to Harper, Malach told him that his allegations could have possible financial consequences for Seedco and that Malach needed to speak to Chief Executive Officer Barbara Gunn and review the contract.

Malach informed DOI that, at the April 5, 2011 meeting with Harper, Harper explained that he had learned that, during the last Quarter of 2010 and the first Quarter of 2011, Seedco had been reporting as job placements in Worksource1 positions that jobseekers had previously obtained prior to registering for services with a Workforce Center. According to Malach, following the April 5, 2011 meeting, Malach first informed Senior Vice President Francine Delgado and Gunn of Harper’s allegations.

On April 6, 2011, Malach sent a memo to Delgado and Gunn which discussed how job placements were addressed in Seedco’s Workforce1 contract that had been in effect through March 31, 2011. In the memo, Malach noted that the relevant definitions in the contract did not clearly provide that a person had to have found a job after registering for services with a Workforce 1 Center. Malach detailed that the contract only stated that the individual had to be employed ‘in a ‘Qualifying job’ any time during the first Quarter after their Exit Quarter and in

¹⁶According to DSBS Assistant Commissioner White, in early April of 2011, data reconciliation was completed each month for December 2010 through March 2011, the period during which Harper was aware that questionable placements had been claimed by Seedco in the Worksource1 database, but prior to when Harper reported the matter to Seedco’s executive staff. Therefore, during this period, inaccurate job placement numbers for the first quarter of 2011 had already been submitted by Seedco to DSBS.

¹⁷ In or about early April of 2011, just prior to Harper bringing forth his allegations against Seedco, Gunn asked Malach to resign as General Counsel for Seedco. However, Malach continued working at Seedco on a part-time basis (two days per week) until June 30, 2011.

the third quarter after Exit.” Malach further discussed that the related definition of “Qualifying Job” in the contract also did not address when an individual began working in the position. Malach stated that “Coupled with the fact that we were to provide Intensive Services to those who were already employed, but who needed services in order to retain employment, it is plausible to argue that we might have had the right to claim outcomes for those who were already in jobs when they enrolled with us on the assumption that we provided services that allowed them to retain such positions.” After reviewing relevant contract sections, Malach concluded “Thus, a strict reading of the agreement would allow us to claim as ‘Adults Entering Employment’ anyone who already had a job as long as the hours and pay were high enough when they registered for our services even though they did not find the position through us and the position was not found by the individual after registration with us. It is plausible to argue that this was intentional on the part of DSBS because it could be assumed that we provided services that allowed the individual to retain their position.”

On April 8, 2011, Harper met with Delgado in order to discuss his concerns regarding job placements. According to Harper, during this meeting he explained to Delgado that he had found falsified job placements in Worksource1 based on the fact that jobseekers’ previously obtained jobs were being reported as job placements by Seedco. According to Harper, at this meeting, he brought with him approximately 400 CIFs that he had found from which the jobseekers’ previously obtained employment information was entered into Worksource1 as a placement. Harper stated that he informed Delgado at this meeting that he had identified two general categories of false placements that Seedco was reporting in Worksource1: 1) the entry of a jobseeker’s current employment as a placement; and 2) the entry of a jobseeker’s prior employment (where the jobseeker was no longer employed at the position) as a placement. According to Harper, Malach joined this meeting with Delgado, and stated in substance that the Workforce Center contract between DSBS and Seedco did not define what constituted a “job placement” and that it would not be a violation of the contract for Seedco to claim as a placement anyone who had previously obtained a job at which he or she was currently employed at the time that he or she registered with the Workforce Center.¹⁸ According to Harper, he indicated at the April 8, 2011 meeting that he disagreed with Malach’s interpretation of the contract.

During interviews with DOI, Seedco senior executives had differing recollections regarding the nature and scope of the allegations reported by Harper in early April 2011.

Malach recalled to DOI that at this meeting Harper had concerns with two types of placements that Seedco was reporting in Worksource1: 1) placements where a jobseekers’ previously obtained job at which the individual was still currently employed was reported; and 2) placements where a jobseekers’ previously obtained job at which the individual was no longer employed was reported. According to Malach, based upon his interpretation of the contract,

¹⁸As discussed above, on April 6, 2011, Malach prepared a memorandum to Gunn, copying Delgado, in which he set forth his interpretation of the existing Workforce1 Career Center Agreement (in effect from April 1, 2004 to March 31, 2011). In his interview with DOI, Malach maintained this interpretation of the contract.

Seedco was permitted to enter as a placement a jobseeker's current employment. However, Malach acknowledged that the contract did not allow for entering a jobseeker's prior employment as a placement. Malach further acknowledged that the contract did not allow for current or prior employment to be entered as a placement if Seedco staff had created a fictitious "job start date" in Worksource1 compared to the "job start date" indicated by the jobseeker in their CIFs.

Delgado informed DOI that her primary recollection of Harper's allegations during the April 8, 2011 meeting was that he identified a "problem with dates" regarding job placements entered into the database. Delgado further remembered that Harper had brought numerous CIF forms to this meeting which he claimed had resulted in improper placements being entered into the Worksource1 database. Specifically, Delgado recalled that Harper alleged that there were a number of CIFs where the dates on the jobseekers' signature line on the CIFs post-dated the "job start" dates for the jobseeker's placement entry in Worksource1. Delgado further said that while Harper's allegations indicated a possibility of fraud, Seedco's primary focus was to initially determine if the inconsistencies were intentional, or if they were caused by external factors, such as the fact that Seedco had recently hired new staff that were not properly trained in what constituted a placement under the contract. Delgado stated that she did not remember Harper ever raising the issue of "dates" being *manipulated* in the database by including fictitious job start dates which differed from the information on a jobseeker's CIF. According to Delgado, she only recalled the issue of "dates" being *inconsistent* between the CIF and the database. Delgado acknowledged to DOI that based upon her understanding of Seedco's Workforce 1 contract with DSBS, the contract did not allow a jobseeker's previously obtained employment at which the individual was no longer employed to be counted as a job placement. Delgado further acknowledged that the contract would not allow for either category of placements if Seedco had created false "job start dates" in Worksource1 compared to the "job start dates" indicated by the jobseeker on their CIFs.

Paul Schuchert, Seedco's Chief Financial Officer, informed DOI that he first learned about Harper's allegations from Delgado following her meeting with Harper. According to Schuchert, Delgado told him that Harper had alleged multiple inconsistencies in the database where the signature dates on CIFs post-dated the "job start" dates entered into Worksource1. Schuchert further recalled that Delgado had shown him a copy of one of the many CIF forms that Harper had brought to her attention, which he reviewed in order to familiarize himself with what a CIF was because he had never seen one before.

Gunn recalled to DOI that her first recollection of Harper's allegations was that Delgado and Malach informed her that a Seedco employee named Bill Harper had reported that he had found "data inconsistencies" in Worksource1. Gunn stated that she did not know Harper, but was told by Delgado and Malach that Harper was in charge of tracking Worksource1 data. Gunn further recalled learning that Harper was being disciplined around the time that he reported the data inconsistencies for unrelated irregularities relating to the falsification of a Seedco purchase

order for a set of chairs. Gunn stated that, based upon her initial conversations with Delgado and Malach regarding Harper's allegations, Gunn believed that Harper was concerned about being disciplined and, therefore, had decided to report his concerns regarding the data inconsistencies in Worksource1. According to Gunn, after learning of Harper's allegations, she instructed Delgado and Malach to take the allegations seriously and to conduct a thorough review of the matter. In the days following Harper's allegation, Gunn held multiple meetings with Delgado and Malach in which Gunn's developed an overall understanding of the allegation to be that there were inconsistencies in how placements were being entered into Seedco's database system, and that the staff "seemed confused about data entry" procedures regarding the reporting of job start dates. Based upon this understanding, Gunn directed Delgado and Malach to review Seedco's contract with DSBS in order to provide a definition of "job placement" and investigate the lack of knowledge at the Centers regarding what constituted a legitimate placement under the contract. Gunn emphasized that Harper's allegations of "data inconsistencies" were not initially characterized to her as fraud, but rather as primarily a training issue regarding the proper definition of a placement under the contract¹⁹

B. Seedco's Response to Bill Harper's Allegations

On April 11, 2011, a meeting was held at Seedco's executive office to discuss Harper's allegations. Malach, Delgado, Schuchert, and Valerie Vilsaint, an attorney in Seedco's General Counsel's Office, were present. At the meeting, Seedco assembled an internal audit team to review job placements in Worksource1 and a separate team to conduct an internal investigation of the allegations.²⁰ The methodology for the internal investigation involved two separate tasks: 1) Seedco's fiscal team would conduct an audit of the CIFs and Worksource1 data to determine if there were inaccuracies in the data reported in Worksource1; and 2) Seedco's legal department would conduct interviews of staff members at both the Upper Manhattan and Bronx Workforce Centers to determine the current practices at the Workforce Centers regarding the reporting of job placements in Worksource1, and to determine whether Harper's allegations could be substantiated by other staff members.

On April 13, 2011, DSBS Deputy Commissioner Kamath received a phone call from Delgado notifying her that Seedco had discovered "data inconsistencies" concerning job placements due to the new staff at both the Upper Manhattan and Bronx Workforce1 Centers. According to Kamath, during this conversation, Delgado informed her that Seedco would conduct an internal audit of the data inconsistencies and report back to DSBS on their findings

¹⁹Gunn informed DOI that Malach had told her that Harper did not meet the criteria set forth in Seedco's "whistleblower" policy because Harper had first reported his allegations in late 2010 to his supervisor, Rick Greene at the Workforce Center, rather than to the General Counsel Malach, in accordance with Seedco's Whistleblower Policy. Gunn stated that she relied on Malach's judgment because he was the General Counsel. However, both Malach and Delgado testified that Harper was treated as a "whistleblower" under Seedco's Whistleblower Policy.

²⁰ According to Malach, because he had resigned from Seedco and was only working part-time, Gunn determined that Delgado would supervise the internal investigation of Harper's allegations and would work with Schuchert and lawyers from Seedco's General Counsel's office to conduct the investigation.

within a couple of weeks. Kamath further recalled that during this call Delgado declined DSBS' offer of assistance with the review of the data inconsistencies and Delgado indicated that the inconsistencies potentially resulted from training issues with new staff. Kamath told DOI that as a result of Delgado's characterization of the problem, she believed that Seedco's audit of the Worksource1 data was routine.

Delgado generally confirmed to DOI Kamath's recollection of the April 13, 2011 telephone conversation. Delgado further added that a secondary purpose of her phone call to Kamath was to request permission from DSBS for Seedco to conduct the internal audit. When Delgado was asked by DOI investigators why she did not report the full extent of Harper's allegations to DSBS, Delgado stated that a decision had been made by Gunn, Malach, and Schuchert to not report the full nature of Harper's allegations because the allegations had not yet been investigated and substantiated. According to Delgado, Gunn directed her to merely report to DSBS that Seedco had been made aware of "potential data inconsistencies" and that Seedco wanted permission from DSBS to conduct an internal audit. In addition, according to Delgado, Gunn told her that because Harper was a "whistleblower," it was not proper to fully report the allegations and identify Harper to DSBS as the complainant until the allegations were investigated.

During Gunn's interview with DOI, Gunn denied directing Delgado not to report the full extent of Harper's allegations to DSBS. According to Gunn, she instructed Delgado to know the facts and to be sure she knew what she was reporting to DSBS. Gunn further added that she told Delgado that although Harper was not a whistleblower, Delgado should still not mention his name to DSBS – or when discussing the issues internally within Seedco – in order to protect him from any sort of retaliation or harassment.

On April 13, 2011, Schuchert commenced the audit of job placement data in the Worksource1 database. Seedco retained the services of four temporary workers to assist Schuchert in the audit by creating spreadsheets which compared data from Worksource1 with information from CIFs. Schuchert stated that in conducting the audit, he was given the specific task of comparing the signature dates from jobseekers' CIFs to the "job start" dates listed in the corresponding placement information in Worksource1. According to Schuchert, he was never asked to compare the employer information as indicated in the "Work History" section of the jobseekers' CIFs to the employer information as indicated in the corresponding placement entry in Worksource1. According to Schuchert, prior to beginning the audit he was never told that Harper had alleged that jobseekers' previously obtained jobs were being reported as new Seedco job placements in Worksource1. Schuchert emphasized that the specific issue he was asked to audit – based on what he was told were Harper's allegations – was whether there were in fact inconsistencies in the signature dates on the CIFs as compared to "job start" dates in Worksource1, such that Seedco was reporting placements that it should not have. Schuchert explained that he was given what he was told were all of the available CIF forms in both the Upper Manhattan Workforce Center and the Bronx Workforce Center. He was also given an

electronic copy of all of the reported placement data in Worksource1 for the first quarter of January 1, 2011 through March 31, 2011. Schuchert explained that he first had the four temporary workers match the jobseekers' names from the CIFs to the Worksource1 database, and if there was a match, he had them enter the CIF information into a separate spreadsheet. Schuchert said that if the signature date on the CIF was later than the "job start" date for the corresponding placement in Worksource1, that placement was highlighted as questionable placements.

Following the creation of the spreadsheets, Schuchert conducted a preliminary analysis and found "potential issues" with 283 placements from the Upper Manhattan Workforce Center, and 70 placements from the Bronx Workforce Center. Schuchert also found no duplicate placements from the Upper Manhattan Workforce Center and 8 duplicate placements from the Bronx Workforce Center. According to Schuchert, he presented his preliminary findings to Gunn, Delgado, and Vilsaint after which he was instructed to meet with Alex Saavedra in order to review all the placements that he had identified as having "potential issues." Schuchert's understanding was that because Saavedra had relevant programmatic and operational knowledge of the Workforce Centers as a Director, Saavedra was asked to review Schuchert's audit findings in order to determine how many of the placements with "potential issues" should actually not have been reported to DSBS.

Schuchert stated that he and Saavedra subsequently reviewed the questionable placements. According to Schuchert, Saavedra explained to him during the review the different points in time at which a jobseeker could properly be asked by the Workforce Center to fill out a CIF. Given the parameters set by Saavedra, Schuchert explained that he and Saavedra reviewed the CIFs for each of the placements, and ultimately determined that there were "potential issues" with only 46 placements from the Upper Manhattan Workforce Center, and 10 placements from the Bronx Workforce Center. Schuchert and Saavedra also determined that there were no duplicate placements from the Upper Manhattan Workforce center, and only 6 duplicate placements from the Bronx Workforce Center.

Schuchert explained to DOI that his audit had focused on the particular issue of whether there were inconsistencies in the signature dates on the CIFs as compared to the "job start" dates in Worksource1. Therefore, Schuchert believed that further investigation would need to be done in order to determine if there truly was an issue of intentional falsification of placement data. Schuchert stated that he and his fiscal staff did not have the programmatic and operational knowledge of the Workforce Centers to be able to do this.

Malach informed DOI that he recalled that the results of Seedco's audit revealed two categories of inaccurate placements. According to Malach, the first category consisted of placements that were based on previously obtained jobs at which jobseekers were still currently employed – which Malach believed did not violate the contract. The second category consisted

of placements that were based on previously obtained jobs at which jobseekers were no longer employed – which Malach firmly stated was not permissible under the contract.

Delgado stated that Saavedra and Schuchert reviewed all the placements with “potential issues” that were initially identified by Schuchert’s audit of CIFs and Worksource1 database entries – of which there were hundreds, and ultimately determined that the only placements which had “potential issues” were the approximately 60 placements that Seedco identified for DSBS. Delgado stated that she had no knowledge that Seedco found “false” placements in Worksource1 during the audit. According to Delgado, the placements with “potential issues” were still considered “inconsistencies” and not “false” placements because Seedco had not found a pattern as to how or why these were reported as placements

Gunn also recalled that Saavedra played a role in Seedco’s audit of the placement data. Gunn said that Saavedra and Schuchert jointly reviewed the problematic placements identified by the preliminary comparison between Worksource1 and the CIFs and they determined that only approximately 60 placements should be reported to DSBS as improper. Gunn further said that she was not advised that Seedco’s audit had found “false” placements entered into Worksource1.

On April, 25, 2011, Delgado reported back to Kamath that Seedco had completed its review of the data inconsistencies which had been previously reported to DSBS by Seedco. According to Kamath, Delgado told her that Seedco had reviewed 547 CIFs and had found that approximately 60 of those CIFs had administrative data input inconsistencies, which they asked DSBS to remove from the Worksource1 database. Kamath further recalled that Delgado told her that 90% of their staff was new, and that Seedco’s data inconsistencies were due to inadequate training of the new staff members who were unaware of the policies regarding job placements, specifically self-placements and “work history.” According to Kamath, Delgado further told her that Seedco had already trained the new staff, resolved the problem, and did not believe there would be any further issue going forward. Kamath informed DOI that when she asked whether Seedco would need any additional training, Delgado stated that Seedco was confident that their internal audit and training were successful.

On April 26, 2011, an all-staff meeting was held by Delgado at the Upper Manhattan Workforce Center in order to address placement data entry problems and the need for training among staff members. According to Harper, he was present at this meeting. Harper recalled to DOI that at this meeting Delgado told the staff that she had notified the City about the discovery of data entry problems at the Workforce Centers. On this same day, Harper stated that a Taskforce meeting was set up in order to address placement data entry issues. According to Harper, after this meeting, he asked for a transfer within Seedco; he was told no other position was available, and resigned by June 2011.

On April 27, 2011, Vilsaint sent an e-mail to Gunn, copying Delgado, summarizing the findings of Seedco's internal investigation. The e-mail indicated that Seedco had interviewed twenty staff members from the Upper Manhattan and Bronx Workforce Centers with regards to the data entry process. Vilsaint's e-mail informed Gunn and Delgado that data entry staff at both Workforce Centers stated that Alan Katz, as Director of Recruitment and Placement, had given them instructions to enter placements incorrectly. Vilsaint's e-mail further stated that the staff members identified which instructions they received from Katz that they believed were incorrect, but that Katz denied giving those instructions. The e-mail further informed Gunn and Delgado that at both Workforce Centers, there was a lack of clarity surrounding the definition of "placement," and that the data entry staff was not closely supervised by management. Moreover, Vilsaint's e-mail informed Gunn and Delgado that there was an overall lack of training for data entry staff and managers on how to enter data into the SBS Worksource1 database system, and that there was no internal audit process within the Seedco-operated Workforce Centers to ensure that information was being accurately reported into the SBS Worksource1 database.

On April 29, 2011, Delgado sent an e-mail to Kamath in which she reiterated the information provided during their April 25, 2011 phone call regarding the audit. However, Delgado's e-mail to Kamath failed to mention that staff members at both Workforce Centers had stated that Alan Katz instructed them to enter placements incorrectly. Delgado's email merely stated that the 60 inaccurate placements, which Seedco asked DSBS to remove from the placement data, were a due to a training issue. Delgado informed DOI that the reason that the allegations against Katz which were raised during the interviews conducted by Seedco legal staff were not reported to DSBS was because Katz had denied the allegations, and thus, Seedco believed that the allegations were merely a "he said she said" circumstance that was uncorroborated. However, Delgado told DOI that she had advised Gunn and Malach that Katz and other Seedco staff involved in entering improper placements in Worksource1 should have been terminated, but her position was "overruled" by the rest of the executive staff.

Gunn likewise recalled that Seedco's interviews of Workforce Center staff had developed uncorroborated "he said she said" information regarding the entry of improper placements in Worksource1 at the direction of Katz. Gunn stated, however, that upon learning of the allegations against Katz, she asked her senior staff if disciplinary action was warranted against Katz and other Workforce Center staff based upon the information developed during the interviews, but she was told that Seedco could not discipline Katz and the other staff based merely on the uncorroborated conflicting statements.

During the course of the investigation, several high-ranking DSBS executives, including Kamath, told DOI that prior to August 2011, DSBS was never informed by Seedco of the full scope of Harper's allegations or of the information regarding potentially falsified job placements which was developed during Seedco's investigation of Harper's allegations. According to DSBS, in early August of 2011, the agency learned from a *New York Times* reporter that Harper had

identified as many as 400 fraudulent placements to Seedco in April 2011. The *New York Times* reporter identified a “former Deputy Director” of Seedco as the source of information.

On August 5, 2011, in a phone conversation with Delgado, Kamath asked whether Bill Harper was the “former Deputy Director” cited to by the *New York Times* reporter. Both Kamath and Delgado told DOI that it was during this conversation that for the first time Delgado confirmed that Bill Harper had made the allegations, and explained, also for the first time, that Harper had internally reported his allegations of 400 fraudulent placements to Seedco and claimed to be a “Whistleblower.”

On August 8, 2011, DSBS referred the issue of potential fraudulent job placements by Seedco in the Worksource1 database to DOI for investigation.

On August 9, 2011, the *New York Times* published an article about Harper’s allegations against Seedco, in particular, that Seedco had reported hundreds of false job placements to DSBS that were based on jobseekers’ previously obtained employment. Also on August 9, 2011, Seedco sent a detailed e-mail response to the *New York Times*, but *made no reference* to the information contained in the April 27, 2011 e-mail regarding the contention that Katz had instructed staff to enter placements incorrectly, as well as the inadequacies in the management and training of the data entry process. Instead, in its response to the *Times*, Seedco disputed the allegations asserted in Powell’s article as untrue, and stated that “[t]here were absolutely no fraudulent placements, and Seedco’s internal audit and investigation of the reporting discrepancies found no evidence whatsoever that 60 reports containing inaccuracies are the result of any fraud.”

In August 2011, after the August 9, 2011, *New York Times* article appeared in the paper, DSBS sought clarification from Seedco regarding the findings of Seedco’s audit because Seedco had only identified 60 problematic placements, while Harper had alleged 400 fraudulent placements. Kamath stated that she had conversations with both Delgado and Schuchert in which they explained that Harper alleged many inconsistencies between the dates that appeared on the CIFs and the “job start” dates that appeared in Worksource1. Kamath stated that Seedco explained that they reviewed the CIFs that Harper gave them in order to determine whether any of the inconsistencies were due to sloppiness, poor practices, wrong training instructions given to staff, or suspected fraud. In addition, Kamath was informed that Seedco interviewed staff members at both Workforce Centers. Kamath recalled that Delgado and Schuchert told her that the 60 problematic placements identified to DSBS consisted of placements where the employment information on the jobseekers’ CIF did not match the employment information in the Worksource1 data entry for that placement, and thus there was no explanation as to how this occurred. According to Kamath, Delgado and Schuchert informed her that Seedco’s audit produced no inconsistencies indicative of fraud as Harper had alleged and, because of this, Seedco never believed that there was any fraud, but rather, just data inconsistencies. Kamath further stated that Delgado had told her that Harper had reported his allegations as a

“whistleblower” and, because of this, Seedco did not report any of his allegations to DSBS or to DOI in order to protect Harper’s confidentiality and protect him from any adverse personnel action. However, Delgado told Kamath that Seedco has since realized that they should have told DSBS and DOI of all this information.

Schuchert told DOI that after the *New York Times* article was published, he met with Kamath and other DSBS officials and informed them that his April 2011 audit had only focused on inconsistencies in dates, and not on employment information reported in CIFs compared to employer information reported in Worksource1. Schuchert further explained to DSBS at this meeting that his audit employed this methodology based on what he was told at that time about Harper’s allegations.

C. Seedco’s Personnel Actions

In October 2011, Seedco terminated Rick Greene, Alan Katz,²¹ Monique Tarry, Ana Marchany, Candice Perkins, Jaclyn Wolfman, and Jaclyn Hoffman.

In November 2011, Seedco terminated Mitchell McClinton.

In January 2012, Francine Delgado was transferred out of her role as Senior Vice President for New York City Programs to a new division of Seedco, where she is involved in national policy work. On March 2, 2012, Delgado resigned from Seedco.

In late February 2012, Seedco terminated Andy Marmolejos and Tage Chandarpaul. In September 2011, Seedco removed Saavdera from his position as Director of the Bronx Workforce Center, however, Seedco transferred him to the position of Vice President of Community Based Programs at Seedco’s corporate office, assigning him to operate another City contract for HRA. On March 2, 2012, Saavdera resigned from Seedco. Santiago-Velez resigned on March 7, 2012.

XII. False Job Placements in Worksource1 During the Course of DOI’s Investigation

On February 24, 2012, DOI was informed by DSBS that - despite DOI’s ongoing investigation relating to improper job placements by Seedco in the Worksource1 database - DSBS had identified 12 false placements by Seedco which were entered into the database in February 2012.

During the investigation, as discussed *supra*, DOI identified a Seedco practice which generated numerous false placements involving placements entered into Worksource1 from CIFs obtained at employer orientation sessions from new hires who had not received services at a Workforce Center. On February 24, 2012, DSBS notified DOI that, at a Burlington Coat Factory

²¹ It was subsequently determined that Alan Katz has been hired by a non-profit that has City contracts including with HRA. This was reported to the appropriate City officials and Katz’s involvement with any City contracts is a matter under review.

new hire orientation in mid-February 2012 at the Bronx Workforce Center, Seedco obtained CIFs from 12 newly hired Burlington Coat Factory employees who had not received services from Seedco, and subsequently entered information from the CIFs into Worksource1 as a Seedco placement.

DOI was further informed by DSBS that, on February 15, 2012, prior to the Burlington Coat Factory orientation session, a DSBS official had a conversation with Andy Marmolejos, Seedco's Business Services Manager at the Bronx Workforce Center, during which DSBS specifically instructed Marmolejos that it was not proper to hand out CIFs to all of the newly hired employees at the orientation - unless the employees could identify themselves as previously registered Workforce Center members. After the orientation sessions, DSBS checked Worksource1 and determined that Seedco had nonetheless entered additional referrals to the Burlington Coat Factory job order. Marmolejos subsequently denied to DSBS that the referrals entries were for employees who had just attended the employer's orientation that day, and stated that they were most likely referrals that Seedco had made in the previous week, but that Seedco had not timely entered into Worksource1.

DSBS' subsequent review of Worksource1 indicated that Seedco had reported a total of 20 Seedco placements for newly hired Burlington Coat Factory employees, when Seedco had actually only provided services to 8 of these employees prior to them being hired by Burlington Coat Factory - thereby resulting in 12 false job placements in Worksource1.

In late February 2012, Marmolejos was terminated by Seedco.

XIII. Conclusion

Seedco, a national non-profit organization founded over 25 years ago, has contracts in numerous states that provide services related to job and economic opportunities for individuals, businesses and communities in need. DOI's investigation was primarily focused on two DSBS Workforce Center contracts Seedco has with the City of New York. Throughout this investigation, Seedco and its attorneys provided extensive documents, information and witnesses. Seedco has taken full responsibility for the issues with the DSBS contracts, removed participants involved and changed supervisory personnel. Seedco and its Chief Executive Officer have also taken other remedial steps as a result of this investigation, among them, the hiring of an experienced compliance officer and the establishment of an ethics hotline. DSBS has five vendors holding nine contracts for 15 centers. Seedco has two of the nine contracts for two centers.

DOI's investigation substantiated almost 1,400 false, duplicate or questionable job placements during 2010-11, generated by the Seedco-operated Upper Manhattan and Bronx Workforce Centers based on documents that were remaining and available for this investigation. Specifically, From the available documents, DOI determined that the Seedco-

operated Upper Manhattan and Bronx Workforce Centers reported more than 525 false job placements to DSBS during the reporting period of January 1, 2011 to August 8, 2011. Given that CIFs were shredded up until February of 2011, these findings are limited by the data made available to DOI, and do not necessarily represent the total number of false placements during the reporting period of January 1, 2011 to August 8, 2011. In addition, DOI determined that Seedco falsely reported numerous job placements with employers such as The Royal Care Home Health Services, New York City Department of Parks and Recreation, Le Pain Quotidien Bakery and Restaurant, Legends Hospitality, LLC, Eataly, Fairway Market, and Ricky's retail store.

Moreover, DOI found that for the reporting period of January 1, 2010 to December 31, 2010, Seedco's Upper Manhattan Workforce Center reported 295 entries in the Worksource1 database where the jobseeker's name appeared as a placement twice. For the reporting period of January 1, 2011 to August 8, 2011, the Upper Manhattan Workforce Center reported 105 such entries, and the Seedco-operated Bronx Workforce Center reported 144 such entries. While many of these jobseekers who were entered into Worksource1 twice for the exact same jobs, the job start dates were slightly different, and some of the entries were jobseekers who were entered twice, but for different jobs.

In addition, DOI found that Seedco reported more than 320 questionable placements during the reporting period of January 1, 2011 to August 8, 2011, where the jobseekers' "start date" of employment in Worksource1 was *prior* to the date that appeared on the jobseekers' CIFs.

As described above, Seedco developed systematic practices to report false placements to DSBS. DOI determined that Seedco employed various methods by which to collect information from individuals' previously obtained employment, and report this employment information as Seedco job placements to DSBS. Multiple Seedco personnel carried out this practice at both the Upper Manhattan Workforce Center and Bronx Workforce Center and, in so doing, processed, directed, and/or had knowledge of the reporting of false job placements to DSBS.

Additionally, DOI found that the Seedco-operated Upper Manhattan and Lower Manhattan Business Solutions Centers and the Upper Manhattan Workforce Center were not reporting their job order referrals in Worksource1 in a timely manner. The Business Solutions Centers regularly requested the Upper Manhattan Workforce Center to open job orders *after* the Business Solutions Centers had claimed to have obtained job placements with various employers. This enabled Seedco to manipulate its job fill rate to make it appear that Seedco was meeting its target job fill performance goals.

Recent performance data provided to DOI by DSBS indicates a significant decrease in Seedco's reported job placements in the year 2011, especially during the last quarter of 2011, which coincides with the timing of DOI's investigation. That drop may reflect what had been the use of false or improper placements to meet metrics and targeted placement goals.

Even so, despite DOI's investigation, an employee of Seedco was recently discovered to have perpetuated one of its regular practices of obtaining false placements. In mid-February of 2012, at a new hire orientation event for Burlington Coat Factory, Seedco obtained completed CIFs from newly hired employees who had never received services from Seedco prior to getting hired, and reported these employees as Seedco job placements in Worksource1. Seedco has terminated an employee involved in that activity.

While DOI has not yet determined a dollar amount of fraud or potential fraud associated with the number of identified false placements, Seedco's false reporting of placements does implicate the amount of payment that Seedco will receive, or has already received, under its DSBS contracts. If the veracity of Seedco's reported number of placements for the time periods in question has not yet been determined by DSBS through DSBS' external data verification process, the consequence of Seedco inflating their placement numbers is that Seedco could potentially receive – or could already have received – “performance-based” payments under its contracts with DSBS that it was not entitled to receive. In effect, Seedco's false reporting of placements mischaracterized the actual services Seedco provided such that Seedco could claim “performance payment” credit even though these services would typically be paid for under the “cost reimbursement” provision of the contracts.

Contractual monetary values aside, there are potentially greater consequences to Seedco's improper practices at its Workforce Centers and Business Solutions Centers. Seedco's failure to accurately and timely report its true performance in providing employment services to jobseekers and employers in New York City has resulted in a reduction in the transparency of the Seedco-operated Workforce Center-Business Solutions Center program. The goal of DSBS' Workforce Centers and Business Solutions Centers is to effectively serve New York City jobseekers and businesses by matching as many existing job opportunities and jobseekers at any given time. DOI's investigation has determined that Seedco falsely enhanced its actual performance indicators at the expense of jobseekers and employers who could have benefitted from more timely and accurate awareness and communication of each other's employment needs and opportunities.

XIV. Policy and Procedure Recommendations for DSBS

Based upon the findings in this investigation, DOI makes the following recommendations to DSBS:

- DSBS should establish a single/unified written policy and procedure manual regarding the operation of the Workforce1 Career Centers. This manual should be accessible to all Workforce1 Career Center staff via both a hard copy and electronic format at the centers. All amendments to the manual should be done in written updates. Moreover, whenever an update to the manual is issued by DSBS, an email and written notification should be distributed to all Workforce1 Career Center staff. Vendors must adhere to those policies

and procedures in the manual, and if they have questions about a policy, practice or procedure, they must raise those questions with DSBS in a prompt fashion.

- DSBS's Data Verification Policy for job placements entered into Worksource1 should be augmented to require that the Workforce Centers ensure the veracity of the reported placements by determining that reported placements were in fact obtained through services provided by the Workforce Centers. The better practice would be to make payment to the vendor conditioned on validation by the employer.
- The policy and procedure violations found in the aforementioned Seedco contracts with DSBS, including false job placements, give rise to integrity, performance and supervision issues. DSBS must decide whether to sever or maintain its contracts with Seedco, however, if Seedco continues as a vendor on these contracts, it must be with a monitor supervised by DOI at Seedco's expense so as to ensure integrity of procedures and adherence with proper policies.
- DSBS should confer with the Human Resources Administration regarding a contract that HRA has with N-PAC, a subsidiary of Seedco, for the *Back to Work* program administered by HRA. N-PAC has utilized various subcontractors in connection with their HRA contract, which should be part of the discussion between DSBS and HRA.
- While Seedco has terminated most of the participants in the improper practices and their supervisors, the City should take a careful look at the leadership structure of the relevant components of the organization and request any additional personnel actions needed/appropriate.
- As it relates to the contracts for the Business Solution Centers, the investigation of the Workforce Center contracts yielded a question about certain practices of the Business Solutions Centers, whose contracts are connected to the Workforce Centers. Findings showed that Business Solutions Centers data must be reported in a timely fashion to the Workforce Centers so that the Workforce Centers and DSBS can match jobseekers with all available employment opportunities. The investigation found that, contrary to contract requirements about timeliness, data was being reported on a lagging basis, which could result in the loss of job opportunities for jobseekers, and it created a lack of transparency and accountability in the Business Solutions Centers' records. The City can consider undertaking an audit of the Business Solutions Center contracts to further review their activities.
- Any vendor that knows of a claim of impropriety relating to a City contract, must promptly make a full and complete report of the allegation to the vending agency; City

agencies will then be facilitated in their existing obligation to report such allegations to DOI.

- DSBS has asked DOI to conduct corruption prevention lectures for its vendors.