



OFFICE OF MANAGEMENT
& ENTERPRISE SERVICES

Galt Foundation

State Use Audit

Audit and Internal Investigations

Report Released: December 2015

Audit Performed by
JoRay McCoy, Director
Brittany Porter, Lead Auditor
Zachary Ornelas, Auditor

Table of Contents

AUDIT HIGHLIGHTS.....	3
OVERVIEW	3
APPENDIX.....	8
EXECUTIVE SUMMARY	8
TRANSMITTAL LETTER	9

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AUDIT HIGHLIGHTS

Galt Foundation – State Use Audit — Release Date **(Dec. 14, 2015)**

Overview

This audit was performed pursuant to Title 74 §3001 to 3010 and the Oklahoma Administrative Code 304:10. Our audit was to determine if the state use vendor complied with the state use laws and regulations during the period of Jan. 1, 2014 to Dec. 31, 2014.

On Jan. 31 of each year the vendor is required to provide to the state use office a report of all hours contracted statewide. The hours contracted should reflect that 75 percent of services provided are from an individual with a disability. The 2014 report provided by the vendor indicated 49 percent, which is 26 percent below the necessary 75 percent. The following statement was placed on the report by the vendor, “*Due to database and payroll software transition that began in 2014 and continues into 2015, the information reported is subject to revision.” No revision of the 2014 report was submitted.

To review the full details and management’s response click on the following link to the detailed audit finding: [Finding GALT -01](#)

The audit report will be forwarded to the state use administration and the state use committee. An audit of 2015 state use compliance reports may be performed.

DETAILED FINDING

Finding GALT-01

Condition: We engaged in an audit with Galt Foundation, a state use vendor, to determine if the vendor met the state use qualifications during calendar year 2014. Galt Foundation submitted their labor hours 2014 report to the state use administration Jan. 30, 2015. The data reported for the labor hours of the individuals with disabilities and the individuals with non-disabilities are noted below:

- Labor Hours (Disabled): 131,208.40*
- Labor Hours (Non-Disabled): 134,150.31*

The percentage of labor hours of disabled to total labor hours is 49 percent, which is 26 percent below the necessary 75 percent. The following statement was placed on the report by the vendor, “*Due to database and payroll software transition that began in 2014 and continues into 2015, the information reported is subject to revision.” No revision of the 2014 report was submitted.

Upon request, Galt did not provide supporting documentation for the 2014 report. We were unable to determine the accuracy of the report.

A “notice to cure” was issued to Galt Foundation Feb. 26, 2015, with the opportunity to correct said deficiencies within 30 days. No additional letters or action by Office of Management and Enterprise Services (OMES) or state use committee was noted.

No report or letter was provided to indicate action upon the vendor related to the 2014 report. We were unable to determine how the vendor remained eligible with the program when the annual report indicated non-compliance with the eligibility requirements.

Cause: The vendor stated they were going through a legacy data migration with both their database and payroll systems in 2014. The old computer software did not report data properly between the database and payroll systems causing corruption, system failing and an inability to update.

Effect or Potential Effect: The vendor may not be eligible as a state use vendor. There is no verification that the data reported in the 2014 compliance report is accurate.

Criteria: Oklahoma State Use Administrative Rules 304:10-1-3. **Qualifications** states in part:

(d) **Continuation of qualification.** By January 31st of each year succeeding initial qualification by the Committee, the qualified organizations shall provide evidence to the Committee of continued ability to qualify as follows:

(1) A qualified nonprofit agency for the severely handicapped shall submit:

(B) a report for products and services on the Committee’s procurement schedule indicating the qualified nonprofit agency for the severely handicapped’s total labor hours in direct production by disabled workers and total agency labor hours in direct production by non-disabled workers during the previous calendar year.

(e) **Failure to meet qualifications.** Whenever a qualified organization fails to meet qualifications, the Committee may:

- (1) Remove the qualified organization’s products and services from the procurement schedule; or,
- (2) Revoke the qualification of the qualified organization.

(f) **Notice of failure to meet qualifications.** The Committee shall direct the contracting officer to send written notice to the qualified organization at least thirty days prior to the effective date of the action taken pursuant to subsection (e) of this section.

Oklahoma State Use Administrative Rules 304:10-1-2. **Definitions** states:

‘Qualified nonprofit agency’ for the severely handicapped means a nonprofit agency which is certified as a sheltered workshop by the wage and hour division of the U.S. Department of Labor and employing severely disabled persons who constitute at least seventy-five percent (75%) of the personnel engaged in direct production of products or services offered by the agency for procurement by this state. [75 O.S., Section 3003(3)]

Oklahoma State Use Administrative Rules 304:10-1-11. **Reports** states:

(a) **Failure to provide reports or documentation.** Reports or documentation requested from a qualified organization by the Committee through the contracting officer, shall be completed within thirty (30) days of the date requested. The Committee may cancel contracts of otherwise qualified organizations who fail to provide reports, documentation or information required by utilization terms of contract.

(b) **Sales to political subdivisions other than the state.** A qualified organization shall provide a quarterly report of purchases made by a political subdivision, excluding state agencies, from a contract the Committee awards. The report shall include:

- (1) the name and address of each political subdivision;
- (2) total amount of sales made to each political subdivision.

(c) **Notice of contract cancellation.** The Committee shall direct the Contracting Officer to send written notice to a qualified organization at least thirty days prior to the cancellation date of a contract pursuant to subsection (a) of this section.

Recommendation: We recommend Galt to be compliant with the requirements and implement controls to properly maintain supporting documentation for the reports they provide to the State Use administration.

We also recommend the state use administration to create and implement a formal process for addressing state use vendors who do not meet the eligibility requirements on the annual report. This process should include a follow-up with the vendor and possible verification of documents that support the compliance reports when necessary. We also recommend the state use administrator to document the actions taken by the state use committee in relation to the annual report.

Management’s Response:



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galtfoundation.org

November 9, 2015

JoRay McCoy, CFE, MAFF, CPO
OMES Auditing and Internal Investigations
P.O. Box 53218
Oklahoma City, OK 73152-3218

Dear Mr. McCoy,

I am responding in writing to the findings and recommendations in the *Audit Finding Input Sheet 2015*. I understand that your agency is charged with gathering all the facts and reporting your findings. I would like to clarify some of the findings to ensure the whole story is accurately recited.

- 1) The *Audit Finding Input Sheet 2015* stated that no revision was submitted for our compliance report. During the calendar year of 2014, Galt Foundation began database and payroll software and associated hardware migration from 14+ year old DOS based systems that was corrupting data, to a web based system. Galt Foundation continually communicated the migration status to the OMES State Use office before, during, and after the transition. When the 2014 compliance report was due for submission to the State Use office, Galt Foundation was in the middle of this transition. Galt Foundation was forced to make a decision to either submit a compliance report using the old database and payroll software systems with damaged data, or to not submit a report at all. The latter was not an option. Galt Foundation submitted the compliance report using the damaged data from the old corrupted software systems on January 30, 2015 with an explanation asterisk (*). After the required report was submitted, Galt Foundation requested a meeting with the State Use office prior to receipt of a *Letter to Cure* to further clarify the submitted report and discuss the next steps. Galt Foundation was represented at this meeting by the Executive Director, Director of Oklahoma Operations, and a member of our Board of Directors. The meeting was held at the State Use office with the State Use Administrator on February 27, 2015. The secondary purpose of the meeting was to express the Foundation's commitment to cleaning up the damaged data and demonstrate ongoing compliance.

The next steps outlined and required by the State Use Administrator included a revised compliance report which included data utilizing the new database and payroll systems from January 1, 2015 and a one page summary of the software and hardware transition due by March 27, 2015. The *Letter to Cure* was received on February 26, 2015 with a response due by

March 27, 2015. As requested by the OMES State Use office, the revised compliance report and summary was completed and re-submitted to the State Use office on March 17, 2015.

- 2) The *Audit Finding Input Sheet 2015* stated, "Galt did not provide supporting documentation." Supporting documentation for the compliance report was requested by the Audit and Internal Investigation office on June 24, 2015. Galt Foundation provided the new compliance report as well as the supporting data documentation on that same day the request was received (June 24, 2015) in order for the Audit and Internal Investigations office to verify the accuracy of the data. No further request was made by the Audit and Internal Investigations office.
- 3) The *Audit Finding Input Sheet 2015* stated, "No additional letters were documented by the Office of Management and Enterprise Services or the State Use Committee." Due to Galt Foundation's proactive approach to setting up a meeting with the State Use office prior to the Notice to Cure even being drafted, a course of action for Galt Foundation was defined at that meeting. That meeting was conducted by the State Use Administrator on February 27, 2015, in order to outline the required next steps. The State Use Administrator's required action was a revised compliance report from Jan. 1 utilizing compliance related data collected and reported by the new software systems, and a one page summary of the software and hardware transition by March 27, 2015. Outside of the technology migration issue in 2014, the data reported from the new software systems would be accurate and confirmation of ongoing compliance. Though no formal letters were documented by OMES, this information was provided to the State Use office on March 17, 2015 and demonstrated continued compliance.
- 4) The *Audit Finding Input Sheet 2015* stated, "No report or letter was provided to indicate action upon the vendor related to the 2014 report." On March 18, 2015, the State Use Administrator provided e-mail confirmation that Galt Foundation did provide the required documents and met compliance.

Galt Foundation has maintained continual contact with the OMES State Use office throughout the software and hardware migration in order to maintain transparency. With the new software and hardware systems, the Galt Foundation is now able to report compliance related data in real time to the State Use office. The State Use office acknowledged Galt Foundation's compliance with direct labor hour requirements. We respect the State Use law and abide by the letter and intent of this important legislation that has enabled thousands of Oklahomans with disabilities to find fulfilling employment.

Respectfully,



Stephen Mock
Executive Director

cc. Hope Crumley, Director of Oklahoma Operations
Galt Foundation Board of Directors

APPENDIX

Methodology

- Interviews were conducted with the state use vendor's staff members.
- Overall program compliance with the state use laws and rules promulgated thereto were evaluated.

EXECUTIVE SUMMARY

Organization: Galt Foundation

Mission Statement: We are a charitable nonprofit organization. Our mission is to provide, promote, and expand employment opportunities for individuals with disabilities and other vocational barriers. The objective is to work toward a diverse and inclusive employment community that leads to self-sufficiency and decreases reliance on tax supported programs and services.

We actually give a hiring preference to individuals with disabilities. We provide employment services to literally thousands of individuals with disabilities, and have been "Raising the Bar on Employment Diversity" since 1999. We're proud of the assistance we have provided in helping individuals with disabilities change their lives.

Overview: Galt is a 501(c)(3) nonprofit organization that provides temporary staffing services through their offices in Portland, Salem and Eugene, Oregon; and Oklahoma. They provide employment opportunities to more than 1,400 individuals each year.

Key Staff: (during the Audit Period)

Stephen Mock, Executive Director

Hope Crumley, Director of Oklahoma Operations

TRANSMITTAL LETTER

TO, STEPHEN MOCK, EXECUTIVE DIRECTOR OF GALT FOUNDATION

With this letter, we transmit the report of the Galt Foundation's audit for the period Jan. 1, 2014, to Dec. 31, 2014.

We performed the audit to ensure the Galt Foundation's vendor qualifications as administered by the Oklahoma State Use office are compliant with laws and regulations.

The accompanying report presents our findings and recommendations, as well as management's responses and corrective action plans. This report is available to the public on the Office of Management and Enterprise Services website, <http://www.ok.gov/OSF/Audit>.

Respectfully,

Carol McFarland
Director, Performance and Efficiency Division