

Full Performance Evaluation

The Wheels to Work Program

The Wheels To Work Program Cost Approximately \$24 Million And Fifty-Three Percent Of the Participants Received Title to a Vehicle.

Several Factors Show A Lack Of Proper Oversight Of The Wheels To Work Program By The Department Of Health and Human Resources.

The Charleston Gazette Was Overly Simplistic in Stating that the Wheels to Work Program Could Have Purchased New Vehicles At the Same Cost For Those Who Completed the Program.



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July 25, 2004

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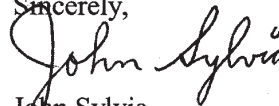
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Dear Chairs:

Pursuant to the West Virginia Sunset Law, we are transmitting a Full Performance Evaluation of the *Department of Health and Human Resources' Wheels to Work Program*, which will be presented to the Joint Committee on Government Operations on Sunday, July 25, 2004. The issues covered herein are "The Wheels To Work Program Cost Approximately \$24 Million And Fifty-Three Percent Of the Participants Received Title to a Vehicle;" "Several Factors Show A Lack Of Proper Oversight Of The Wheels To Work Program By The Department Of Health and Human Resources;" and "The Charleston Gazette Was Overly Simplistic in Stating that the Wheels to Work Program Could Have Purchased New Vehicles At the Same Cost For Those Who Completed the Program."

We transmitted a draft copy of the report to the Department of the Health and Human Resources on July 7, 2004. We held an Exit Conference with the Department of Health and Human Resources on July 12, 2004. We received the agency response on July 15, 2004.

Let me know if you have any questions.

Sincerely,

John Sylvia

JS/tlc

Joint Committee on Government and Finance

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Executive Summary

Issue 1 The Wheels To Work Program Cost Approximately \$24 Million and Fifty-Three Percent Of The Participants Received The Title To A Vehicle.

The Wheels to Work program was created to assist low-income individuals to purchase vehicles for transportation to work or a training/educational activity. The program cost approximately \$23,566,473 in federal grant money to operate. The breakdown of the costs is as follows: vehicle purchases (\$7,639,324); vehicle insurance (\$5,882,671); vehicle repairs and maintenance (\$3,506,875); and administrative costs (\$6,537,603). Wheels to Work was operated by four nonprofit organizations: the Human Resources Development Foundation in Morgantown; Community Action of South Eastern West Virginia in Bluefield; Community Resources, Inc. in Parkersburg; and Potomac Highland Support Services in Petersburg. A total of 3,647 clients were referred to the nonprofit organizations, while 3,280 vehicles were purchased for the program at an average cost of \$2,329 per vehicle. Of the 3,647 referred clients, 2,890 individuals entered into a lease for a vehicle. Of those individuals who had a lease, 1,535 received the titles to their vehicle, for a 53% completion rate.

A total of 3,647 clients were referred to the nonprofit organizations, while 3,280 vehicles were purchased for the program at an average cost of \$2,329 per vehicle.

In reviewing other states that have similar programs, the Legislative Auditor found that smaller programs seem to have higher completion rates per individual. While West Virginia's Wheels to Work program was awarding an average of 963 vehicles annually, Maryland and New Hampshire's programs were much less than that at 400 and 25 vehicles annually respectively. As a result, Maryland's program had a 90% completion rate, while New Hampshire's was 96%. The Legislative Auditor also discovered that programs in other states require participants to receive training and educational courses to prepare them to be responsible car owners.

The Legislative Auditor also discovered that programs in other states require participants to receive training and educational courses to prepare them to be responsible car owners.

Issue 2 Several Factors Show A Lack Of Proper Oversight Of The Wheels To Work Program By The Department of Health and Human Resources.

The Legislative Auditor discovered several factors that show a lack of oversight and monitoring by the Department of Health and Human Resources. The factors include: inconsistent data reported; giving vehicles to participants who did not complete the terms of their lease; and not having stringent guidelines for participants entering the program. The Legislative Auditor is concerned that the inconsistent data could result in fraudulent activities

involving hundreds of thousands of federal taxpayers dollars.

The Legislative Auditor identified three potential effects from a lack of oversight by the Department of Health and Human Resources: unaccounted for program resources; abuse and potential fraudulent activities; and wasteful spending. For example, originally DHHR claimed that there were 151 remaining vehicles in loaner pools. Then in March 2004, DHHR reported that there were 197 vehicles. This is a difference of 46 vehicles. In monetary terms, with the average cost per vehicle being \$2,329, this a difference of \$107,134. The Department of Health and Human Resources should maintain better oversight of federal grant appropriations to minimize the possibility of fraudulent activities, unaccounted for program resources, and wasteful spending.

The Legislative Auditor identified three potential effects from a lack of oversight by the Department of Health and Human Resources: unaccounted for program resources; abuse and potential fraudulent activities.

Issue 3 The Charleston Gazette Was Overly Simplistic in Stating That The Wheels To Work Program Could Have Purchased New Vehicles at The Same Cost For Those Who Completed the Program.

The *Charleston Gazette* ran a series of published articles about the Wheels to Work program. One article claimed that the program could have purchased new vehicles for program participants instead of the used vehicles that were bought. The *Gazette* stated:

A new Toyota Echo. That's what the state could have bought for every low-income West Virginian who ended up owning a car through the Wheels- to-Work program."

The Legislative Auditor's analysis finds that it would not have been possible to purchase new vehicles without a substantial increase in federal appropriations, or a decrease in the amount of recipients.

Recommendations

1. *The Legislative Auditor recommends that the Department of Health and Human Resources implement more direct oversight over the new donated car program to ensure the program is effective.*

-
2. *The Department of Health and Human Resources should consider requiring program participants to receive more training and educational courses to prepare them to be responsible car owners while under the terms of the program.*
 3. *The Legislative Auditor recommends that the Department of Health and Human Resources maintain better oversight of federal grant appropriations in the future to ensure that federal grant dollars are appropriated accurately, and to minimize the possibility of fraudulent activities and unaccounted for program resources.*

Review Objective, Scope and Methodology

This Full Performance Evaluation of the Department of Health and Human Resources is required and authorized by West Virginia Sunset Law §4-10-4 of the West Virginia Code, as amended.

Objective

The objective of this review is to examine the cost of the Wheels to Work program and to review DHHR's oversight.

Scope

The scope of this review covers the entire history of the Wheels to Work program, which was June 2000 to February 2004. A financial audit of this program was not conducted.

Methodology

Information in this report was compiled from interviews, conversations, and correspondence with DHHR; a review of financial schedules of Wheels to Work program expenditures compiled by DHHR; and a comparison of programs in other states. Every aspect of this review complied with Generally Accepted Government Auditing Standards (GAGAS).

Issue 1

The Wheels To Work Program Cost Approximately \$24 Million And Fifty-Three Percent Of Participants Received Title to a Vehicle.

Issue Summary

The Wheels to Work program was a federally funded leased vehicle program intended to give individuals public assistance to purchase a vehicle for transportation to work or a training/educational activity.

The Wheels to Work program was created to assist low-income individuals to purchase vehicles for transportation to work or a training/educational activity. Throughout the course of its existence, the program cost approximately \$23,566,473 in federal grant money to operate. While 3,280 used vehicles were purchased for the program, 2,890 individuals entered into leases and received at least one vehicle (some participants received more than one vehicle due to vehicle failures). Furthermore, of the 2,890 individuals receiving at least one vehicle, 1,535 completed the terms of the program and claimed ownership of their vehicle, for a 53% completion rate.

Wheels to Work Program Background

The four nonprofit groups were: the Human Resources Development Foundation (Morgantown); Community Action of South Eastern West Virginia (Bluefield); Community Resources Inc. (Parkersburg); and Potomac Highland Support Services (Petersburg).

The Wheels to Work program began in May 2000 and continued until February of 2004. It was a federally funded leased vehicle program intended to give individuals public assistance to purchase a vehicle for transportation to work or a training/educational activity. DHHR's *WV Income Maintenance Manual* stated that:

The purpose of WV WHEELS is to assist in eliminating transportation as a barrier by providing the client with an opportunity to contract with a vendor to lease a vehicle and own it after the contract is satisfied.

Federal funds were obtained by the Department of Health and Human Resources and distributed as grant money to four nonprofit groups who administered the program. The four nonprofit groups were: the Human Resources Development Foundation (Morgantown); Community Action of South Eastern West Virginia (Bluefield); Community Resources Inc. (Parkersburg); and Potomac Highland Support Services (Petersburg). During its existence, Wheels to Work cost approximately \$8 million per year to run.

The four nonprofit groups purchased used vehicles that were then rehabilitated by mechanics contracted by the groups. The vehicles were then made available on a lease-to-own basis to low-income individuals referred by the Department of Health and Human Resources. The program provided insurance coverage and payment for major repairs during the 24 month

term of the lease. Repairs determined to be caused by abuse or neglect were not covered and were the responsibility of the lessee. When the lease expired, provided the individual made all payments, the title of the car was transferred to the individual for ownership.

According to financial data provided to the Legislative Auditor for each of the four nonprofit groups, an estimated \$23,566,473 in total grant money was used to operate the Wheels to Work Program throughout its existence.

According to the Human Resources Development Foundation, if individuals leasing vehicles did not make their lease payments to their respective nonprofit group on time, they received notices of late payments. After two missed payments, if the individual did not contact the leasing nonprofit group, steps were taken to repossess the vehicle.

Wheels to Work Cost an Estimated \$23,566,473

According to financial data provided to the Legislative Auditor for each of the four nonprofit groups, an estimated \$23,566,473 in total grant money was used to operate the Wheels to Work Program throughout its existence. A breakdown of the costs is provided in Table 1. Of the total amount of grant money disbursed, \$17,028,870 was used by the nonprofit groups for purchasing the vehicles, repairs and maintenance to the vehicles, and insurance for the vehicles. The remaining \$6.5 million was used for administrative costs. By June 30, 2003, a total of 3,280 vehicles were purchased for the program at an average cost per vehicle of \$2,329. Therefore, the total estimated cost to purchase the used vehicles was \$7,639,324. Under the lease agreements, insurance and repairs for the vehicles were covered. According to the financial data, \$5,882,671 was spent on vehicle insurance, while \$3,506,875 was used to repair the vehicles.

By June 30, 2003, a total of 3,280 vehicles were purchased for the program at an average cost per vehicle of \$2,329. Therefore, the total estimated cost to purchase the used vehicles was \$7,639,324.

Vehicle purchases	\$7,639,324
Vehicle insurance	\$5,882,671
Vehicle repairs/maintenance	\$3,506,875
Administrative costs	\$6,537,603
Total Cost of Program	\$23,566,473
<i>Source: The Department of Health and Human Resources</i>	

Administrative costs for the program totaled \$6,537,603. With the four nonprofit groups combined, salaries and benefits came to a total of \$3,395,593.

Administrative costs for the program totaled \$6,537,603. Salaries and benefits for staff accounted for approximately one-half of the total administrative expenses. With the four nonprofit groups combined, salaries and benefits came to a total of \$3,395,593. A breakdown of the salaries and benefits for each individual group is provided in Table 2. The Legislative Auditor found that the highest salary paid from the grant money was to a program manager in the amount of \$42,214 and that the average salary for all program employees was \$10,376. The Legislative Auditor only reviewed the salaries that were paid from the grant program. Other administrative costs included staff travel, communications expenses, rental space, printing costs, etc.

	Salaries	Benefits	Total
Community Resources, Inc.	\$408,794	\$81,163	\$489,957
Potomac Highlands Support Services	\$1,137,181	\$334,418	\$1,471,599
Human Resource Development Foundation, Inc.	\$662,934	\$266,689	\$929,623
Community Action of South Eastern WV, Inc.	\$381,832	\$122,582	\$504,414
Totals	\$2,590,741	\$804,852	\$3,395,593
<i>Source: The Department of Health and Human Resources</i>			

Altogether, 3,647 clients (including denials) were referred to the Wheels to Work program by DHHR and 2,890 of them entered into lease agreements for at least one vehicle (some received more than one due to vehicle failures). When asked how many program participants received more than one vehicle due to vehicle failures, the Deputy Secretary for Administration within the DHHR responded:

“Approximately 90 customers received more than one vehicle, the primary causes of which were mechanical problems and customer dissatisfaction with vehicle dependability.”

Of the 2,890 participants receiving at least one vehicle, 1,535 participants completed the program and the vehicle title was transferred to the participant.

The average amount of money spent on each individual participating in the program was \$8,154.

This translates into a 53% completion rate for participants completing the program. The average amount of money spent on each individual participating in the program was \$8,154. Table 3 provides a summary of the participants and vehicles under the supervision of each individual nonprofit group, while Table 4 displays the total average costs per participant. Average costs per participant include the vehicle purchase price; repairs and maintenance costs; insurance premium costs; and administrative costs. Three thousand two hundred and eighty (3,280) vehicles were purchased at an average cost of \$2,329. Table 4 shows that the vehicle purchase price per participant was an average of \$2,643. This average is higher than the average cost per vehicle, since there were more vehicles purchased than participants.

Table 3 Summary of Participants and Vehicles					
WVDHHR Region Served*	Region 1	Region 2	Region 3	Region 4	Total
Summary of participants:					
Referred to program	1,039	627	823	1,158	3,647
Leases	760	611	559	960	2,890
Completed Leases	399	352	313	471	1,535
Summary of vehicles:					
Purchased Vehicles					3,280
Placed in service for program	817	634	668	1,160	3,280
Transferred titles	399	352	313	471	1,535
*Region 1- Community Resources, Inc. Region 2- Human Resource Development Foundation, Inc. Region 3- Potomac Highlands Support Services Region 4- Community Action of South Eastern West Virginia, Inc.					
<i>Source: The Department of Health and Human Resources</i>					

Table 4 Average Costs Per Participant	
	Average Cost Per Participant
Vehicle Purchase Price	\$2,643
Repairs/Maintenance Costs	\$1,213
Insurance Premiums	\$2,036
Administrative Costs	\$2,262
Total Average Costs	\$8,154
<i>Source: PERD Analysis of Department of Health and Human Resources Data</i>	

The Legislative Auditor discovered that several other states administer programs similar to West Virginia's Wheels to Work program. For example, Maryland and New Hampshire operate programs that have the same intentions as West Virginia's Wheels to Work.

Similar Programs in Other States

The Legislative Auditor discovered that several other states administer programs similar to West Virginia's Wheels to Work program. For example, Maryland and New Hampshire operate programs that have the same intentions as West Virginia's Wheels to Work. Maryland's Vehicles for Change and New Hampshire's Wheels to Work, both seek to help low-income citizens acquire personal transportation with the hopes that the transportation will aid the individual in obtaining employment.

While similar in their goals and missions, programs in other states have significant differences in the way they operate. Whereas West Virginia's program must spend money to purchase used cars, Maryland's Vehicles for Change is a donated car program.

While similar in their goals and missions, programs in other states have significant differences in the way they operate. Whereas West Virginia's program must spend money to purchase used cars, Maryland's Vehicles for Change is a donated car program. According to its web site, businesses and individuals donate cars to the program. The vehicle is then taken to the Vehicles for Change garage where it is inspected and potentially repaired. Qualified recipients are identified through "social service" type agencies and are screened to meet income and employment requirements. Recipients buy their vehicle for an average of \$825 with a Vehicles for Change guaranteed loan, which helps them to establish credit. Each recipient also receives a six-month warranty to insure the car remains operable. An estimated 400 cars were awarded in 2003.

New Hampshire's Wheels to Work program, like Vehicles for Change, is also a donated car program. However, instead of vehicles being donated by businesses and individuals, the vehicles are donated by local car dealerships from throughout the state. In return for donating the vehicles to the program, car dealers receive state business credits totaling 75% of the wholesale value of the vehicle.

In comparing Maryland and New Hampshire's programs with West Virginia's program, the Legislative Auditor found that West Virginia's Wheels to Work awarded a significantly higher amount of vehicles annually than that of the other two programs.

Other states had higher program completion rates with their vehicle programs than West Virginia. In West Virginia, 53% of participants completed the terms of their lease. In contrast, for Vehicles for Change in Maryland about 90% of participants completed the terms of their lease, while in New Hampshire's Wheels to Work program, about 96% of the participants completed the program.

Maryland and New Hampshire show possible proof that reducing the number of participants in the program has potential benefits.

In comparing Maryland and New Hampshire's programs with West Virginia's program, the Legislative Auditor found that West Virginia's Wheels to Work awarded a significantly higher amount of vehicles annually than that of the other two programs. During its three years of operation, West Virginia's Wheels to Work leased 2,890 vehicles. This calculates into an estimated 963 vehicles per year compared to Maryland's 400 in 2003 and the New Hampshire program's 25 cars annually. Additionally, in a comparison of 16 other similar programs nationwide, those programs averaged an estimated 197 vehicles being awarded annually, with the least number of vehicles awarded being three and the greatest number being 1,820.

Other states had higher program completion rates with their vehicle programs than West Virginia. In West Virginia, 53% of participants completed the terms of their lease. In contrast, at Vehicles for Change in Maryland about 90% of participants completed the terms of their lease, while in New Hampshire's Wheels to Work program, about 96% of the participants completed the program. While the higher completion rates could be due to the significantly smaller size of the other programs, the program philosophy in West Virginia was to assist as many people as possible, thus taking on more risk than programs in other states. These smaller programs require more screening of applicants to determine individuals that would be more likely to complete the program. Thus, if Maryland and New Hampshire were awarding as many vehicles as the West Virginia program, then their completion rates may have been lower.

Maryland and New Hampshire show possible proof that reducing the number of participants in the program has potential benefits. In addition to stricter client screening, a smaller program is more conducive to better monitoring, it increases communication lines between the vendors and the participant, and is easier to administrate and keep accurate records. DHHR should consider reducing the number of participants it allows to participate in future Wheels to Work type programs in order to create a more effective program.

Training and Education For Participants Could Lead to A More Successful Program

Prior to signing a lease, participants in the Wheels to Work program were required to attend a four hour Defensive Driving course. Other training and educational elements could have included personal financial management courses (to prepare clients to successfully complete a long-term payment plan); and basic auto maintenance courses (to prepare them to take proper care of their car so it will run better and longer). West Virginia's Wheels to Work

program did not offer these two additional courses, and other states have indicated that training and educational courses have improved their programs. DHHR should consider providing more training and educational courses in future Wheels to Work type programs in order to possibly have a higher completion rate.

Conclusion

The Wheels to Work program began in May of 2000 with the goal of providing public assistance to low-income individuals to purchase vehicles, thus enabling individuals to get to work or a training/educational activity. When the program ended in February of 2004, **53%** of program participants completed the terms of their lease and had the vehicle's title transferred to their name. By training and educating the participants through the courses mentioned in the issue, there is greater potential to have a higher completion rate. However, since the termination of Wheels to Work, a donated car program similar to the likes of Maryland and New Hampshire has been created. It is the opinion of the Legislative Auditor that the new program should be closely monitored by the Department of Health and Human Resources to ensure that a higher percentage of participants complete the program.

DHHR should consider providing more training and educational courses in future Wheels to Work type programs in order to possibly have a higher completion rate.

Recommendations

1. *The Legislative Auditor recommends that the Department of Health and Human Resources implement more direct oversight over the new donated car program to ensure the program is effective.*
2. *The Department of Health and Human Resources should consider requiring program participants to receive more training and educational courses to prepare them to be responsible car owners while under the terms of the program.*

Issue 2

Several Factors Show A Lack Of Proper Oversight Of The Wheels To Work Program By The Department Of Health and Human Resources.

Issue Summary

In conducting this review, the Legislative Auditor discovered several factors that show a lack of oversight and monitoring by the Department of Health and Human Resources. These factors include: inconsistent data reported, not being able to provide specific information upon request, giving vehicles to participants who did not complete the terms of their lease, and not having stringent guidelines for participants entering the program. The Legislative Auditor is particularly concerned that the inconsistent data could reflect fraudulent activities involving hundreds of thousands of federal taxpayer dollars. This also raises the question regarding DHHR's oversight of other state and federal grant programs.

One of the concerns against DHHR regarding the Wheels to Work program has been the lack of oversight on its part.

One of the concerns against DHHR regarding the Wheels to Work program has been the lack of oversight on its part. The Legislative Auditor found this concern to be relevant because of several factors which are as follows:

DHHR may not have been stringent enough on the criteria for allowing an individual to participate in the program.

- Inconsistent data were provided to the Legislative Auditor relating to the number of participants and the status of vehicles purchased (discussed in detail below).
- DHHR gave the vehicles to participants who were still under lease when the program was discontinued. In addition, the Department has not provided the Legislative Auditor with the number of participants for which this applied.
- DHHR may not have been stringent enough on the criteria for allowing an individual to participate in the program. For example, 30 vehicles were either stolen or the client could not be located. This amounts to a vehicle purchase cost of approximately \$69,870. The criteria as shown in Appendix C only required an individual to have the ability to pay and also be absent of a criminal driving record. Furthermore, DHHR presented evidence

The Legislative Auditor found significant inconsistencies with the information that was provided by the Department of Health and Human Resources and the nonprofit groups that operated the Wheels to Work program.

of vehicles being abused and neglected by the recipients to a Legislative Oversight Committee in November of 2003. Had the criteria been more stringent to enter the program, these irresponsible recipients could have potentially been eliminated for eligibility.

DHHR's Data Have Been Inconsistent During the Review of the Wheels To Work Program

Over the course of this review, the Legislative Auditor found significant inconsistencies with the information that was provided by the Department of Health and Human Resources and the nonprofit groups that operated the Wheels to Work program. From the number of program participants receiving vehicles, to the number of vehicles on hand at the completion of Wheels to Work, the inconsistency in reporting these figures **seem to indicate a lack of oversight, monitoring, and/or communication between DHHR and the four nonprofit groups.**

In November 2003, DHHR reported that 3,036 participants received vehicles. In March 2004, DHHR reported that 2,890 participants received vehicles.

During the November 2003 legislative interim meetings, the Department of Health and Human Resources reported to the Legislative Oversight Committee on Workforce Investment for Economic Development that a total of 3,036 participants received vehicles through Wheels to Work. Of the 3,036 participants, 2,264 obtained jobs, and 772 received training. When the Legislative Auditor asked DHHR's Deputy Secretary how many participants received a leased vehicle, the response was 2,986. This is a difference of fifty vehicles. **Put in monetary terms, with the average cost of each vehicle being \$2,329, that is a difference of \$116,450.** In March 2004, a spreadsheet submitted by DHHR reported 2,890 participants receiving vehicles.

Another inconsistency discovered by the Legislative Auditor was the number of vehicles on hand at the completion of the Wheels to Work program. In a response dated January 27, 2004, the DHHR claimed that there were 151 remaining in unleased vehicles and loaner pools. In a spreadsheet provided in March 2004 by DHHR, it was reported that there were 197 vehicles on hand. This is a discrepancy of 46 vehicles. In monetary terms as above, with the average cost of a vehicle being \$2,329 **this comes to a difference of \$107,134.** Most recently, DHHR provided the Legislative Auditor with information stating that there were 200 vehicles remaining. Given the limited number of vehicles purchased and number of participants, proper oversight and reporting procedures would suggest that DHHR should have

had more accurate data at an earlier point in time instead of several months after the program ended.

Potential Effects From A Lack of Oversight By DHHR

The two examples of inconsistencies in the previous section show a lack of oversight by DHHR. Given the inconsistent numbers, the Legislative Auditor can not say for sure that any of the numbers are completely accurate. The Legislative Auditor has used recent data provided by DHHR, but DHHR officials have indicated that **the information provided is not audited and the numbers are subject to adjustment.**

Given the inconsistent numbers, the Legislative Auditor can not say for sure that any of the numbers are completely accurate.

As a result of this lack of oversight, the Legislative Auditor has identified 3 potential effects that have or may have occurred. The potential effects are:

- unaccounted for program resources;
- abuse and potential fraudulent activities;
- wasteful spending.

Conclusion

The Legislative Auditor identified three examples that show insufficient oversight by DHHR regarding the Wheels to Work program. Notably, DHHR provided the Legislative Auditor with inconsistent data relating to the program throughout the course of the review. The Legislative Auditor finds that the inconsistent data regarding the Wheels to Work Program from DHHR to be a concern. Inconsistencies in the numbers suggest mismanagement, and reflect the potential for unaccounted for program resources, abuse and potential fraudulent activities, and wasteful spending. The Department of Health and Human Resources should have better oversight of federal taxpayer dollars by managing and tracking federal grant appropriations and improving communication with nonprofit groups to ensure that all data on future programs are more centralized and accurate.

Recommendation

3. *The Legislative Auditor recommends that the Department of Health and Human Resources maintain better oversight of federal grant appropriations in the future to ensure that federal grant dollars are appropriated accurately, and to minimize the possibility of fraudulent activities, unaccounted for program resources, and wasteful spending.*

The Charleston Gazette Was Overly Simplistic in Stating that the Wheels to Work Program Could Have Purchased New Vehicles At the Same Cost For Those Who Completed the Program.

Issue Summary

The *Charleston Gazette* ran a series of published articles about the Wheels to Work Program. In one particular article, the *Gazette* stated that the Wheels to Work Program could have purchased new vehicles for participants, instead of the used vehicles that were purchased. The Legislative Auditor's analysis finds that it would not have been possible to purchase new vehicles for the Wheels to Work program without a substantial increase in federal appropriations, or a decrease in the number of recipients.

After the consideration of a variety of factors, the Legislative Auditor finds that new vehicles could not have been purchased for the Wheels to Work program.

In November and December of 2003, the *Charleston Gazette* ran a series of articles concerning the Wheels to Work program. In an article dated December 22, 2003, the *Gazette* stated:

“A new Toyota Echo. That’s what the state could have bought for every low-income West Virginian who ended up owning a car through the Wheels-to-Work program.”

The article continued by stating that the program instead spent \$10,700 per person to put people in used vehicles. It is the opinion of the Legislative Auditor that these statements are misleading. After the consideration of a variety of factors, **the Legislative Auditor finds that new vehicles could not have been purchased for the Wheels to Work program at the same cost that used vehicles were purchased and repaired.**

According to the numbers provided to the Legislative Auditor, the *Gazette's* figure of \$10,700 is slightly inaccurate, although that may not be the fault of the *Gazette*, but a result of inaccurate information from the Department of Health and Human Resources. In order to come up with the \$10,700 figure, it appears that the *Gazette* analysis took the approximate \$24 million in total grant money used to operate Wheels to Work and divided that by 2,230, the number of people reported by the *Gazette* who ended up receiving the title to their vehicle.

According to more recent figures provided to the Legislative Auditor, the actual number of people who received the title to their vehicle after completing the two year lease agreement was 1,535, as stated earlier

While the base price of a new Toyota Echo may have been \$10,700, it seems the Gazette analysis failed to consider adding in insurance rates for new vehicles with “high risk” drivers and damage repairs and maintenance to the vehicles caused by participants. Additionally, the Gazette did not consider administrative costs.

In order to purchase 3,280 (the number of vehicles purchased by the program) new Toyota Echos at \$10,700 per vehicle, it would have cost the program \$35,096,000, which is an increase of approximately \$28,000,000 from the cost of the used vehicles.

in this report. While the base price of a new Toyota Echo may have been \$10,700, it seems the *Gazette* analysis failed to consider adding in insurance rates for **new** vehicles with “high risk” drivers and damage repairs and maintenance to the vehicles caused by participants. **Additionally, the Gazette did not consider administrative costs.** Once these additional costs are included with the actual cost per individual in the program, it is evident that Wheels to Work would have needed either more funds or less recipients in order to have purchased new vehicles.

In order to purchase 3,280 (the number of vehicles purchased by the program) new Toyota Echos at \$10,700 per vehicle, **it would have cost the program \$35,096,000**, which is an increase of approximately \$28,000,000 from the cost of the used vehicles. To add in the insurance costs for the new Toyota Echos, the Legislative Auditor obtained an auto insurance quote from Geico Direct. For a 36 year old male, unemployed, with a high school degree and no prior car insurance, Geico Direct quoted a price of \$3,534 annually for a new 2004 Toyota Echo. This would bring the total insurance costs for the 2,890 program participants to \$10,213,260, nearly doubling the original amount. Overall, maintenance costs would have decreased since new vehicles would have been under warranty, but any damage to a new vehicle caused by the program participant would have been more expensive to repair than that of the used vehicles. Table 5 below displays the cost of purchasing new Toyota Echos as stated by the Gazette, and by the analysis of the Legislative Auditor. With this analysis, **the Legislative Auditor maintains that the Wheels to Work program could not have purchased the same amount of new vehicles with the grant appropriations that were provided.**

	Purchase of Vehicles	Maintenance Costs	Insurance	Administrative	Totals
Used Vehicles	\$7,639,324	\$3,506,875	\$5,882,671	\$6,537,603	\$23,566,473
New Vehicles	\$35,096,000	\$0*	\$10,213,260	\$6,537,603	\$51,846,863

**Since new cars would still be under warranty, the only required maintenance would be basic oil change service. A local Jiffy Lube provided PERD with the estimate of \$28 for a two-wheel drive economy car's basic oil change and lube services. The Legislative Auditor assumes that the program participants would cover this cost. This total does not include maintenance costs for new vehicles damaged by the program participants.*

Conclusion

According to the numbers provided to the Legislative Auditor, to purchase new vehicles, the Wheels to Work program would have needed a substantial increase in funding or a lesser number of recipients. Not including insurance or maintenance, purchasing new Toyota Echos alone would have cost the program approximately \$28,000,000 extra compared to the price of used vehicles that were purchased. Once all the numbers are added together, it is evident that the Wheels to Work program would have needed more than double the amount of the original appropriation to purchase new vehicles. Through its own analysis, the Legislative Auditor determined that new vehicles could not have been purchased for the Wheels to Work program as reported by the *Charleston Gazette*.

Appendix A: Transmittal Letter

WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
(304) 347-4939 FAX



John Sylvia
Director

July 7, 2004

Paul L. Nusbaum, Cabinet Secretary
Department of Health and Human Resources
Building 3, Room 206
1900 Kanawha Boulevard, East
Charleston, WV 25305

Dear Secretary Nusbaum:

This is to transmit a draft copy of the Full Performance Evaluation of the Department of Health and Human Resources concerning the Wheels to Work program. This report is scheduled to be presented during the July 25-27 interim meeting of the Joint Committee on Government Operations. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committee may have.

We need to schedule an exit conference to discuss any concerns you may have with the report. We would like to have the meeting between July 8-12. Please notify Lee Cassis to schedule an exact time. In addition, we need your written response by noon on July 14, 2004 in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday July 22, 2004 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

Handwritten signature of John Sylvia in cursive script.
John Sylvia

c. Danny Franco, Deputy Secretary
Enclosure

Joint Committee on Government and Finance

Appendix B: Charleston Gazette Article

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Employment

Wheels program relatively costly

■ **Wheels-to-Work spent \$10,700 to provide cars that cost around \$**

By Eric Eyre and Scott Finn
STAFF WRITERS

A new Toyota Echo. That's what the state could have bought for every low-income West Virginian who ended up owning a car through the Wheels-to-Work program.

Instead, the welfare car program spent \$10,700 a person to put people in used cars that cost about \$2,300 each, according to a Charleston Gazette analysis.

That's two or three times as expensive as similar programs in five other states, according to the people who run them.

West Virginia spent nearly \$24 million in federal welfare money on the Wheels program over the past three years.

"Did you say \$24 million? Dear God," said Marty Schwartz, executive director of Maryland-based Vehicles for Change.

Schwartz's group spends about \$3,750 for every car it sells to a low-income client. Half the money comes from private donations.

Bob Adams of New Hampshire's Wheels-to-Work said his program spends about \$6,000 per person, but the average car is less than 3 years old and has 40,000 miles on it.

"Oh my God, let me pick myself off the floor," Adams said when he heard what West Virginia spent on its Wheels program. "When I think what I could have done with that money ... my mind reels."

"You're kidding. That sounds really high," said Susan Crane, who helps oversee Working Wheels in Seattle. "A more reasonable cost would be \$3,000 to \$4,000 a car."



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<u>Automobiles</u>	West Virginia officials are aware of the welfare car program's exorbitant costs.
<u>Homes/Housing</u>	
<u>Personals</u>	At least five state agencies are investigating the Wheels program for alleged fraud and mismanagement.
<u>Shopping</u>	
<u>Print2Net</u>	Four social service agencies ran Wheels programs across the state: Human Resources Development Foundation of Morgantown; Community Action of South Eastern West Virginia of Bluefield; Community Resources Inc. of Parkersburg; and Potomac Highlands Support Services of Petersburg. They were administered by the state Department of Health and Human Resources.
<u>Coupons</u>	
<u>Stocks</u>	
<u>Celebrations</u>	
<u>Features</u>	The agencies leased cars to about 2,900 welfare recipients so they could travel to a job or training. Of those, 2,230 people ended up receiving permanent title to their cars.
<u>Today's front page</u>	
<u>School Closings</u>	No one received a car for free, however. Participants made lease payments for two years, and only received the title after paying off the vehicle's full price.
<u>Bulletin Board</u>	
<u>Crosswords</u>	Some of the cars were clunkers, according to complaints received by state officials and the Gazette. Engines caught fire, seat belts didn't latch and participants could see the road through rusted floorboards.
<u>Sunday Book Club</u>	
<u>Roll Call</u>	
<u>Corrections</u>	The social service agencies say they bought the best cars they could for what the state allowed them to spend.
<u>Legal ads</u>	
<u>Horoscopes</u>	They also said their costs were reasonable for what they provided.
<u>Movie Listings</u>	
<u>Television</u>	For instance, they paid participants' auto insurance for at least a year and sometimes two. They also provided money for major repairs if vehicles broke down.
<u>W.Va. Lottery</u>	
<u>Reference</u>	Insurance costs ate up more than a quarter of West Virginia Wheels' \$8 million-a-year budget, according to two years of records from the four agencies. Most out-of-state programs provided insurance for a few months or not at all.
<u>Contacting us</u>	
<u>Getting in print</u>	
<u>Our History</u>	Still, the \$24 million spent on West Virginia Wheels does not include the millions that participants paid on 24-month leases — income many other programs don't have.
<u>FAQ Page</u>	
<u>Subscriptions</u>	Most other programs pay for major repairs, though not for two years, as West Virginia Wheels promised.
<u>Classified rates</u>	
<u>Privacy statement</u>	In Maryland, Vehicles for Change provides a six-month warranty on cars it sells. New Hampshire's program provides much newer cars — some still have the manufacturer's warranty.

Also, low-income car program leaders were surprised by West Virginia's repossession rate. About one of every four Wheels participants had their car taken away, usually for missing payments.

By contrast, about one of 10 Vehicles for Change clients have their cars repossessed. Only 4 percent of New Hampshire Wheels participants default on car loans. No one has defaulted on the Seattle program's loans.

The out-of-state programs keep participants in cars through careful screening and financial management training.

The programs also tend to be much smaller than West Virginia's. One of the smallest, New Hampshire's program, gives away 25 cars a year. One of the largest, Vehicles for Change, provides about 400 cars annually.

Adams said it would be hard to operate any car program as big as West Virginia's.

"You're giving away cars to people who can't handle it," Adams said. "You're just looking at getting rid of the cars, not helping people."

Three years ago, the welfare rolls in West Virginia were cut dramatically, mostly because of tougher requirements.

As a result, state officials were sitting on a huge surplus of federal welfare money. If they didn't spend it quickly, they would have to return it.

West Virginia's welfare program tripled in size, almost overnight. State officials increased benefits and started new programs like Wheels-to-Work.

If welfare car programs are drawn up too quickly, it's a recipe for problems, Crane said.

Crane's group spent two years designing their program. The planning included two public hearings, meetings with employment, education and welfare experts, and a study of different Wheels-to-Work programs nationwide.

West Virginia officials quietly decided to scrap the Wheels-to-Work program last summer and replace it with a scaled-down donated car program.

Human Resources Development Foundation won the \$1 million grant, despite its history with the failed lease program.

Now, two months into the new program, Foundation officials say bad publicity is keeping them from getting the car donations they need. As of last week, the agency hadn't distributed any of the 60 cars it promised by the end of December, according to a Foundation Director Homer Kincaid.

Schwartz said if state officials continue having trouble, they should call him.

"For \$1 million, I'll do 500 cars for them," he said.

To contact staff writers Scott Finn and Eric Eyre, use e-mail or call 357-4323.

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TALK BACK: [WRITE TO THE EDITOR] [DISCUSS IN THE FORUM]

Appendix C: Wheels to Work Program Criteria

J. WV WHEELS

The purpose of WV WHEELS is to assist in eliminating transportation as a barrier by providing the client with an opportunity to contract with a vendor to lease a vehicle and own it after the contract is satisfied. The Worker initiates the process by referring appropriate clients to the WV WHEELS vendor in his Region.

1. Appropriate Referrals

WV WORKS recipients and those eligible for continued support service payments may be referred. The following requirements must be met when determining an appropriate referral:

- Valid driver's license.
- The unavailability of public transportation.
- The client does not already own a road worthy vehicle, or it is a two-parent household and another vehicle is required.

EXCEPTION: When the client already owns a vehicle and repairs to make it road-worthy exceed its value, a referral may be made to WV WHEELS.

- The need to meet a work activity or continue employment.
- The client does not have a criminal driving record, such as but not limited to, a DUI conviction in the past 3 years, hit and run, flight to avoid arrest. Clients who have completed a State-approved driving class and have had their licenses restored may be referred.
- The client has the financial ability to make payments.

Participation in WV Wheels is limited to one time per individual. If an AG contains two parents and two vehicles are required, each one may participate in the program.

It is only necessary that the client be an active adult WV WORKS AG member or eligible for continued support service payments at the time of referral and lease signature. Subsequent ineligibility for either

program, or moving to another county or Region within the State does not affect the continuation of the lease agreement. When a client moves out of state, the lease agreement becomes null and void, and he may negotiate a buy-out agreement with the vendor. Support service payments for relocation must never be used to assist the client in paying the buy-out.

If the client already has a vehicle(s) registered in his name, he must provide documentation that:

- the vehicle(s) is junked; or
- the cost of repairs exceeds the limit specified in Section 24.14; or
- the other parent needs the vehicle for employment or to participate in an activity.

Once the client signs a lease agreement with the vendor, he is no longer eligible for support service payments for auto insurance or vehicle repair, for the duration of the lease agreement.

The client's failure to comply with the vendor's requirements without good cause will result in loss of the vehicle, and all of the money the client has paid toward the lease. In addition, the client must not be referred again to the program. Failure to comply with the lease agreement and loss of the car of itself is not a sanctionable offense.

Loss of the car does not constitute good cause for failure to meet a work requirement. The Worker must carefully evaluate the circumstances of each client's situation.

2. Referral Process

Referrals to the WV Wheels vendor are made using form OFS-WHEELS-1. The form is self-explanatory, and all requested information on the form is mandatory.

When the vendor notifies the Worker of approval or denial for participation in the program, the Worker must record the appropriate information in RAPIDS. If the vendor notifies the Worker that the client is not a suitable candidate for the program, the vendor must provide a written explanation.

3. Vendor Responsibilities

Upon receipt of the OFS-WHEELS-1, the vendor completes an evaluation process with the client, and if determined a suitable candidate, completes and signs a vehicle lease-purchase agreement with the client. The vendor provides the client with a road-worthy vehicle, provides regular maintenance on the vehicle, and provides insurance at the prevailing class rate. The client must agree to make the vehicle payments on time and make the vehicle available for regular maintenance. If the client fails to comply with the lease agreement and it is terminated, the vendor must notify the Worker.

Upon successful completion of the 24-month lease, the client receives the title to the vehicle from the vendor.

K. PERIODIC SELF-SUFFICIENCY EVALUATIONS 24/36/48 MONTHS

NOTE: Failure, without good cause, of the client to attend or otherwise cooperate in the scheduled evaluations results in application of a sanction. It is suggested that the evaluations be listed specifically on the PRC to avoid questions about notification of the requirement. However, the general statement on the PRC form about keeping all appointments will usually serve for application of a sanction.

After a client has received WV WORKS for 24 months, a face-to-face meeting must be scheduled with the adults or emancipated minors in the WV WORKS AG to evaluate the progress of the self-sufficiency plan and to develop a new plan as needed. The meeting must occur during the 24th or 25th month of receipt of WV WORKS benefits. The purpose of this meeting is to complete a mandatory case staffing which is to include the client, other parent in the household (even if the other parent is excluded from the AG), the Worker, the Supervisor, other DHHR staff as needed, any community resource person(s) directly working with the client, and a representative of the client's choosing.

At this meeting, any additional barriers to self-sufficiency should be identified and solutions to overcome those barriers explored. The client should be encouraged to make decisions regarding those barriers and the

Appendix D: Agency Response



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Office of the Secretary

State Capitol Complex, Building 3, Room 206
Charleston, West Virginia 25305
Telephone: (304) 558-0684 Fax: (304) 558-1130

Bob Wise
Governor

Paul L. Nusbaum
Secretary

July 15, 2004

Mr. John Sylvia
Director
Performance Evaluation and Research Division
West Virginia Legislature
State Capitol Building, Room W-314
Charleston, West Virginia 25305

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PERFORMANCE EVALUATION AND
RESEARCH DIVISION

Dear Mr. Sylvia:

The Department of Health and Human Resources has received and reviewed the West Virginia Legislative Auditor's Performance Evaluation and Research Division's Full Performance Evaluation Report (Report) of the West Virginia Department of Health and Human Resources (WVDHHR) Wheels to Work Program. In the exit conference with Performance Evaluation and Research Division representatives, the information and recommendations included in the Report were discussed at length, and WVDHHR appreciates the recommendations made by the Legislative Auditor with respect to future transportation programs undertaken by WVDHHR.

While WVDHHR management is basically in agreement with the three recommendations presented in the Report, we do note that some of the information presented in the Report is not representative of the latest data provided to the Performance Evaluation and Research Division (PERD), as discussed with the PERD representatives during the exit conference. It is important to note that while PERD was requesting data and information regarding the Wheels to Work Program, WVDHHR also had a team simultaneously performing a comprehensive review of the Wheels to Work Program agreements. This comprehensive review included a detailed internal evaluation of WVDHHR Bureau for Children and Families administrative and programmatic oversight of the Wheels to Work Program. Also included in the review was a detailed evaluation of the external agencies providing services under the Wheels to Work Program; examples of the procedures performed were site visits to each of the four agencies, extensive gathering of detail data regarding vehicles used and clients served in the Wheels to Work Program and creation of comparative reports of costs, clients served and vehicle data. Both the internal and external reviews included interviews with administrative, financial and programmatic staff. WVDHHR management responded to the PERD requests with the most accurate information available at the time that each PERD request was received; however, PERD was made

aware in the responses to its requests that WVDHHR's own review was ongoing and that data was continuing to be gathered and verified, making it subject to adjustment. Many of the differences that PERD refers to in its Report as data inconsistencies are merely the result of more accurate information being provided to them as it became available resulting from the fieldwork and procedures performed during WVDHHR's own review.

WVDHHR management is in agreement with the Report's three recommendations: more direct oversight over the existing donated vehicle program, more training for program participants, and more oversight over Federal grant appropriations. These recommendations are consistent with those of WVDHHR's own review team, and these recommendations (as well as many others) will be reflected as such in the forthcoming report of WVDHHR's own review of the Wheels to Work Program. To that end, WVDHHR management began laying the foundation for better monitoring and oversight of WVDHHR grants several months ago by directing that a Monitoring Guide be developed which would establish Department-wide policies to be used by all WVDHHR Bureaus in monitoring the use of Federal funds passed through WVDHHR to sub-recipients. A draft of this Monitoring Guide was completed earlier this year, and comments and suggestions for revisions have been gathered from WVDHHR management staff. When completed, the Monitoring Guide will provide a framework for WVDHHR Bureaus to develop monitoring activities appropriate to the types of grants that they administer.

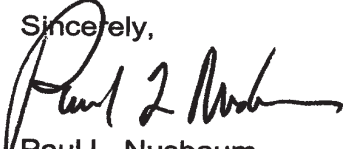
As a companion to the Monitoring Guide, a separate Audit Resolution Guide is also currently under development. This document includes WVDHHR policies and procedures for addressing the resolution of audit findings regarding WVDHHR funded programs, whether the findings are the result of an independent Certified Public Accountant-prepared audit report or the result of internal WVDHHR monitoring activities. It will also include guidance for WVDHHR management and staff in the appropriate activities and notifications to initiate when adverse conditions are noted while conducting monitoring activities or when suspicious activities or potential misuse of funds is reported to WVDHHR, as occurred during the Wheels to Work Program. In conjunction with the Monitoring Guide, the Audit Resolution Guide will provide WVDHHR management and staff with a plan for adequately addressing the types of situations that arose as a result of the monitoring that took place during the Wheels to Work Program, resulting in better safeguarding of the funds administered by WVDHHR.

Providing a solution to the ongoing lack of transportation continues to present challenges to WVDHHR in serving its clients and assisting them in obtaining self-sufficiency. In looking back over the lessons learned during the Wheels to Work Program and subsequent review, WVDHHR management recognizes that consultation with agencies knowledgeable about the automotive industry (i.e. West Virginia

Mr. John Sylvia
July 15, 2004
Page 3

Automobile and Truck Dealers Association and West Virginia Division of Motor Vehicles) could have yielded information serving to improve the Wheels to Work Program's performance. Since State Fiscal Year 2001, WVDHHR has provided funding to a regional donated vehicle program (similar to the Maryland and New Hampshire programs described in the Report). From the Wheels to Work Program, WVDHHR has learned that improved training is needed for WVDHHR clients referred to the donated vehicle program and that more specialized monitoring tools and techniques are needed to provide better oversight of the donated vehicle program. It is WVDHHR management's intention to use these and other lessons learned through the Wheels to Work Program to further expand the regional donated vehicle program to serve more West Virginia citizens in need of transportation.

Sincerely,



Paul L. Nusbaum
Secretary

PLN/shl

cc: Shana Phares
Danny Franco
Fred Boothe

