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EMPLOYMENT AND
TRAINING
ADMINISTRATION



Recovery Act: DOL Could Have Better Monitored the Use of Re-employment Services Funds to Adhere to Standards for Transparency and Accountability

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**U.S. Department of Labor
OFFICE OF INSPECTOR GENERAL**

Office of Audit

BRIEFLY...

Highlights of Report Number: 18-11-005-03-315, to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

Congress enacted the American Recovery and Reinvestment Act of 2009 (Recovery Act) to promote economic recovery and assist those most affected by the recession. The Department of Labor (DOL) received an additional \$400 million in Wagner-Peyser grant funds for states. In appropriating these funds, Congress required that \$250 million of the \$400 million be spent for reemployment services (RES) for Unemployment Insurance (UI) claimants. Authority to obligate the additional RES funds provided by the Act expired on September 30, 2010.

The Recovery Act required agencies to implement an unprecedented level of transparency and accountability to ensure the public could see where and how their tax dollars were being spent and what results the spending produced. The U.S. DOL Office of Inspector General (OIG) audited the Employment and Training Administration's (ETA) implementation and oversight of the RES funding to determine if the Act's requirements were achieved.

WHY OIG CONDUCTED THE AUDIT

Our audit objectives were to answer the following questions:

1. Did the Department establish sufficient and timely planning and reporting procedures to assure adequate oversight of how reemployment services funds were used?
2. Did states use reemployment services funds under the Recovery Act, as intended?
3. What were the outcomes of the states' use of the Recovery Act RES funds?

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2011/18-11-005-03-315.pdf>.

March 2011

RECOVERY ACT: DOL COULD HAVE BETTER MONITORED THE USE OF RES FUNDS TO ADHERE TO STANDARDS FOR TRANSPARENCY AND ACCOUNTABILITY

WHAT OIG FOUND

DOL moved quickly after the Act's passage to allocate funds to states and develop and issue general guidance on allowable spending categories and reporting formats. For the most part, the states visited said the guidance provided by DOL was timely. However, we found that DOL needed to provide additional guidance to direct spending more effectively and to report more meaningful results. For example, DOL could have directed the states to use the RES grants to correct claimant service-related weaknesses that had been identified by several organizations. Moreover, DOL guidance did not ensure the level of transparency and accountability the Recovery Act required. Thus DOL could not provide a breakout of how the 54 states and territories spent RES funding.

The states we visited said that the RES funding had helped provide more and better quality services to UI claimants. However, DOL did not establish adequate standards for client service, or collect enough information on state activities to demonstrate whether the funds were effectively and efficiently spent. The standards of transparency and accountability established by the Act were not met because of the lack of results oriented goals, objectives, and measurable outcomes.

WHAT OIG RECOMMENDED

We recommend to the Assistant Secretary for Employment and Training that DOL:

- Establish priorities, outcome measures and effective data collection systems for future Wagner-Peyser funding to address program weaknesses and better measure the services states provide to UI claimants,
- Develop monitoring and financial reporting requirements to enable DOL to report how effectively federal funds were spent by states employment and reemployment services, and
- Determine from independent analysis what state experiences were and identify best practices, areas for improvement, and short and long term achievements. DOL can then use this information to set goals and measures for outcomes and achievements for future funding

ETA disagreed with one recommendation and did not provide responses which adequately addressed the other two recommendations. As requested by ETA the OIG has added material that provides additional information about what ETA did to provide guidance to the states.

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Independent Auditor's Report

March 31, 2011

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The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law on February 17, 2009, to preserve and create jobs, promote the Nation's economic recovery, and to assist those most impacted by the recession¹. The Recovery Act provided more than \$65 billion for Unemployment Insurance funds. To better serve the sudden surge in Unemployment Insurance Claimants resulting from the 2008 recession, Title VIII of the Recovery Act provided the Department of Labor an additional \$400 million in Wagner-Peyser funds for State Unemployment Insurance (UI) and Employment Service Operations for grants to states and jurisdictions (hereafter referred to as the states). In appropriating these funds, Congress required that \$250 million of the \$400 million be spent for reemployment services (RES) for UI claimants. States were authorized to spend their allocation on the "integrated Employment Service and UI information technology, required to identify and serve the needs of such claimants." The actual amount available for allotment to the states was \$247.5 million. The Recovery Act made one percent of the funds available to the Department of Labor (DOL) to administer and oversee the funds. The Recovery Act also required DOL to establish planning and reporting procedures "necessary to provide oversight of funds used for the services." DOL's Employment and Training Administration (ETA) administers the regular annual Wagner-Peyser grants and the RES grant which supplemented the regular grants.

The distribution of the RES funds to the states was announced in ETA Training and Employment Guidance Letter dated March 6, 2009. Guidance letters are a principal means used by ETA to communicate its policies and requirements. The funds were available to the states for obligation through September 30, 2010. The funds were to be spent no later than the end of Program Year 2010 (June 30, 2011). ETA's guidance

¹ The American Recovery and Reinvestment Act (Public Law 111-5), February 17, 2009

stated that both Congress and the Administration expected the majority of these funds to be spent within the first year of availability.

Our audit objectives were to determine (1) if DOL established sufficient and timely planning and reporting procedures to assure adequate oversight of how reemployment services funds were used, (2) whether states used reemployment services funds under the Recovery Act, as intended, and (3) the outcomes of the states' use of the Recovery Act RES funds. The audit included a review of guidance and data available from ETA; interviews with and data collected from DOL headquarters and Regions 1 (Boston), 2 (Philadelphia), 3 (Atlanta), and 6 (San Francisco) officials; and interviews with and data obtained from officials in four states: California, Florida, New York, and Pennsylvania.²

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our objectives, scope, methodology, and criteria are detailed in Appendix B.

RESULTS IN BRIEF

Within approximately one month of the Recovery Act's enactment, DOL allocated the RES funds and issued guidance to the states on allowable spending categories and reporting requirements. State officials said that the guidance provided by DOL was timely and defined allowable uses of the grant. However, DOL's guidance could have directed spending toward areas known to need improvement and required more specific reporting of what was accomplished with the RES funding.

DOL's spending guidance did not direct states to address long-term weaknesses and problems with the Wagner-Peyser program. Reports by GAO and DOL, dating back to the mid-1990s, have identified serious weaknesses which limited the amount and quality of services provided to UI claimants. DOL could have directed states to target at least some portion of the funding to address these key areas needing improvement. Even though DOL guidance stated that "we must implement the Recovery Act expeditiously and effectively with full transparency and accountability of our expenditure of funds," the guidance did not require states to report information to DOL on what activities the grant funds were expended. As a result, while the states increased staffing to serve the influx of Unemployment Insurance claimants, DOL could not provide information on which of the allowable activities the 54 states and jurisdictions spent the \$247.5 million in RES funding. State officials said that DOL focused on making sure that the funds were obligated quickly and by the statutory deadline of September 30, 2010.

² These states are geographically dispersed, characterize different economic and employment conditions and challenges, and represent a significant portion of the nation's population. The RES funding for these four states represents 27 percent of the total \$247.5 million in RES funding. In addition, four of the six DOL ETA regional offices oversee these states.

Furthermore, although DOL guidance stated that “It is the intent of Congress that Recovery Act funds for employment and training be spent concurrently with regular formula funds to greatly increase the capacity of the workforce system to serve workers in need,” DOL did not establish reporting or monitoring systems to determine if this Congressional mandate was followed.

The four states we visited provided schedules which identified how the RES funding was expended. Most funds were used to hire additional employees to assist UI claimants and provide higher quality reemployment services. However, in many states there were delays in hiring staff to provide these services for UI claimants. DOL Regional and State officials said this was because there were hiring freezes which required exemptions. In addition, because of the flat funding for the Wagner-Peyser program over the years, many states were operating at a ‘bare bones’ level as characterized by DOL and the states. Therefore, many states were not in a position to quickly hire and train new staff.

Nationally, with the emphasis being on obligating the RES funds by September 30, 2010, all but a small portion of the funds were obligated by the deadline. However, obligations were concentrated in the latter part of the grant period. Although DOL’s guidance stated that the majority of the funds should be spent within the first year of availability, almost half of the funds were obligated in the last 6 months of the 18 month obligation period leading up to September 30, 2010. As of July 2010, with only 3 months remaining, 20 states had not obligated 40 percent or more of the funding. DOL Regional Office monitoring reports indicated a concern by DOL leadership that Recovery Act funds were being obligated and spent too slowly.

State officials told us that RES funding was beneficial and increased the quality and quantity of services to UI claimants. However, despite the emphasis on transparency and accountability, DOL could not demonstrate that there were direct and specific outcomes that resulted from the RES funds. DOL guidance stated that it was difficult to determine the impact of the RES funding because these funds were spent at the same time and on the same type of clients as the regular Wagner-Peyser grant funding. We agree that it would be extremely difficult for the states to determine which UI claimants received services funded through the Recovery Act and which received services with regular funding. Given this, DOL reporting requirements used all UI claimants receiving staff assisted services as an indicator of the effect of the Recovery Act funds. However, this method is not exact as it overstated the RES funded activities because both funding sources were used to provide services to UI claimants. As a result, DOL could not demonstrate compliance with the Recovery Act requirement to report on the UI claimants serviced only by the RES funding.

In addition, states were not reporting the services provided to UI claimants consistently or correctly. When we showed these inconsistencies and errors to DOL officials, they said that this condition was due to the states various interpretations of the reporting guidelines DOL provided. DOL officials said there has been difficulty obtaining

consistency in the reporting. We found that DOL was not adequately reviewing the accuracy of the information as we determined that the reporting data had errors and inconsistencies.

Although DOL said that the Recovery Act provided “an unprecedented level of funding,” DOL did not provide adequate guidance to the states on how to best spend the RES funds, did not change its management or oversight of the program, and could not show specific outcomes of the Recovery Act funding. Although several organizations have identified serious program weaknesses and deficiencies since the mid 1990s, DOL did not require any additional measurements, goals or objectives for the use of the Recovery Act funds. With the use of the \$247.5 million, DOL could have directed the states to use at least a portion of the RES funding to address these long standing shortcomings in the reemployment services program, which may have effected long lasting changes in the states programs; and establish better measurements of outcomes.

We recommend to the Assistant Secretary for Employment and Training Administration that DOL:

- Establish priorities and outcome measures and reliable data collection systems for future Wagner-Peyser funding to address program weaknesses and better measure the services states are providing to UI claimants,
- Develop adequate monitoring and financial reporting requirements to enable DOL to report to Congress and the public how federal funds are spent by states to provide employment and reemployment services, and
- Determine from its own independent analysis what states’ experiences were with the Recovery Act RES funding to identify best practices, areas for improvement, and short and long-term achievements. DOL can then use this information to set goals and measures for outcomes and achievements for all future funding Congress provides for reemployment and employment services.

ETA provided comments on our report and disagreed with several statements, conclusions, and one of the recommendations; ETA did not provide responses which would adequately resolve the other two recommendations. As requested by ETA in their comments, the OIG has added material that provides additional information about what ETA did to provide guidance to the states and to respond to the Recovery Act’s requirements. ETA’s comments are included in their entirety as Appendix D.

ETA’s comments contain a number of factual errors and misinterpretations of what the draft report stated or concluded. Rather than address each of these comments individually, we have prepared summary responses to their comments that are included in their entirety as Appendix E.

Based on our analysis of ETA’s comments and changes made in response to their comments, the fundamental message of the report remains unchanged. We believe our recommendations are valid and adequately supported by the report’s findings and

conclusions. The Recovery Act called for an unprecedented level of transparency and accountability for how Federal dollars were to be spent and for reporting the outcomes of that spending. ETA's management and implementation of the RES grant authorized by the Recovery Act did not adhere to these transparency and accountability standards. Especially at this time of increased budget scrutiny, DOL needs to provide better information on the effectiveness and outcomes for the Wagner Peyser program in the future.

RESULTS AND FINDINGS

Objective 1 — Did the Department establish sufficient and timely planning and reporting procedures to assure adequate oversight of how reemployment services funds were used?

DOL developed and provided timely general guidance but missed an opportunity to direct states to spend Recovery Act funds more effectively and report more meaningful results.

Timely General Guidance Provided

Given the short lead time and need to quickly implement the Recovery Act RES funding, DOL headquarters and its six regions did a good job communicating expenditure guidelines to the states. With the difficult economic times and high rate of unemployed who needed to be served, providing timely guidance was especially important so the states could use the funding to assist those most impacted by the recession as intended by the Recovery Act. DOL headquarters used Training and Employment Guidance Letters (TEGLs) to outline general categories of allowable activities for RES fund use and establish reporting requirements. In addition, as mandated by the Recovery Act, DOL emphasized that all funds were to be obligated by September 30, 2010. However, DOL needed to provide additional guidance to direct spending more effectively and to report meaningful results. The Wagner-Peyser Act gave DOL authority to approve state plans for implementing the grants.

DOL allocated the RES funding to the states on March 6, 2009.³ The agency issued TEGL 14-08 on March 18, 2009, that, among other things, provided policy guidance and direction regarding the Recovery Act funding for activities authorized under the Wagner-Peyser Act.⁴ It also instructed states to move quickly to use the Recovery Act funding, in conjunction with other available funds, to provide career assessments; remedial and

³ TEGL 13-08 issued March 6, 2009 on "Allotments for training and employment services as specified in the American Recovery and Reinvestment Act of 2009 (Recovery Act) for activities under the Workforce Investment Act of 1998 (WIA)".

⁴ TEGL 14-08 issued March 18, 2009 on "Guidance for Implementation of the Workforce Investment Act and Wagner-Peyser Act funding in the Recovery Act of 2009 and State Planning Requirements for Program Year 2009."

occupational training; job search assistance to unemployed workers; and to undertake other activities that could aid in the recovery of local, regional, and state economies.

In April and May 2009, DOL issued TEGs 17-08 and 24-08 to outline requirements for reporting on the expenditure of Recovery Act funds and for reporting performance accountability information.⁵ TEG 24-08 stated that it is the intent of Congress that the Recovery Act funds were to supplement and be spent concurrently with annual Wagner-Peyser appropriations. The guidance stated that it expected states and local areas to fully utilize the additional workforce funding to substantially increase the number of customers served.

DOL supplemented these formal, written instructions with additional guidance in webinars, conferences, forums, consultations with the ETA regional offices and information on the ETA website. The DOL officials told us that the regional ETA officials responded to questions from the states. Also, DOL provided technical assistance on how the Recovery Act RES funds could be spent and on how monthly and quarterly reports were to be prepared. DOL also completed a Recovery Act Assessment and Technical Assistance Consultation to determine the level of state and local workforce readiness to properly use Recovery Act funds and to help ETA plan for any needed technical assistance.⁶

Reaction of States to DOL Guidance

The state officials we met said the guidance provided by DOL was generally timely and defined the purpose and allowable spending categories for the grant funds. These officials stated that the TEGs and webinars provided good information on the activities for which the Recovery Act RES funds could be used. There was a general consensus that the webinars were informative and useful in providing the states the same information simultaneously. The state officials we met with provided constructive feedback on how DOL could have improved the guidance. For example, officials from one state said that the guidance on reporting monthly statistics changed often. In another state, officials we met with stated there was some confusion on how monthly and cumulative reporting was to be completed.

Finding 1 — DOL Did Provide Timely General Guidance but missed an Opportunity to Direct the States to Address Identified Long Term Deficiencies and Weaknesses in the Reemployment Services Program.

Although DOL allocated the RES funds quickly and provided general guidance in a timely manner to the states, DOL needed to provide additional guidance to direct

⁵ TEG 17-08 issued April 23, 2009 entitled “American Recovery and Reinvestment Act (Recovery Act) Funds Financial Reporting Requirements”. TEG 24-08 issued May 21, 2009 entitled “Workforce Investment Act and Wagner-Peyser Act Performance Accountability Reporting for the American Recovery and Reinvestment Act of 2009.”

⁶ A report on this review, “The Readiness Report” was issued on July 10, 2009, and assessed to what extent the states were ready to use the Recovery Act funds and their technical assistance needs.

spending more effectively and to report meaningful results. Reports by GAO and DOL, dating from the mid 1990s, identified serious weaknesses which limited the amount and quality of services provided to UI claimants. While some of these reports were issued early in the RES grant funding period, they generally continued to address long standing shortcomings in the reemployment services program. DOL missed an opportunity to direct states to spend a portion of RES to address program shortcomings thus creating long-lasting program improvements.

Following are some examples of reported weaknesses and deficiencies cited over the years:

- GAO reported in June 2007 that many states had not regularly maintained their profiling models -- statistical models that forecast which UI claimants were most likely to exhaust their UI benefits before finding a job. As a result, the models in some states may not have been accurately identifying claimants who were likely to exhaust benefits. Although Labor provided technical assistance to states requesting it, the Department did not regularly monitor state efforts to adjust their models. GAO recommended that the Secretary of Labor ensure that ETA takes a more active role in ensuring the accuracy of state profiling models.
- In July 2009, DOL issued a “National Workforce System Readiness Level and Technical Assistance Needs for Implementation of the American Recovery and Reinvestment Act Report” that identified numerous examples where states needed to address serious weakness and deficiencies.⁷ The results provided DOL with an indicator of state and local readiness and identified areas needing improvement. Even though a state was deemed “overall ready”, it could have had problems needing attention. This was true for the majority of the 53 states and jurisdictions DOL reviewed.⁸ Some examples of areas that required specific actions:
 - 9 percent of the states did not have policies that targeted “those hardest to serve” populations.
 - 40 percent of the states had not devised Rapid Response strategies to announced and occurring layoffs.
 - 20 percent of the states were not ready to implement overall program requirements.
 - 22 percent of the states were not ready to track Recovery Act funds in a manner clearly distinguishable from non-Recovery Act funds.
 - 24 percent of the states did not have adequate systems to track Recovery Act funds.
 - 26 percent of the states did not have adequate One Stop centers, i.e. locally managed, but federally funded, centers where employment

⁷ DOL conducted this assessment between mid-April and May 22, 2009. DOL held consultations with all 53 States and territories and with 156 local areas.

⁸ DOL did not review the readiness of Guam.

services from multiple federal and other programs are available to community residents.

- The Brookings Institution completed an assessment of the One-Stop Career Center system in April 2009 which provided detailed information on the cost of providing core services (career counseling, skills workshops, job matching, and training) and who receives support. This report recommended improvements in UI claimant job search assistance and work search screening. The Study also suggested a revamping of performance measures to more effectively allocate limited training resources.⁹
- The National Association of State Workforce Agencies (NASWA) examined how well state UI and workforce systems coordinate to provide services to UI claimants.¹⁰ NASWA's September 2010 report noted the following:
 - Most One-Stop Career Centers nationwide have no UI program presence.
 - There is a lack of a strong connection between the UI program and the other services provided by the publicly-funded workforce system such as job search and career counseling.
 - The flat-funding of the Wagner-Peyser program over the last three decades has added to this disconnect and has made it difficult for states and local One-Stop Career Centers to provide more staff-assisted services to UI claimants and job seekers who need extra help. Limited efforts and funding have been made available by the federal government over the past several years to address the disconnect such as the Worker Profiling and Reemployment Services (WPRS) and/or the Reemployment and Eligibility Assessment (REA) initiatives. However, many UI claimants no longer have a clear connection point to the wide array of employment and training services offered through One Stop Career Centers and/or other parts of the workforce system.
 - Research over the years has shown that worker profiling or early and on-going analysis of UI claimants' skills and experience against the available job openings, coupled with the receipt of job search assistance, is an effective and efficient way to speed referred claimants' return to productive employment.
 - Current UI profiling models have a limited application. Many states have not updated or managed their models on an on-going basis.
 - One Stop Career Center staff members in some local areas do not receive UI profiling information on a regular basis on those individuals likely to exhaust in their benefits.

⁹ Report by The Hamilton Project/The Brookings Institution: "Strengthening One-Stop Career Centers: Helping More Unemployed Workers Find Jobs and Build Skills:", issued April 2009

¹⁰ Report of the Unemployment Insurance and Workforce System Connectivity Workgroup: "A National Call for Innovation: *Rethinking Reemployment Services for UI Claimants*", issued September 2010.

The Recovery Act provided what DOL itself called “an unprecedented level of funding”, but DOL did not direct the use of these funds in the most efficient and effective manner. DOL should have directed the states to spend a portion of their funds on long-standing weaknesses such as outdated profiling models, inadequate One-Stop centers, and financial and program results tracking system deficiencies.

Objective 2 — Did states use reemployment services funds under the Recovery Act, as intended?

DOL did not require states to report how they spent their RES allocations, the reports did not distinguish activities Recovery Act funding from regular Wagner-Peyser funding and the reporting was inconsistent. However, for the states visited, it appears that the funds were spent in accordance with DOL guidance.

States We Visited Spent RES Grant Funding for Authorized Purposes

On March 18, 2009, DOL issued TEGL 14-08, which instructed states on the use of the \$247.5 million in Recovery Act funds for reemployment services. The funds were to be used on services including: counseling, providing occupational and labor market information, completing reemployment assessments, and providing referrals to employers and job banks, portals, and job openings. The states were to use the funds to provide reemployment services to UI claimants through the One-Stop system.¹¹ In addition, states could use the funds to identify technological changes and updates to their profiling systems that might result in serving more UI claimants, as appropriate. The funds were allocated to the states in March 2009 and had to be obligated by September 30, 2010, as required by the Recovery Act.

State officials from the 4 states we visited were able to provide us information and reports on how funds were expended. Based on the reports provided, it appears that they expended the Recovery Act RES funding for allowable activities (see Exhibit 2 for state expenditures).¹² All of these states told us that the majority of funding was devoted to hiring additional employees to assist more UI claimants and provide better reemployment services. Several officials in headquarters, the regions, and states called the Recovery Act RES funding a staffing grant. Table 1 shows the number of employees the state officials told us they hired:

¹¹ Allowable activities are listed in Section 7(a) through (c) of the Wagner-Peyser Act.

¹² Because DOL and its six regional offices did not require the States to provide information to them on how their funds were spent we were able to review only the financial information provided by the four States visited. Since we did not perform a financial audit of the costs incurred by DOL and the four States, we cannot express an opinion of the reasonableness of the costs incurred or reported.

Table 1: Number of State Workforce Agency Employees Hired with Recovery Act RES Grant Funding

State	Number of workforce agency employees hired
California	240
Florida	251
New York ¹³	190
Pennsylvania	78

Officials we talked to at the DOL and state levels told us significant amounts of time were required to add staff capacity. Three of the four states had statewide hiring freezes which required exemptions in order to hire staff. In addition, because of the flat funding of the regular Wagner-Peyser employment services program over the past three decades, the states we visited were not in a position to quickly hire and train new staff. DOL headquarters officials said the \$247.5 million in RES funding was the first increase in Federal funding for reemployment services since 1983. DOL officials added that the program had been ‘starved’ for a long time.

Finding 2 — DOL Did Not Monitor How RES Funds were Spent to Achieve Transparency Regarding the Uses of the Funds.

DOL officials required the states to report quarterly on the obligation amounts of the Recovery Act RES funding but did not require reporting on how states spent grant funds. The lack of information on how grant funds were used was not consistent with the Recovery Act’s requirement for transparency and accountability. The DOL officials told us there was not enough time to develop and implement a new data collection system, nor was it practical to do so, given the limited duration of the Recovery Act funding.

For the states we reviewed, the officials told us that DOL never asked for reports on how they were spending their funds, but rather asked for reports on how quickly the funds were being obligated. The states were able to provide us with information on how they spent the RES funding. (See Exhibit 2 of this report.)

We obtained several DOL monitoring reports and related documentation that stressed the need for funds to be obligated. However, none of these reports or documentation referenced the need for sound financial or fiduciary spending responsibility. For example, an August 2010 DOL memorandum to the states in one region contained the following statements that very emphatically stressed the need to obligate the funds by the deadline:

¹³ The 190 employees is the number of Full Time Equivalent (FTE) positions at the highest FTE level expended under the Recovery Act RES program for any one quarter of the program year.

The purpose of this memo is to alert you to growing concerns by ETA's national and regional offices regarding the obligation of ARRA funds for the Wagner-Peyser and ARRA Reemployment Services (RES) programs.

During our last state Administrators' meeting we discussed state strategies to ensure ARRA funds are fully obligated and expended within the established timeframes.

In the coming weeks as the September 30 deadline approaches, it will be incumbent upon the Regional Office to report that the Region's states are in good standing on this issue.

Please be prepared to provide specific details on the plan your state has in place to fully obligate and expend these funds and on any issues that could prevent your state from meeting its goals in this area.

In addition, a September 2010 state monitoring report stated that "there continues to be concern at the highest levels of national leadership regarding the expenditure of ARRA funds, especially regarding Wagner-Peyser, RES, and Dislocated Worker programs." In fact, the same monitoring report contained the following statement: "Regional Office staff is available to assist the state in developing a plan that will ensure 100 percent obligation of these funds within the established parameters."

Because DOL did not establish adequate financial reporting and monitoring requirements, it could not provide a detailed accounting for all projects or activities for which Recovery Act funds were expended or obligated. DOL could only report that virtually all of the \$247.5 million of RES funding provided for UI claimants was either obligated or spent. According to DOL reports, of the \$247.5 million, only \$964,754 was not obligated by the deadline.

Finding 3 — Recovery Act RES Funds Were Not Obligated Early in the Grant Period and DOL Did Not Provide Proper Oversight to Determine if the Funds were Obligated Concurrently with Other Grant Funds.

Funds Not Obligated Early in the Grant Period

Our review of nationwide data showed that almost half of the RES funds were obligated in the last 6 months of the 18 month grant obligation period. Thirty-one states had not obligated half of the RES grants six months before the obligation deadline. With 3 months remaining until the deadline, 20 states still had not obligated 40 percent or more of the grant funding.

DOL policy stated that the RES grants be spent quickly and concurrently with other funding sources. For example, TEGL 13-08 stated that "States are expected to spend Recovery Act funding quickly and effectively" and that "It is the Congress' intent, as well

as that of the Administration, that the majority of these funds will be utilized within the first year of availability.”

TEGL 14-08 stated that the Recovery Act funds “must be used to supplement annual ...Wagner-Peyser appropriations” and were “to be spent concurrently with other ... Wagner-Peyser funding.” This TEGL further stated that “While the law requires states to track and spend Recovery Act funds separately from other...Wagner-Peyser formula funds, ETA encourages states to strategically align all of their resources to meet both short- and long-term state and regional workforce development needs. States should anticipate that Congress and the public will be looking for expenditures and performance results very quickly.”

However, as noted, there were delays in program implementation. According to DOL and state officials, state workforce agencies had to seek exemptions from statewide hiring freezes to hire staff for the one stop centers. In addition, because of the flat funding for this program over the years, some of the states we visited were operating at a ‘bare bones’ level. Therefore, many states were not in a position to quickly hire and train new staff.

According to officials in the states we visited, state workforce agencies had to seek exemptions from statewide hiring freezes to hire staff for the one stop centers. In addition, because of the flat funding for this program over the years, some of the states we visited were operating at a ‘bare bones’ level.

Officials in one state told us that the influx of Federal dollars provided by the Recovery Act actually created management challenges. Despite considerable time and effort being spent emphasizing the need to draw down RES funds as quickly as possible, a number of local areas in the state had difficulty putting the funds to use. We were provided financial documents which showed that 12 of their 24 workforce board areas would not be able to obligate large portions of the funding allocations by the September 30, 2010 deadline. Prior to the obligation deadline, the state officials told us that all funds not obligated by these workforce boards were redistributed to the other 12 workforce boards. The state was eventually able to obligate all its Recovery Act dollars before the funding period expired. However, the officials told us they had to constantly emphasize the need to obligate the remaining funds.

The fact that many states had difficulty obligating funds lessened the impact of the funding. According to DOL reports, nationwide, about 64 percent of the grant funding was obligated in the last half of the grant period (January through September 2010). In many states, the spending was concentrated in a briefer period.

New employees hired using the Recovery Act RES funding received training in order to be ready to provide services to the UI claimants. The training included instruction in departmental programs such as UI, WIA, Wagner-Peyser and Reemployment Services/REA, Trade related programs, Worker Opportunity Tax Credit, Labor Market Information, Veterans Programs and Priority of Service, Performance Information,

Sexual Harassment, Ethics, Diversity, Americans with Disabilities Act, and other related programs. Managers and staff at the One-Stops also provided job shadowing and additional assistance when requested by trainees.

A December 2010 NASWA briefing stated that 13 of 16 states they visited used RES funds to hire temporary staff¹⁴. The actions by the states to add new employees and temporary staff to provide more and better services to UI claimants were well intentioned. However, as of September 30, 2010, several states have already terminated staff hired because the funding was coming to an end. Therefore, these trained and experienced resources were no longer available to assist UI claimants.

Concurrent Spending

Although a DOL TEGL stated that the RES funds were to be spent concurrently with other grant funds, DOL did not have a financial reporting requirement that would identify if regular grant funds were displaced by the RES grant funds. Furthermore, we could not find any reference to monitoring by DOL to be sure this guidance was followed. DOL's monitoring reports did, however, address whether all RES funds were obligated by the September 30, 2010 deadline.

The September 30, 2010 deadline may have delayed the use of the 2010 regular Wagner-Peyser program grant. Our analysis of DOL reports showed that 20 states still had not obligated 40 percent or more of their RES grants by June 30, 2010, just 3 months before the obligation deadline. In the remaining 3 months, these states also had regular Wagner-Peyser grant funds to obligate. Nationally, 19 percent of the regular 2010 grant funding was obligated during this period; however, these 20 states obligated only 8 percent of this regular funding source. In fact, 8 of the 20 states did not obligate any funds at all from the regular Wagner-Peyser grant during this 3-month period. An official in one state we visited told us the state had regular Wagner-Peyser funding to spend after the RES grant period expired that was used to pay the salaries of employees hired with the RES funding. Officials said these regular funds would have been spent earlier if the RES grant had not been available.

Objective 3 — What were the outcomes of the states' use of the Recovery Act RES funds?

DOL did not collect enough reliable data to measure the impact of the grants or to assess whether states spent the grant funds effectively and efficiently.

RES Grant Funding was an Important, but Temporary, Aid to States

State officials told us that the RES funds helped them cope with a major increase in participants needing reemployment services. Prior to receiving the RES grant funds,

¹⁴ Early Implementation of the Recover Act, Presentation at the Road to Recovery Reemployment Summit, Arlington, VA, December 14, 2010. (Richard Hobbie, Executive Director, NASWA)

state officials told us there were shortcomings in the ability to respond to UI claimants that required reemployment services. According to the state officials we visited the increased RES funding enabled the four states to expand the mode of operations from a minimal level of interaction with claimants relying on group presentations to an approach that provided individualized and one-on-one focused assistance. The states reported increasing the percentage of UI claimants who were called into the one stop centers. In addition, states reported that staff members were able to provide more follow-up calls to get claimants into the one-stop centers and encourage the continued pursuit of assistance. This is especially useful because studies have demonstrated that “early intervention” is most effective for unemployed people. One state said that the addition of new hires was very helpful as their active case load in the state doubled from July 2008 to September 2010 because of the extension of unemployment benefits during the period. In addition to funding for the new hires, some states purchased computers and other technology for the One-Stop centers.

Because the great majority of RES funds were spent on personnel costs by the states we visited, the benefits of the RES awards were mainly limited to the time when the extra staff could be kept on board. Two of the states visited had concerns about creating expectations for better levels of reemployment services with the personnel hired from RES funding. They feared that when the funding was no longer available, they might not be able to keep the additional staff and levels of services would decline.

DOL Guidance on Reporting Outcomes

DOL issued TEGL 24-08 which stated that “reporting requirements (for the Recovery Act funds) were designed to keep the additional reporting burden to a minimum, while ensuring that the agency collects the necessary data to report timely information to stakeholders about the use of the Recovery Act funds. Accountability guidelines for the Recovery Act emphasize data quality, streamlining data collection, and collection of information that demonstrates measurable program outputs and outcomes.”¹⁵

The guidance also stated that it was difficult to determine the impact of the Recovery Act RES funding on individual clients because these funds were spent at the same time and on the same type of clients as the regular Wagner-Peyser grant funding. In other words, Recovery Act RES funded clients were not separately identified in the records. Accordingly, the states could not distinguish between clients served by the Recovery Act RES funding and those served by the ongoing Wagner-Peyser funding.

Because of its inability to track RES funded clients separately, DOL required the states to report all UI claimants who received staff assisted services as an indicator of the effect of the Recovery Act funds. States were to report all UI claimants receiving the following staff assisted services as RES-funded participants:

- workforce information services,

¹⁵ TEGL 24-08 issued May 21, 2009; see page 3.

- career guidance,
- job search activities,
- referrals to employment,
- referrals to WIA services, and
- referrals to training, including WIA-funded training.

We appreciate the difficulties in tracking which clients were served with each funding source and that DOL instead had the states report on the staff assisted services provided to all UI claimants as an indicator of the effect of the Recovery Act funds. However, the reports provided did not provide meaningful information or results achieved by the Recovery Act funds.

Finding 4 — Unreliable DOL Reports on Grant Activities Prevented Assessments of Grant Outcomes

The reports of grant outcomes that DOL and the states prepared under the guidance provided by DOL were flawed for two reasons. First, DOL's use of all UI claimants receiving staff assisted services as an indicator for an actual count of RES funded clients overstated RES funded activities because regular Wagner-Peyser program grants also funded services to UI claimants. Second, states were not reporting the services provided to UI claimants consistently, credibly or in accordance with DOL guidance. These reporting problems prevented an overall assessment of the grant funding outcomes.

We obtained DOL reports on services to participants for all states as of September 30, 2010. We found that certain data elements were not credible or were reported inconsistently by the states. For example, New York reported that the total number of participants was the same number who received job search activities. For the other three states visited, the number who received job search activities was a fraction of the total number of participants.

When we brought these inconsistencies to DOL's attention, we were told that it was due to the states' various interpretations of the broad reporting guidelines DOL provided. The officials said there had been difficulty obtaining consistency in the reporting. We requested the monthly reports for June 2009 through January 2011 for further analysis to assure that the September 2010 report was not an anomaly. We were provided June, July, August, and December 2010 reports.

Our analysis of the same performance items for the same states showed the following wide variances. For example, the percent of participants receiving job search activities in Florida ranged from almost 87 percent in June to only 4 percent in August. For New York, the number of participants receiving services ranged from 79,759 in August, to 538 in December. Regarding the number of job search activities, California reported such services to 28,031 participants in June and only 526 in August. There are wide variances for Pennsylvania also; the December statistics are zero as the state did not report information for that month.

DOL also collected and reported data for all jobseekers, eligible UI claimants, and veterans by Program Year. We analyzed the number of eligible UI claimants for Program Years 2008 and 2009 from these reports on the ETA website. The \$247.5 million in Recovery Act RES funding represented a substantial percent increase in the regular Wagner-Peyser funding to states; the annual regular funding for Program Year 2009 was \$703.6 million. As shown below, available DOL data does not make clear that there was a proportionate increase in services to claimants with this increase in funding. Our analysis showed that:

- In Program Year 2008, 5,174,664 eligible claimants received staff assisted services nationwide.
- In Program Year 2009, when a substantial amount of the Recovery Act RES funding was expended by the states, 5,673,727 eligible claimants received these services, an increase of only 9.6 percent.
- The number of eligible claimants receiving services actually decreased between Program Years 2008 and 2009 for the following 14 states: Alabama, Arkansas, Georgia, Idaho, Iowa, Mississippi, Missouri, New York, North Carolina, Ohio, Oregon, Puerto Rico, Rhode Island, and Tennessee.
- New Mexico reported the same exact numbers for staff assisted services in both the 2008 and 2009 Program Years.
- Within the reports DOL provided for Program Years 2008 and 2009, no data was shown for Pennsylvania and Texas and the Program Year shown for these two states was 2007.

Because the reporting on client services was inconsistent and inaccurate, an analysis of funding accomplishments and state performance was not possible. The fact that the reports had obvious errors and inconsistencies indicated that DOL was not adequately reviewing the accuracy of the information. Accordingly the use of the reported data as a management tool was questionable.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Employment and Training Administration:

1. Establish priorities, outcome measures, and reliable data collection systems for future Wagner-Peyser funding to address program weaknesses and better measure the services states are providing to UI claimants.
2. Develop adequate monitoring and financial reporting requirements to enable DOL to report how effectively federal funds are spent by states to provide employment and reemployment services.
3. Determine from its own independent analysis what states' experiences were with the Recovery Act RES funding to identify best practices, areas for improvement, and short and long-term achievements. DOL can then use this information to set

goals and measures for outcomes and achievements for all future funding provided by Congress for reemployment and employment services.

We appreciate the cooperation and courtesies that ETA personnel extended to Foxx & Company during this audit.



Foxx & Company

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Exhibits

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Exhibit 1

Recovery Act RES Funding for States¹⁶

State	Allotment	Unobligated
Alabama	\$3,183,191	0
Alaska	2,690,443	0
Arizona	4,389,354	0
Arkansas	2,068,659	0
California	29,356,604	0
Colorado	3,882,771	0
Connecticut	2,780,996	0
Delaware	691,311	0
District of Columbia	892,142	\$35,808
Florida	13,841,612	0
Georgia	7,319,681	0
Hawaii	891,404	0
Idaho	2,241,618	0
Illinois	10,354,527	0
Indiana	4,911,339	0
Iowa	2,329,002	0
Kansas	2,148,043	0
Kentucky	3,216,272	0
Louisiana	3,244,680	0
Maine	1,333,069	62,135
Maryland	4,180,276	0
Massachusetts	5,039,660	0
Michigan	8,661,262	0
Minnesota	4,309,431	0
Mississippi	2,261,200	0
Missouri	4,624,505	0
Montana	1,831,862	0
Nebraska	2,201,537	749,290
Nevada	2,169,475	0
New Hampshire	1,010,732	0
New Jersey	6,663,857	0
New Mexico	2,055,671	0
New York	14,284,511	0
North Carolina	6,932,122	0

¹⁶ This is as of March 10, 2011

North Dakota	1,865,383	0
Ohio	9,386,022	0
Oklahoma	2,445,498	0
Oregon	3,061,444	0
Pennsylvania	9,436,706	0
Puerto Rico	2,903,521	0
Rhode Island	936,203	0
South Carolina	3,502,884	0
South Dakota	1,724,043	0
Tennessee	4,634,046	90,941
Texas	16,992,555	0
Utah	2,686,910	0
Vermont	807,640	0
Virginia	5,508,640	26,580
Washington	5,144,216	0
West Virginia	1,973,337	0
Wisconsin	4,557,218	0
Wyoming	1,337,596	0
Guam	115,811	0
Virgin Islands	487,508	0
TOTAL	\$247,500,000	\$964,754

Exhibit 2

Expenditure Categories by Four States of the Recovery Act RES Funding

As shown by the tables below, we found there was a wide variance in how the state maintained information on RES expenditures. California had 16 categories of expenditure, New York had 14, Pennsylvania had 12 and Florida had 9 categories of expenditures. Because the states were not required to track expenditures in a uniform manner, it would be very difficult to perform an overall comparison of how the 4 states much less the 54 states and territories expended the RES funds or whether expending funds in one category over another resulted in better results.

California

Expenditure Category	RES Funding
Direct Personal Services	\$10,340,030
Annual Leave Taken	559,557
Other Personal Services	2,189,795
Personnel Benefits	5,451,761
Supplies	100,625
Communications	528,320
Travel	132,036
Equipment Rental	272,698
Equipment Expenses	922,364
Premises Rent	2,183,642
Premises Expense	191,300
Services	2,306,375
Other	126,912
Capital Expenditures	245,958
Adjustment	686,225
Sub grantee Training	114,386
TOTAL	\$26,351,984

Florida

Expenditure Category	RES Funding
Salaries and Benefits	\$9,744,243
AWI Administrative Operations	2,640,310
WFI Administrative Operations	62,500
Employ Florida Outreach Campaign	254,616
Florida Trends Next	512,046
Help Wanted On-line (HWOL)	244,000
Job Vacancy Hiring Survey	231,000
Power Seeker Workshop	17,500
Transferable Occupation Relationship Quotient - TORQ (software)	125,000
TOTAL	\$13,831,215

New York

Expenditure Category	RES Funding
Personnel Service (Salaries)	\$8,163,644
Personnel Benefits (Health insurance, Worker's comp)	\$3,526,299
Supplies	\$110,114
Communication	\$124,747
Postage	\$18,478
Travel	\$77,390
Equipment Rent	\$8,224
Equipment Expense	\$235,903
Premises Rent	\$1,070,031
Premises Expenses	\$286,235
Services	\$470,574
Other Expenses	\$19,458
Capital Purchase	\$58,515
Indirect Costs (State-wide central services)	\$114,899
TOTAL	\$14,284,511

Pennsylvania¹⁷

Expenditure Category	RES Funding
Salaries and benefits	\$9,514,871
Travel	144,828
Training	63
Telecommunications	1,953
Specialized Services	16,729
Electronic Data Processing	8,631
Rentals/Leases	1,243
Office Supplies	1,329
Software	325
Other Computer Equipment	48,186
Miscellaneous	1,928
Other Operating Expense ¹⁸	(300,009)
TOTAL	\$9,440,077

¹⁷ Pennsylvania provided more categories than reflected in the chart above; consolidated these in to miscellaneous categories.

¹⁸ This is reflected of Pennsylvania's adjustment to their records.

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Appendices

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Appendix A

Background

President Obama signed the American Recovery and Reinvestment Act (Recovery Act) (P.L. 111-5) into law on February 17, 2009. The Recovery Act provides the U.S. Department of Labor (DOL) with funds to, among other things, increase employment and training opportunities. The stated purposes of the Recovery Act were to:

- Preserve and create jobs and promote economic recovery;
- Assist those most impacted by the recession;
- Provide investments needed to increase economic efficiency by spurring technological advances in science and health;
- Invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and
- Stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The Recovery Act required agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how their tax dollars are being spent and recipients of these funds deliver programmatic results. Accordingly, recipients of Recovery Act funding were required to report on a quarterly basis the amount of funds expended and the number of jobs created among other things, to FederalReporting.Gov.

On April 3, 2009, the Office and Management and Budget (OMB) issued guidance, *Updating Implementation Guidance for the American Recovery and Reinvestment Act of 2009 (M-09-15)*, reinforcing the Administration's intent that Federal agencies award Recovery Act funds responsibly and with transparency.

DOL's Recovery Act website provides information on the Recovery Act and DOL held periodic webinars and other informational forums, to provide timely information to Recovery Act stakeholders concerning DOL's responsibilities under the Act. DOL's Employment and Training Administration (ETA) also maintains a website for its Recovery Act activities.

Grants to States for Reemployment Services for Unemployment Insurance Claimants

Title VIII of the Recovery Act provided the Department of Labor an additional \$400 million in Wagner-Peyser¹⁹ funds for State Unemployment Insurance (UI) and

¹⁹ The Wagner-Peyser Act of 1933 (Wagner-Peyser) established a nationwide system of public employment offices known as the "Employment Service" (ES). The Workforce Investment Act (WIA) of 1998 amended Wagner-Peyser and made the Employment Service part of the WIA) One-Stop services delivery system.

Employment Service Operations for grants²⁰ to states. In appropriating these funds, Congress required that \$250 million of the \$400 million be spent for reemployment services (RES) for UI claimants. States were to spend their allocation on the “integrated Employment Service, and UI information technology, required to identify and serve the needs of such claimants.” The Recovery Act also required the Department of Labor to establish planning and reporting procedures “necessary to provide oversight of funds used for the services.”

The distribution of the RES funds to the states was published by the ETA in Attachment V of TEGL 13-08²¹ on March 6, 2009. The actual amount available for allotment to the states was \$247.5 million (the Recovery Act makes one percent of the funds available to the Federal agency to administer and oversee the funds). These funds were available to the states through September 30, 2010, but must be spent no later than the end of Program Year 2010 (June 30, 2011). ETA’s guidance states that both Congress and the Administration expect the majority of these funds to be spent within the first year of availability

As required by OMB, DOL submitted a Recovery Act plan describing its objectives, administration, and oversight activities related to the use of the \$400 million provided to the Employment Service—including the \$250 million specifically for reemployment services. OMB also required the Department to develop a risk management plan for use of the additional funds, but set no deadline for submitting it. The OIG previously reported (September 2009) that the Department needs to update its Recovery Act Plans to fully reflect program-specific risks.²²

Reemployment Services to UI Claimants

The RES funds available to the states under the Recovery Act have their origin with the 1993 amendments to the Social Security Act—P.L. 103-152. Under these amendments, Congress required that states establish “Worker Profiling and Reemployment Service (WPRS) systems.” The purpose of the WPRS is to identify those UI claimants through “profiling methods” that are most likely to exhaust their UI benefits, refer them to reemployment services, and collect follow-up information on their post-program outcomes (e.g., employment status, earnings).

²⁰ The use of the term “grants” does not meet competitive grants. Rather, they are allotments to States and outlying areas based on a formula calculation described in Section 6 of the Wagner-Peyser Act (29.U.S.C. 49e).

²¹ TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 13-08. Allotments for training and employment services as specified in the American Recovery and Reinvestment Act of 2009 (Recovery Act) for activities under the Workforce Investment Act of 1998 (WIA). Workforce Investment Act Adult, Dislocated Worker and Youth Activities Program Allotments; Wagner-Peyser Act Allotments, and Reemployment Service (RES) Allotments. U.S. Department of Labor. Employment and Training Administration. March 6, 2009. http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2718

²² Recovery Act: Performance Reporting Creates Challenges for the Department of Labor is available at <http://www.oig.dol.gov/public/reports/oa/2009/18-09-002-01-001.pdf>.

Factors that states may consider in “profiling” may include a claimant’s age, education, and length of prior employment, occupation and work history. “Reemployment services” describes a range of activities to help a UI claimant secure a job. Examples include, but are not limited to: group workshops on resume writing, interviewing skills, and labor market information; and staff-assisted or self-service use of career assessment tools and job listings. In contrast to WIA Adult and Dislocated Worker formula grant funds, RES funds cannot be used to pay for long-term occupational skills training or an Individual Training Account. The focus of RES is on helping the UI claimant re-enter the workforce as quickly as possible.

ETA Guidance

On March 18, 2009, ETA issued TEGL 14-08, which included guidance to states on use of the \$247.5 million in Recovery Act funds for RES. According to ETA, States must use the funds to provide RES to UI claimants through the One-Stop system, in addition to regular Wagner-Peyser-funded employment services (ES). Section 7(a) through (c) of the Wagner-Peyser Act allows ES funds to be used on the following services: counseling, testing, occupational and labor market information, assessment, referral to employers and appropriate recruitment services and technical services for employers. Specifically, this may include:

1. Services provided to UI claimants identified through the UI profiling system;
2. In-person staff assisted services;
3. Initial claimant reemployment assessments;
4. Career guidance and group and individual counseling, including provision of materials, suggestions, or advice which are intended to assist the job seeker in making occupation or career decisions;
5. Provision of labor market, occupational, and skills transferability information that clarifies claimants’ reemployment opportunities and skills used in related or other industries;
6. Referral to job banks, job portals, and job openings;
7. Referral to employers and registered apprenticeship sponsors;
8. Referral to training;
9. Assessment, including interviews, testing, individual and group counseling, or employability planning; and
10. Referral to training by WIA-funded or third party service providers.

In addition, ETA encouraged states to identify technological changes and updates to their systems that might result in serving more UI claimants, and use RES funds for IT upgrades, as appropriate. ETA also provided instructions to the states on how to submit a modified State Plan to account for use of additional funds received under the Recovery Act.

Reporting Outcomes from Use of RES Funds under the Recovery Act

In addition to reporting the use of Recovery Funds to FederalReporting.Gov, DOL's Recovery Act Plan for the Wagner-Peyser Act Employment Service requires that states must continue to submit regular monthly Wagner-Peyser Act Employment Service report, but must add one new data element: the number of UI claimants served with Recovery Act funds that are referred to and placed in WIA-funded training. According to GAO, which originally reported on the RES initiative in 2005, adding this reporting requirement would help Congress and other oversight bodies understand "the impact of the \$250 million" that the Recovery Act made available to specifically help UI claimants return to the workforce.²³

ETA Assessment of States' Capacity to Use Additional Recovery Act Funds for Reemployment Services

Between mid-April and May 22, 2009, Regional Office ETA staff engaged in a Recovery Act Assessment and Technical Assistance Consultation process to determine the "readiness" of states and local workforce areas to use Recovery Act funds quickly and effectively, as Congress intended. ETA staff held "consultations" with all 53 states and territories and 156 local areas—conducting a total of 209 site visits nationwide. One of ETA's objectives in doing the "consultations" or "readiness reviews" was to identify the type of technical assistance the public workforce system required to effectively use Recovery Act funds. ETA summarized the results of the "consultations" in the report, "National Workforce System Readiness Level and Technical Assistance Needs for Implementation of the American Recovery and Reinvestment Act," issued July 10, 2009.

According to the Readiness Review report, one of the key "readiness" questions used in ETA's consultation reviews was, "Has the state/local area UI, WIA, and WP [Wagner-Peyser] program staff collaborated to develop reemployment services to UI claimants most likely to exhaust UI benefits?" ETA reported that 46 states were "ready," and that only 10 rated their technical assistance needs in this area as "medium/high."

Technical Assistance Provided by ETA

In addition to the guidance provided in TEGL 14-08, ETA conducted several webinars that focused on how states could use RES funds under the Recovery Act. Examples of topics covered in these webinars included: targeting job development to UI claimants; strengthening reemployment through UI connections, and new strategies for laid off professional or "white-collar" workers. In addition to the webinars, ETA held regional reemployment conferences and other technical assistance forums throughout the RES grant period.

²³ See Unemployment Insurance: Better Data Needed to Assess Reemployment Services to Claimants. GAO-05-413 June 24, 2005. Summary. Status of Recommendations for Executive Action. <http://www.gao.gov/products/GAO-05-413>

At least three published studies have examined states' use of reemployment services funds to help UI claimants quickly return to work. In 2005, GAO reviewed the extent to which states had shifted to remote filing (e.g., via phone, Internet) and what they had done to make UI claimants aware of reemployment services and profiling requirements. GAO concluded there was insufficient data to “provide a complete picture of the services received or the outcomes obtained by UI claimants.” Additionally, GAO found that few states monitor whether UI claimants are receiving reemployment services, and that fewer monitor outcomes. According to GAO, states often lacked sufficient information technology to track outcomes from RES activities. As of August 19, 2010, Congress provided \$70.8 billion to DOL (See Table 1 below.)

Table 1: Department of Labor Recovery Act Funding, as of August 19, 2010

Program	Amount ^a (millions)	Percent
Unemployment Insurance	\$65,996	93.17
Training and Employment Services	3,950	5.58
State Unemployment Insurance and Employment Service Operations	400	0.56
Community Service Employment for Older Americans	120	0.17
National Emergency Grants for Health Insurance Coverage	40	0.06
Job Corps	250	0.35
Departmental Management	80	0.11
Total	\$70,836^b	100.00

^a – The amounts other than “Unemployment Insurance and National Emergency Grants for Health Insurance Coverage” were obtained from the Recovery Act dated February 17, 2009. The “Unemployment Insurance” amount was provided by the Office of the Assistant Secretary for Administration and Management, and includes amounts made available for Federal and State Extended Benefits, Extension of Emergency Unemployment Compensation, and Federal Additional Unemployment Compensation programs. The National Emergency Grants for Health Insurance Coverage amounts were adjusted in United States Public Law 111-226 (HR1586).

^b – The total amount does not include \$6 million provided to the OIG to provide oversight over the Department’s Recovery Act activities.

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Appendix B

Objectives, Scope, Methodology, and Criteria

Objectives

Our audit objectives were to answer the following questions:

1. Did the Department establish sufficient and timely planning and reporting procedures to assure adequate oversight of how reemployment services funds are used?
2. Did states use reemployment services funds under the Recovery Act, as intended?
3. What were the outcomes of the states' use of the Recovery Act RES funds?

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We conducted our fieldwork at the ETA National Office in Washington, D.C., four ETA Regional Offices located in Boston, Philadelphia, Atlanta, and San Francisco, and the states of California, Florida, New York, and Pennsylvania.

The audit included interviews and review of grant documents, guidance, and data available from ETA's Office of Workforce Investment, Office of Grants Management, and Office of Regional Management, as well as external sources. The audit included interviews and review of data from four states: California, Florida, New York, and Pennsylvania. These states are geographically dispersed, characterize different economic and employment conditions and challenges, and represent a significant portion of the nation's population. In addition to the state work, we collected nationwide information on RES funding expenditures. The audit work was completed in March 2011.

Methodology

To accomplish our audit objectives, we obtained an understanding of the Recovery Act. We conducted interviews with ETA officials from the Office of Workforce Investment, Office of Policy, Office of Regional Management, and from four regional offices to gain an understanding of the grant monitoring processes.

The audit conducted at the Federal and State levels and included:

- Determining the appropriate/allowable uses of reemployment services funds,
- Assessing the guidance and oversight provided by the Department,
- Reviewing a sample of states to determine how funds were used and whether those uses were appropriate/allowable, and
- Reviewing the outcomes of the RES grant funding.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. All required steps in the DOL/OIG reporting process were completed following the audit work.

Examples of the audit results and the relevance of information analyzed to answer the audit's objectives are provided in the in the body of the report.

Criteria

We used the following criteria to accomplish our audit:

- American Recovery and Reinvestment Act of 2009, dated February 17, 2009
- Workforce Investment Act of 1998, as amended, dated August 7, 1998
- Training and Employment Guidance Letters:
 - No. 13-08, dated March 6, 2009
 - No. 14-08, dated March 18, 2009
 - No. 17-08, dated April 23, 2009
 - No. 24-08, dated May 21, 2009
- Office of Management and Budget (OMB) Memorandums:
 - M-09-10: *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, dated February 18, 2009
 - M-09-15: *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, dated April 3, 2009
 - M-09-21: *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, dated June 22, 2009

Appendix C

Acronyms and Abbreviations

Recovery Act	American Recovery and Reinvestment Act of 2009
DOL	Department of Labor
ETA	Employment and Training Administration
GAO	Government Accountability Office
NASWA	National Association of State Workforce Agencies
OIG	Office of Inspector General
OMB	Office of Management and Budget
RES	Reemployment Services
TEGL	Training and Employment Guidance Letter
UI	Unemployment Insurance
WIA	Workforce Investment Act

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Appendix D

ETA Response to Draft Report

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General

FROM: JANE OATES *Jane Oates*
Assistant Secretary

SUBJECT: Response to the Office of the Inspector General's
Audit of the Reemployment Services Program, Draft
Audit Report 18-11-005-03-315

Date: March 30, 2011

The Employment and Training Administration (ETA) appreciates the opportunity to respond to the Office of the Inspector General's (OIG) draft audit report on the *Recovery Act: Reemployment Services Grant for UI Claimants*. We are pleased that the OIG audit states that the Labor Department (DOL) and the state workforce system did a good job implementing this new and temporary ARRA program to provide reemployment services to UI claimants at a time of great need in the economy. In the face of state hiring freezes and huge demand for services, states overcame many challenges to employ and train a temporary force to provide assistance to unemployed workers. DOL's timely guidance outlined allowable activities for the new program and also recommended to states which activities should be emphasized. The OIG audit report recognizes DOL's timely allocations of resources as well as the comprehensive technical assistance delivered to the workforce system. It found that states spent the grant funds on allowable activities. As of January 2011, over 5.4 million UI claimants received reemployment services with these funds.

However, we are troubled that this OIG audit also presents findings that are inaccurate or in conflict with our legislative authority. Since DOL staff were responsive to the information requests from the OIG auditors and briefing them on all of the various law and policy requirements, we can only conclude that these findings are based on a lack of understanding or mistakes on the part of the auditors. This response puts forth a factual rebuttal to the findings and recommendations.

Finding 1: DOL Did Provide Timely General Guidance But Missed an Opportunity to Direct the States to Address Identified Long-Term Deficiencies and Weaknesses in the Reemployment Services Program.

ETA Response: We apprised the auditors that DOL did not have the authority nor was it our policy to “direct” grantee expenditures. In short, it is illegal for DOL to “direct” states without the express authorization from Congress to target the funds to a narrower scope of allowable activities than contained in law. As directed by the Recovery Act and per the *Requirements of the Grants and Cooperative Agreements Act of 1977*, ETA provided guidance within its authority and *encouraged (without mandating) states to address every known area in need of further strengthening state reemployment services to UI claimants*. These areas were initially discussed in the primary source of formal guidance on RES funds, Training and Employment Guidance Letter (TEGL) 14-08, which recommended the following categories of suggested strategies for spending RES funds:

- *Profiling and the Use of Statistical Modeling*
- *Collaboration Among State Employment Service, Unemployment Insurance, and Labor Market Information Offices*
- *[Providing the] Full Array of [Reemployment] Services*
- *Upgrading of Information Technology*

ETA took the opportunity in its guidance to emphasize the strategies that the state RES programs should include; these strategies are based upon information from various information sources, including reports and audits identifying RES-related program needs. The OIG auditors did not identify any specific strategy or “weakness” that was not included in DOL’s guidance recommendations.

In addition, ETA backed up its recommendations by providing extensive technical assistance on Reemployment Services. Since the passage of ARRA, ETA has held nearly 40 technical assistance webinars for this \$250 million program to guide states in their use of RES funds or in direct support of better services to UI claimants (See Attachment A). Many additional resources were posted to the newly created RES Community of Practice (See Attachment B). A sampling of webinar titles includes:

- *ETA’s Vision and Guidance: Using your RES Funds*
- *RES: Strengthening Your Reemployment Efforts through Strong UI Connections*
- *Innovative Approaches to Obligating Funds by Sept 30, 2010*
- *Re-envisioning UI Claimant Reemployment Strategies: A Call to Innovate*
- *Quick Reference on Allowable Uses of ARRA RES Funds*
- *NY’s Innovative RES Function*

ETA also held six Regional Recovery and Reemployment Forums. These were implemented to provide timely and *state-customized* technical assistance to the system in a mode that enabled wide system participation. The Forums had a combined total attendance of 2,201 participants, with representatives from all 50 states and three of four territories. According to our final report on the forums,

the most frequently covered workshop topics were Flexible Service Delivery, Skills Assessment, Technology and Tools, and Actionable Workforce Data. These workshop topics coincided with areas highlighted in TEGL 14-08.

Beyond providing states with guidance, tools and access to program experts, the premise of directing states to focus on certain services also violates the Workforce Investment Act (WIA) of 1998, which established a decentralized public workforce system with a national network of local One-Stop Career Centers that are the access points for the delivery of employment-related and training services. As with many of its programs, DOL allocates funding to states, which in turn set statewide policies and then, distribute funding according to state and local needs. The OIG audit report does not reflect a full understanding of this fundamental concept.

As a final note, the OIG audit took exception with DOL's guidance for states to obligate funds by September 30, 2010. However, Congress and the Recovery Act itself emphasized rapid obligations to ensure an immediate positive impact and included September 30, 2010 as a statutory requirement. DOL carried out its role by reinforcing the Congressional intent and imposed deadline and equipping states with ideas about how and where to invest these funds to help make the program successful.

Finding 2: DOL Did Not Monitor How RES Funds Were Spent to Achieve Transparency Regarding the Uses of the Funds.

ETA Response: We disagree with many of the facts stated by the OIG auditors in this finding. As a result of incorrect facts and assumptions, we believe the analysis is flawed. Specifically:

- OIG Audit: *"DOL officials required the States to report quarterly on the obligation amounts of the Recovery Act RES funding but did not require reporting on how states spent grant funds. The lack of information on how grant funds were used was not consistent with the Recovery Act's requirement for transparency and accountability."*
- - All RES grantees completed a quarterly ETA 9130 financial report. That report not only requires submission of data on obligations, but also revenue received, expenditures, and the unliquidated obligations that remain against the total funds authorized for grant activities. The ETA 9130 is the approved financial activity report (OMB approval through November 2012). Our reporting requirements are consistent with Federal rules throughout the Federal government. Additionally, all grantees further complied with ARRA Section 1512 reporting requirements for spending, which is a new, government-wide report for all spending under ARRA grants and contracts. Therefore, DOL has met all Recovery Act standards for transparency and accountability.

- *OIG Audit: "The DOL officials told us there was not enough time to develop and implement a new data collection system, nor was it practical to do so, given the limited duration of the Recovery Act funding."*
 - This is an incorrect summary description of information provided to the auditors: ETA is constrained by the data collection requirements contained in the Paperwork Reduction Act and is not authorized to request additional detailed financial reports without PRA compliance, and OMB clearance follows an extensive process to justify the additional burden on a grantee. ETA already had a financial reporting system in place that provides the results of financial activity in a manner consistent with all Federal reporting requirements. Recovery Act funding was appropriated under existing program authority in order to use existing systems and processes to expedite implementation and minimize the creation of new systems.

- *OIG Audit: "For the States we reviewed, the officials told us that DOL never asked for reports on how they were spending their funds, but rather asked for reports on how quickly the funds were being obligated. The States were able to provide us with information on how they spent the RES funding. We found there was a wide variance in how the States maintained information on RES expenditures which were not uniform or consistent among the four States. California had 16 categories of expenditures, New York 14, Pennsylvania 12 and Florida had 9."*

- - The use of different "categories" is perfectly consistent with the differing state accounting and budget requirements. The different "categories" referenced in the report are accounting system budget/expense codes commonly found in accounting systems. Each state will account for the funds in a manner that allows them to fully track funds for state accounting purposes as well as for Federal reporting. We do not believe this paragraph or the breakdowns of different state accounting system codes used to support the auditor's opinion are relevant to this report.

- *OIG Audit: "We obtained several DOL monitoring reports and related documentation that stressed the need for funds to be obligated. However, none of these reports or documentation referenced the need for sound financial or fiduciary spending responsibility."*

- - We disagree with the statement and opinion expressed. It is accurate that ETA provided technical assistance to the states and stressed the early obligation and expenditure of funds in keeping with Congressional intent for the Recovery Act to provide services to those impacted by the recession. It is not accurate to state that ETA did not

reference a need for sound financial management of its grants. ETA has an oversight system based on the use of the Core Monitoring Guide and the ARRA supplement. Our monitoring reviews the financial and grant management systems of all grantees and grant agreements contain specific requirements for the proper management of funds. The fact that the monitoring reports did not "reference" the need does not mean that the requirements were not present or that they were not reviewed. Rather, the monitoring reports found no issues in the review and therefore, no compliance findings needed to be addressed. In addition, ETA staff review progress and financial reports and conduct a desk review on a quarterly basis. Any discrepancies are discussed with grantees, and technical assistance is provided as needed.

Finding 3: Recovery Act RES Funds Were Not Spent Early in the Grant Period, and DOL Did Not Provide Proper Oversight to Determine if the Funds were Spent Concurrently with Other Grant Funds.

ETA Response: We do not believe that this is a finding. The law established the period of time within which to spend the funds with no requirement for early expenditure, and the RES funds were spent both within the grant period and concurrently with other Wagner-Peyser funds. ETA requires all grantees to report financial activity by fund source on a quarterly basis. An analysis of these reports shows that Wagner-Peyser ARRA funding and Wagner-Peyser regular formula funding were spent concurrently. Additionally, RES ARRA funds were spent concurrently with Wagner-Peyser regular appropriation and ARRA funds. (See Table below). The Core Monitoring Guide ARRA Supplement contains specific questions related to spending concurrently and to supplement non-ARRA funds in Objective 3.1 Budget Controls. Thus, this guide prescribes ETA's oversight on this point. These facts were readily available to the auditors but unaccounted for in the report.

In addition, the OIG audit report fails to accurately acknowledge DOL's implementation of the legislation which allowed states to obligate funds until September 30, 2010 and to expend funds up to June 30, 2011.

Program	Obligations	
	7/1/09 to 6/30/10 (PY 2009)	7/1/10 to 9/30/10 (PY-to-date 2010)
WP-ES Regular Appropriation Funds	641,185,811.99	190,624,736.78
WP-ES ARRA funds	95,365,860.34	42,767,102.08
RES ARRA funds	165,470,310.59	64,907,572.13

Finding 4: Unreliable DOL Reports on Grant Activities Prevent Assessments of Grant Outcomes.

ETA Response: We believe that the audit finding is based on an oversimplification of the process of reporting *and* an incorrect understanding of ETA's guidance to states. As a result, the OIG audit report makes an inaccurate conclusion about reporting reliability. State reports to ETA capture the results of a state's activity (i.e., the number of UI claimants served and the type of services received). The OIG audit report makes a factual error by inferring that DOL did not track participants in the RES program separate from the larger Wagner-Peyser-funded Employment Service program.

TEGL 24-08, *The Workforce Investment Act and Wagner-Peyser Act Performance Accountability Reporting for the American Recovery and Reinvestment Act of 2009*, provides instructions for states to report on RES Recovery Act-funded participants separately. The TEGL provides a definition of an RES participant and goes on to cite two factors that make it necessary to create a separate report for the Reemployment Services portion of the Recovery Act: "(1) The Recovery Act makes a clear distinction between general Wagner-Peyser Act funds and Reemployment Services funds to support targeted services to Unemployment Insurance claimants. Oversight bodies, including Congress, have indicated the need to better understand the impact of the \$250 million dedicated to UI claimants; and (2) the Wagner-Peyser Act Employment Service serves over 14 million individuals each year [since ARRA: 23 million]. If RES participants are not reported separately from the regular Wagner-Peyser Act reporting, ETA would not have the ability to analyze and track positive effects of the new Reemployment Services funds. Separate identification and reporting of these participants ensures that ETA can demonstrate accountability for resources expended by these grant." ETA's most recent monthly report from January 2011 shows that over 5.4 million unemployed workers have received services through the RES funds since May 2009 (See Attachment D).

The OIG audit report also stated that "states were not reporting the services provided to UI claimants consistently..." citing differences in numbers and proportion of services from state-to-state. This statement is another example of the lack of understanding of a decentralized workforce system. The numbers and proportion of services differ from state-to-state because of different state program service design strategies – and not inconsistent reporting. Reporting does not drive service delivery; it captures the outputs and outcomes of the state's overall strategy. The workforce system is decentralized, and states and local areas have discretion in the service strategies they choose and how they respond to their unique labor market needs.

Recommendation 1: Establish priorities, outcome measures, and reliable data collection systems for future Wagner-Peyser funding to address program weaknesses and better measure the services states are providing to UI claimants.

ETA Response: DOL operationalized all the elements of this recommendation (and more) in implementing the ARRA RES program, and DOL will do the same should additional funding be made available under the Wagner-Peyser Act. To recap: ETA set priorities through formal guidance and technical assistance; received quarterly data on outcomes (percent getting a job, retained in the job and earnings); and maintained the Labor Exchange Reporting System (LERS) for Wagner-Peyser funds. In addition to outcome reports, DOL implemented new monthly Recovery Act performance reporting requirements. The resulting report provided additional, timely information to DOL, the general public, and other stakeholders about the use of the Recovery Act funds. The monthly 9147 performance reports (on participants and services) and quarterly 9002 performance reports (on outcomes of program exiters) allowed users to view real-time performance progress and long-term employment outcomes for UI claimants who received RES. In summary, DOL's accountability guidelines for the Recovery Act, as outlined in TEGL 24-08, emphasized data quality, streamlining data collection, and collection of information that demonstrates measurable program outputs and outcomes consistent with the intent of the Act. There is no further action needed on this recommendation.

Recommendation 2: Develop adequate monitoring and financial reporting requirements to enable DOL to report how effectively federal funds are spent by states to provide employment and reemployment services.

ETA Response: ETA does not believe that this OIG audit recommendation is supported by fact. This recommendation appears to be based upon a misunderstanding of both OMB reporting burden requirements and the Recovery Act requirements. While we address this misunderstanding in our response to Finding 2, we elaborate on what appears to be a flawed analysis of requirements, reports and supporting documentation.

ETA has an approved, robust system of monitoring and financial reporting in place that enables DOL to report to Congress and the public on how federal funds are spent by states. This system is supported by numerous documents that were provided to or discussed with the auditors, including (1) Employment and Training Order-1-08, the ETA Core Monitoring Guide (with multiple supplements including the one for Recovery Act funding); (2) OMB approved forms 9130 and 9136 for grantee financial reporting; (3) the WIA Standardized Reporting Data system for grantee performance outcomes; and (4) the Grants Electronic Monitoring system, (GEMS) for management of grants during the period of performance. In addition, specifically for the ARRA programs ETA implemented the transparency requirements of Section 1512 of ARRA, under the guidelines provided by the Recovery Act Transparency Board (RATB), and OMB Memoranda M-09-10, M-09-15, and M-09-21. This compendium of policies and procedures provide a framework for the management of Federal grant funds that is comprehensive and in keeping with all Federal grant management standards and requirements.

Recommendation 3: Determine from its own independent analysis what states' experiences were with the Recovery Act RES funding to identify best practices, areas for improvement, and short and long-term achievements. DOL can then use this information to set goals and measures for outcomes and achievements for all future funding provided by Congress for reemployment and employment services.

ETA Response: ETA agrees that independent analysis of the results will be useful for informing the design and development of future initiatives. ETA already had planned or implemented such independent reviews before the OIG audit commenced. For example, ETA provided grant funding to the National Association of State Workforce Agencies (NASWA) to conduct a multi-state study of the implementation of Recovery Act Investments, including RES. We are about to release an interim report: *Early Implementation of the American Recovery and Reinvestment Act: Workforce Development and Unemployment Insurance Provisions* that contains information on best practices, results, and areas for improvement based on five surveys and two rounds of site visits to 20 states (See Attachment C). A final report will be issued later this year. No further action is needed on this recommendation.

Attachment A

RES Rollout: Guidance, Technical Assistance and Major Milestones		
Activity	Description	Date
National Reemployment Works Summit	Three weeks prior to the Recovery Act being signed into law, ETA hosted a National Reemployment Works Summit with workforce professionals from all 50 states. Nearly 700 individuals participated. The majority of workshops focused on reemployment strategies. Topics included UI claimant profiling and supporting technologies; how to triage; UI/reemployment integration; real time labor market information; and assessment and variety of useful staff services.	27-Jan-09
RES Allotments Announced	The Department announced, in Training and Employment Guidance Letter (TEGL) No. 13-08, ARRA allotments to states and outlying areas for the Wagner-Peyser Act (including Reemployment Services) - just 17 days after the passage of the Act.	6-Mar-09
RES Implementation Guidance Issued	The Department issued the Implementation Guidance on March 18, 2009 in TEGL No. 14-08. The guidance outlines the Department's expectations for implementing the Workforce Investment Act and Wagner-Peyser Act funding in the Recovery Act and state planning requirements for Program Year 2009.	14-Mar-09
RES Grant Agreements Signed	Grant agreements were signed by states and outlying areas on March 17, 2009, which allowed for timely Notice of Obligations. The grant agreements bound grantees to new safeguards as outlined in the Recovery Act.	17-Mar-09
Internal Technical Assistance Webinar	ETA Staff Briefing: Policy and Planning Guidance for the Implementation of WIA and Wagner-Peyser formula funds under the American Recovery and Reinvestment Act	20-Mar-09
Technical Assistance Webinar	Live Broadcast: Implementing the Recovery Act in the Workforce Investment System	23-Mar-09
Technical Assistance Webinar	Readiness and Technical Assistance Consultation Guide Overview	1-Apr-09
Technical Assistance Webinar	Real Time Jobs in Demand: Finding Jobs in a Contracting Economy	9-Apr-09

Technical Assistance Webinar	RES Community of Practice Kick-Off Technical Assistance Webinar	13-Apr-09
State Readiness Consultations	To support state implementation of Recovery Act WIA and Wagner-Peyser Act formula funds, ETA conducted readiness consultations with each state. These consultations informed ETA's technical assistance strategy. As planned, 209 visits were completed by May 22, 2009. A consolidated report of findings was cleared by OMB, and published in June 2009. OMB Control No. 1205-0471.	15-Apr-09
Engaged Inter-governmental Organizations	Contracted with a consortium of all major IGO's in the implementation of ARRA including: NASWA, National Governor's Association; NCSL; Counties; League of Cities; NAWB, etc.	15-Apr-09
Technical Assistance Webinar	ETA's Vision and Guidance: Using your RES Funds	16-Apr-09
Technical Assistance Webinar	American Recovery and Reinvestment Act (ARRA) Funds Financial Reporting Requirements	6-May-09
Technical Assistance Webinar	Targeting Job Development for Unemployment Insurance Claimants	8-May-09
Performance Reporting Guidance	TEGL 24-08 (and TEGL 7-10) Workforce Investment Act and Wagner-Peyser Performance Accountability Reporting for the American Recovery and Reinvestment Act of 2009	21-May-09 Updated 8-Aug-09
Technical Assistance Webinar	Creating Access Points: Faith-Based and Neighborhood Partnerships that Work	22-May-09
Technical Assistance Webinar	ARRA Reporting	5-Jun-09
State Plan Resubmissions	ETA required all states to submit a State Plan modification describing strategies to respond to the economic downturn and implement the Recovery Act by June 30, 2009. The June 30, 2009 submission covered the period of July 1, 2009 through June 30, 2010. ETA reviewed and approved plans within 90 days of receipt of the plan.	30-Jun-09

Technical Assistance Webinar	Connecting Unemployment Insurance Claimants to Pell Grants: The Financial Aid Basics for the Workforce System	21-Jul-09
Technical Assistance Webinar	Utilizing Labor Market Information to Help Job Seekers Make Career Decisions - LESSON 1	27-Jul-09
Technical Assistance Webinar	RES: Strengthening Your Reemployment Efforts through Strong UI Connections	29-Jul-09
Technical Assistance Webinar	Utilizing Labor Market Information to Help Job Seekers Make Career Decisions - LESSON 2	29-Jul-09
Technical Assistance Webinar	Utilizing LMI to Help Job Seekers Make Career Decisions - LESSON 3	31-Jul-09
Technical Assistance Webinar	ARRA Section 1512 Reporting Requirement	14-Aug-09
Technical Assistance Webinar	ARRA (Recovery Act) Section 1512 Reporting Requirement	19-Aug-09
Technical Assistance Webinar	ARRA Section 1512 Registration and Data Quality Review	14-Sep-09
Technical Assistance Webinar	ARRA Section 1512 Recipient Reporting Update	18-Sep-09
Technical Assistance Webinar	State Labor Market Information (LMI)	22-Sep-09
Technical Assistance Webinar	Integrated Resource Team (IRT) Model: Strategy to Serve Job Seekers with Multiple Barriers to Employment	24-Sep-09
Technical Assistance Webinar	ARRA 1512 Reporting Orientation for New Grantees	14-Dec-09
Technical Assistance Webinar	ARRA Section 1512 Reporting Updates	30-Dec-09
Technical Assistance Webinar	Reemployment and Eligibility Assessments (REAs)	28-Jan-10
NASWA Recovery Act Findings	Report published early findings stating that RES funds were being obligated and expended concurrently; that 2,600 staff were hired; and listed the top services being funded by the grant.	1-Feb-10

6 Regional Forums: In-Person TA Meetings on Reemployment Services and Strategies	ETA's Regional Recovery and Reemployment Forums were implemented to provide timely and regionally-customized technical assistance to the system in a mode that enabled wide system participation. The Forums represented a significant component of the larger Reemployment initiative undertaken by ETA. The Forums had a combined total attendance of 2,201 participants, with representatives from all 50 states and three of four territories.	30-Mar-10 to 11-Jun-10
Webinar: Innovative Approaches to Obligating Funds by Sept 30	A collaborative presentation to states by NASWA, US DOL, and select states to discuss innovative ideas/technologies that can be carried out using RES funds.	30-Apr-10
Webinar (Specific state approaches to using RES funds)	Director of the Division of Employment and Workforce Solutions, NYS Department of Labor. The presentation lays out the state's innovative approaches to reemployment.	16-Jun-10
Webinar (using RES funds for assessments)	The \$250 million in Reemployment Services Grants provided through the Recovery Act have generated a host of creative and innovative approaches to helping the unemployed. In particular, we have learned a great deal over the last year about how assessment tools can strengthen reemployment services. Personality assessments, work values assessments, skills transferability assessments/tools, interest assessments, educational assessments, occupational skills assessments, work readiness assessments and the list goes on and on. All of these types of assessments and more increase the workforce system's ability to match job seekers and employers. If you are still looking for ways to invest your ARRA RES funds, we want to help you learn about which instruments are the most effective by connecting you with your workforce system colleagues who can give you unbiased, first-hand feedback on their experience with specific products. If you are interested in purchasing a particular assessment instrument or tool and would like to see if there is a workforce system colleague that is using the instrument you are interested in, please contact our resident expert on assessment tools: Lauren Fairley-Wright Workforce Analyst USDOL – ETA – Office of	

	Workforce Investment wright.lauren@dol.gov	
Strategic Doing - And What It Might Do for Your ARRA RES Investments	Strategic Doing is also a platform for moving quickly and collaboratively from innovative ideas to innovative actions in a simple, structured and – most important in our fast-moving world where even a few focused hours are a luxury – fast process that helps to solidify partnerships, define relationships, and create a “swarm” (to borrow a Strategic Doing term) of new ideas and solutions quickly. And with many states needing to decide how best to invest their expiring ARRA Reemployment Services (RES) and Wagner-Peyser dollars, there may be no better time to become familiar with this action-oriented decision making tool. As you will see from the materials, a growing number of local, regional and state organizations are using this approach to “jump-start” creative solutions.	10-Jun-10
Virtual Tool Assist Reemployment Unemployed	Rollout of innovative skill matching website called MySkills MyFuture	9-Sep-10
Technical Assistance Webinar	MySkills MyFuture	16-Sep-10

National Recovery and Reemployment Research Conference	The conference was designed to give the workforce community an opportunity to engage with experts and colleagues to broaden their understanding of critical labor issues and challenges in the present economy. The conference translated specific research, pilot, demonstration, and evaluation efforts into actionable reemployment strategies that can be used in the workforce system.	15-Sep-10
Virtual Tool Assist Reemployment Unemployed	Rollout of the Worker Reemployment Portal	20-Sep-10
Virtual Tool Assist Reemployment Unemployed	On-line Unemployment Insurance (UI) Adjudication Training Announcement	20-Sep-10
Technical Assistance Webinar	RAD Feedback Session Chat: Jump On A Moving Train: More RAD News	1-Nov-10
Technical Assistance Webinar	RAD Feedback Session Chat: Jump On A Moving Train: More RAD News	2-Nov-10
Technical Assistance Webinar	A National Vision for Reemploying Unemployment Insurance (UI) Claimants Through an Integrated/Interconnected Workforce System	22-Nov-10
National Reemployment Summit	Brought together of 800 state and local workforce practitioners from across the country. The summit was an opportunity to advance the national discussion about the design and delivery of effective reemployment solutions for workers and businesses. A number of proposed workshops support ETA's vision of a stronger, more interconnected One-Stop delivery system. Examples of workshops especially pertinent to the Employment Service and its role include: 1) Strategies for Serving the Longest Unemployed; 2) Targeting Reemployment Services with Program Data; 3) Translating Labor Market	15-Dec-10

	Information for Improved Local Area Service Delivery; and 4) Research on Reemployment Strategies.	
Technical Assistance Webinar	Reemployment and Eligibility Assessments Moving Forward (Part I)	25-Jan-11
Technical Assistance Webinar	Reemployment and Eligibility Assessments Moving Forward (Part II)	31-Jan-11
Virtual Tool Assist Reemployment Unemployed	Introducing My Next Move	18-Feb-11
Technical Assistance Webinar	Reemployment and Eligibility Assessment Program Innovations in Tennessee and Utah	7-Mar-11
Technical Assistance Webinar	Program Performance—Calculation of Registered Apprenticeship Program Completion Rates	8-Mar-11
Technical Assistance Webinar	Re-envisioning UI Claimant Reemployment Strategies: A Call to Innovate (Connectivity Vision Series - Region 1)	8-Mar-11
Technical Assistance Webinar	Re-envisioning UI Claimant Reemployment Strategies: A Call to Innovate (Connectivity Vision Series - Region 6)	9-Mar-11
Technical Assistance Webinar	Re-envisioning UI Claimant Reemployment Strategies: A Call to Innovate (Connectivity Vision Series - Region 5)	9-Mar-11
Technical Assistance Webinar	Re-envisioning UI Claimant Reemployment Strategies: A Call to Innovate (Connectivity Vision Series - Region 4)	11-Mar-11
Technical Assistance Webinar	Re-envisioning UI Claimant Reemployment Strategies: A Call to Innovate (Connectivity Vision Series - Region 2)	14-Mar-11
Technical Assistance Webinar	Re-envisioning UI Claimant Reemployment Strategies: A Call to Innovate (Connectivity Vision Series - Region 3)	16-Mar-11

Attachment B

Making the Most of Our Reemployment Services Grants

Reemployment Community of Practice: Posted on April 28, 2010 by Mary Alice McCarthy

When Congress included \$250 million for Reemployment Services (RES) in the American Recovery and Reinvestment Act's (ARRA), we knew it was a great opportunity to reinvigorate one of the public workforce system's most vital functions. Since February 2009, states have made a variety of innovative investments to meet the urgent challenge of reemploying millions of Americans – from mobile RES units, to new skill assessment tools, to integrated information management systems that support the seamless delivery of reemployment services to all job seekers. Through our travels to regional conferences and our conversations with you, we have learned of the steady progress toward our goal of system integration and transformation.

An important deadline is approaching: All ARRA RES funds must be obligated by September 30th, 2010. While states have through PY2011 to spend the monies, any funds that have not been obligated by this September will expire. Over the course of the next six weeks, NASWA and ETA will focus on how states can invest their ARRA RES funds to strengthen services to unemployed workers and bolster the long-term capacity of the system to provide reemployment services by improvements in both staff training/capacity and service design. We will use webinars and the community of practice as vehicles for sharing information and providing technical assistance. Upcoming activities include:

Webinar: We will kick off the campaign this Friday, April 30th when NASWA and ETA jointly host a webinar featuring three innovative approaches to spending RES funds. The webinar will include presentations by Washington, Wisconsin, and Utah, each of which invested their ARRA funds on creative and system-enhancing activities that will provide a foundation for continued program improvements.

Sharing Best Practices: The community of practice will host a series of blogs detailing how different states are responding to the challenges of serving the unemployed and strengthening system integration and performance.

Peer-to-Peer Technical Assistance: The community of practice will also host live discussion threads, through which states can pose questions or suggestions around effective ways to obligate their funds. Community of Practice managers and NASWA staff will facilitate peer-to-peer information sharing across the states.

ARRA RES Shopping List: The community of practice will host a collaborative "shopping list" of items that states are buying with their ARRA RES funds. We hope you will add your own investments to this "wiki shopping list" and share any questions or suggestions you have about the use of ARRA RES funds.

We believe this is a critical moment in our effort to transform and expand reemployment services. Any monies that are not obligated by September 30th, 2010 represent a lost opportunity at a time when reemployment services are in greater demand than at any time in recent history. With the unemployment rate expected to remain high, it is essential that we continue to invent new and creative ways to help Americans get back to work. We know you share our goal and we look forward to working with you on this urgent challenge.

Attachment C

Snapshot of State Accomplishments Using RES Funds

Except: *Early Implementation of ARRA: Workforce Development and UI Provisions* (pg 108-109) by the National Association of State Workforce Agencies (NASWA).

Many of the states visited by researchers (AZ, CO, FL, IL, OH, and WI) included RES activities among their major achievements under the Recovery Act. In Arizona, Recovery Act funds allowed the state to launch a new RES program across the state, including three dedicated reemployment centers in counties with significant unemployment. Colorado noted that its efforts under the Recovery Act have helped bring the UI and workforce systems closer together; staff on both sides is more knowledgeable about the other's programs and more willing to collaborate. Florida officials also viewed their RES program as an accomplishment, particularly the new emphasis on intensive staff-assisted services. Illinois successfully re-launched its RES program, last offered in 2005, with Recovery Act funding.

Ohio, with local workforce agencies facing budget cuts and hiring freezes, the additional Wagner-Peyser and RES Recovery Act funding enabled the state to bring on 100 intermittent (temporary, full-time) staff, which have been deployed in One-Stops across the state to handle burgeoning numbers of customers. This additional funding also helped to expand the numbers of RES orientation sessions and one-on-one case management services available to UI claimants.


One of the biggest accomplishments in the Wisconsin workforce system that has resulted from the Recovery Act is that there has been a substantial expansion in RES services. Wagner-Peyser Recovery Act funds (\$7.2 million) and UI Recovery Act administrative funding (\$3.6 million) – for a total of nearly \$11 million – were used to expand and fundamentally change the way in which UI claimants are served by the One-Stop system. State officials noted that the Recovery Act provided the resources needed to re-engineer and make fundamental changes to the way in which RES is provided for UI claimants.

Wisconsin's *Career Pathways* model, developed several years ago through a Joyce Foundation grant, is now being applied to UI claimants with Recovery Act RES funds.

These findings are echoed in NASWA's survey. Almost half of the survey respondents (46%) reported that their state's RES program or the UI/Workforce system partnership in their state was an achievement of the Recovery Act implementation. Only 27% of those states, however, reported that their achievements in RES were sustainable.

Attachment D

Recent 9147 Monthly Report and 9002 Quarterly Outcomes Report

 <p style="text-align: right;">U.S. Department of Labor Employment and Training Administration</p> <p style="text-align: center;">WAGNER-PEYSER REEMPLOYMENT SERVICES GRANTS MONTHLY REPORT</p> <p>ETA Form: ETA-9147 Report Due Date: 02/15/11 Report Month End Date: 02/28/10</p> <p style="text-align: right;">OMB No. 1205-0474 Expires: 1/30/2013 Date Report Certified: 03/01/11</p>		
	Staff-Assisted Services	
Participant Information	Current Month	Program to Date
Total number of new participants served	207,118	5,459,701
Total number of participants served	622,394	6,637,174
Number of Veterans served	81,825	617,619
Number received workforce information services	246,203	3,650,773
Number received career guidance	131,087	1,768,836
Number received job search activities	344,382	4,540,387
Number referred to employment	168,335	2,135,120
Number referred to WIA services	96,995	1,503,685
Number referred to training, including WIA-funded training	22,650	482,498

Sample 9002 Outcomes Report from the Quarter Ending December, 2010

Outcomes for UI Claimants		
Entered Employment (i.e. got a job)	2,632,595	
Entered Employment Rate Base	5,750,352	
Entered Employment Rate		46%
Employment Retention (i.e., kept a job)	2,077,806	
Employment Retention Base	2,782,791	
Employment Retention at Six Months Rate		75%

*Note the monthly report captures participants (active in the system) whereas the outcomes' report captures employment outcomes of those who exited the program.

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Appendix E

Auditor Response to Agency Comments

Summary of ETA Response and Auditor Conclusion

Finding 1: DOL Provided Timely General Guidance But Missed an Opportunity to Direct the states to Address Identified Long-Term Deficiencies and Weaknesses in the Reemployment Services Program.

ETA said that it did not have the authority to direct states to use RES grant funds to correct program deficiencies. It said that "... it is illegal for DOL to "direct" states without express authorization for Congress to target the funds to a narrower scope of allowable activities than contained in the law." ETA said that it acted as directed by the Recovery Act and the requirements of the Federal Grants and Cooperative Agreements Act of 1977. However, the Recovery Act does not restrict DOL's ability to target funds. It merely says that "funds shall be used by states for reemployment services...." The Federal Grants and Cooperative Agreements Act of 1977 also does not prohibit DOL from directing states on the use of funds. The Act distinguishes, in general language, the circumstances in which a grant or contract should be used by federal agencies and indicates that grants are authorized when federal control over a funded activity is expected to be lower and that contracts should be used when federal control will be greater. In fact, DOL guidance on the Federal Grants and Cooperative Agreements Act of 1977 that ETA cited stated the following: "At times DOL Agencies may find it necessary to increase their involvement in a grant-funded project during the period of time covered by the grant. This could happen, for example, when standard grant reports or monitoring indicate some sort of problem. If this occurs, Agencies should not view the Act as restricting their authority to intervene as necessary to bring the project into conformance with original intentions."

In addition, we noted during our review that ETA does negotiate goals for the program and requires actions that states need to address. Also, ETA performs monitoring reviews of the states and issues reports recommending that states take certain actions.

The Wagner Peyser Act establishes grant management duties for ETA and specifies one means, i.e., approval authority over state spending plans, to exercise this management responsibility. According to Section (3) (a), "The Secretary shall assist in coordinating the state public employment services throughout the country and in increasing their usefulness by developing and prescribing minimum standards of efficiency, assisting them in meeting problems peculiar to their localities, promoting uniformity in their administrative and statistical procedure,". Section 3(c) requires the Secretary to: "(1) assist in the coordination and development of a nationwide system of public labor exchange services, provided as part of the one-stop customer service systems of the states; and "(2) assist in the development of continuous improvement models for such nationwide system that ensure private sector satisfaction with the system and meet the demands of jobseekers relating to the system....". Moreover,

Section 8 (a) provides that “Any State desiring to receive assistance under this Act shall submit to the Secretary...detailed plans for carrying out the provisions of this Act within such State.” Section 112 (a) of the Workforce Investment Act of 1998 provides that “For a State to be eligible to receive ... financial assistance under the Wagner Peyser Act..., the Governor of the State shall submit to the Secretary for consideration by the Secretary, a single state plan”. The Workforce Act states that this plan shall include “with respect to the one-stop delivery systems...a description of the strategy of the State for assisting local areas in development and implementation of fully operational one-stop delivery systems in the State...”. Section 8 (c) requires that the State plan for Wagner Peyser grants include the information mandated by the Workforce Act. Section 8(d) states that “If such detailed plans are in conformity with the provisions of this Act and reasonably appropriate and adequate to carry out its purposes, they shall be approved by the Secretary of Labor....”.

In our view, these statutory provisions give DOL responsibilities with respect to the use of the grant and provide ETA with authority to use state plans as a mechanism for directing funds to the correction of problems discussed in our report.

In addition, one of the chief shortcomings pointed out by various reports which ETA could have addressed more directly with the RES grant funds was inadequate state profiling systems, i.e., statistical models to forecast which UI claimants would exhaust benefits before finding employment. The purpose of these profiles is to refer the claimants most needing help to state reemployment services funded with Wagner Peyser grants. As described below, the Act requiring States to use these models also gives the Secretary of Labor responsibility for ensuring that States comply.

Public Law 103-152, the Unemployment Compensation Amendments of 1993, contained requirements that States must meet as a condition of receiving UI grants. In guidance to all State Employment Security Services, ETA stated that P.L 103-152 requires DOL to “provide technical assistance and advice to the States in implementing the worker profiling systems.” In response to this legislation, DOL launched a major initiative to establish an integrated, comprehensive worker profiling and reemployment services system including the Unemployment Insurance (UI) and Employment Services programs. DOL’s guidance to the States stated “the Department has determined the following minimum requirements: A State profiling system must identify all new claimants for regular UI claimants who are permanently laid off (and who are, therefore, likely to exhaust benefits)”. ETA guidance continues: “under the minimum required profiling system, States must use . . . to identify claimants for purposes of referral to reemployment services.”

The above Pubic Laws, DOL guidance, and actions directed by statements in its monitoring reports contradict ETA’s assertion that it cannot direct State grantees. One ETA regional monitoring report provided has references indicating that one State had stopped profiling. The monitoring report references Public Law 103-152 as justification for why the State needed to resume profiling. These statements are taken directly from the ETA monitoring report: “Action Required – The agency must reinstate profiling

immediately to comply with Federal law . . . Notify the regional office within 30 days of receipt of this report of a proposed date for profiling to be back online and operational.”

The above information is important for several reasons:

- DOL was charged by Public Law to direct State activity in the development of a profiling system, which it did.
- Credible reports by several organizations reference the fact that there have been weaknesses and deficiencies in several State profiling systems for a number of years.
- ETA’s Regional monitoring reports contain numerous references to inadequate State profiling systems.

The information referred to in the second and third bullets above provided ETA with adequate knowledge that several States have not been complying with Public Law 103-152. The Recovery Act provided \$247.5 million of additional funding for the States, but ETA did not establish a goal for the States to spend at least a portion of their funds to address the profiling issue that clearly needed attention.

Additional references where ETA has clearly directed State activity include the following quotes from several ETA regional monitoring reports:

- Corrective actions must be addressed.
- Actions are required to meet the noted discrepancies.
- Evaluate whether grant programs and services are in compliance with applicable Federal, State, and local requirements.

We concluded that ETA could have directed some portion of RES spending to correct shortcomings in the reemployment services program. ETA disagrees with this conclusion. However, if ETA would have established goals for States to update their profiling systems, it would have provided DOL with a good example to show its attempts to be in compliance with the Recovery Act requirements for demonstrating positive outcomes from the use of the funding. In addition, it would have enabled the States to become compliant with Public Law 103-152. Furthermore, DOL would have fulfilled its legislative mandate to assist the States in maintaining adequate profiling systems.

ETA described the steps it had taken to provide States with guidance on how to spend RES funds. We agree that ETA did make extensive efforts in this regard and have acknowledged this effort in our report. We have also indicated the mainly positive reactions from States we reviewed to ETA’s guidance.

Many of the problems discussed in our report are long-standing deficiencies in the program and have been documented repeatedly and should have been well known to managers. We have cited the information in our report as justification for how the RES grant could have been used more productively. Furthermore, ETA’s own review of the “readiness” of States for Recovery Act funds was conducted in April and May 2009, and could have been used for directing grant spending.

ETA did not address a very significant finding in our report. That is, DOL cannot provide to Congress an analysis or report that shows how the States spent the \$247.5 million provided by the Recovery Act. This clearly does not meet the Recovery Act's requirement for accountability and transparency.

Finding 2: DOL Did Not Monitor How RES Funds Were Spent to Achieve Transparency Regarding the Uses of the Funds.

ETA did not disagree that more information on the uses of RES grant funds by the States would have been desirable but said it was constrained by the Paperwork Reduction Act and OMB rules from increasing data collection. Our report recognizes the constraints under which DOL operated. ETA also said that because a regional monitoring report of a state's activities does not mention how funds were used does not indicate that the review did not cover this subject. Given the emphasis the Recovery Act placed on transparency and accountability, we believe that the monitoring reports should comment on this subject even if the States are in compliance to ensure that the issue was adequately covered. Monitoring how States are spending their funds, is important, especially since we noted that several ETA regional monitoring reports had findings that many States had not monitored their reemployment services program for years.

We obtained several ETA monitoring reports in addition to the ones we received for the four States visited. Our analysis of these ETA monitoring reports found numerous references to the fact that many States were not performing adequate monitoring of their program. Following are some quotes from those reports:

- Monitoring of the reemployment services program has not been completed by the agency.
- Monitoring by the State has not been completed for reemployment services.
- The monitoring, conducted by the State, has not been done in a few years.

Thus, even though ETA had ample evidence that States were not complying with 20 CFR 667.410, which requires monitoring by the States of expenditures, ETA was strongly encouraging States to obligate and spend the Recovery Act funds. This is not sound financial oversight and does not meet the unprecedented transparency and accountability required by the Recovery Act.

A grant reporting system that collects only basic information -- gross obligations and expenditures -- does not adequately account for the nature or purpose of grant spending. Monitoring reports that do not mention how funds were used does not produce the level of transparency and accountability required by the Recovery Act.

Finding 3: Recovery Act RES Funds Were Not Spent Early in the Grant Period, and DOL Did Not Provide Proper Oversight to Determine if the Funds were Spent Concurrently with Other Grant Funds.

ETA stated that the OIG audit report fails to accurately acknowledge DOL's implementation of the legislation which allows States to obligate funds until September 30, 2010 and to expend funds up to June 30, 2011. This is an untrue statement. Page 1 of the letter to the Assistant Secretary referred to the ETA TEGL which stated that the funds were available to the States for obligation through September 30, 2010 and that the funds were to be spent no later than the end of Program Year 2010 (June 30, 2011). In addition, Exhibit 1 of the report shows the Recovery Act RES funding for each State and any unobligated balance as of September 30, 2010.

Regarding our analysis that found that the obligation of 64 percent of the RES grant funding was in the last nine months of the grant period (January through September 2010), ETA said that "The law established the period of time within which to spend the funds with no requirement for early expenditure . . .". However, ETA's TEGL 13-08 stated that "States are expected to spend Recovery Act funding quickly and effectively" and that "It is Congress' intent, as well as the Administration, that the majority of these funds will be utilized within the first year of availability." (March 6, 2009 through February 2010).

ETA said that the RES award funds had been spent concurrently with regular Wagner Peyser funds. It offered as evidence a table showing that funds were spent from the regular grant and the RES grant in both PY 2009 and PY 2010. We did not say that no funds were spent concurrently. ETA did not address our finding that 20 States with large unobligated RES fund balances near the end of the grant period spent less of their PY 2010 regular Wagner-Peyser award than the national average in the first quarter of PY 2010, which was the last three months of the RES grant period. Nor did they address the fact that 8 of the 20 States did not spend any regular Wagner-Peyser funding in this period, or that in one State we visited, Wagner-Peyser funds that would ordinarily have been spent during the RES grant period were not spent until after the RES funding period was over.

ETA commented that they added a step for checking for concurrent spending in their monitoring guide. It is good that they added this step, however, none of the ETA regional monitoring reports we reviewed contained reference to concurrent spending of the RES grant funding and headquarters officials we interviewed were unaware of whether the Recovery Act's requirement for concurrent spending was met. Furthermore, in reviewing the various financial documents provided by the States we visited, we did not identify any documents referencing or indicating that concurrent spending of the RES funding was being monitored or addressed. Given the emphasis the Recovery Act placed on the need for concurrent spending, DOL's actions were not sufficient to meet the transparency and accountability requirements of the Act.

Finding 4: Unreliable DOL Reports on Grant Activities Prevent Assessments of Grant Outcomes.

ETA said that ETA reports do distinguish RES clients from clients served by the regular Wagner Peyser grant and that ETA reports do separately count RES clients. But as we explain in our report, ETA TEGL 24-08 says that “because [client] characteristics and eligibility [for both the regular Wagner-Peyser and RES grants] are identical and because services will be paid for with both regular and Recovery Act funds it is not possible for States and local service providers to distinguish who is a Recovery Act participant in any meaningful way.” This statement is true for both reemployment services clients and employment services clients. Because participants served with Recovery Act funds could not be distinguished from those served by regular Wagner Peyser funding, ETA chose to count all UI claimants who received staff assisted services as RES clients when reporting RES program accomplishments. In this way, DOL did separately report on UI claimants as it said in its response to our report. Our point, which DOL did not dispute, is that this method overstates the number of clients served with RES funds and the accomplishments of the RES grant because the regular Wagner Peyser grant has always been used to provide reemployment services to UI claimants. According to an ETA report, in PY 2008, the year before most of the RES grant was obligated, 5.2 million (or 44%) of the total 11.9 million participants who received staff assisted services were eligible claimants. In reporting RES accomplishments, ETA included all UI claimants who would ordinarily have been counted as regular Wagner-Peyser funded clients and added the clients to the RES count. In its comments to our report, DOL does not dispute that its reporting policy overstates the effect of the RES grant.

Our report references variations in State activity reports submitted to ETA that are not credible. We discussed these variances with ETA officials who acknowledged that there is inconsistency in the way States are defining the services provided to participants. In its written comments to the draft report, however, ETA defends its reports. It said that “Reporting simply captures the state’s activity.” It said that “The numbers and proportion of services differ from state-to-state because of different state program design strategies.” DOL offered no evidence to support this assertion. It ignored our data showing the month-to-month variation within the same states. The problem of inconsistent reporting by States is not limited to the States we visited. We analyzed the information on eligible participants who received various services in PY 2009 as reported on ETA’s website. The range of reported services among the States is similar to what we found for the States we visited. For example, Kansas reported that 16 percent of eligible participants received staff assisted services while Massachusetts reported 97 percent, Indiana reported 84 percent for career guidance and Kentucky 3 percent. Iowa reported that it had referred 77 percent of eligible participants for employment and Connecticut referred one percent. Vermont showed that 67 percent of eligible participants received workforce information and New York reported 13 percent. Differences in reporting practices on this scale make assessments of State performances extremely difficult, if not impossible.

Furthermore, in commenting on their Statement of Facts provided for review, one state has this quote regarding outcomes: “There was no US DOL requirement or expectations to track ARRA specific outcomes for RES.” Another State told us that DOL had an opportunity to demonstrate success but that it did not.

Recommendations

DOL disagreed that the actions we recommended were necessary because it said it already had adequate monitoring and reporting systems and that it had demonstrated adequate outcomes. We believe that our report accurately reflects a program that lacks sufficient transparency and accountability, as required by the Recovery Act. ETA does not have enough information on how funds are being spent, did not leverage its authority to fix longstanding weaknesses, and does not have adequate information on what is being accomplished with Recovery Act funds.

DOL has not developed measurable goals, objectives, and outcomes for the Wagner-Peyser program. Thus, DOL has not been in a position to provide adequate justification or support for Congress to provide any additional or increased funding for almost 30 years. During this time period, the Federal budget has increased over 400 percent. The current serious budget situation facing the Federal government will require very difficult funding decisions and reductions will have to be made as the current Congress and Administration have promised.

In our opinion, DOL now more than ever needs to provide better justification and produce quantifiable results for this program. This is the intent of our recommendations and why we continue to believe that they are sound and should be implemented by DOL.

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