

# U.S. Department of Labor

Office of Inspector General—Office of Audit

**EMPLOYMENT AND  
TRAINING  
ADMINISTRATION**



## **RECOVERY ACT: WORKFORCE INVESTMENT ACT YOUTH PROGRAM**

This audit was performed by Ollie Green & Company, CPA's, under contract to the Office of Inspector General, and by acceptance, it becomes a report of the Office of Inspector General.

*Ernest P. Lewis*

Assistant Inspector General for Audit

**Date Issued: March 31, 2011**  
**Report Number: 18-11-006-03-390**

**U.S. Department of Labor  
Office of Inspector General  
Office of Audit**

## **BRIEFLY...**

Highlights of Report Number: 18-11-006-03-390, 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 impacted by the recession. Title VIII of the Recovery Act provided the Department of Labor (DOL) with an additional \$1.2 billion in Workforce Investment Act (WIA) formula funds for youth employment and training activities. These funds are administered by the Employment and Training Administration (ETA). The Act allowed the Department to retain 1 percent (\$12 million) of these funds for program administration and oversight.

### **WHY OIG CONDUCTED THE AUDIT**

The Office of Inspector General (OIG) conducted an audit to determine how Local Areas are using the additional WIA Youth Program funds provided by the Recovery Act, and to determine the impact of extending the age limit from 21 to 24 year old youth – both in terms of participants served in that age range, the services provided to the extended population, and the outcomes achieved. Specifically, our audit objectives were to answer the following questions:

- (1) How did Local Areas spend or how were they planning to spend their allocation of WIA Youth Formula Funds?
- (2) Who were the participants in the WIA Youth Program?
- (3) What services were participants in the WIA Youth Program receiving?
- (4) What were the outcomes for participants enrolled in the WIA Youth Program?
- (5) To what extent were employers using the Work Opportunity Tax Credit to hire disconnected youth (ages 16 to 24) as provided by the Recovery Act?

### **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/2011/18-11-006-03-390.pdf>

**March 2011**

## **RECOVERY ACT: WORKFORCE INVESTMENT ACT Youth Program**

### **WHAT OIG FOUND**

The OIG found that Local Areas had spent \$1.044 billion of their Recovery Act WIA Youth funding by September 30, 2010, and that 80 percent of those funds were spent on summer employment opportunities and paid and unpaid work experiences consistent with ETA's Recovery Act program goals. We also noted that \$5.8 million was spent on green industry activities (i.e., solar, recycling, etc.).

We found that 49 percent of WIA Youth Program participants were 14-17 years old and that a majority were minorities. Participants received services in all 10 Section 129 program elements, to include summer employment opportunities, tutoring, and adult mentoring. These services contributed to the attainment of work readiness skills for 76 percent of participants and to the attainment of part-time or full-time employment for 9 percent.

Local Areas did not track the use of the Work Opportunity Tax Credit by employers.

### **WHAT OIG RECOMMENDED**

There were no findings and recommendations as a result of this audit. ETA agrees with the audit results contained in this report.

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## Independent Auditor's Report

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The American Recovery and Reinvestment Act of 2009 (Recovery Act) was passed to preserve and create jobs, promote economic recovery, and assist those most impacted by the recession. Title VIII of the Recovery Act provided the Department of Labor with an additional \$1.2 billion in Workforce Investment Act (WIA) formula funds for youth employment and training activities. The Recovery Act also extended the youth eligibility age from 21 to 24. The Recovery Act allows states and outlying areas, and Indian and Native American grantees to spend additional WIA Youth Program funds on activities related to any of the 10 program elements described in Section 129 of WIA. Because the Recovery Act allows the Department to retain one percent (1 percent) of the funds for program administration and oversight, the actual allotment to the States and outlying areas and Indian and Native American grantees was \$1.188 billion. Grantees have until June 30, 2011, to spend these additional funds.

Our audit objectives were to determine (1) how Local Areas spent or were planning to spend their allocation of Recovery Act WIA Youth Formula Funds; (2) who were the participants in the Recovery Act WIA Youth Program; (3) what services were participants in the Recovery Act WIA Youth Program receiving; (4) what were the outcomes for participants enrolled in the Recovery Act WIA Youth Program; and (5) to what extent were employers using the Work Opportunity Tax Credit to hire disconnected youth (ages 16 to 24) as provided by the Recovery Act.

The audit included a review of documents and data available from ETA's office. It included structured interviews and data collection instruments administered to heads of State Youth Program offices or their designees in a stratified universe of 830. The interviews were conducted during November 2010 through February 2011, and included available data through September 30, 2010.

## RESULTS IN BRIEF

We estimated, based on the results of our sample, that Local Workforce Investment Boards and Indian and Native American grantees (LWIB/INA) spent 80 percent of their allocation of Recovery Act funds on summer employment opportunities and paid and unpaid work experiences. These two categories are allowable program activities/elements under WIA Section 129. LWIB/INAs spent \$415.5 million (40 percent) of their Recovery Act WIA Youth Program funds on summer employment opportunities. Another \$416.1 million (40 percent) was spent on paid and unpaid work experience as of September 30, 2010.

Based on our sampling results, we estimated \$24.8 million (36 percent) of LWIB/INAs “unused” Recovery Act funds would be spent on “other,” while \$20.8 million (30 percent) of these unused funds would be spent on paid and unpaid work experiences by the June 30, 2011, cutoff date. We estimated they would spend \$12.4 million (18 percent) of their unused Recovery Act funds for follow-up services. We also estimated that LWIB/INAs spent \$5,876,646 of their Recovery Act WIA Youth funds on green industry activities.

Our audit found that most participants enrolled in the Recovery Act WIA Youth Program were between the ages of 14 and 17 years old. We also found that program administrators enrolled eligible participants from many cultures. African Americans represented 47 percent of the participants while Hispanics represented another 16 percent. Caucasians represented 27 percent of the participants enrolled. We found that 10 percent of the participants enrolled in the Recovery Act WIA Youth Program fell within the Recovery Act expanded age range (22-24). We also noted that veterans represented less than one percent (1 percent) of the total participant enrollment.

We found that LWIB/INAs enrolled more than 460,000 eligible participants in the Recovery Act WIA Youth Program and provided eligible youth with activities and services related to all 10 of the WIA Section 129 program elements. Many of the participants received services and activities in more than one program element category.

Our audit found that the outcome for 349,502 (76 percent) of the participants enrolled in the Recovery Act WIA Youth Program was the attainment of work readiness skills. Part-time and full-time employment accounted for 40,635 (9 percent) of the total outcomes of the Recovery Act Youth Program. We also found that 7,915 (1 percent) received secondary school diplomas, while 8,769 (2 percent) received post secondary education.

Finally our audit found that LWIB/INAs were not required to track the Work Opportunity Tax credit (WOTC) used by employers to hire “disconnected youth,” ages 16 to 24, as provided by the Recovery Act. Although 14 of the respondents surveyed indicated that they had implemented systems designed to track the WOTC used by employers; forty-eight others told us that they did not have systems in place designed to track the use of

the credit and another 21 told us that they could not determine whether they had systems in place to track the use of the credit. We found that States are required to submit quarterly reports that provide information on applications received, certified and/or denied. These reports include information on the two new target groups, disconnected youth and unemployed veterans.

ETA agrees with the audit results and believes the positive results demonstrate that ETA effectively implemented the Recovery Act Youth activities funding provided by Congress. ETA's comments are included in their entirety in Appendix D.

There were no findings and recommendations as a result of this audit. The OIG has made technical changes in the report based on comments ETA provided in response to the draft report. We believe ETA complied with Recovery Act WIA activities funding requirements.

## RESULTS

### **Objective 1 — How did Local Areas spend or how were they planning to spend their allocation of WIA Youth Formula Funds?**

---

*Local Areas spent 80 percent of their Recovery Act WIA youth allocation on summer employment opportunities and part-time and full-time work experiences.*

As indicated in Table 1 below, LWIB/INAs spent an estimated \$1.044 billion of their Recovery Act formula funding by September 30, 2010; our audit found, based on sampling results, that \$68.5 million had not yet been spent. The Recovery Act requires that all WIA formula funds are expended by June 30, 2011. Most LWIB/INAs indicated that they planned to spend their unused funds by the June 30, 2011 deadline. Table 1 also illustrates that LWIB/INAs spent most of their Recovery Act WIA Youth Program funds on summer employment opportunities (40 percent) and paid and unpaid work experiences (40 percent). LWIB/INAs spent (80 percent) of their allocation of Recovery Act funds in these two categories.



**Table 1: Extrapolated Spending by Section 129 Allowable Program Elements and Activities**

<b>WIA Program Elements/Activities</b>	<b>Amount Spent By 9/30/10</b>	<b>Percent</b>
Tutoring, study skills training	\$3,491,972	1
Alternative secondary school offerings	915,649	1
Summer employment opportunities	415,565,223	40
Paid and unpaid work experiences	416,165,462	40
Occupational skills training	13,041,671	1
Leadership development opportunities	15,771,706	1
Supportive services	34,539,817	3
Adult mentoring	4,797,232	1
Follow-up services	1,753,721	1
Comprehensive guidance and counseling	26,286,954	2
Other <sup>1</sup>	112,456,546	9
<b>Total</b>	<b>\$1,044,785,953</b>	<b>100</b>

As indicated in Table 2 below, LWIB/INAs also told us in surveys and data collection instruments that of their \$68.5 million unused Recovery Act funding at September 30, 2010, \$24.8 million would be spent on “other,” \$20.8 million on paid and unpaid work experiences, and \$12.4 million for follow-up services. LWIB/INAs also indicated that \$5.8 million of their Recovery Act WIA Youth funds were spent on green industry activities (i.e. solar, recycling, etc, etc).

**Table 2 : Projected Spending For Unused Recovery Act Funds**

<b>WIA Program Elements/Activities</b>	<b>Amount Planned By 6/30/11</b>	<b>Percent</b>
Tutoring, study skills training	\$206,641	1
Alternative secondary school offerings	572,057	1
Summer employment opportunities	529,538	1
Paid and unpaid work experiences	20,873,062	30
Occupational skills training	5,179,652	8
Leadership development opportunities	1,208,233	1
Supportive services	2,004,351	2
Adult mentoring	168,240	1
Follow-up services	12,478,341	18
Comprehensive guidance and counseling	456,790	1
Other <sup>2</sup>	24,827,015	36
<b>Total</b>	<b>\$68,503,920</b>	<b>100</b>

<sup>1</sup> Includes unallocated indirect program and other administrative costs.

<sup>2</sup> Include unallocated indirect program and other administrative costs.

**Objective 2 — Who were the participants in the WIA Youth Program?**

*Participant ages 14-17 years old represented 48 percent of the Recovery Act WIA Youth Program enrollment.*

The objective of this part of our audit was to determine who were the participants enrolled in the Recovery Act WIA Youth Program. To conduct our work, we requested LWIB/INAs to provide data on the characteristics of the participants enrolled from Recovery Act inception (February 17, 2009) through September 30, 2010. Tables 3 through 9 below summarize the characteristics of the participants enrolled from Recovery Act inception through September 30, 2010, by participant count and seven different categories.<sup>3</sup>

Table 3 below shows that 225,439 (48 percent) of the participants enrolled were within the age range of 14 to 17. Another 131,179 (28 percent) fell within the 18 to 19 age range. Title VIII (Division A) of the Recovery Act temporarily extended the age limit from 21 to 24; this expanded age range accounted for only 44,609 (10 percent).

**Table 3: Projected Participant Ages**

<b>Ages</b>	<b>Participant Count</b>	<b>Percent</b>
14-15	80,013	17
16-17	145,426	31
18-19	131,179	28
20-21	61,816	14
22-24	44,609	10
<b>Total</b>	<b>463,043</b>	<b>100</b>

Table 4 below shows that 353,704 (96 percent) of the participants who enrolled in the Recovery Act WIA Youth Program were unemployed at enrollment. Fifteen of the respondents surveyed did not track this information or did not respond to this question in our survey/DCI.

**Table 4: Projected Employment Status at Enrollment**

<b>Participant Employment Status</b>	<b>Participant Count</b>	<b>Percent</b>
Employed	14,858	4
Unemployed	353,704	96
<b>Total</b>	<b>368,562</b>	<b>100</b>

<sup>3</sup> Total participant counts in Tables 3 through 9 may not align because not all respondents answered all DCI questions.

Table 5 below shows that a slight majority 229,843 (50 percent) of the participants enrolled in the Recovery Act WIA Youth Program were female. Our audit found that there was a virtual even gender split for participant enrolled in the Recovery Act WIA Youth Program as of September 30, 2010.

**Table 5: Projected Gender**

<b>Participant Gender</b>	<b>Participant Count</b>	<b>Percent</b>
Male	229,356	50
Female	229,843	50
<b>Total</b>	<b>459,199</b>	<b>100</b>

Table 6 below shows that most participants enrolled in the Recovery Act WIA Youth program were minority youth. We found that 213,895 (47 percent) of the participants enrolled in the Recovery Act WIA Youth Program were of African American heritage. Another 76,082 (16 percent) participants were of Hispanic heritage. However, Table 6 also illustrates that program administrators recruited and enrolled a diverse group of participants from many cultures. Caucasians represented 27 percent of the participants enrolled.

**Table 6: Projected Race and Ethnicity**

<b>Race</b>	<b>Participant Count</b>	<b>Percent</b>
African American	213,895	47
American Indian or Alaskan	15,327	3
Asian	6,854	1
Caucasian	126,177	27
Hawaiian or Pacific Islander	8,286	2
Hispanic	76,082	16
More Than One Race	8,006	2
Other	7,177	2
<b>Total</b>	<b>461,804</b>	<b>100</b>

Table 7 below indicates that 602 (58 percent) of the veterans who enrolled in the Recovery Act WIA Youth Program fell within the Recovery Act expanded age range of 22 to 24. Veterans were a very small percentage of the Recovery Act WIA Youth Program; less than 1 percent of the total participant enrollment.

**Table 7: Projected Veterans**

<b>Veteran Ages</b>	<b>Participant Count</b>	<b>Percent</b>
19-21	444	42
22-24	602	58
<b>Total</b>	<b>1,046</b>	<b>100</b>

Table 8 below shows that 116,493 (42 percent) participants were basic literacy skill deficient. Another 51,545 (19 percent) participants were pregnant or parenting youth. Twelve of the respondents surveyed did not track this information or did not respond to this question in our survey/DCI.

**Table 8: Projected Barriers to Employment**

<b>Barriers to Employment</b>	<b>Participant Count</b>	<b>Percent</b>
Homeless of Runaway	9,527	4
Offender	25,428	9
Pregnant of parenting youth	51,545	19
Basic literacy skills deficient	116,493	42
Other	71,264	26
<b>Total</b>	<b>274,257</b>	<b>100</b>

Table 9 below shows that 239,427 (66 percent) participants had not completed high school. This group included 41,226 (11 percent) participants who had completed middle school as their highest grade. Table 9 also shows that 121,854 (34 percent) had completed high school, high school equivalency, post -secondary and/or college. This group also included 1,599 (1 percent) college graduates. Eighteen of the respondents surveyed did not track this information or did not respond to this question in our survey/DCI.

**Table 9: Projected Education**

<b>Highest Grade Completed</b>	<b>Participant Count</b>	<b>Percent</b>
Middle School	41,226	11
Some High School	198,201	55
High School Graduate	82,868	23
High School Equivalency	10,074	3
Some Post-Secondary	27,313	7
College Graduate - 4 Year	1,599	1
<b>Total</b>	<b>361,281</b>	<b>100</b>

**Objective 3 — What services were participants in the WIA Youth Program receiving?**

*Participants enrolled in the Recovery Act WIA Youth Program received services in all 10 Section 129 program elements.*

The objective of this part of our audit was to determine what services were received by participants enrolled in the Recovery Act WIA Youth Program from Recovery Act inception to September 30, 2010. We requested respondents to provide information on services provided to participants enrolled in their WIA Youth Programs. We found that LWIB/INAs provided services to participants in all 10 of the Section 129 program elements.

Table 10 below shows that 993,715 participants received services through the Recovery Act WIA Youth Program. This number is inflated for participants who received services in more than one program element category.

**Table 10 : Projected Services Received by Participant Count**

<b>WIA Program Elements</b>	<b>Participant Count</b>	<b>Percent</b>
Tutoring, study skills training	11,612	1
Alternative secondary school offerings	2,074	1
Summer employment opportunities	254,542	26
Paid and unpaid work experiences	244,187	25
Occupational skills training	11,980	1
Leadership development opportunities	73,464	7
Supportive services	139,730	14
Adult mentoring	21,087	2
Follow-up services	24,481	2
Comprehensive guidance and counseling	86,678	9
Other <sup>4</sup>	123,880	12
<b>Total</b>	<b>993,715</b>	<b>100</b>

Table 11 below illustrates services received by dollar amount. LWIB/INAs spent an estimated \$1.044 billion of their Recovery Act WIA Youth Program funds by September 30, 2010. As indicated, 80 percent of the services received by participants were concentrated in the summer employment opportunities and paid and unpaid work experiences categories. These activities are consistent with the LWIB/INAs spending assessment discussed in objective number one.

<sup>4</sup> Some respondents indicated that they could not determine which category was most appropriate

**Table 11: Projected Services Received by Participants by Dollar Amount**

<b>WIA Program Elements/Activities</b>	<b>Amount Spent By 9/30/10</b>	<b>Percent</b>
Tutoring, study skills training	\$3,491,972	1
Alternative secondary school offerings	915,649	1
Summer employment opportunities	415,565,223	40
Paid and unpaid work experiences	416,165,462	40
Occupational skills training	13,041,671	1
Leadership development opportunities	15,771,706	1
Supportive services	34,539,817	3
Adult mentoring	4,797,232	1
Follow-up services	1,753,721	1
Comprehensive guidance and counseling	26,286,954	2
Other <sup>5</sup>	112,456,546	9
<b>Total</b>	<b>\$1,044,785,953</b>	<b>100</b>

**Objective 4 — What were the outcomes for participants enrolled in the WIA Youth Program?**

*Attainment of work readiness skills represented 76 percent of the outcomes for participants enrolled in the Recovery Act WIA Youth Program.*

Our audit found that LWIB/INAs, had implemented systems designed to track the outcomes of participants who enrolled in their Recovery Act WIA Youth Programs. Tracking youth participation is required to manage the process of keeping participants on track for completion of short-term skill attainment goals and preparation to move into long-term employment, education, or training. We requested LWIB/INAs to provide information on the outcomes of participants enrolled in the Recovery Act WIA Youth Program from Recovery inception through September 30, 2010. TEGL 14-08 specifies that “Any youth served with only Recovery Act funds that participates in summer employment only, will only be included in the Youth Recovery Act report and the work readiness indicator will be the only measure that applies to such youth.” Recovery Act H.R.1-58 Title VIII (2) provides “That the work readiness performance indicator described in section 136(b) (2) A (ii) (I) of the WIA shall be the only measure of performance used to assess the effectiveness of summer employment for youth provided with such funds.”

Table 12 illustrates that the outcome for 349,502 (76 percent) of the participants enrolled in the Recovery Act WIA Youth Program was the attainment of work readiness

<sup>5</sup> Include unallocated indirect program and other administrative costs.

skills. As illustrated in Table 11 above, 40 percent of Recovery Act WIA Youth Program funding was spent on summer youth employment opportunities. Because Recovery Act H.R.1-58 Title VIII (2) provides “That the work readiness performance indicator described in section 136(b) (2) A (ii) (I) of the WIA shall be the only measure of performance used to assess the effectiveness of summer employment for youth provided with such funds,” the level of attainment of work readiness skills outcome reported in Table 12 below is consistent with the level of summer youth employment funding level reported in Table 11. Part-time and full-time employment accounted for 40,635 (9 percent) of the total outcomes of the Recovery Act Youth Program. Another 7,915 (1 percent) participants received secondary school diplomas, while 8,769 (2 percent) received post-secondary education.

**Table 12 : Projected Participant Outcomes**

<b>Outcomes</b>	<b>Participant Count</b>	<b>Percent</b>
Post-secondary Education	8,769	2
Advanced Training	3,832	1
Apprenticeships	66	1
Military Service	113	1
Full-Time Employment	14,549	3
Part-Time Employment	26,086	6
Secondary School Diploma	7,915	1
High School Equivalency Diploma (GED)	1,709	1
Basic Skills	13,897	3
Occupational Skills	12,155	2
Work Readiness Skills	349,502	76
Other <sup>6</sup>	21,743	5
<b>Total</b>	<b>460,336</b>	<b>100</b>

**Objective 5 — To what extent were employers using the Work Opportunity Tax Credit to hire disconnected youth (ages 16-24) as provided by the Recovery Act?**

*Local Areas did not track employer’s use of the Work Opportunity Tax Credit.*

The objective of this segment of our audit was to determine to what extent employers were using the WOTC to hire disconnected youth (ages 16-24) as provided by the Recovery Act. The Work Opportunity Tax Credit (WOTC) Program was created in 1996 by the Small Business Job Protection Act. The program provides a tax credit to private-sector businesses to hire individuals from 12 target groups who have consistently faced significant barriers to employment, including the two new target groups (Unemployed Veterans and Disconnected Youth) authorized by the Recovery Act. Our approach included surveying LWIB/INAs and using DCIs to collect information

<sup>6</sup> Some respondents indicated they were not able to determine the outcome.

to determine whether systems were implemented to track the WOTC used by employers who had hired disconnected youth.

Our audit found that LWIB/INAs were not required to track the use of the WOTC by employers. Although 14 of the respondents surveyed indicated they or their State had implemented systems designed to track the WOTC used by employers, 48 others told us they did not, and 21 told us they could not determine whether or not they had systems in place to track the use of the credit. ETA indicated that LWIB/INAs were not required to track this information.

Based on information provided to us by LWIB/INAs in their surveys/DCIs, we could not determine the extent that employers used the WOTC to hire disconnected youth as provided by the Recovery Act. However, ETA provided information based on data collected by States in their quarterly reports to ETA indicating that employers had sought the WOTC for 135,013 disconnected youth through the quarter ended September 30, 2010. We did not audit this information.

Consistent with the Recovery Act, States were required to submit quarterly reports, which provide information on applications received, certified and/or denied. These reports include information on the two new target groups, disconnected youth and unemployed veterans. An individual qualifies as a disconnected youth if they are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months, or they are not readily employable due to lack of basic skills.

Our audit also found that State Workforce Agencies (SWA) administer the WOTC and assist with the timely processing of applications. The operational management of the WOTC certification process includes 1) determining whether the certification requests were received in a timely manner, 2) verifying target group eligibility with different state service providers, and 3) issuing to employers the state's final determination (i.e., a certification or denial). ETA Handbook 408 was revised to reflect the 2 new target groups introduced by the Recovery Act and its statutory requirements. TEGL 3-09 issued on September 1, 2009, provided information and guidance to SWAs on the effective and timely implementation of eligibility certification for the two new targeted groups.

There were no findings and recommendations as a result of this audit.

We appreciate the cooperation and courtesies that ETA, State and LWIB/INA personnel extended to Ollie Green & Company, CPA's during this audit.



Ollie Green, MBA, CPA  
Managing Partner



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## Exhibit

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**Exhibit 1**

**Recovery Act LWIB/INA Sample**

Local Workforce Investment Boards			Allotment
1	NY	New York City	\$32,246,944
2	CA	Los Angeles City	20,318,324
3	IL	LWIA 9- City of Chicago	17,390,077
4	CA	Los Angeles County	14,920,052
5	TX	Gulf Coast	14,761,027
6	OH	Multiple Counties	13,507,380
7	MI	DWDD (Detroit Workforce Development Dept)	11,437,983
8	CA	San Diego County	10,499,924
9	CA	Riverside County	9,447,056
10	OH	Urban Youth Works/Recovery Conservation Corps	8,423,777
11	CA	Fresno City/County	7,836,652
12	PA	SE090 Philadelphia	7,399,628
13	AL	Local Area 2 (AL Workforce Investment Area)	7,374,798
14	FL	South Florida Workforce Board-Miami Dade Monroe	7,282,783
15	CA	San Bernardino County	7,141,256
16	TX	Dallas	6,842,698
17	KY	EKCEP (Eastern KY Concentrated Employment Program Inc)	6,549,836
18	OH	Cuyahoga County	6,367,690
19	IL	LWIA 7- Cook County	5,676,547
20	TX	Alamo	5,148,185
21	TN	Title 1 Youth LWIB #13	4,931,958
22	MI	Oakland	4,904,733
23	CA	San Jose/Silicon Valley	4,744,413
24	MS	Delta Local Workforce Investment Area	3,606,715
25	NY	Disconnected Youth Contract Program	3,581,359
26	MD	Baltimore City	3,558,951
27	MI	Capital	3,295,032
28	GA	Atlanta Regional	3,077,911
29	NJ	Newark	3,039,033
30	SD	ARRA Youth funds allotted to local area	2,884,250
31	MA	Area Hampden	2,562,282
32	FL	Tampa Bay Workforce Alliance Inc-Hillsborough	2,534,737
33	GA	DeKalb County	2,327,610
34	KS	Area 3	2,305,925
35	TX	Capital Area	2,213,498
36	TN	Title 1 Youth LWIB #5	2,197,182
37	ND	Youth Training Program	2,180,000
38	WA	S. Central	1,794,212
39	LA	LWIA 20	1,737,439
40	PA	NE075 Luzerne/Schuylkill Counties	1,625,837
41	MO	Southeast	1,556,471
42	CA	Santa Cruz County	1,535,571
43	NY	Onondaga County	1,304,591
44	AR	Northeast	1,297,451
45	KS	Area 4	1,244,014
46	NC	NC Div Juvenile Justice-Youth Detention Ctrs	951,630
47	IA	Region 16 (SDA 16)	935,128

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48	ME	Area II (Hancock, Penobscot, Piscataquis)	919,114
49	MO	Jefferson/Franklin Consortium	892,962
50	OK	South East	886,161
51	PA	NW145 West Central Job Partnership	884,732
52	OR	Workforce Investment Council of Clackamas County (WICCO)	848,393
53	NJ	Essex	810,357
54	WI	WDA #08 West Central	806,099
55	AZ	Tribal	787,132
56	CO	Tri-County	774,990
57	GA	Middle Georgia	773,713
58	MO	St. Charles County	748,761
59	MD	Lower Shore	718,293
60	VI	Local Youth Program	694,487
61	NC	Region C	666,464
62	AR	Western	638,111
63	WI	WDA #11 Southwest	601,346
64	CA	Cal GRIP Youth Awardees-City Impact	500,000
65	NP	WIA Youth ARRA	435,327
66	IN	Region 8	411,432
67	NC	Mountain Area	407,936
68	MN	Anoka County	363,949
69	LA	LWIA 50	354,592
70	NH	NH JAG	349,736
71	NC	Northeastern	308,758
72	ID	Region II	212,692
73	FL	Milestone Soc Srvs Inc Milestone Work-Aging Out Foster Care Proj	250,000
74	MD	Southern MD	110,344
75	AZ	Graham	80,811
76	AZ	Navajo Nation	3,956,397
77	HI	Alu Like, Inc.	2,411,092
78	OK	Cherokee Nation of Oklahoma	871,304
79	OK	Creek Nation of Oklahoma	458,763
80	OK	Choctaw Nation of Oklahoma	375,978
81	AZ	White Mountain Apache Tribe	343,210
82	SD	Rosebud Sioux Tribe	315,615
83	AZ	Tohono O'Odham Nation	288,020
84	AZ	San Carlos Apache Tribe	286,295
85	OK	United Urban Indian Council, Inc.	256,976
86	CA	California Indian Manpower Consortium, Inc.	195,233
87	MN	Red Lake Tribal Council	108,654
88	MS	Mississippi Band of Choctaw Indians	87,613
89	MT	Fort Belknap Indian Community	65,538
90	CO	Southern Ute Indian Tribe	13,798
91	NY	Seneca Nation of Indians	41,392
92	NM	Eight Northern Indian Pueblo Council	35,183
93	WI	Wisconsin Indian Consortium	34,149
94	AK	Kenaitze Indian Tribe	29,320
95	MN	Fond Du Lac R.B.C.	23,455
96	TX	Ysleta del Sur Pueblo	22,420
97	AK	Orutsararmuit Native Council	20,696
98	NV	Shoshone-Paiute Tribes	18,972

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99	OR	Confed. Tribes of the Umatilla Indian Res	18,972
100	AK	Aleutian/Pribilof Islands Association	15,522
101	NM	Pueblo of Isleta	15,177
		<b>Total</b>	<b>\$315,046,986</b>

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## Appendices

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## Appendix A

### Background

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The Recovery Act was signed into law by the President on February 17, 2009, to preserve and create jobs, promote economic recovery, and assist those most impacted by the recession. As of August 19, 2010, Congress had provided \$70.8 billion<sup>7</sup> in Recovery Act funds to DOL to, among other things, provide summer employment opportunities for youth and 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.

The Workforce Investment Act of 1998 enacted a formula-funded youth program serving eligible low-income youth, ages 14-21, who face barriers to employment. Funds for youth services were allocated to States and Local Areas based on a formula distribution. Service strategies, developed by workforce providers, prepare youth for employment and/or post-secondary education through strong linkages between academic and occupational learning. Local communities provide youth activities and services in partnership with the WIA One-Stop Career Center System and under the direction of local Workforce Investment Boards.

Section 129 of WIA described the purposes of the WIA Youth Program (Section a) and the allowable activities and services on which States and Local Areas can spend funds (Section c). Additionally, WIA required that at least 30 percent of the funds be spent on out-of-school youth. In fiscal year 2010, Congress appropriated more than \$924 million for the WIA Youth Program. For Program Year 2008, ETA reported that the WIA Youth Program served 275,243 young people and achieved a 66 percent placement rate in employment or education—higher than the planned goal of 59 percent.

The Division of Youth Services (within ETA's Office of Workforce Investment) has responsibility to oversee and administer the program.

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<sup>7</sup> The total amount does not include \$6 million provided to the OIG to provide oversight over the Department's recovery Act activities.

Title VIII of the Recovery Act provided DOL with an additional \$1.2 billion in WIA formula funds for youth employment and training activities. The Recovery Act also extended the youth eligibility age from 21 to 24. The Recovery Act allows states to spend additional WIA Youth Program funds on activities related to any of the 10 program elements described in Section 129 of WIA. Because the Recovery Act allows DOL to retain one percent of the funds for program administration and oversight, the actual allotment to States was \$1.188 billion. States have until June 30, 2011, to spend these additional funds.

In March 2009, ETA issued two guidance letters on spending additional WIA formula funds provided by the Recovery Act. These include *Training and Employment Guidance Letter (TEGL) 13-08* and on March 6, 2009 *TEGL 14-08*. *TEGL 13-08* (Attachment II) contained a list of State allotments for the WIA Youth Program under the Recovery Act. *TEGL 14-08* provided information that states and Local Areas might consider in planning how to use additional WIA Youth Program funds. *TEGL 14-08* also included instructions to states on submitting modified WIA Plan by June 30, 2009. ETA issued *TEGL 24-08* on May 21, 2009, which provided guidance for reporting performance accountability for programs receiving additional funds under the Recovery Act.

## Appendix B

### Objectives, Scope, Methodology, and Criteria

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#### Objective

The objectives of our audit were to determine:

- (1) How did Local Areas spend or how were they planning to spend their allocation of WIA Youth Formula Funds?
- (2) Who were the participants in the WIA Youth Program?
- (3) What services were participants in the WIA Youth Program receiving?
- (4) What were the outcomes for participants enrolled in the WIA Youth Program?
- (5) To what extent were employers using the Work Opportunity Tax Credit to hire disconnected youth (ages 16 to 24) as provided by the Recovery Act?

#### Scope

Our performance audit covered the period from February 17, 2009, to September 30, 2010. We conducted our fieldwork at the ETA National Office in Washington, D.C., at a pilot LWIB in Louisville, Kentucky; through phone interviews, surveys and data collection instruments with 101 LWIBs, Statewide WIA youth activities, and INA grantees selected in a statistical sample. Our performance audit was not designed to, and we did not, perform a financial audit of the amounts obligated or expended at any of the LWIBs, Statewide WIA youth activities or INA grantees.

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 provided a reasonable basis for our findings and conclusions based on our audit objectives.

#### Methodology

To accomplish our audit objectives, we obtained an understanding of Title VIII of the Recovery Act, which provided DOL with an additional \$1.2 billion in WIA formula funds for youth employment and training activities. The Recovery Act also extended the youth eligibility age from 21 to 24. The Recovery Act allows states and Outlying Areas and INA grantees to spend additional WIA Youth Program funds on activities related to any of the 10 program elements described in Section 129 of WIA. We also conducted interviews with ETA, State and LWIB officials in performing our work. The information in

this report was developed by DOL-OIG independent of ETA. The DOL-OIG is legislatively independent and charged with performing independent audit of DOL. Ollie Green and Company under contract with the DOL-OIG collected information directly from LWIBs, Statewide Youth Activities, and INA grantee officials in all 52 states and territories.

Our methodology for this performance audit included the use of statistical sampling. The application of the sampling process was conducted in conjunction with the DOL-OIG statistician. The statistical sampling universe for our model was defined as LWIBs, Statewide WIA youth activities, and INA grantees. The audit covered the period from Recovery Act enactment through September 30, 2010. The 101 sampling units illustrated in Exhibit 1 from a universe of 830 accounted for 26.5 percent of total dollar value of Recovery Act funds allocated to the universe. Our sample test results were estimated to the universe by the DOL-OIG statistician. We determined our sample size of 101 units using a 95 percent confidence level and a precision of plus/minus 5 percent.

We performed a data reliability assessment to ensure we were receiving complete and accurate data in our surveys and DCIs. To determine whether data was reliable to select our sample, we met with the Unit Chief, Youth Policy and Performance Unit at the National Office to discuss controls over the processing and reporting of fiscal and performance data. To gain a better understanding of the processing and reporting of fiscal and performance information, we requested from ETA and received a description and flowchart of systems in place designed to ensure the integrity of data processed at the LWIB/INAs level. We used checklists to assess the integrity of the information received on each DCI received. If DCI information was questionable based on checklist requirements, we contacted the LWIB/INAs and requested clarification and/or modification of information received. We reviewed systems data validation checks, edit checks, report validation, data element validation and, batch totals and concluded that the data received from LWIB/INAs in their DCIs was sufficiently reliable for our audit purposes.

We used a random sampling method with stratified design to provide effective coverage of the units to obtain precise estimates of the characteristics tested. Each unit was tested for multiple characteristics as discrete variables involving nominal measures. An explanation of the audit test results and relevance of the test to the audit's objectives is provided in the body of the audit report.

We used structured interviews, surveys and data collection instruments to perform our audit. The interviews were conducted during November 2010 through January 2011. We supplemented the data we gathered from LWIBs, Statewide WIA youth activities, and INA grantee officials and with publicly available data from DOL's website at [www.doleta.gov/recovery/](http://www.doleta.gov/recovery/) and other information provided by ETA. As a result, information in our report does not include nonpublic information, which LWIBs, Statewide WIA youth activities, and INA grantees may have provided to DOL.

A performance audit includes gaining an understanding of internal controls considered significant to the audit objectives, testing controls, and testing compliance with significant laws, regulations and other requirements. For this engagement, we obtained an understanding of ETA's process for evaluating the integrity of fiscal and performance data submitted by States and Local Areas receiving Recovery Act formula funding. The testing of internal controls over this process was not determined to be significant to our audit objectives.

## **Criteria**

We used the following criteria to accomplish our audit:

- The American Recovery and Reinvestment Act of 2009;
- Training and Employment Guidance (TEGL) Letter 13-08 dated March 8, 2009, including Attachment II;
- Training and Employment Guidance (TEGL) Letters 14-08 dated March 18, 2009; including Change.
- Training and Employment Guidance (TEGL) Letter 24-08 dated May 21, 2009;
- Workforce Investment Act- Sections 126 through 129;
- Workforce Investment Act – Final Regulations;
- OMB Memorandum 09-15, Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009, April 3, 2009;
- Federal Acquisition Regulations;
- Federal Register;
- Wagner-Peyser Act, as amended (29 U.S.C 49 et seq.)
- 20 CFR Part 667.210

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**Appendix C**

**Acronyms and Abbreviations**

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ARRA	American Recovery and Reinvestment Act of 2009
DCI	Data Collection Instrument
DOL	Department of Labor
ETA	Employment and Training Administration
LWIB	Local Workforce Investment Board
LWIB/INA	Local Workforce Investment Board/Indian or Native American
OG&C	Ollie Green & Company, CPA's
OIG	Office of Inspector General
TEGL	Training and Employment Guidance Letter
WIA	Workforce Investment Act
WOTC	Work Opportunity Tax Credit



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Appendix D

Employment and Training Administration Response to Draft Report

U.S. Department of Labor

Assistant Secretary for  
Employment and Training  
Washington, D.C. 20210



MAR 22 2011

MEMORANDUM FOR: ELLIOT P. LEWIS  
Assistant Inspector General for Audit  
Office of the Inspector General

FROM: JANE OATES *Jane Oates*  
Assistant Secretary for Employment and Training  
Employment and Training Administration

SUBJECT: Response to Draft Report Number: 18-11-006-03-390  
"Recovery Act: Workforce Investment Act Youth  
Program"

We are pleased with the positive results of the audit entitled "Recovery Act: Workforce Investment Act (WIA) Youth Program." The audit report clearly demonstrates that the Employment and Training Administration (ETA) was able to effectively implement the Recovery Act WIA Youth activities funding provided by Congress. Your audit results also demonstrate that these funds will be fully spent and have been spent on their intended purpose, with the majority of funds spent on summer employment and paid and unpaid work experiences.

While ETA agrees with the audit results contained in the draft report, there are two minor changes required in the report's language in order to better convey factual information. First, on page one in the next to last sentence of the first paragraph, ETA recommends clarifying that the \$1.188 billion allotment is for States as well as outlying areas and Indian and Native American (INA) programs.

Second, on page two and eleven describing the requirements to track the Work Opportunity Tax credit (WOTC), ETA recommends clarifying that no LWIB/INAs were required to track the WOTC to hire disconnected youth. We recommend deleting the word "most" and replacing it with "although" so that the statement reads "Finally our audit found that although LWIB/INAs were not required to track the WOTC ... 14 of the respondents surveyed indicated that they had implemented systems designed to track the WOTC used by employers."

We appreciate the opportunity to review and comment on the draft report.

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**Appendix E**

**Acknowledgements**

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*Key contributors to this report were Ollie Green, MBA, CPA (Managing Partner) Mr. Jerome Cooper (OIG Task Monitor), Susan Savitch, MS, CPA (Audit Manager), Andrea Morris, CPA (Audit Manager), Sharon Adams, CIA, CPA (Audit Manager), Nermina Mustafic (Staff Accountant), Elaine Styles (Staff Accountant).*

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