U.S. Department of Labor

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

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

FROM: EMILY STOVER DeROCCO

SUBJECT: Draft Management Letter No. 04-06-004-03-390
Grant Implementation Issues
National Emergency Grant No. EM-15066-05-60, Awarded to the Mississippi Department of Employment Security for Hurricane Katrina Relief

This is in response to the referenced OIG Draft Management Letter regarding issues that have been identified by your office related to a review of the Hurricane Katrina National Emergency Grant (NEG) awarded to Mississippi. We appreciate the information provided and will work with the Regional Office in Atlanta and the State to find solutions to the issues raised in your memorandum.

A Katrina Team has been organized by the Office of National Response to assist regional offices and states resolve questions or concerns as they arise. Members of this team will also be members of the Employment and Training Administration (ETA) monitoring teams going to states with NEG Katrina grants. This has occurred in Mississippi, is now occurring in Louisiana and a return trip to Mississippi is being scheduled. The following are some preliminary comments on the potential issues raised by the OIG--

- **TempStaff underpaid workers by paying wages at the Federal minimum wage rate, and overcharged the grant by billing based on an agreed-upon wage rate rather than the lower, actual wage rate, in some instances.** ETA will review the contracts, the requirements contained therein and the contractors' billings to the grant. Any overcharge to the grant and/or underpayment to participants will be rectified. Although additional information is required, ETA would generally expect that any costs approved for the contractor would be in addition to the wages approved for the various jobs covered.

- **The State overestimated the number of public [sector] employment positions needed.** NEGs are required to be modified when the planning assumptions change as a project progresses. A follow-up regional office monitoring visit will review this issue and request the State to submit a modification request to the NEG grant officer, if necessary at that time for public sector jobs (authorized under the Flexibility Act for Dislocated Workers) and disaster relief employment, authorized under WIA Sec. 173(d).

- **Two individuals hired at one worksite were not eligible for their public [sector] employment positions.** The two formerly retired individuals who are working on the project appear to be individuals that could be hired as staff employees to work on the project. The award letter permits such hiring to be able to carry out the purposes of the project. The Atlanta Regional Office will work with the grantee to reclassify these – or any other similarly situated individuals – as appropriate. This will be included in the follow-up monitoring visit to the State.

For the sake of clarity, given there are two classifications of jobs for which eligible participants may be hired to respond to recent Gulf Coast hurricanes, ETA differentiates between "disaster relief employment" authorized by WIA Sec. 173(d) and "public sector employment" authorized by the Flexibility for Dislocated Workers Act, as amended. We believe this is important since not only is the nomenclature different, but as is pointed out in the OIG memoranda related to monitoring projects in the covered states, so are the types of jobs authorized, even though both are types of subsidized "public service employment."

Thank you again for your letter. We look forward to receiving your report. If there are additional questions or clarifications required, please contact Douglas F. Small, Administrator, Office of National Response at 202-693-3876.