February 28, 2006

MEMORANDUM FOR: EMILY STOVER DEROCCO
Assistant Secretary for Employment
and Training

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Grant Implementation Issues
National Emergency Grant No. EM-15065-05-60
Issued to the Alabama Department of Economic and
Community Affairs for Hurricane Katrina Relief
Management Letter No. 04-06-003-03-390

INTRODUCTION

Normally a Management Letter is provided to be read in conjunction with an accompanying audit report. However, due to the proactive nature of our current work related to Hurricane Katrina, we will be issuing Management Letters to inform the Department, in this case, the Employment and Training Administration (ETA), of issues/problems we believe should be disclosed to help the Department's programs operate efficiently and effective while reducing the possibility of fraud, waste, and abuse. We will also use this medium to provide positive feedback regarding grant operations.

BACKGROUND

On August 29, 2005, Hurricane Katrina hit the Louisiana, Mississippi, and Alabama coasts resulting in a national disaster. In response to this disaster, on September 2, 2005, ETA awarded the State of Alabama a National Emergency Grant (NEG) to create 350 temporary jobs for dislocated workers. The $4 million grant, administered by the Alabama Department of Economic and Community Affairs (ADECA), had an initial release of $1.3 million.

This Management Letter is an interim reporting mechanism and should be read with the understanding that, once the NEG to ADECA is fully implemented and accrued expenditures reported, financial or performance audits of the subject NEG may be performed.

OBJECTIVE, SCOPE, AND METHODOLOGY

During the period of October 24, 2005, through December 2, 2005, we performed work at ADECA's Office of Workforce Development, 1 Local Workforce Investment Area (LWIA), and 6 of the LWIA's 23 temporary jobs worksites. The worksites were established to provide public service employment to residents of areas affected by Hurricane Katrina. These worksites included participants working for local governments and private non-profit entities. We interviewed 55 of the 233 NEG participants at the LWIA we visited, as well as examined their related timesheets and files. We also attempted to trace timesheets to timecards at one worksite, for 13 of its 55 participants.

Our goal is to assist ETA in its efforts to ensure that NEG funded programs are effective and to reduce the potential for fraud, waste, and abuse.

This work was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of the examination of relief efforts provided by the Federal government in the aftermath of Hurricanes Katrina and Rita. Upon issuance in final, a copy of this Management Letter will be forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

RESULTS

Positive Issue:

- **State monitoring and assistance teams are providing oversight and assistance.**

The State monitoring and assistance teams performed a site visit to the local area during the month of November. Such monitoring should help to ensure compliance with NEG requirements.

Potential Issues:

- **Implementation Plan did not identify temporary jobs.**

Attachment A of the NEG Award required ADECA to identify the temporary jobs and worksites. Although the implementation plan identified the worksites where participants would be assigned, the plan was silent regarding the temporary jobs in which participants would be employed. The absence of such information limited ETA's ability to determine if the planned temporary jobs were suitable disaster relief employment.

- **Participants performed work activities outside the scope of the grant.**

We interviewed 10 participants who stated they performed duties that we consider to be outside the scope of the grant. The participants stated that they performed duties ranging from mechanical work on police cars to mowing grass. These work activities did not relate directly to hurricane relief. Furthermore, at least two of the ten participants estimated that they spent from 40 to 50 percent of their time on non-hurricane related activities. While these job activities may qualify as public service jobs under the Flexibility for Displaced Workers Act (HR 3761), they do not qualify under the terms of the contract with the City of Prichard.

- **Participant placement list did not contain all participants at the worksites.**

We found two participants at two worksites that were not on the participant placement list. Although these worksites were submitting timesheets and the LWIA Finance Section was paying the participants, the Program Section (Adult and Youth Services) was not tracking them on the participant placement list provided.

- **Participants who were shown on the participant placement list as active were no longer employed.**

Our worksite visits revealed that the participant placement list identified 15 participants at 4 worksites as active, even though the participants quit or had been terminated by worksite officials. While it appears worksite officials did not do a sufficient job of notifying the LWIA of the participants' status, a review of the payroll records showed that no payments were made to the participants after their last day of employment.

- **Participants were ineligible.**

Our interviews disclosed that three participants at one worksite did not meet the eligibility requirements at the time of certification. According to the participants, their employment had been interrupted by Hurricane Katrina; however, they had returned to their employment prior to the certification, and were working at the time of certification. These participants were hired because they are bilingual, a critical skill needed for a community that sustained severe damage and whose Asian population spoke little English.

- **Timecards could not be reconciled with timesheets submitted for payment or timecards were not available for review.**

We were unable to reconcile timecards to timesheets submitted for participant payments at one worksite. During our initial visit to the worksite, 13 of the 41

participants shown on the participant placement list were not present for various reasons, including: no-shows, participants departed early, participants called in sick, and the proximity to the end of the workday when we scheduled the visit. Nonetheless, time was recorded for seven participants who either had been no-shows or called in sick. Ten of the 13 participants missed during our initial worksite interviews were present during our follow-up visit.

When we subsequently visited the LWIA, we requested to review timecards--the source of information on the timesheet--for the above 13 participants. Three of their timecards could not be reconciled to the timesheets, and another eight timecards were not readily available for review. According to the worksite official, the individual responsible for posting timecard information to the timesheets was not at work on the day of our visit, so we were not able to resolve the issue.

RECOMMENDATION

We recommend the Assistant Secretary for Employment and Training evaluate issues raised in this Management Letter to determine how they might be addressed by ETA and/or State officials.

AGENCY RESPONSE

In response to the draft Management Letter, the Assistant Secretary for Employment and Training stated that a Katrina Team has been organized by the Office of National Response to assist regional offices and states to resolve questions or concerns as they arise. The Assistant Secretary stated that the State provided job descriptions to the Atlanta Regional Office on November 7, 2005, and the worksites and jobs being performed will be reviewed during the monitoring review. The Assistant Secretary further stated that ETA will work with the grantee to: 1) ensure the City of Pritchard contract is amended to authorize Disaster Relief Employment, as well as Public Sector Employment; 2) ensure a system is in place so timesheets accepted by the LWIA Finance Section are from authorized worksites and participants issued checks are verified against the participant placement list; and 3) resolve the issue regarding three participants OIG identified as “not eligible.” Finally, the Assistant Secretary stated that ETA’s monitoring team will review the issues related to timecards that could not be reconciled with timesheets, and ensure that corrective action has been taken.

OIG CONCLUSION

Based on the Assistant Secretary’s response, we consider the recommendation resolved. It will be closed upon receipt of the results of ETA’s actions as described in the response.

This final Management Letter is submitted for appropriate action. We request a response within 60 days describing actions taken in response to the recommendation.

If you have any questions concerning this final Management Letter, please contact Michael Yarbrough, Regional Inspector General for Audit, in Atlanta at (404) 562-2341.

cc: Steven Law
Deputy Secretary

Helen Parker
Regional Administrator

Tim Alford
Director, Office of Workforce Development

Phyllis Newby
ETA Audit Liaison

U.S. Department of Labor

Assistant Secretary for
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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. 04-06-003-03-390
National Emergency Grant No. EM-15065-05-60, Awarded to the Alabama Department of Economic and Community Affairs 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 Alabama. 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 will be scheduled for Alabama and other states with Katrina NEG projects. The following are some preliminary comments on the issues raised by the OIG--

- **Implementation Plan did not identify temporary jobs.** The Atlanta Regional Office has advised that the State provided job descriptions for 29 temporary jobs on November 7, 2005. They covered the following positions: clerical, debris removal worker, landfill driver/helper, equipment operator, building custodian, general laborer, maintenance workers, warehouse workers, and humanitarian assistance workers. During the monitoring review of Alabama's NEG disaster project, worksites and jobs being performed will be reviewed in the context of requirements under WIA and the Flexibility for Dislocated Workers Act and TEGL No. 16-03, Change 3.

- **Participants performed work activities outside the scope of the grant.** ETA will work with the grantee to ensure that its contract with the City of Pritchard is amended to authorize Disaster Relief Employment, as well as Public Sector Employment, as authorized under the Flexibility for Dislocated Workers Act (P.L. 109-72). TEGL No. 16-03, Change 3, further explains the use of NEG grant funds outside the disaster area where Hurricane Katrina evacuees relocated.

- **Participant placement list did not contain all participants at worksites.** The Atlanta Regional Office is working with the grantee to ensure that a system is in place so that timesheets accepted by the LWIA Finance Section are from authorized worksites and that participants issued checks are verified to be consistent with participant placement list. If a participant is authorized to work at more than one worksite, the system will accommodate that design.

- **Participants who were shown on the participant placement list as active were no longer employed.** See previous response.

- **Participants were ineligible.** The Atlanta Regional Office is working with the grantee to resolve the issue of the three participants identified by the OIG as "not eligible." These individuals were described as working as participants because they had critical bilingual skills needed for the project. The grant authorizes the hiring of individuals as project staff to carry out the project; therefore, it may be that the individuals identified are incorrectly classified, given the OIG report that they had returned to their pre-disaster employment prior to working on the NEG disaster project.

- **Timecards could not be reconciled with timesheets submitted for payment or timecards were not available for review.** The ETA monitoring team will include a review of the OIG information related to this issue to ensure that corrective action has been taken by the grantee and that systems are in place to have information available, including time card records that are consistent with the time sheets submitted by the appropriate official for payment.

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