

APPENDIX D

AGENCY RESPONSE TO DRAFT REPORT

U.S. Department of Labor

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



APR 25 2008

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

FROM: BRENT R. ORRELL *Brent R. Orrell*
Acting Assistant Secretary
Employment and Training Administration

SUBJECT: Selected High Growth Job Training Initiative Grants
Draft Audit Report Number 02-08-204-03-390

The Employment and Training Administration (ETA) appreciates the opportunity to comment on the second part of the Office of the Inspector General's (OIG) audit of certain grants made under the High Growth Job Training Initiative (HGJTI).

Grant Process and Documentation: Disagreements with Part I of Audit Continue

ETA strongly disagrees with many of the findings and characterizations of the initiative in the OIG's second audit report, some of which repeat issues covered in the first report published last year. ETA adhered to Federal procurement rules and met the Department of Labor's policies and procedures governing non-competitive awards when making grants under the initial phase of the HGJTI. Further, the agency continues to believe that its strategic approach, which enabled investments to be tailored to the challenges faced by each industry sector, was prudent, necessary, and successful. As envisioned, the second phase of the HGJTI grants is being awarded through a competitive process.

This report questions ETA's implementation of new processes to enhance documentation of decisions and actions leading to non-competitive awards. ETA has fully implemented all new processes to which ETA committed in the action plan related to the first part of the audit. ETA aggressively put new processes in place including new procedures for review of unsolicited proposals, for documenting funding decisions, and for documenting how the grant making process conforms to the appropriate procurement processes and programmatic requirements in statute or regulation. Some of the procedures implemented include a comprehensive checklist to be completed by both, program and fiscal staff, a new conflict of interest certification process, and new business processes to ensure match or leveraged resource requirements are carried forward when grants are modified for other reasons.

Methodology and Sampling

There are several overarching issues related to methodology and sampling that arise from the OIG's report.

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The first round of non-competitive investments made under the High Growth Job Training Initiative consisted of pilots designed to demonstrate innovation in workforce development strategies and to stimulate transformation of the public workforce investment system into a demand-driven system. While the OIG acknowledges the nature of pilot and demonstration grants, the OIG fails to recognize that pilot and demonstration programs entail risk and require flexibility to make course corrections during implementation. This remains an area of disagreement between ETA and the OIG.

ETA believes that applying only traditional audit methodologies against pilots designed to achieve innovation and transformation will not result in a true picture of the outcomes achieved by the grant or initiative. For example, the OIG's picture of grant performance rests on a simple either/or proposition – either the grantee fully met an objective or failed completely. In some instances, ETA regarded partial fulfillment of objectives as successful; in other cases, the grantees exceeded ETA's expectations. These are subtleties that the OIG's audit practices did not capture. ETA has recommended that the OIG consider new methodologies for auditing these types of grants.

With regard to sampling methodology, the OIG examined only ten (10) grantees out of the 133 non-competitive grants issued under the HGJTI. Further, the OIG stipulates that the grants reviewed are not statistically representative of the non-competitive HGJTI and that the audit findings pertain only to the grants reviewed. Thus, there is no basis on which to extrapolate any findings in this audit to the initiative as a whole. Issues relating to the sample's size and its non-representative nature are further heightened because each of the grants is unique in its approach and objectives, severely limiting the OIG's ability to generalize its findings across the initiative.

Grantee Oversight

One of the objectives of these grants was to reach beyond those organizations that typically receive federal grants in order to bring new ideas to the table. In many cases, HGJTI recipients were non-traditional federal partners. Therefore, many grantees had limited understanding of federal processes and requirements with regard to fiscal and performance accountability. ETA discovered early on that it needed to provide greater guidance to these grantees and aggressively increased its support to improve accountability. ETA may not have initially provided sufficient guidance in all areas, such as helping grantees understand expectations related to match requirements or the need to fully document all aspects of the grant performance. ETA recognized this challenge and significantly stepped up technical assistance.

ETA strongly disagrees with the OIG's suggestion that ETA did not provide sufficient oversight of the HGJTI grants. ETA provided significant documentation to show that ETA staff were in constant contact with most grantees and, in many cases, personally participated in grant-related meetings and activities in order to support the success of the

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grant. Detailed information on the types of contacts with grantees and the assistance provided to them can be found in Appendix B.

ETA considers the finding of questioned costs related to match or leveraged resources for specific grantees to be either inaccurate or premature. In the case of Downriver Community College, the Grant Office and the Close-out Grant Officer resolved questions relating to match and leveraged resources pursuant to long-established authority over such matters and in recognition of the fact the amount leveraged under the grant (over \$14 million) was almost three-times the federal investment. Under established procurement rules, this match and leveraged amount was well in excess of what was needed to justify a sole-source procurement. For the other two grantees, Evangelical Lutheran Good Samaritan Society and the Association of Career Firms North America for which the OIG has questioned costs, ETA has not yet completed the close-out process during which such questions are routinely resolved. If a cost is disallowed, this will be handled through the audit resolution process.

Dissemination and Replication Issues

A final area with which ETA takes exception is the OIG's position that it was inappropriate for ETA to share the knowledge gained and products developed through the HGJTI with others without a formal evaluation of the quality of the products. ETA considered the HGJTI grants to be a wealth of learning that produced specific products and approaches for potential replication. ETA's approach was to facilitate sharing of the full range of products developed, unless products were clearly deficient or contained inappropriate material, and let the key constituents of the HGJTI (business and industry, educators, the workforce investment system, unions, and others) decide their value. For those products we believed to be exemplary, we have taken a more active role in promoting them through webinars and our conferences. The three examples identified by the OIG to be of concern are, in reality, good examples of how ETA's HGJTI investments have been the catalyst for expanded or ongoing investments with other resources. For example, SEIU enrolled 171 individuals in the program with a retention rate of 77%. At the end of the grant, 20 individuals had entered an LPN program and 108 students were waiting to either complete their pre-LPN program or enter an LPN program. Of those, SEIU projected an additional 75 would enter an LPN program at the start of the following semester. These outcomes are clearly positive and were the basis for SEIU expanding their program in New York and to an additional three sites across the country using resources beyond the federal grant.

Conclusions

In response to the OIG's report, ETA has developed three attachments with more detailed information. Attachment A contains ETA's response to the OIG's assessment as to whether grant deliverables or objectives were met. Attachment B contains a more

detailed response to specific assertions and conclusions in the report on a page-by-page basis. Attachment C contains ETA's response to the OIG's specific recommendations.

In summary, ETA continues to believe that the HGJTI has achieved significant benefits for American workers and for the Workforce Investment Act system. These grants have been a catalyst for bringing a demand-driven focus to WIA programs and have expanded and enhanced the nation's capacity to educate and train individuals in high-growth, high-demand industries and occupations. We strongly believe HGJTI is making a significant contribution to helping American workers prepare for the jobs being created in the 21st century and in improving industry access to the skilled workers needed for America to remain competitive in the global economy.

Attachment A

ETA Response to
Summary of Grant Objectives and Performance Results

ETA analyzed the deliverable listed in Tables 1 – 10 in the report and has identified the following areas of disagreement by individual grant. As discussed in the cover memorandum, ETA strongly disagrees with the OIG's approach to assessing whether grantees met grant objectives. ETA acknowledges that not all grantees met all grantee objectives in full, but considers that all 10 grants substantially met the overall grant objectives as certified by the grant officer at closeout. ETA's comments can be found in the ETA Comment section of the chart below.

National Retail Federation Foundation (National Retail)

Table 1 - Summary of Grant Deliverables and Performance Results
National Retail

Grant Deliverables	Deliverable Met Y = Yes N = No ? = Non-determinable	Performance Results	ETA Comment
3. Broaden capacity of a network of centers to provide cross-industry training, tools, and credentials for employers in a variety of industries related to	?	Broadened capacity by designing two skills centers that provided cross-industry training serving individuals interested in areas other than retail such as: accounting and finance, hotel,	The ability to use the deliverables in cross-industry workforce solutions was considered to be one of the benefits of this grant. While ETA does not consider this a deliverable per se, the products

<p>customer service and sales, e.g., finance, hospitality, health care, IT, call centers, insurance.</p>		<p>restaurant, and customer service industries. "Broaden capacity" is not measurable and therefore, we could not determine if the level of effort was successful.</p>	<p>that were developed for the retail sector have great transferability to the other sectors identified and provide the opportunity for the workforce system, community colleges, businesses, and others to use or adapt. This was a successful outcome of this grant.</p>
<p>6. Promote career opportunities and the value of portable skills as a means to help employers attract, retain, and advance their workforce.</p>	<p>?</p>	<p>Promoted career opportunities by developing a new <i>Careers in Retailing</i> publication and coordinated "job shadow" days. Promoted the value of portable skills through retail certification in customer service by indicating the certification could be used in retail and other industries. "Promote career opportunities and the value of portable skills" is not measurable and therefore, we could not determine if the level of effort was successful.</p>	<p>Again, ETA does not consider this to be a deliverable per se, but one of the activities to be carried out during the life of the grant. The development of a fully developed career ladder for retail, including a competency model and corresponding curriculum is a method of helping retail businesses, the workforce system, educators, those who provide career guidance, and others to understand there is a viable career ladder in retail. NRFF in collaboration with ETA has used this model to advance this thinking to all the entities listed above, both during the grant and as a continuing activity. This was a successful outcome of this grant.</p>

<p>8. Leverage initial industry resources and investment, with plans for centers to become self-sustaining components of the WIA system and integral to employers' hiring and training processes.</p>	<p>?</p>	<p>Provided in kind support for more than \$3 million and created an implementation guide, which explained how skills centers are designed to become self-sufficient and link employers with Workforce Investment System to meet their hiring, training, and workforce development needs. This objective was not clear as to the amount and source of leveraging required, therefore was non-determinable.</p>	<p>This goal of the grant was not a deliverable. NRFF identified this opportunity to leverage their prior work with the work to be completed for the grant. ETA considers this opportunity to leverage prior investments to be fully met, give we have been able to roll out the curriculum and career ladder models to the Retail Skill Centers, to retailers broadly, and to the workforce system – all of which get to future use of the deliverables and a positive outcome for the grant.</p>
<p>10. Training and Career Development – Specifically, skills centers and related program will, (a) Train minimum 3,500 job seekers, (b) Certify a minimum of 3,000 individuals, (c) Place a minimum 2,500 job seekers and (d) build capacity to offer train-the-trainer session for a minimum of 100 trainers.</p>	<p>N</p>	<p>a) We took exception to the training of the job seekers because 60 percent of the sampled job seekers were not verified as participants due to the lack of documentation demonstrating enrollment; b) Certified 9,520 participants; c) We took exception to the placement of the job seekers because data maintained consisted of 1,443 job seekers, 58 percent of the placement goal; d) Trained 203 participants in the "train the trainers" courses.</p>	<p>In two of the four components of this deliverable, the grantee far exceeded expectations. ETA would like to suggest the OIG acknowledge substantial progress in meeting this deliverable.</p>

<p>14. Feedback from business and workforce locations using training models on their impact in individuals receiving customer service certification, as well as their placement rates, retention rates, advancement, wages, productivity and the store's customer satisfaction rating.</p>	<p>N</p>	<p>Provided documentation titled <i>Retail Learning Leadership Training Pilot Feedback and Data</i> that lists strengths, weaknesses and outcomes from a pilot course for training models. However, no data on placement rates, retention rates, advancement, wages, productivity and customer satisfaction rating for participants was provided.</p>	<p>The grantee made notable progress toward meeting multiple components of this deliverable. ETA would like to suggest the OIG acknowledge this progress toward meeting this deliverable.</p>
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Downriver Community Conference (Downriver)

**Table 2 - Summary of Grant Deliverables and Performance Results
Downriver**

Grant Deliverables	Deliverables Met Y = Yes N = No ? = Non-determinable	Performance Results	ETA Comments
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<p>2. Classroom, technical, on-the-job training models and accompanying curriculum for all vehicle manufacturing systems.</p>	<p>Y</p>	<p>13 training models and curricula were developed and used by Auto Alliance. The models and curricula were not delivered to ETA, for almost 2 years after the grant was completed, and ETA certified during the closeout process that performance was acceptable.</p>	<p>ETA received the deliverables.</p>
<p>4. Replicable, sustainable model for large-scale worker skills upgrades.</p>	<p>N</p>	<p>Downriver did not provide this deliverable to ETA. Downriver officials stated that the deliverable was created using non-grant funds, prior to grant award and not intended for replication to be used by other organizations.</p>	<p>ETA considers this deliverable to have been met. The overall model to develop a training curriculum and approach in collaboration with the workforce system and community college to up-skill an existing manufacturing workforce with advanced manufacturing skills to avoid layoff was demonstrated and can be replicated.</p>

Shoreline Community College (Shoreline)

Table 4 – Summary of Grants Deliverables and Performance Results
Shoreline

Grants Deliverables	Deliverables Met Y = Yes N = No ? = Non-determinable	Performance Results	ETA Comments
<p>3. Provide GST training for 100 limited English proficiency, out-of-school youth, and other interested participants using a new, innovative model of instruction.</p>	<p>N</p>	<p>Shoreline reported 142 participants but its records contained only 57 participants. Shoreline did not maintain all participant data and relied on information from its partners.</p>	<p>The primary goal of this grant was training for entry-level technicians, targeting individuals with limited English proficiency, youth, and incumbent workers. The grantee made notable progress toward meeting this goal and kept ETA apprised of the challenges they faced in meeting the LEP goal. ETA believes considerable progress was achieved in meeting this outcome.</p>
<p>4. Provide training to incumbent worker population.</p>	<p>?</p>	<p>While the grant was not specific to the number of trainees, Shoreline created a Skills Panel with local businesses and educators to identify skill upgrade training needs for incumbent workers. Shoreline documented training of 128 incumbent workers; however, we were unable to determine if the level of effort would be considered successful completion of the</p>	<p>Shoreline exceeded expectations to deliver training to 75 incumbent workers in upgrading or retraining classes. In November 2006, they requested a grant extension and provided an update to ETA showing that 224 incumbent workers in the automotive sales and service industry had been trained. They also stated they</p>

	deliverable	would train approximately 140 more during the extension period.
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Maryland Department of Labor, Licensing and Regulation
(Maryland Department of Labor)

Table 5 – Summary of Grant Deliverables and Performance Results
Maryland Department of Labor

Grant Deliverables	Deliverables Met Y = Yes N = No ? = Non-determinable	Performance Results	ETA Comments
3. Develop three industry specific monographs each year (six based on original period of performance).	N	Completed only three monographs for: Healthcare, Aerospace and Hospitality/Tourism.	Maryland was one of the first states in the country to begin this aggressive approach to engaging business and industry, educators, and others with the workforce system to develop strategic partnerships and workforce solutions in a systemic way beginning with the

			<p>monographs and summits discussed below. These activities proved to require significant time and investment and ETA concurred with that analysis. Maryland has continued, however, to engage additional industry sectors using this model with their own funding, something ETA considers to be a success. While Maryland was unable to fully meet their target, they made substantial progress and ETA considers their grant to have been successful.</p>
<p>5. Conduct industry summits.</p>	<p>N</p>	<p>Summits are held after completion of the monograph. Therefore, at grants end, only three summits were conducted: Healthcare, Aerospace and Hospitality/Tourism.</p>	<p>(See comments in #3) ETA does not consider Maryland's inability to complete all 6 monographs and summits to be a grant failure. Rather ETA considers the work in the three industry sectors that were completed to be good models and the grant to be a success, given Maryland is continuing to use the model in other sectors and has provided mentoring to other states at ETA's request</p>
<p>6. Participate in technical assistance and DOL's capacity building and outreach strategies, including but not limited to contributing</p>	<p>?</p>	<p>Provided presentations, technical assistance and contributed to the Workforce3One web space. This deliverable was not clear as to the type and quantity required, therefore was non-determinable.</p>	<p>ETA considers this to be a deliverable that was defined by ETA. It is often desirable to have some grant provisions that provide flexibility in definition based on opportunity, progress, etc.</p>

to the Workforce3One integrated web space.			Maryland has been a strong technical assistance partner and has provided information on ETA's Workforce3One web space, mentoring to other states as described above, and participated in ETA's Workforce Innovations conference as a presenter. ETA considers this deliverable fully met.
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1199 SEIU League Grant Corporation (SEIU)

Table 7 - Summary of Grant Deliverables and Performance Results
SEIU

Grant Deliverables	Deliverables Met Y = Yes N = No ? = Non-determinable	Performance Results	ETA Comments
1. Ten pre-LPN classes with a projected total of 175 students. Classes included recruitment, counseling/assessment, implementation and evaluation.	Y	Provided 9 classes with 162 students. This objective was substantially met.	ETA considers this deliverable fully met. Due to a formal modification, the grant's statement of work says that a range of students will be enrolled in pre-LPN classes (150 - 180).

				different than the 175 provided in the OIG report.
2. Have 50 percent of the students pass an entrance exam for a LPN program.	N	Of the 162 students trained, 26 or 16 percent passed an entrance exam and entered an LPN program.		The grantee made progress toward meeting this goal. ETA suggests this "N" be changed to "Progress made" to better reflect grantee efforts and results.
6. Disseminate recommendations and best practices to educators, researchers, and health care practitioners throughout the country.	?	SEIU stated that pre-LPN initiatives, through the Health Career Advancement Program, were shared with other SEIU organizations throughout the country. This objective was not clear as to the extent and quantity required, therefore was non-determinable.		ETA considers this grant requirement to have been met by the activities described by the OIG, i.e. the dissemination to other SEIU organizations.

Brevard Community College (Brevard)

Table 10 - Summary of Grant Deliverables and Performance Results
Brevard

Grant Deliverables	Deliverables Met Y = Yes N = No ? = Non-determinable	Performance Results	ETA Comments
<p>5. Provide a unique and directly applicable educational experience in a real world launch environment to motivate students to enter technical careers.</p>	<p>?</p>	<p>Provided an educational experience in a real world launch environment to motivate students to enter technical careers by conducting a workshop for 21 students to build and launch model rockets. Provided six observational launches of commercial rockets to students. Conducted outreach for 110 Civil Air Patrol Cadets that spent one weekend (June 2-4, 2006) learning about the aerospace industry which included behind the scene tour of Kennedy Space Center and Cape Canaveral Space Station as well as a viewing of the planetarium at Brevard Community College.</p>	<p>ETA considers this grant requirement to be fully met. The grantee had developed and implemented such an experience and continues to do so beyond the life of the grant.</p>

Attachment B

ETA Detailed Response to OIG Assertions/Conclusions

ETA Comments on Letter to Brent Orrell, Acting Assistant Secretary, Employment and Training Administration

Page 4, 6, 10: ETA would like to correct an error in OIG's tally of grant objectives. Out of the 59 objectives across the 10 grants, 43 objectives were met (73%), 9 were not met (15%), and 7 (12%) were not clearly defined.

Page 5: ETA would like to clarify that it continues to fund the HGJTI through competitive grant application processes.

Page 8 Table: ETA would like to note that in all cases where OIG lists "Monitoring" as "No," ETA has provided OIG information explaining the extent to which staff involvement in day to day grant activities and events for these grantees should be recognized as ongoing monitoring.

ETA Comments on Chapter 1

Objective 1 – Did grantees accomplish their grant objectives?

Page 10-11: OIG has suggested that ETA has not carried out sufficient monitoring and/or oversight. It is inaccurate for the IG to report that some grantees did not receive any oversight from ETA and does not take into consideration ETA's ongoing engagement with all of the grantees. A team of staff from the National and Regional offices worked with grantees at meetings, conferences, and other partnership building activities throughout the grant periods. ETA has provided extensive evidence of communications with all of the grantees to the IG and to say that grantees did not receive any oversight is simply not accurate.

Page 11: ETA is pleased that the majority of grantees met their stated goals for training and placement, and the few that missed their goals were well within the range of acceptable performance.

Page 12-13: All ETA grantees are required to adhere to uniform administrative requirements designated at 29 CFR Part 95.36 that provide ETA the right to use, reuse, and modify all training models, curricula, products, etc. developed with grant funds. In addition, the grant award includes a specific clause which requires that the grantee provide any intellectual property developed under the grant award. ETA has been requesting the deliverables from Downriver Community Conference (Downriver) since February, 2007, so the grantee clearly understood that they were required to provide their

products to ETA. On April 17, 2008, ETA received the 13 curriculum modules and has provided documentation of these materials to OIG.

Page 14, 48-49: ETA staff noted that the Association of Career Firms (ACF) system was a model for how outplacement firms and the public workforce system might work together. The model began a critical dialogue between private sector outplacement firm leaders and state rapid response directors about areas for collaboration during an emergency and was a key learning for DOL prior to implementation. In fact, ETA continues to discuss the model and what components could be utilized in our larger COOP planning process so to state that the model is “not as useful as anticipated” is inaccurate.

Objective 2- Were Additional Matching Funds or Leveraged Resources Provided by Grantees as Required?

Overall: Matching requirements for ETA grantees are specified under the uniform administrative requirements for state and local governments at 29 CFR 97.24 and at 29 CFR 95.23 for non profit organizations, hospitals, and institutes of higher education. Leveraged resources are categorized in four ways : 1) funds which comply with the definition for match and are provided in an amount which exceeds any matching requirement; 2) other Federal funds provided and expended by the grantee or a subrecipient for the same purpose for which the grant was awarded; 3) other Federal funds provided and expended by a partner organization which is not also a subrecipient for allowable costs which support the same purpose as the grant awarded and; 4) funds expended for allowable costs under the applicable OMB cost principles which support the grant award but are an unallowable grant cost because of some restriction applicable to the grant funds.

In addition, it should be noted that the reporting instructions provided for these grants indicated that only the required match amount was to be reported on the quarterly financial report, SF 269, and that all leveraged resources spent in support of the project were to be reported in the quarterly performance narrative.

Page 15: The OIG draft report indicates that 9 out of the 10 grants in the sample were awarded based in part on the grantees commitment to provide additional resources of \$42.1 million. Of the 10 grants in the sample, 2 were below the \$100,000 threshold and did not need PRB approval. In addition, 1 was awarded to a state which also did not require PRB approval. Of the remaining 7 grants, 4 received PRB approval via memos from the Assistant Secretary of Administration and Management to ETA dated March 11 and September 24, 2004 which did not specify a level of match or leveraged resources required. For 2 grants (National Retail Foundation and Downriver Community Center), a match requirement was specified and the ETA closeout grant officer determined that actual match provided was sufficient to achieve the objectives of the award and as such met the required matching amount. Finally, for 1 additional grant (The Manufacturing Institute) in which there was a specified match amount, the OIG noted in the report that the grantee satisfied the requirement.

Page 15: The OIG states that ETA claimed the fact that matching requirements were not carried forward in grant modifications was an administrative oversight. It was, in fact, an administrative oversight, and ETA has taken steps to fully remedy this issue raised in the first part of the audit. The OIG has no evidence that grantees interpreted this as ETA no longer requiring the match.

Pages 15-16: The OIG suggests that four grantees could not demonstrate they provided \$20.5 million in additional resources, and states “this was caused in part by ETA officials not ensuring the amounts reported in Financial Status Reports (FSRs) complied with grant requirements; allowing other Federal funds to satisfy a portion of the matching requirement...” ETA provided grantees with the best support possible, given the resources that ETA had available at that time. As stated above, the reporting instructions provided by ETA to all grantees instructed that all matching funds expended were to be reported on the quarterly financial report, SF-269 and that any leveraged resource funds expended were to be reported on the quarterly performance reports. Quarterly reports are routinely reviewed by ETA Federal Project.

Page 16: As the OIG report notes, Downriver Community Conference did not meet its \$25 million match requirement. ETA reviewed documentation provided by the grantee which states that the grantee has provided a total of \$14,089,211 in resources. The Close-out Grant Officer, after consultation with the HGJTI Grant Officer, deemed the approximately \$14 million in matching funds provided acceptable and issued a Final Determination which indicated that the grantee had satisfied the stated purpose and objectives of the grant award through the level of the matching funds provided. It was also determined that the original proposed matching amount was unrealistic and that ETA should have provided better guidance to the grantee about the reasonableness of such a large match and adjusted the grant award accordingly. ETA considers this action to have been fully within its discretion and there is no basis for the OIG to now suggest there are questioned costs.

Pages 15 – 18: The OIG report notes several times in pages 15 – 18 that roughly \$2.5 million in grant costs are being questioned. As noted above, the ETA Grant Officer used his authority to adjust the required match for Downriver Community Conference, which is appropriate and well within his authority. For two grantees, Evangelical Lutheran Good Samaritan Society and the Association of Career Firms North America for which the OIG has questioned costs, ETA will address any issues related to those findings and questioned costs as part of the closeout and/or audit resolution process. Because the closeout process has been completed for The Career Firms North America, any questioned cost as the result of OIG audit recommendations will be addressed in accordance with the grant officer resolution process found at 20 CFR 667.510. Because the closeout for The Evangelical Lutheran Good Samaritan Society has not yet been completed, it is possible that the OIG findings and questioned costs identified for this grantee could be addressed as part of the closeout process. However, if the closeout process is completed prior to the issuance of the final audit report, the findings and questioned costs can be addressed using the 20 CFR 667.510 grant officer resolution

process.

Page 17-18: For the National Retail Federation Foundation (NRFF), the OIG report notes that \$9.3 million in leveraged resources were not provided. The NRFF grant was not approved by the Procurement Review Board solely on the basis of its leveraged resource contribution. In accordance with reporting instructions, the grantee reported additional resources on the quarterly performance report, which stated that resources in the amount of \$19,491,950 were provided for the grant. These additional resources more than satisfied the \$3,327,080 in matching funds and the \$9,308,700 in leveraged resources. The Grant Officer issued a Final Determination which indicated that the resources provided by the grantee fulfilled the grantee's match requirement. As the grantee has accomplished the goals of the project and satisfied the required match amount, there is no basis for any disallowance regardless of the amount of leveraged resources provided.

Objective 3 – Did the selected HGJTI grants result in expanded system capacity for skills training and competency development?

Page 18: As noted previously, with regard to dissemination of the models and products from the High Growth-grants, ETA made a conscious decision to take a “peer-to-peer” and market-based approach to knowledge sharing and dissemination of products. This model is designed to allow experts and strategic partners at the state and local levels to determine the value of using the products or approaches. Should ETA have determined a product or approach was clearly inferior or of no value, it would not have been shared. ETA’s web space, Workforce3One, is designed on the same premise, which is more of “wiki” model that allows users to determine value and to adapt information or use it as it makes sense. Given resource and staff constraints, ETA took this approach to dissemination with the belief that the market would adapt and adopt strategies that worked.

Page 20: With respect to OIG’s statements regarding DOL’s tutorial and briefing documents, it is important to acknowledge the role of ETA staff in reviewing products. ETA’s efforts to share and distribute grant products has focused on broad accessibility to these results. Staff review of the products is designed to facilitate those processes.

Page 21: As stated previously, ETA strongly disagrees with the OIG’s assertion that it was inappropriate for ETA to disseminate products or to promote replication. The OIG suggests it was a negative that grant models were replicated or expanded.

- OIG first sites the replication of strategies implemented by Brevard to provide career exposure and to excite a pipeline of youth to enter the aerospace industry by providing launch demonstrations. OIG ignores the fact that this project was implemented by experts in workforce, education, and aerospace at the local level and there is an ability to determine value of a product or approach outside of ETA.
- OIG also cites SEIU’s expansion of the literacy pre-LPN program they demonstrated because they did not achieve the level of pass rate anticipated. ETA

has no knowledge of the replication, but considers the effort of a grantee to sustain the effort, and potentially improve it over time to be a positive outcome.

- Finally, OIG cites the Maryland grant and suggests that because they were unable to do all six industry summits within the funds available in the grant, it is somehow inappropriate for the State to continue the effort. It is within their discretion for the state to do so and ETA considers their sectoral approach to be a critical strategy to ensure their workforce investments are demand driven, one of the foundational goals for the High Growth Job Training Initiative. In addition, to imply ETA has the ability to stop them is inaccurate.

ETA Comments on Chapter 2

ETA analyzed the deliverables listed in Chapter II of the report and has summarized concerns of the OIG analysis below. In general, ETA disagrees with most of OIG's characterization of grant deliverables that were "not met." ETA provided examples of success that should be recognized.

National Retail Federation Foundation (National Retail)

ETA considers this grant to be among the most successful High Growth grants with regard to outcomes. The competencies and career ladders that were developed, along with the curriculum, are used in skill centers and workforce system one-stops across the country today. Industry partners benefit from employees' taking the curriculum with increased retention and productivity. The approach taken to carry out grant activities reflects the model that competing businesses can collaborate to develop and implement workforce solutions that benefit the entire industry. In addition, ETA has anecdotal evidence that the curriculum is being utilized in other industries such as hospitality and for training call center employees.

Beyond the deliverables listed in the report, the results of the grant have been utilized in a variety of ways:

- The Retail Learning Leadership management curriculum is featured on the NRF University *wired* e-learning platform. Companies that have used the RLL courses include: Disneyland, Disney World, Chico's, Tesco, Publix, FedEx, Anna's Linens, Goodwill, Tiffany, and Cognizant. In addition, there are many individual users who registered for courses on their own using the e-commerce function of the website;
- NRFF showcased the competency model/career ladder/curriculum at the NRFF Booth at the NRF Annual Convention in New York City in January 2008, one of the premiere education and information events held for the retail industry. NRFF met with numerous company representatives and invited participants from community organizations, colleges and universities, foundations, and the Retail Skills Centers to review these materials in meetings, presentations, and at the NRFF booth;

- NRFF has presented these materials at meetings sponsored by state and regional DOL and workforce partners in North Carolina, Rhode Island, California, and Maryland. In addition, NRFF made numerous presentations at conferences, including Workforce Innovations, and to WIBs, human resource executive networks, and other organizations;
- Community colleges are working with NRFF to integrate the competency-based curricula and certification credentials in their professional development, customized training, and ongoing program offerings; and
- NRFF continues to encourage and facilitate the use of the competency model and related training at 23 Retail Skills Centers across the country.

ETA takes exception to a number of the specific assertions related to this grant as detailed below:

With respect to deliverable 3 (broaden the capacity of a network of centers to use the products in other industry sectors), ETA would like to note that the ability to use the deliverables in cross-industry workforce solutions was considered to be one of the benefits of this grant. The products that were developed for the retail sector have great transferability to the other sectors identified and provide the opportunity for the workforce system, community colleges, businesses, and others to use or adapt them.

With respect to deliverable 6 (promote career opportunities and the value of portable skills to help employers attract, retain, and advance their workforce), ETA considers this goal for the grant to be fully met. One of the key industry issues for retail is the image of only low end, dead end jobs. With the tools developed from this grant, employers now have tools to refute that image. The development of a fully developed career ladder for retail, including a competency model and corresponding curriculum is a method of helping retail businesses, the workforce system, educators, those who provide career guidance, and others to understand there is a viable career ladder in retail. NRFF in collaboration with ETA has used this model to advance this thinking to all the entities listed above, both during the grant and as a continuing activity. This was a highly successful outcome of this grant.

With respect to deliverable 8 (leveraging prior industry investments to support grant objectives), ETA does not consider this to be in the category of leveraged resources for grant activities moving forward, but rather was an opportunity to build on existing efforts. It does not belong in the list. NRFF identified this opportunity to leverage their prior work with the work to be completed for the grant. ETA considers this opportunity to leverage prior investments to be fully successful, given the grantee was able to roll out the curriculum and career ladder models to the Retail Skill Centers, to retailers broadly, and to the workforce system – all of which get to future use of the deliverables and a positive outcome for the grant.

With respect to deliverable 10 (training and certification of workers and placement of job seekers), ETA would like to point out that for two of the four components of this deliverable, the grantee far exceeded expectations.

ETA disagrees with findings that the placement goal was not met and believes there was some confusion related to how the OIG reviewed this data. In fact, the placements were far in excess of their findings. The audit team requested the Centers to provide the names and identification numbers for each of the placements directly to the audit team (via December 13, 2007 email). On February 7, 2008, NRFF resubmitted placement data from the centers that supports over 2,500 placements to the OIG.

Downriver Community Conference (Downriver)

ETA views this grant as a success and would like to suggest that each deliverable listed by OIG as not met has, in fact, been met. In addition, Downriver exceeded their training goals and more importantly, 96% of individuals had retained their jobs for more than 12 months. Downriver's strategic approach to rapid skills development is one that can be applied to manufacturing companies who are transforming their work processes to advanced manufacturing. This model is also applicable to other industry sectors where technology is transforming the workplace and demanding new skill sets.

As a result of continuing work with the grantee, ETA has now received all 13 training models and curricula developed by this grantee, including: Fundamentals of Air Conditioning and Refrigeration, Gas Fired Heaters, Efficient Mold Setting, Large Overhead Crane Mechanical Inspection Detail, machine tools: Basic Machine Shop Training, Kawasaki C-Series Controller Installation manual, and Kawasaki C-Series Controller Operations and Programming Manual, Overhead Crane Inspector Training, MIOSHA Part 18 Overhead and Gantry Cranes, FR-A500 Training, and Mitsubishi Q-Series Sequence Controller Training Manual fro GX-Developers, Parameter Description. These materials were provided to OIG during the draft report phase.

With respect to deliverable 4 (replicable sustainable model for large-scale worker skills upgrades), ETA believes the OIG has confused the fact that the business partner in this grant had a proprietary internal training model developed prior to the grant and the true grant objective which was to model a collaborative approach to up-skilling workers in an advanced manufacturing environment which included curriculum development as a deliverable. ETA considers the training program that the grantee implemented in collaboration with the community college and the workforce system as the model approach, and considers the successful development of this program successful completion of this grant objective. ETA did not expect a specific, separate document from the grantee that would be regarded as the training model. And as the OIG points out, ETA recognized the grant would be implemented using the foundation of the business partner's proprietary product and put specific language in the grant to protect the intellectual property of the business partner.

Evangelical Lutheran Good Samaritan Society (Good Samaritan)

ETA views this grant as a success and concurs with OIG's assessment that all objectives were met. Good Samaritan developed a myriad of programs that will continue moving healthcare employees up the career ladder on career pathways with good wages. They developed a management apprenticeship program with ETA's Office of Apprenticeship in the Home Health and Senior Housing programs. In partnership with Bellevue University, Good Samaritan created bachelor and master degrees in Long Term Nursing Care. Good Samaritan was able to bridge state boundaries and develop several online degree programs which are available in six states. A web site with their career ladder is available with extensive information about how to apply and work for Good Samaritan at <http://www.careerlattice.org/> and continues to generate inquiries and referrals and is broadly accessible to those interested in nursing.

ETA maintains that it did conduct monitoring via desk reviews, and has provided OIG with documentation of those efforts. As such, ETA certified the performance of the grantee as acceptable during the closeout process. Use of Federal funds as matching is not allowed, and it was a mistake for ETA to have approved including the Department of Agriculture resources as match. However, ETA maintains that Good Samaritan made excellent efforts to find matching resources from other sources, and deems their achievement of over \$1 million in matching funds as more than sufficient to meet the objectives set forth in the grant.

Shoreline Community College (Shoreline)

ETA views Shoreline as a successful grantee. Shoreline Community College has played an extraordinary leadership role in bringing key automotive industry partners together to understand the skills standards needed for automotive service technicians. Shoreline clearly understood the need to tap into new sources of labor such as youth, incumbent, and limited-English proficiency populations to effectively recruit new workers into their industry. To that end, Shoreline far exceeded their training goals for incumbent workers with a total of 224 workers trained. In addition, Shoreline personnel participated in over 10 national and regional conferences designed to share their products and best practices with others including Job Corps centers across the country. Shoreline's focus on work readiness training led to their participation in a seven-state pilot project focused on the Work Readiness Credential (WRC), the first national standards-based assessment of the skills and knowledge necessary for entry-level workers.

Maryland Department of Labor, Licensing and Regulation (Maryland Department of Labor)

Maryland was one of the first states in the country to begin this aggressive approach to engaging business and industry, educators, and others with the workforce system to develop strategic partnerships and workforce solutions in a systemic way, beginning with the monographs and summits discussed below. These activities proved to require more time and investment than provided in the grant and ETA concurred with that analysis. Maryland continued, however, to engage additional industry sectors using this model with their own funding, something ETA considers to be a success. Maryland was unable

to fully meet their target because they had no prior models on which to base their cost estimates – this was a new approach. A key learning from this grant was the level of effort and the resources necessary to mount a statewide industry sector initiative. ETA considers their grant to have been successful and has routinely requested that Maryland mentor and host other states who want to implement similar models.

Furthermore, with respect to deliverables 3 and 4 (development of industry monographs and conducting industry summits), ETA does not consider that Maryland's inability to complete all 6 monographs and summits to be a grant failure. Rather, ETA considers the work in the three industry sectors that were completed to be good models and the grant to be a success. The fact that Maryland is continuing to use the model in other sectors with their own funding is also a successful outcome from ETA's perspective.

Finally, with respect to deliverable 6 (participating with ETA in technical assistance activities), ETA considers this to be a deliverable that we defined as the grant evolved. It is often desirable to have some grant provisions that provide flexibility in definition based on opportunity, progress, etc. Maryland has been a strong technical assistance partner and has provided information on ETA's Workforce3 One web space, mentoring to other states as described above, and participated in ETA's Workforce Innovations conference as a presenter. ETA considers this grant objective fully met.

The Manufacturing Institute

ETA agrees that this was a successful grant. The Manufacturing Institute of the National Association of Manufacturers has created and launched a highly successful outreach campaign with an interactive career exploration website to provide career awareness and outreach to the youth population. The interactive web site is available nationwide, and through the continued success of the campaign, supports regional partnerships in nine regions. The campaign is a unique partnership approach that many additional partners are using as they work to build regional partnerships and models for moving youth into employment. In addition, the campaign is now rapidly expanding in other locations around the country.

1199 SEIU League Grant Corporation (SEIU)

ETA considers this grant to be successful. SEIU's model is bridging a critical link between education and workforce development. SEIU built on a Contextualized Literacy Program that combines literacy and job training for low-level health-care workers who have been out of school for a long period of time and have had difficulty passing entrance exams. SEIU had overwhelming success in training (95%) and retaining (77%) their students and provided an opportunity for individuals to enroll in Pre-LPN training that led to certification and degrees.

With respect to efforts to disseminate results, ETA considers this grant requirement to have been met by the activities described by the OIG, i.e. the dissemination to other SEIU

organizations nationwide.

**U.S. Hispanic Chamber of Commerce Foundation
(Hispanic Chamber of Commerce)**

The Hispanic Chamber developed a comprehensive training model to recruit from the Hispanic-Latino community and diversify the automotive service technician workforce. Starting with skills assessment, a mentor, and tools, the participants received full-time on-the-job training wages of \$14/hour for 20 weeks. The training model will benefit hundreds of technicians long-term and was a strategic decision for the U.S. Hispanic Chamber to engage the automotive industry in meeting their goals for a diverse workforce.

While no formal monitoring site visits were made, given the ongoing communication and involvement of the FPO with the grantee, ETA was confident during the closeout process to certify the grantee's performance was acceptable.

Association of Career Firms North America (ACF)

Given emergency events such as 9/11 and Hurricane Katrina, there is a clear and urgent need for the private and public sector to work together strategically to get workers working again. ACF saw this need and developed a model for how public and private partners can respond in a coordinated fashion going forward. The major benefit of this model is the wide range of national, private outplacement firms that are ready to respond immediately during a critical time. While the report and approach produced from this grant has not been fully implemented, ETA continues to consider the collaboration and learning that occurred as a result of this very small grant to be a success. Since the termination of the grant, ETA has continued to engage with ACF to consider additional alternative ways to partner in the event of a major national disaster. The model developed through the grant is also being utilized for internal ETA's Continuity of Operations planning purposes.

Given the ongoing communication and involvement of the FPO with the grantee, ETA was confident during the closeout process to certify the grantee's performance was acceptable.

Brevard Community College (Brevard)

ETA considers deliverable 5 (providing a unique, applicable educational experience to motivate students to enter technical careers) to be fully met. Career exposure and getting students excited about careers that require science, technology, engineering, and math (STEM) skills is a core workforce challenge in almost every industry sector today. BCC provided one-of-a-kind learning opportunities for students to develop technical aerospace skills and improve awareness of the skills required for aerospace careers. The aerospace industry is facing significant workforce shortages with impending retirements and the

development of a youth pipeline to prepare new workers for this industry is a key industry-identified solution. Brevard Community College not only provided exposure to the industry but actual hands on learning in a launch environment. The deliverables from this grant will inform the work of aerospace employment centers across the country as a model for engaging youth with the industry. ETA is excited that the grantee continues to offer the launch experience beyond the life of the grant.

Attachment C

ETA Responses to OIG Recommendations

1. To improve the grant writing, solicitation and award process:

- a) Develop a consistent process so that grants delineate clear, concise, and measurable objectives that can be used to objectively measure the success of grant performance.

ETA Response: ETA will develop a grant review process that includes a specific review for clarity of grant objectives, deliverables, and measures of grant performance. When there is a benefit to ETA, ETA may include flexible provisions in grants, such as when the grant activity requires further definition of an activity before it can be performed or the grant activity is an innovation that requires flexibility in implementation.

- b) Each grant should be specific as to the products to be delivered, its form and method of delivery.

ETA Response: ETA has a system in place for confirming, tracking and logging, and validating all grantee deliverables.

- c) Ensure that all matching and leveraged fund requirements are incorporated into grant agreements.

ETA Response: When match is required as part of the grant agreement, it is to be included on the SF-424. While additional leveraged resources are encouraged, they may or may not be grant requirement. When encouraged, grantees are expected to identify the leveraged resources in their proposal, so that it may be incorporated into the Statement of Work.

- d) Identify in each grant the specific source of funds and all special requirements associated with the source of funds, including but not limited to requirements for demonstration, testing, and evaluation of grant results.

ETA Response: The specific source of funds is always identified in a grant agreement. ETA has already implemented processes to ensure that when there are demonstration, testing, and evaluation of grant results or other specific requirements, they will be included in the grant document.

- e) Ensure grants do not contain contrary language that would exclude products from delivery to ETA.

ETA Response: ETA grant agreements include a grant specific clause that requires product delivery to ETA except where there are benefits to be gained in a grant that outweigh inclusion of such a provision. This clause overrides any language that may have been inserted by the grant recipient.

2. To improve grant monitoring and closeout:

- a) Adhere to ETA policies requiring that each grant be monitored on an ongoing basis so that problems are identified and corrective action is taken to help grantees achieve or revise their performance objectives.

ETA Response: ETA follows its current monitoring plan and will continue to adhere to ETA policies for monitoring grants. This does not mean that every grantee will receive an on-site monitoring visit; many will be monitored through the desk review process.

- b) Ensure that National Office personnel assigned FPO responsibility have access to GEMS.

ETA Response: ETA will continue to coordinate with the office of Performance and Technology to ensure that all National Office personnel assigned FPO responsibility are provided access to GEMS.

- c) Ensure ETA personnel are fully aware of matching and leverage fund requirements, including that the use of funds from other Federal sources for matching purposes is allowable only if specifically authorized by statute.

ETA Response: ETA has developed a comprehensive policy on the application of matching and leveraging fund requirements and has encouraged all Federal staff engaged in writing grant solicitations, FPOs, and grant officers to become more familiar with the policy. The revised FPO/GOGT trainings will include extensive coverage of this issue.

- d) [OIG item "e"]Ensure that grantees meet established grant requirements, including matching funds and leveraged resources before the FPO attests during closeout to the fact that the performance of the grantee is acceptable.

ETA Response: Grantees are informed of their established requirements that they must adhere to as part of their grant award. Failures to meet those requirements are addressed as part of the monitoring process or as part of the closeout and/or audit resolution process.

- e) [OIG item “F”] Recover questioned grant costs of \$2,557,887.

ETA Response: ETA disagrees with the OIGs finding of questioned costs in the amount of \$2,557,887. The \$2,182,158 of questioned cost related to the Downriver Community Conference has already been addressed as part of the closeout process. The rest of the questioned cost of the Evangelical Lutheran Good Samaritan Society and the Association of Career Firms North America will be addressed as part of the Grant Officer resolution process at 20 CFR 667.510.

3. To enhance the effectiveness of HGJTI projects:

- a) Ensure that grant products are evaluated prior to dissemination to the workforce investment system, and that Federal resources are only used to sustain or replicate initiatives that have been proven effective.

ETA Response: Where ETA considers it valuable and feasible within staffing and funding constraints as well as available expertise, ETA will evaluate grant deliverables prior to dissemination. As suggested in ETA’s response, ETA does not agree with the OIG it was necessary or valuable to evaluate every High Growth deliverable, other routine screening, before sharing it with the workforce system and its strategic partners.

- b) Evaluate the grant products that have already been disseminated on Workforce3One and through other media. Unsatisfactory products should be removed and retracted, where feasible.

ETA Response: ETA disagrees with this recommendation and does not have the expertise or resources to evaluate every product.

- c) Implement a process for continuous evaluation of HGJTI program effectiveness to improve program management and determine if ETA’s investments are well spent.

ETA Response: The High Growth Job Training Initiative has moved into a different phase than the period of the grants reviewed by the OIG in this portion of the audit. Today, the sole funding source for HGJTI grants is the revenue from H-1B fees, which do not require an evaluative component, and all grants are now competitive and governed by specific criteria identified in the grant solicitation. ETA is committed to evaluating the value of High Growth investments in differing ways as appropriate, depending on the focus of the investment. For example, ETA is contemplating an investment focused on older workers and has identified a specific evaluation component that fits that specific investment.