

U.S. Department of Labor

Office of Inspector General—Office of Audit

**EMPLOYMENT AND
TRAINING
ADMINISTRATION**



RECOVERY ACT: ETA TOOK RECOMMENDED CORRECTIVE ACTION TO ENSURE CONGRESSIONAL INTENT COULD BE MET IN THE YOUTHBUILD PROGRAM

Date Issued : March 16, 2010
Report Number: 18-10-006-03-001

BRIEFLY...

Highlights of Report Number: 18-10-006-03-001, 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. The Recovery Act, provided \$50 million to the Department of Labor for its YouthBuild program, to provide educational and job training opportunities to at-risk youth to better prepare them for the work place. On June 12, 2009, the Employment and Training Administration (ETA) awarded the Recovery Act grants.

The U.S. DOL, Office of Inspector General (OIG) conducted a performance audit of ETA's Recovery Act YouthBuild grant solicitation and award process. The Act expanded the population permitted to be served under the YouthBuild program to include individuals who have dropped out of high school and re-enrolled in alternative schools, if that re-enrollment is part of a sequential service strategy. Prior to the Recovery Act, if an individual dropped out of high school and subsequently enrolled in an alternative school, that person would not be eligible to enroll in the YouthBuild program without first dropping out of school again.

WHY OIG CONDUCTED THE AUDIT

Our audit objectives were to answer the following questions:

1. Did ETA select YouthBuild grantees using merit based criteria as required by Recovery Act guidelines?
2. Did YouthBuild Recovery Act grant agreements require adherence to Recovery Act reporting requirements?
3. Did YouthBuild Recovery Act grant agreements meet Congress' intent to broaden the program eligibility to students in alternative programs of education?

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/2010/18-10-006-03-001.pdf>

March 2010

RECOVERY ACT: ETA TOOK RECOMMENDED CORRECTIVE ACTION TO ENSURE CONGRESSIONAL INTENT COULD BE MET IN THE YOUTHBUILD PROGRAM

WHAT OIG FOUND

The OIG found that ETA selected YouthBuild Recovery Act grantees on the basis of merit, and the grant agreements required adherence to Recovery Act Section 1512 reporting requirements. However, ETA did not make grantees aware of the expanded population permitted to be served under the provisions of the Recovery Act raising the potential that the \$50 million provided by the Act may not be spent as permitted by Congress. According to ETA, it did not incorporate these provisions because it wanted to award the grants expeditiously in keeping with OMB guidance, which encouraged timely expenditure of Recovery Act funds. In September 2009, the OIG issued an Alert Memorandum to ETA recommending Recovery Act grantees be informed of the expanded population that could be served. In response to the Alert Memorandum, on October 7, 2009, the ETA Grant Officer sent a memorandum to all YouthBuild grantees informing them of the expanded population that may be served. In addition, on December 4, 2009, ETA issued Training and Employment Guidance Letter (TEGL) 11-09 clarifying the expanded population and defining high-school dropout, alternative school, and sequential service program.

WHAT OIG RECOMMENDED

To better ensure Congressional intent could be met in the YouthBuild program we recommended that the Assistant Secretary for Employment and Training notify Recovery Act grantees immediately of the expanded population that could be served under the Recovery Act. ETA promptly notified Recovery Act grantees by memorandum of the expanded population and subsequently issued a TEGL with further clarification, thus resolving concerns raised by our recommendation.

ETA's Assistant Secretary generally agreed with the report stating it is reflective of earlier comments provided to us.

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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



March 16, 2010

Assistant Inspector General's Report

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Assistant Secretary for Employment and Training
U.S. Department of Labor
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Washington, DC 20210

In September 2006, the YouthBuild Transfer Act authorized a transfer of the YouthBuild program from the Department of Housing and Urban Development to the Department of Labor (DOL). The Employment and Training Administration (ETA) administers the program under a provision added to the Workforce Investment Act. The DOL assumed grant administration for all DOL-awarded YouthBuild grants beginning in FY 2007. In general, YouthBuild provides educational and job training opportunities within the construction industry for at-risk youth who are between the ages of 16-24, are high school dropouts, and are members of at least one of the eligibility groups (youth offender, foster youth, low-income youth, youth who are individuals with disabilities, children of an incarcerated parent, or migrant youth). However, an exception to the above criteria allows 25 percent of all program participants to consist of youth who do not meet either the education or income categories to qualify.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) became law on February 17, 2009, and provided \$50 million to DOL for its YouthBuild program. On June 12, 2009, ETA awarded \$47 million in Recovery Act YouthBuild grants, while withholding \$3 million, as provided by law, for costs to administer the program. (See Exhibit 1 for list of grantees). As a result of the Recovery Act, ETA funded 183 YouthBuild programs in FY 2009 (up from 107 funded in FY 2008). Recovery Act funds will support approximately 3,100 additional participant slots. These awards were made in June 2009 with a period of performance from July 2009 through June 2012.

The Recovery Act (1) requires grants be awarded using merit-based criteria, (2) requires recipients of Recovery Act funds to submit quarterly reports regarding use of those funds, and (3) broadens the school dropout provisions to serve an individual who dropped out of high school and re-enrolled in an alternative school if that re-enrollment was part of a sequential service strategy. Prior to the Recovery Act, if an individual dropped out of high school but subsequently enrolled in an alternative school, he or she would not be eligible to enroll in the YouthBuild program without first dropping out of school again.

Our audit objectives were to determine if (1) ETA selected YouthBuild Recovery Act grantees using merit-based criteria as required by Recovery Act guidelines, (2) YouthBuild Recovery Act grant agreements required adherence to Recovery Act reporting requirements, and (3) YouthBuild Recovery Act grant agreements met Congress' intent to broaden the program eligibility to students in alternative programs of education.

Our audit covered ETA's practices, policies, and procedures for administering the grant process, from solicitation through award to determine if the YouthBuild Recovery Act grants were made on the basis of merit, if recipient reporting was required of Recovery Act grantees, and if they met Congress' intent regarding Recovery Act funds for YouthBuild. We sampled YouthBuild Recovery Act grant agreements to determine whether they included Recovery Act recipient reporting requirements and expanded eligibility criteria for students in alternative programs of education. Our audit did not cover the \$3 million retained by ETA for technical and administrative assistance.

RESULTS IN BRIEF

ETA awarded the YouthBuild grants on a merit basis. Our review of 30 YouthBuild Recovery Act grantee applications disclosed ETA evaluated factors such as the need of the community to be served by the YouthBuild program, managerial competencies and past performance in providing YouthBuild-type services, and the ability of the applicant to leverage resources of other organizations in the community.

The Recovery Act requires grantees to adhere to all current and subsequent recipient reporting guidance. Accordingly, ETA included the recipient reporting requirements in the grant agreements and has sponsored many technical assistance activities to inform grantees of the Recovery Act reporting requirements and how to comply with them.

As we previously reported in an Alert Memorandum on September 29, 2009, grantees were not made aware that the Recovery Act expanded the population that could be served with these funds. The Act specified that the YouthBuild program may serve an individual who has dropped out of high school and re-enrolled in an alternative school, if that re-enrollment is part of a sequential service strategy. This language allows the YouthBuild program to serve more youths because prior to the Recovery Act, the program could not serve youths who had dropped out of high school and were currently enrolled in an alternative school, without first dropping out of that school.

We recommended to the Assistant Secretary for Employment and Training on September 29, 2009, that ETA notify Recovery Act grantees immediately of the expanded population that could be served under the Recovery Act. On October 7, 2009, as an initial response to this recommendation, ETA notified Recovery Act grantees by e-mail of the population, and on December 4, 2009, ETA issued a Training and Employment Guidance Letter with further clarification.

In response to our draft report, ETA's Assistant Secretary generally agreed with the report stating it is reflective of earlier comments provided to us. ETA's written response to our draft report is provided in its entirety in Appendix D

RESULTS AND FINDINGS

Objective 1 — Determine if ETA selected YouthBuild Recovery Act grantees using merit-based criteria as required by Recovery Act guidelines.

Grantees were properly selected. ETA selected 75 Recovery Act YouthBuild grantees using merit-based criteria by assessing applications against the evaluation criteria in the grant solicitation issued in October 2008. (See Exhibit 1 for a list of the grantees.) Grant applications were evaluated by an independent panel of three, including one federal employee, and scored based on the following weighted-average evaluation factors, which were listed in the grant announcement:

- Statement of Need (5 points)
- Program Management and Organizational Capacity (15 points)
- Project Design, Service, Strategy, and Program Outcomes (35 points)
- Linkages to Key Partners and Leveraged Resources (25 points)
- Evidence of Past and Projected Success in YouthBuild or Other Relevant Programs (20 points)

On March 20, 2009, the White House, Office of the Press Secretary, issued a memorandum to the heads of executive departments and agencies on the subject of ensuring responsible spending of Recovery Act funds. Section 1 states:

Ensuring Merit-Based Decision making for Grants and Other Forms of Federal Financial Assistance under the Recovery Act.

(a) Executive departments and agencies shall develop transparent, merit-based selection criteria that will guide their available discretion in committing, obligating, or expending funds under the Recovery Act for grants and other forms of Federal financial assistance . . . To this end, merit-based selection criteria shall be designed to support particular projects, applications, or applicants for funding that have, to the greatest extent, a demonstrated or potential ability to (i) deliver programmatic results; (ii) achieve economic stimulus. . . (iii) achieve long-term public benefits . . .

(b) No considerations contained in oral or written communications from any person or entity concerning particular projects, applications, or applicants for funding shall supersede or supplant consideration by Executive departments and agencies of such projects, applications, or applicants for funding pursuant to applicable merit-based criteria.

The DOL ETA grants officer provided the following information further describing how the Recovery Act YouthBuild grants were awarded. The grants officer told us that the following method was discussed with the ETA solicitor, and the solicitor agreed with this method of awarding Recovery Act and regular grants:

From the list of 392 total eligible applicants, 183 of the most highly rated applicants were selected for funding. All 183 applicants received YouthBuild grants totaling approximately \$114 million. To determine which of the 183 applicants were to receive a portion of the Recovery Act funds¹ versus YouthBuild appropriated funds, the ETA grant officer met with ETA's solicitor, and decided that the following method would be acceptable:

- The Recovery Act grants were selected from the complete list of 183 YouthBuild grants, sorted alphabetically first by state, then by city.
- The first YouthBuild grant in each state was designated as a Recovery Act grant. This method of selection was to ensure that each state represented in the list of 183 YouthBuild grant awards received a Recovery Act grant.
- With funds remaining, the third YouthBuild grant represented in each state was designated as a Recovery Act grant.
- After designating the first and third YouthBuild grant as Recovery Act grants, there was approximately \$3.7 million remaining in those funds.
- The remaining \$3.7 million in Recovery Act funds were awarded in the states receiving the highest percentage of YouthBuild awards based on the number of grantees in the state receiving funds from this solicitation. This was done by selecting the fifth YouthBuild grant represented in the states of California, Illinois, New York, and Ohio.
- After all the Recovery Act funds were awarded, the \$66.5 million in regular YouthBuild program funds were awarded to the remaining grantees of the 183 with high scores that were not selected to be Recovery Act-designated grantees.

OIG obtained the listing of the 183 YouthBuild grantees and repeated the process explained above, and obtained the same outcome as ETA for the grantees who received Recovery Act funds.

Objective 2 — Determine if YouthBuild Recovery Act grant agreements required adherence to Recovery Act reporting requirements.

Grant agreements contained the appropriate reporting requirements. ETA included the recipient reporting requirements as required by OMB and the Recovery Act in the grant agreements. Section 1512 of the Recovery Act, also known as the “Job Accountability Act” requires that recipients, including grantees, of Recovery Act funds submit quarterly reports regarding use of those funds, as well as the funds’ impact on the Recovery Act’s goal of creating or preserving jobs. The recipients are also responsible for submitting information on any subcontracts or subgrants awarded with Recovery funds. The recipients are required to submit their reports using a centralized web portal at FederalReporting.gov. The OMB guidance also requires federal agencies to notify

¹ Recovery Act funds awarded were \$47,025,000 and Regular YouthBuild funds were \$66,500,000.

contractors and grantees in their agreements of recipient reporting responsibilities under the Act including abiding by all subsequent OMB guidance detailing recipient reporting requirements for Recovery Act funds

As required by the Recovery Act, ETA included in the grant agreements notification that the grantees are required to adhere to Recovery Act Section 1512 recipient reporting requirements both current and future. Since awarding the grants, ETA has sponsored technical assistance activities to inform grantees of the Recovery Act reporting requirements and how to comply with them. These activities included DOL and OMB webinars; YouthBuild Community of Practice activities consisting of announcements, webinars, discussion rooms, live links, and resource rooms and libraries; a Recovery Act reporting workshop held in Washington, D.C.; and ongoing calls and support from ETA program office staff.

We sampled 30 of the 75 Recovery Act grant agreements and determined that all 30 grant agreements contained the required Recovery Act language informing the grantees of recipient reporting requirements. This sample provides us with a 95 percent confidence level that all 75 Recovery Act grant agreements contain the required language. Grant agreements for Recovery Act YouthBuild funds included a supplementary attachment, which stated that grantees were responsible for reporting requirements of the Recovery Act Section 1512 and all current and future OMB reporting guidance.

Objective 3 — Determine if YouthBuild Recovery Act grant agreements met Congress’ intent to broaden the program eligibility to students in alternative programs of education.

Finding — The ETA YouthBuild Recovery Act grant agreements did not meet Congress’ intent to broaden the program eligibility to students in alternative programs of education.

When ETA announced the grant in October 2008 and awarded the Recovery Act grants in June 2009, it did not include in the solicitation or grant agreements, an explanation of the expanded population permitted to be served under the Recovery Act. The Recovery Act specifically states that the program may enroll high school drop-outs who have re-enrolled in an alternative school as long as that re-enrollment is part of a sequential service strategy. We sampled 30 of the 75 Recovery Act grant agreements and determined that none of the 30 grant agreements informed the grantee of the expanded population. This sample provides us with a 95 percent confidence level that none of the 75 Recovery Act grant agreements contained the language. According to ETA, it did not incorporate these provisions because it wanted to award the grants expeditiously in keeping with OMB guidance, which encouraged timely expenditure of Recovery Act funds.

The eligibility language is found on page 2, of the Apprentice Standards of the grant, Under Section III Qualifications for YouthBuild trainees — Title 29 CFR 29.5(b)(10). The last bullet point states: to be eligible, a participant must be a high school drop out. The section does not include the Recovery Act language regarding re-enrollment. When discussing this with program officials, ETA YouthBuild agreed that grantees were not made aware of the expanded population change.

In response to ETA's lack of notification to Recovery Act grantees about the criteria, the OIG issued Alert Memorandum *Recovery Act: YouthBuild Grantees Have Not Been Informed of the Expanded Population Eligible to be Served with Recovery Act Funds Report Number: 18-09-005-03-001*, September 29, 2009. In the Alert Memo the OIG recommended that ETA notify Recovery Act grantees immediately of the population allowed to be served.

In response to the OIG Alert Memorandum, on October 7, 2009, ETA sent a letter from the YouthBuild Grants Officer, via e-mail, to all current YouthBuild grantees, including those grantees that received funding under the Recovery Act, to alert them to the expanded participant eligibility criteria. OIG subsequently reviewed ETA's global e-mail for adequate notification to the grantees. OIG advised ETA that the language used in the notification from the Recovery Act legislation concerning "alternative school" and "sequential service strategy" may not be clear to grantees and others in terms of the population permitted to be served under the Recovery Act. OIG urged ETA officials to consider clarifying that language to ensure the population permitted to be served by the Act is well understood. ETA officials agreed and said they would try to clarify the permitted-population definition in future guidance in the form of a Training and Employment Guidance Letter (TEGL).

On December 4, 2009, ETA published (and sent copies to State workforce agencies, State and Local Workforce Boards, and all YouthBuild grantees) ETA TEGL No. 11-09 titled Expanded Participant Eligibility for the YouthBuild Program. This TEGL clarified the definition of school drop out and defined the terms alternative school and sequential service program. OIG reviewed the TEGL and noted that ETA provided the needed definition and clarification to allow grantees to understand how the new participant criteria could affect current and potential program participants.

We recommended to the Assistant Secretary for Employment and Training (ETA) on September 29, 2009, that ETA notify Recovery Act grantees immediately of the expanded population that could be served under the Recovery Act. On October 7, 2009, as an initial response to this recommendation, ETA notified Recovery Act grantees by e-mail of the expanded population, and on December 4, 2009, ETA issued a Training and Employment Guidance Letter with further clarification, thus resolving concerns raised by our recommendation.

We appreciate the cooperation and courtesies that YouthBuild and Office of Federal Assistance personnel extended to the Office of Inspector General during this audit. OIG personnel who made major contributions to this report are listed in Appendix E.



Elliot P. Lewis
Assistant Inspector General
For Audit

Exhibits

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Exhibit 1**Schedule of Recovery Act YouthBuild Grantees**

Organization	State	Recovery Act Grant Amount
Cook Inlet Tribal Council, Inc	AK	\$628,805
Alethis House	AL	699,600
Hale Empowerment and Revitalization Org	AL	550,587
Town of Guadalupe	AZ	456,292
Metropolitan Area Advisory Committee Project	CA	699,600
Fresno County Economic Opportunity Commission	CA	699,600
Coalition for Responsible Community Development	CA	686,880
Year One	CO	698,828
The Workplace	CT	604,846
Community Renewal Team	CT	463,620
ARCH Training Center	DC	699,265
Sasha Bruce Youthwork	DC	699,600
Worknet Pinellas, Inc	FL	699,600
Urban League of Broward County	FL	699,600
Fulton Atlanta Community Action Authority	GA	613,672
City of Savannah Georgia	GA	503,713
Department of Community Services	HI	699,600
Des Moise Area Community College	IA	494,436
Southeastern Community College	IA	572,351
Quad County Urban League	IL	699,600
Emerson Park Development Corp	IL	699,600
United Methodist Children Home	IL	676,994
Housing Authority City of Evansville	IN	636,000
United Way of Wyandotte County, Inc	KS	699,600
Young Adult Development in Action	KY	699,600
Morehead State University	KY	651,876
East Baton Rouge Parish Housing Authority	LA	673,565
St. James Parish Government	LA	508,800
Old Colony Y	MA	699,600
Community Teamwork, Inc	MA	699,600
Portland West, Inc	ME	699,600
Neighborhoods, Inc of Battle Creek	MI	467,968
SER Metro Detroit Jobs for Progress	MI	699,600
Bi County Community Action Programs	MN	457,920
Tree Trust	MN	445,200
Job Point	MO	699,600

MS Action for Community Education	MS	546,323
Blackfeet Tribal Business Council	MT	698,125
River City Community Develop Corp	NC	610,560
Housing Authority City of Wilmington	NC	508,800
Turtle Mountain Community College	ND	664,212
High Plains Community Develop Corp	NE	477,000
Goodwill Industries	NE	523,319
Housing Authority City of Camden	NJ	699,600
NJ Community Develop Corp	NJ	699,600
Tohatchi Area of Opportunity & Service	NM	699,600
Southern Nevada WIB	NV	699,600
South Bronx Overall Economic Develop Corp	NY	622,110
United Way of Long Island	NY	699,600
Board of Cooperative Education Service Ulser County	NY	519,199
Akron Summit Community Action	OH	667,800
Cincinnati Hamilton County Community Action Agency	OH	618,113
Cuyahoga Metropolitan Housing Authority	OH	513,014
Community Development Support Assoc	OK	581,940
Eagle Ridge Institute	OK	699,600
Heart of Oregon Corps	OR	699,600
The Job Council	OR	699,600
Goodwill Industries Conemaugh Valley	PA	503,479
Montgomery County WIB	PA	697,274
Providence Plan	RI	691,968
Spartanburg Housing Authority	SC	698,597
Alliance for Business & Training	TN	661,504
Douglas Cherokee Economic Authority	TN	444,640
American Youth Works	TX	699,573
Houston Works USA	TX	699,600
Salt Lake Community College	UT	624,824
People Incorporated of VA	VA	476,244
Pathway VA	VA	699,600
Recycle North	VT	496,080
Lummi Housing Authority	WA	698,553
Community Youth Services	WA	623,280
Community Action Rock & Walworth Counties	WI	457,920
Indianhead Community Action Agency	WI	699,600
Randolph County Housing Authority	WV	603,061
Southern Appalachian Labor School	WV	716,670
	TOTAL	\$47,025,000

Exhibit 2

Time-Line of YouthBuild Recovery Act and Regular Grant Activity

September 22, 2006 – YouthBuild Transfer Act (Public Law 109-281, 29) WIA section 173A (e)(1)(A)(iii) transferred YouthBuild program to DOL from HUD.

October 6, 2008 – DOL ETA posted, in Federal Register, Notice of Availability of Funds and Solicitation for Grant Applications for YouthBuild Grants (SGA DFA PY 08-07).

January 15, 2009 – Solicitation for Grant Applications for YouthBuild grants closed.

February 17, 2009 – American Recovery and Reinvestment Act of 2009.

February 18, 2009 – OMB guidance M09-10 is issued, which encourages prudent and timely expense of Recovery Act funds including general guidelines on how this may be achieved.

March 20, 2009 – Memorandum from White House Office of the Press Secretary provided guidance on merit-based decision making for grants and contracts.

March 23, 2009 – DOL OASAM memo to all agency heads, reiterating March 20, 2009, memo from White House on merit based decision making.

April 15, 2009 – DOL Office of the Assistant Secretary for Administration and Management issued memo to all agency heads, establishing procedures to ensure White House directives are followed.

May 27, 2009 – Training Employment Notice 46-08 is issued from Deputy Assistant Secretary announcing Department's decision to combine Recovery Act and regular YouthBuild appropriations to award YouthBuild grants for FY 2009.

June 12, 2009 – ETA Release Number 09-0649-NAT announced award of \$114 million in grants including \$47 million to 75 Recovery Act grantees and \$66.5 million to 108 non-Recovery Act grantees.

September 29, 2009 – DOL Office of Inspector General (OIG) issued Alert Memorandum: Recovery Act YouthBuild Grantees Have Not Been Informed of the Expanded Population Eligible to be Served with Recovery Act Funds Report Number: 18-09-005-03-001.

October 7, 2009 – ETA emails all YouthBuild grantees to alert them of the expanded participant eligibility criteria.

December 4, 2009 – ETA published Training Employment Guidance Letter 11-09 titled Expanded Participant Eligibility for the YouthBuild Program further clarifying the expanded population to be served by the YouthBuild Program.

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Appendices

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Background

In September 2006, the YouthBuild Transfer Act (PL 109 281) authorized a transfer of the YouthBuild program from the Department of Housing and Urban Development to the Department of Labor (DOL). The Employment and Training Administration (ETA) administers the program under a provision added to the Workforce Investment Act, section 173A, subtitle D. The DOL assumed grant administration for all DOL-awarded YouthBuild grants beginning in FY 2007. In general, YouthBuild provides educational and job training opportunities within the construction industry for at-risk youth who are between the ages of 16-24, are high school dropouts, and are members of at least one of the eligibility groups (youth offender, foster youth, low-income youth, youth who are individuals with disabilities, children of an incarcerated parent, or migrant youth). However, an exception to the above criteria allows 25 percent of all program participants to consist of youth who do not meet either the education or income categories to qualify.

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 March 12, 2010, Congress provided \$70.6 billion to DOL (See Table 1 on next page). The Recovery Act, Division A Title VIII, dedicated \$50 million for the YouthBuild program to provide educational and job training opportunities to at-risk youth to better prepare them for the work place. (See Exhibit 2 for a chronology of key YouthBuild program milestones reviewed in this report.)

Table 1: Department of Labor Recovery Act Funding, as of March 12, 2010

Program	Amount^a (millions)	Percent
Unemployment Insurance	\$65,687	93.00
Training and Employment Services	3,950	5.59
State Unemployment Insurance and Employment Service Operations	400	0.57
Community Service Employment for Older Americans	120	0.17
National Emergency Grants for Health Insurance Coverage	150	0.21
Job Corps	250	0.35
Departmental Management	80	0.11
Total	\$70,637^b	100.00

^a – The amounts other than “Unemployment Insurance” were obtained from the Recovery Act dated February 17, 2009. The “Unemployment Insurance” amount was provided by the Office of the Assistant Secretary for Administration and Management, DOL, and includes amounts made available for Federal and State Extended Benefits, Extension of Emergency Unemployment Compensation, 2008, and Federal Additional Unemployment Compensation programs.

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

The Recovery Act (1) requires grants be awarded using merit-based criteria, (2) requires recipients of Recovery Act funds to submit quarterly reports regarding use of those funds, and (3) broadens the school dropout provisions to serve an individual who dropped out of high school and re-enrolled in an alternative school if that re-enrollment was part of a sequential service strategy.² Prior to the Recovery Act, if an individual dropped out of high school but subsequently enrolled in an alternative school, he or she would generally not be eligible to enroll in the program without first dropping out of school again.

²The Consolidated Appropriations Act, 2010, PL No. 111-117, 123 Stat. 3034 (December 16, 2009), provided that for program year 2010 and each program year thereafter, the YouthBuild program may serve an individual who has dropped out of high school and re-enrolled in an alternative school, if that re-enrollment is part of a sequential service strategy.

On October 6, 2008, ETA announced the availability of approximately \$47 million in grant funds for YouthBuild grants. The closing date for receipt of applications under this announcement was January 15, 2009³. Subsequent to passage of the Recovery Act, ETA issued Training and Employment Notice 46-08 on May 27, 2009, informing YouthBuild grant applicants and ETA's YouthBuild grant program community that the Department would combine Recovery Act funding for this program with the regular FY 2009 YouthBuild appropriations, and make awards to successful applicants from the current YouthBuild competition. ETA did this to expedite awarding of grants and to meet Congressional intent to expand the number of grantees. All grants were awarded on June 12, 2009, with a period of performance from July 2009 through June 2012. (See Exhibit 2 for a chronology of the YouthBuild grant activity.)

On June 12, 2009, Secretary of Labor issued press release number 09-0649-NAT, announcing the award of approximately \$114 million to 183 community groups to provide education and training to young people across the United States. The award included approximately \$67 million in FY 2009 regular YouthBuild funding to 108 grantees, and approximately \$47 million in Recovery Act YouthBuild grants to 75 grantees (See Exhibit 1). As a result of the Recovery Act, ETA funded 183 YouthBuild programs in FY 2009 (up from 107 funded in FY 2008). Recovery Act funds will support approximately 3,100 additional participant slots.

Three million of the \$50 million in Recovery Act YouthBuild appropriations was withheld for program costs, as allowed by law. Of the \$50 million provided by The Recovery Act, 5 percent of the funds, or \$2.5 million, was reserved for technical assistance (authorized by the YouthBuild Transfer Act). Once funds for technical assistance were subtracted from the Recovery Act amount, 1 percent, or \$475,000, of the remaining balance went to program management including evaluation and administration of the program, authorized by the Recovery Act.

⁵The grants awarded were to be funded with FY 2009 appropriations.

Objectives, Scope, Methodology, and Criteria

Objective

The objectives of our audit were to determine if:

1. ETA selected YouthBuild Recovery Act grantees using merit-based criteria as required by Recovery Act guidelines.
2. YouthBuild Recovery Act grant agreements required adherence to Recovery Act reporting requirements.
3. YouthBuild Recovery Act grant agreements met Congress' intent to broaden the program eligibility to students in alternative programs of education.

Scope

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

We conducted our fieldwork from September 2, 2009 to February 22, 2010, at ETA's headquarters in Washington, D.C. We audited ETA's YouthBuild grant process related to the Recovery Act of 2009, including selection of Recovery Act grantees; grant agreements' adherence to Recovery Act reporting requirements; and guidance given to applicants during grant solicitation and post-solicitation on expanded population permitted to be served. Our audit does not review the \$3 million retained by ETA for technical and administrative assistance to carry out the Recovery Act YouthBuild grant program.

The statistical sampling universe for our model was defined as the 75 YouthBuild Recovery Act grantees awarded on June 12, 2009. Our findings from the sample of the 30 grants, allows us to project that we are 95 percent confident the universe of 75 grants contained the attributes that we found.

Methodology

To accomplish our audit objectives, we obtained an understanding of the Recovery Act Division A Title VIII (5), which sets forth ETA's activities for YouthBuild. We also conducted interviews with ETA officials from the Division of Youth Services, YouthBuild, Division of Federal Assistance, and the Grant Officer to gain an understanding of the method used to award YouthBuild Recovery Act grants and the

status of the Recovery Act efforts. We reviewed the Solicitation for grant applications for YouthBuild Grants, and grant agreements. We also reviewed the Recovery.Gov and Community of Practice websites for Recovery Act-related material.

We sampled Recovery Act grant agreements and reviewed the selected agreements for contract language addressing the required reporting objectives necessary to be compliant with OMB guidance on reporting Recovery Act funds, and expanded eligibility criteria for students in alternative programs of education. We statistically sampled 30 of the universe of 75 Recovery Act grants, with a 95 percent confidence level. Based on the findings from the sample, we project that we are 95 percent confident that the universe of 75 grants contains the attributes we found. From the universe of 75 YouthBuild Recovery Act grantees, the random sample of 30 grants provided a sampling fraction of 40 percent. The sample test results were projected to the universe of YouthBuild Recovery Act grantees. An explanation of the audit test results and relevance of the tests to the audit's objectives is provided in the body of the audit report.

We interviewed program officials and the Grants officer and obtained and reviewed the original solicitation for grant announcement SGA/DFA PY 08-07, and grants to determine if YouthBuild Recovery Act grants met Congress' intent to broaden the program eligibility to students in alternative programs of education. In addition, we reviewed an ETA e-mail that was sent out to all YouthBuild grantees in response to an OIG Alert Memorandum *Recovery Act: YouthBuild Grantees Have Not Been Informed of the Expanded Population Eligible to be Served with Recovery Act Funds Report Number: 18-09-005-03-00* to determine if it was adequate to notify the grantees of the expanded population permitted to be served by the Act. Finally, the OIG reviewed ETA TEGl No. 11-09, issued December 4, 2009, titled Expanded Participant Eligibility for the YouthBuild Program issued to further clarify the definition of school drop out and the terms "alternative school" and "sequential service program."

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. Our work on internal controls included obtaining and reviewing policies and procedures and interviewing key personnel. We gained an understanding of ETA's processes relative to our audit objectives and documented a description of the controls. Our testing of internal controls focused only on the controls related to our objectives of assessing compliance with significant laws, regulations, and policies and procedures. Specifically, we sampled and reviewed grant applications of denied and accepted applicants to determine if the criteria specified in the Solicitation for Grant Applications (SGA) for basic acceptance of a grant application and for ranking grant applications was used to evaluate those applications. We examined the pool of grant applications received from the Solicitation announced October 6, 2008. We also examined the Grants announced June 12, 2009. Furthermore, we obtained a list of the 183 YouthBuild grantees and repeated the process used by ETA to award those grants. We did not intend to form an opinion on the adequacy of internal controls overall, and we do not render such an opinion.

Criteria

We used the following criteria to accomplish our audit:

- America Recovery and Reinvestment Act of 2009, dated February 17, 2009
- The Consolidated Appropriations Act, 2010, PL No. 111-117, dated December 16, 2009
- YouthBuild Transfer Act Public Law 109 281, dated September 22, 2006
- White House, Office of the Press Secretary, Memorandum for the Heads of Executive Departments and Agencies, dated March 20, 2009
- OMB Guidance
 - M-09-10 Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009, dated February 18, 2009;
 - M-09-15 Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009, dated April 3, 2009; and
 - M-09-21 Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009, dated June 22, 2009.
- Training Employment Notice 46-08, dated May 27, 2009
- Training Employment Guidance Letter No. 11-09 titled Expanded Participant Eligibility for the YouthBuild Program, dated December 4, 2009
- Notice of Solicitation for Grant Applications SGA/DFA PY08-07, dated October 6, 2008

Appendix C

Acronyms and Abbreviations

DOL	Department of Labor
ETA	Employment and Training Administration
OIG	Office of Inspector General
RECOVERY ACT	American Recovery and Reinvestment Act of 2009
SGA	Notice of Solicitation for Grant Applications SGA/DFA PY08-07, dated October 6, 2008
TEGL	Training and Employment Guidance Letter

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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 - 5 2010

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

FROM: JANE OATES *Jane Oates*
Assistant Secretary

SUBJECT: Recovery Act: ETA Took Recommended Corrective
Action to Ensure Congressional Intent Could Be Met in the
YouthBuild Program
Draft Audit Report No. 18-10-006-03-001

Thank you for the opportunity to respond to the report cited above. The Employment and Training Administration (ETA) has reviewed the report and have no further comments. The report is reflective of comments provided by my staff during the February 3rd meeting held with your Audit Team.

Again, thank you for the opportunity to further comment on the Draft Report prior to issuing the final. If you have any questions, please contact Laura P. Watson at (202) 693-3961 or Greg Weltz at (202) 693-3527.

cc: Grace Kilbane
Director
Office of Workforce Investment

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Appendix E

Acknowledgements

Key contributors to this report were Michael E. Gilbert (Audit Director), Michael Elliott, and Natalie Philippoff.

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