

ETA Response to Draft Report

U.S. Department of Labor

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



SEP 26 2011

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

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

SUBJECT: Response to Draft Report No. 18-11-004-03-390
"Recovery Act: Slow Pace Placing Workers into Jobs
Jeopardizes Employment Goals of the Green Jobs
Program"

We acknowledge the complexity of conducting an audit of program activity that is in progress and appreciate the willingness of the OIG audit team to receive additional performance information as it became available.

The OIG examined three areas in its report leading to an overall conclusion that the Assistant Secretary should evaluate the Green Jobs Program; and in so doing, obtain a current estimate of the Green Jobs funds each grantee requires, and if grantees fail to utilize their grants, ETA would terminate the grants and return the money to the U.S. Treasury.

ETA strongly disagrees with the OIG's conclusion that "there is no evidence that grantees will effectively use the funds and deliver targeted employment outcomes by the end of the grant period." Evidence demonstrates that grantees are effectively using funds. As of June 30, 2011, grantees have reported significant increases in performance outcomes over those initially reported at the start of the audit work. We expect performance to significantly increase over time following an initial lag during that standard start-up phase of the grants. In addition, ETA has put in place appropriate measures to monitor progress and provide robust technical assistance to help ensure ultimate grant success for those that may be at-risk of not delivering all of their outcomes. In addition, ETA is evaluating the outcomes and impact of these grants through qualitative and random assignment evaluations.

At this time, ETA has obligated all of its Recovery Act funds and does not intend to return any money to the U.S. Treasury. ETA's intention is that all funds that are the subject of this Report will have been expended by September 30, 2013, as required by OMB Memorandum M-11-34 (9/15/11), which mandates that Recovery Act funds "not spent by September 30, 2013, . . . shall [be] reclaim[ed] to the extent permitted by law."

(See Memorandum M-11-34 attached). ETA will continue to work with grantees to help them meet program objectives and expend their funds within the OMB-required period. If a grantee has not expended all ARRA funds by September 30, 2013, despite ETA's requirements that it do so, those funds shall be reclaimed, as required. ETA responses to the three areas explored in this audit are outlined below and supplementary information is attached.

Objective 1. ETA defined green jobs as jobs associated with products and services that use renewable energy resources, reduce pollution, and conserve natural resources.

ETA Response: ETA does not define industries or occupations; this is not part of its mission or functions. However, ETA does use definitions for green jobs as set forth through legislation, or established by other agencies and industry when providing guidance to grantees or grant applicants. ETA notes that the definition of "green jobs" is an emerging concept. There is not a single overarching definition for these jobs, but there are a number of defining parameters that the ETA referenced when making grant awards. ETA suggests that the report clarify this.

Objective 2. Of the \$490.1 million of grants awarded, \$162.8 million (33 percent) had been spent while 73 percent of the grant period had elapsed as of June 30, 2011.

ETA Response: The report cites expenditure amounts for each SGA type in assessing the progress of the grant. When assessing the financial status of the grants, the OIG should use obligations as a primary indicator in addition to expenditures. Obligations provide a more current measure of grantee financial status, since they reflect both grantee expenditures to date as well as their immediate plans for expenditures. Based on grantee quarterly financial reports for the quarter ending June 30, 2011, the following are the amount of obligations reported for each type of Green Jobs SGA:

- Green Capacity Building grants: 92.9%
- Labor Market Information Improvement grants: 88.1%
- Energy Training Partnership grants: 62.2%
- Pathways out of Poverty grants: 64.1%
- State Energy Sector Partnership (SESP) grants: 65.6%

As this data indicates, grantee expenditures and planned expenditures are actually much more closely aligned with the grant period than is reflected in the OIG report. ETA suggests that the OIG amend the report accordingly.

The OIG aggregates grantee information on expenditures across all categories of grants referenced in this report, and then reports a blended total amount (an expenditure amount of 32% is noted on p.2). The OIG uses a similar approach in reporting on grantee program performance in other sections of the report.

The grants have varying end dates depending on the type of grant and when awarded. They also have different objectives and different structures (e.g. the SESP grants were

awarded to states, which in turn provided funds to local areas, as opposed to some Pathways Out of Poverty grants which were awarded directly to the local delivery level). Given these factors, ETA suggests that the grant types be evaluated and reported on separately, rather than aggregated into one set of statistics.

Furthermore, the report states that ETA awarded grants totaling \$490.1 million, and “retained the remaining \$9.9 million for other services such as program administration and technical assistance.” That is not an accurate description of ETA’s funding of program administration and technical assistance related to ARRA grants. Program Administration and technical assistance funds were set aside by ETA and used for the total \$750 million Program of ARRA Competitive Grants. The correct amounts for program administration and technical assistance in support of the overall \$750 million are: \$7.5 million for administration, and an additional \$9.4 million for technical assistance, which included support to the Occupational Information Network System (O*NET), building the performance reporting system, and providing programmatic technical assistance for the grants awarded out of the total \$750 million. The support for O*NET includes collecting information on identified new and emerging occupations related to renewable energy and energy efficiency, and updating tools and technology information for existing occupations with changing skill requirements.

Objective 3. ETA and grantees have reported achieving limited performance targets for serving, placing and retaining workers; and risk not delivering targeted outcomes timely.

ETA Response: To date, the ARRA HGEI grants have made significant progress. As of June 30, 2011, grantees have reported significant increases in performance outcomes over those initially reported at the start of the audit work. The three types of training grants started in January 2010, and grants generally have three to nine months of start up activities to complete before they start serving and training participants. We expect performance for these training grants to significantly increase over time following an initial lag during the start-up phase. In addition, there are appropriate measures in place to monitor progress and provide technical assistance to help ensure ultimate grant success for those that may be at-risk of not delivering all of their outcomes within the grant period. ETA asks that the OIG adjust its report to reflect that the grants have made significant progress.

OIG concludes that based on the current statistics for grantee retentions “there is a trend that calls into doubt ETA’s ability to achieve significant placement of workers into stable green jobs.” This text and data are misleading. Due to the timeframe for reporting the “Retained Employment” data element, there is a 6 month lag between when an individual is reported as successfully completing the education/training program and obtaining employment, and when employment retention is reported. The data reflect outcomes as of June 30, 2011; employment retention reported for this quarter includes participants that were reported as entered employment as of 12.31.2010. As a result, employment retention data reflect retention rates achieved for participants completing training and employed within the first 12 months of grant activity, including the traditional start phase and for most grantees, the early stages of training activities. It is

not surprising that grantees have relatively low retention rates as of June 30, given the status of their grants and how this figure is calculated. ETA asks that this section be amended accordingly.

OIG also concluded that ETA cannot adequately measure grantee performance or hold grantees accountable. However, ETA does hold grantees accountable and this should be reflected in the report. ETA holds the grantees to all projected performance outcomes that are included in their statement of work. The Solicitation for Grant Applications asked applicants to provide outcome projections for a standard list of outcome categories (such as the number of participants that begin training and the number that complete training). Progress toward attainment of the goals on these measures is captured through the program performance data that each grantee submits. Therefore, while a grantee may not have provided an outcome projection for one specific category, ETA still monitors the grantee's progress on that measure through the performance reporting requirements. Further, ETA still holds the grantees accountable for all the outcome projections that they did provide. Finally, all ETA grantees are held accountable through numerous federal requirements that make up our grant management system as a whole. In cases where the grantee consistently underperforms, even after technical assistance has been provided, it may be necessary for the federal project officer to require a corrective action plan, or CAP. In instances where reporting of financials are consistently in error the Grant Officer may implement a draw-down restriction, limiting available funds, until the errors are corrected or invoices are approved. These actions are rare, but possible as a part of overall grant accountability. The report suggests that ETA does not 'hold grantees accountable,' which we believe is inaccurate.

ETA has comprehensive plans for monitoring and providing targeted and comprehensive technical assistance to these grants, which it has been implementing. ETA reviews grantee performance regularly and has provided grantees with extensive technical assistance and monitoring to help them meet their outcomes. This includes desk reviews and monitoring which is provided by ETA staff. It also includes extensive, specialized technical assistance on key program-related topics such as effective placement strategies and working with hard-to-serve populations.

ETA strongly disagrees with the OIG's conclusion that "there is no evidence that grantees will effectively use the funds and deliver targeted employment outcomes by the end of the grant period." Evidence demonstrates that grantees are effectively using funds. The OIG report states that grants have served over 52,000 participants, provided training to over 46,600 participants, and that over 8,000 participants have entered employment. Furthermore, these data do not reflect all of the outcomes associated with services to incumbent workers that comprise a significant percentage (about 40 percent) of those trained through these grants. Incumbent workers are receiving critical training through these grants to help them retain their jobs, obtain new work, or otherwise upgrade their skills. Given the start date of the grants and phased activities, these accomplishments are significant and appropriate to the grant cycle.



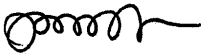
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

September 15, 2011

M-11-34

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: JACOB J. LEW 
DIRECTOR

SUBJECT: Accelerating Spending of Remaining Funds from the American Recovery and Reinvestment Act for Discretionary Grant Programs

In light of the current economic climate and the urgent need to put Americans back to work, it is imperative that we exhaust all available options to drive the economy forward and create jobs. That is why the President submitted the American Jobs Act to Congress on September 12th, 2011, which will put more people back to work and more money in the pockets of working Americans. And that is why we must also ensure that existing Government programs are doing everything to ensure that funds are spent as quickly and efficiently as possible to drive job creation right now.

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 ("Recovery Act"). As the Congress made clear in enacting the Recovery Act, two of its primary purposes have been to "preserve and create jobs and promote economic recovery" and to "assist those most impacted by the recession." To that end, the Congress directed the President and the heads of Federal departments and agencies ("agencies") to "manage and expend the funds made available in this Act so as to achieve the purposes [of the Act], including commencing expenditures and activities as quickly as possible consistent with prudent management."

In underscoring the importance of spending Recovery Act funds quickly and efficiently, the President established a goal that by September 30, 2010, 70 percent of Recovery Act funding should be spent (i.e., both obligated and outlayed). That goal was met, and this focused implementation has been instrumental in driving the positive effects of the Recovery Act on the economy and job creation. According to the most recent report from the Congressional Budget Office, the Recovery Act has raised real GDP by as much as 2.5 percent compared to what it otherwise would have been, lowered the unemployment rate by as much as 1.6 percent, and increased the number of people employed by nearly three million.

Nearly 85 percent of Recovery funds have now been paid out and the vast majority of remaining funds have already been obligated for projects that communities are counting on for job creation. Despite the rapid pace of spending of Recovery Act funds over the past 30 months, there remain billions in discretionary Recovery Act funds that, although they have been obligated, have not yet been outlayed. In light of the current economic situation and the need for further economic stimulus, it is critical that agencies spend these remaining funds as quickly and efficiently as possible.

Accordingly, subject to the exceptions described below, Federal agencies are hereby directed to accelerate the spending of remaining Recovery Act funds in discretionary grant programs (including formula grant programs that received discretionary funding in the Recovery Act), consistent with existing laws and regulations and programmatic objectives. If those funds have not been spent by September 30, 2013, agencies shall reclaim them to the extent permitted by law.

Acceleration of Unspent Discretionary Grant Funds

In order to ensure that remaining Recovery Act balances are spent in an expeditious fashion, Federal agencies should establish aggressive targets, consistent with programmatic objectives, for outlaying remaining funds. To that end, subject to certain exceptions, Federal agencies are directed to take steps to complete Recovery Act projects by September 30, 2013. This new policy would compress the period of availability for the bulk of remaining funds in discretionary grant programs into the next two years.

In executing this policy, Federal agencies should work collaboratively and transparently with recipients of discretionary Recovery Act grants to accelerate the spending rate for all awarded funds while still achieving core programmatic objectives. Agencies are encouraged to reduce administrative hurdles that can delay expenditure of funds, as well as decrease delays between receipt of invoices and outlaying corresponding funds. In addition, agencies should implement programmatic safeguards to protect against unnecessary delays that would otherwise extend current spending timelines beyond the new deadline established in this memorandum. Although this policy is limited to discretionary Recovery Act grant programs, agencies should also establish appropriate safeguards for ensuring the integrity of current spending timelines for other types of Federal assistance and contracts, and encourage the acceleration of spending for these funds as well where possible.

Federal agencies may request waivers from the September 30, 2013 deadline for discretionary grant funds where contractual commitments by the grantee with vendors or sub-recipients prevent adjusting the timeline for spending, where a project must undergo a complex environmental review that cannot be completed within this timeframe, where programs are long-term by design (such as the majority of the High Speed Rail program) and therefore acceleration would compromise core programmatic goals, or where other special circumstances exist. Agencies should request such waivers sparingly, and they will be granted only due to compelling legal, policy, or operational challenges. Agencies must submit all proposed waivers to OMB for review and approval by September 30, 2012. Any waiver requests must be made directly by the head of the agency.

Agencies should clearly communicate the requirements of this memorandum to grant recipients through adding these requirements to new grant agreements, modifying terms and conditions of existing grant agreements, or other appropriate written means consistent with law.

Reclamation of Unspent Discretionary Grant Funds after Deadline

Agencies should revise the terms of Recovery Act discretionary grant agreements, to the extent permitted by law, to provide for reclamation of funds that remain unspent after September 30, 2013, absent a waiver issued by OMB pursuant to this memorandum.

Section 1306 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, amended Title XVI of the Recovery Act to require the rescission and return to the General Fund of the Treasury certain funds that a Federal agency “withdraws or recaptures for any reason” and that “have not been obligated by a State to a local government or for a specific project.” Agencies should consider whether this rescission-and-return requirement would apply to unspent Recovery Act funds for discretionary grant programs that are reclaimed under the policy set forth in this memorandum.

By September 30, 2012, agencies must submit to OMB any waiver requests from this policy and have established a process for the reclamation of funds and suspension of activities for balances that remain unspent after September 30, 2013 and are not subject to a waiver.