U.S. Department of Labor

Office of Inspector General—Office of Audit

EMPLOYMENT AND TRAINING ADMINISTRATION

RECOVERY ACT: IN GENERAL, GRANTEES PROPERLY USED RECOVERY ACT SCSEP FUNDS TO TRAIN AND PLACE PARTICIPANTS

This report was prepared by Ollie Green and Company under contract to the U.S. Department of Labor, Office of Inspector General, and by acceptance, it becomes a report of the Office of Inspector General.

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Assistant Inspector General for Audit
U.S. Department of Labor

Date Issued:	**November 7, 2012**
Report Number:	**18-13-002-03-360**

U.S. Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY…

Highlights of Report Number 18-13-002-03-360, issued to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

The American Recovery and Reinvestment Act (ARRA) was signed into law by President Obama on February 17, 2009. The Act is intended to preserve and create jobs, promote the nation's economic recovery, and assist those most impacted by the recession. The Recovery Act provided an additional $120 million for Senior Community Service Employment Program (SCSEP) grantees to supplement their Program Year (PY) 2009 funding. National and state grantees had until June 30, 2010, to spend these funds.

The Senior Community Service Employment Program (SCSEP) is a community service and work based training program for older workers. Authorized by the Older Americans Act, the program provides subsidized, service-based training for low-income persons 55 or older who are unemployed and have poor employment prospects. It is intended that community service training serves as a bridge to unsubsidized employment opportunities.

WHY OIG CONDUCTED THE AUDIT

We conducted a performance audit of the use of Recovery Act funds provided to SCSEP administered by the Department of Labor's (DOL) Employment and Training Administration (ETA). The audit objectives were to determine:

(1) To what extent did ETA ensure grantees administered and awarded ARRA funds properly to eligible participants?

(2) To what extent have participants been trained and placed under these grants and did they continue employment?

(3) To what extent were employers who participated in On the Job Experience (OJE) properly and accurately reimbursed?

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/2013/18-13-002-03-360.pdf.

November 2012

RECOVERY ACT: IN GENERAL, GRANTEES PROPERLY USED RECOVERY ACT SCSEP FUNDS TO TRAIN AND PLACE PARTICIPANTS.

WHAT OIG FOUND

With very few exceptions, ETA had sufficient controls to ensure that grantees administered and awarded ARRA SCSEP funds to eligible participants. Generally we found that grantees trained most of the participants and transferred them to the regular SCSEP or other subsidy programs on or before June 30, 2010, when ARRA funding ended. However, we could not determine the extent to which employers who participated in the On the Job Experience (OJE) program were properly and accurately reimbursed because the OJE universe furnished by grantees was unreliable.

WHAT OIG RECOMMENDED

The OIG recommended the Assistant Secretary of Employment and Training Administration:

1. Direct grantees to reimburse the government for ineligible participants.
2. Advise grantees and sub-grantees to comply with regulatory requirements, and develop and implement controls for verifying and documenting files, timely monitoring and accurate reporting of participant retention.
3. Develop a process to report and measure placement when funding is temporary.
4. Implement controls for validating management information.

ETA disagreed with the recommendation to develop a process to measure placement when funding is temporary, but agreed to implement the following OIG recommendations: recover costs for ineligible participants; advise sub-grantees to document and retain evidence of participant training, and follow-up on participant employment retention timely; and implement procedures to improve data accuracy.

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The American Recovery and Reinvestment Act (ARRA) was signed into law by President Obama on February 17, 2009. The Act is intended to preserve and create jobs, promote the nation's economic recovery, and to assist those most impacted by the recession. The Recovery Act provided an additional $120 million for Senior Community Service Employment Program (SCSEP) grantees to supplement their Program Year (PY) 2009 funding. National and state grantees had until June 30, 2010, to spend these funds.

We conducted a performance audit of the use of Recovery Act funds provided to SCSEP administered by the Department of Labor's (DOL) Employment and Training Administration (ETA). The audit objectives were to determine:

(1) To what extent did ETA ensure grantees administered and awarded ARRA funds properly to eligible participants?
(2) To what extent have participants been trained and placed under these grants and did they continue employment?
(3) To what extent were employers who participated in On the Job Experience (OJE) properly and accurately reimbursed?

We interviewed officials at ETA and 14 national and state grantees and reviewed documents and available data. We statistically selected 350 of the 25,154 participants served by the SCSEP. The audit period covered February 17, 2009, the inception date of the Recovery Act, through June 30, 2010. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. These 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Additional background information is detailed in Appendix A, and our objective, scope, methodology, and criteria are detailed in Appendix B.

RESULTS IN BRIEF

ETA had sufficient controls in place to ensure that grantees administered and awarded ARRA SCSEP funds properly to eligible participants. Of the 350 participants reviewed, 348 met the program's eligibility criteria and only two did not. Those two participants received benefits totaling $11,573. Preventive controls were not in place to allow these funds to have been put to better use elsewhere.

Generally we found evidence that grantees trained most (306) of the participants. However, Individual Employment Plans (IEP) were not available for 108 of the 350 participants (30.9 percent). IEPs must include employment goals and timelines for achieving them. Without IEPs, there was no assurance that participants received training that could assist them in obtaining unsubsidized employment. Additionally, forty-four (12.6 percent) case files in our sample had no evidence of training. (Forty of these were from the same grantee.)

We also found that most (72.0 percent) of the participants in our sample were transferred to the regular SCSEP or other subsidy programs on or before June 30, 2010, after ARRA funding ended. After reducing the 350 to 330 participants for those with health issues, family care, institutionalization, and death in accordance with Training and Employment Guidance Letter (TEGL) 17-05, we found that 28 (8.5 percent) of the participants had been placed in unsubsidized employment. This placement rate was substantially below the 23 percent goal established by the Department for PY 2009. Of these 28 participants, 19 retained their unsubsidized employment through the second and third quarters after exiting ARRA SCSEP.

In its PY 2009 Final ARRA Nationwide Roll-Up Report, ETA calculated the ARRA Entered Employment Rate (EER) or placement rate as 47.6 percent (2,348[1]/4,935[2]). ETA excluded from its calculation 16,808 ARRA participants who transferred to the regular SCSEP program by June 30, 2010. This approach was not an accurate representation of ARRA's placement performance for the temporary funding period February 17, 2009 through June 30, 2010 and was an overstatement of the ARRA placement rate for PY 2009. By including the 16,808, we calculated a placement rate of 10.7 percent (2,348/21,743) for the ARRA SCSEP program.

We could not determine the extent to which employers who participated in the OJE program were properly and accurately reimbursed because the OJE universe (279 participants) provided was not reliable. Forty-five of the 52 participants selected in our sample had not participated in the OJE program. Six employers provided OJE

[1] The numerator (2,348) is the number of ARRA SCSEP participants placed into unsubsidized employment by June 30, 2010, as reported by ETA in its Final ARRA Nationwide Roll-Up Report.
[2] The denominator (4,935) is the number of ARRA SCSEP participants who exited the program by June 30, 2010, as reported by ETA in its Final ARRA Nationwide Roll-Up Report.

training to the remaining seven participants and were properly and accurately reimbursed.

We recommend ETA:

1. Direct grantees to reimburse the government for ineligible participants.
2. Advise grantees and sub-grantees to comply with regulatory requirements, and develop and implement controls for verifying and documenting files, timely monitoring and accurate reporting of participant retention.
3. Develop a process to report and measure placement when funding is temporary.
4. Implement controls for validating management information.

ETA RESPONSE

In response to the report, ETA said that the report includes a serious misrepresentation of SCSEP program design and function and of the actual performance results of the SCSEP grants. The OIG avoided using accepted methodologies in a measure for "entered employment" that is materially inaccurate and is applied in no other DOL administered-employment program. The entered employment rate compares the total number of participants who left the program and got jobs to all the participants who actually left the program. In the report, the OIG includes in the denominator individuals who were still receiving services, and for whom performance outcomes were not yet known because they had not finished the program. ETA further stated that program participants are not counted in any ETA measure of employment outcomes until an individual finishes services and leaves the program.

The ARRA SCSEP funds were intended to provide SCSEP services to additional unemployed low-income people during the Great Recession than then current, regular funding allowed.

OIG CONCLUSION

ETA agreed with all but one of our recommendations. ETA did not agree to develop a process to report and measure placement when funding is temporary. In its PY 2009 reporting, ETA calculated an entered employment rate of 47.6 percent. In calculating this rate, ETA ignored over 16,000 participants who transferred to the regular SCSEP program and by doing so, overstated the entered employment rate. While this methodology could be used consistently by ongoing SCSEP programs, it obscures the adequacy of temporary funding in achieving the desired outcomes. Using ETA's approach to calculate the ARRA placement rate is not an accurate representation of ARRA's placement performance for the period February 17, 2009, through June 30, 2010, and is an overstatement of the ARRA placement rate for PY 2009.

RESULTS AND FINDINGS

Objective 1 — To what extent did ETA ensure grantees administered and awarded ARRA funds properly to eligible participants?

Overall, grantees enrolled only eligible participants.

Finding 1- Grantees generally enrolled only eligible participants into the ARRA SCSEP program for PY 2009 with few exceptions.

Our audit found that ETA had sufficient internal controls in place to ensure that grantees enrolled only eligible participants. Only 2 of the 350 participants selected in our sample were found to be ineligible because they did not meet the poverty level income requirements. Grantees that enrolled these two participants indicated that the poverty level income was incorrectly calculated and the errors totaling $11,573 in program costs were not detected.

To determine the extent that ETA ensured states and national grantees administered and awarded funds only to eligible participants, our audit process included identifying and reviewing ETA's controls, processes and procedures in place during the audit coverage period (February 17, 2009, through June 30, 2010). To test the effectiveness of these controls and procedures, we statistically selected 350 of 25,154 participants from 14 of 639 states and sub-grantees and tested for eligibility compliance. Our audit work included interviewing ARRA SCSEP program personnel to gain an understanding about the states and sub-grantees' eligibility methodology, processes, policies and procedures. We then requested and received 350 participant case files from 14 states and sub-grantees to review supporting documentation required to substantiate participant eligibility. This work included verifying the age, the employment status and the poverty level of the participant against supporting documentation maintained in the participant case file. Our work also included validating residency and that the participant had poor employment prospects.

Section 518 (a)(3)(A) of Title V of the Older Americans Act (OOA) of 1965 requires that participants must be age 55 and older, unemployed and have an income of less than 125 percent of the Federal poverty level to be eligible for the SCSEP program. The Act also states that the participant must also have poor employment prospects.

As indicated in Table 1 below, our audit found substantial (99.95 percent) eligibility compliance for ARRA SCSEP participants enrolled in the SCSEP program. However, two eligibility exceptions resulted from errors in calculating the participant's poverty level income. One state calculated family income based on net pay rather than gross pay. One sub-grantee included only 75 percent of a railroad retirement pension when 100 percent should have been used to calculate family income. Preventive controls were not in place to allow this $11,573 to have been put to better use elsewhere.

Table 1: Actual Eligibility Findings

State/Grantee Territorial Government	States/Sub-Grantees	Number In Audit Sample	Age Findings	Employment Status Findings	Poverty Level Findings
AARP	FL937	30			
CA	CA020	30			
DE	DE001	30			1 - ($5,850)
EW	OR038	50			
IL	IL001	25			
IL	IL007	7			
MS	OH204	9			
MD	MD007	3			
NCOA	NY076	40			
NCOA	WV048	20			1 – ($5,722)
PR	PR001	40			
SER	IL009	18			
SSA	IA077	22			
SSA	AL008	26			
Total		**350**			**2 – ($11,573)**

Objective 2 — To what extent have participants been trained and placed under these grants and did they continue employment?

Grantees trained, but did not always document case files and conduct timely follow-ups to monitor employment, and grantees did not reach the 23 percent PY 2009 placement goal.

Finding 2 – Grantees did not always maintain required training documentation in the participant case file.

PARTICIPANT TRAINING

Generally, we found evidence that grantees trained most participants enrolled in the ARRA SCSEP program. We found that 306 of 350 (87.4 percent) of the participants selected from the 25,154 participants enrolled were trained. For the remaining 44 of the 350 (12.6 percent) participants, their case files had no documented evidence of training. Of the 44 files with missing documentation, 40 files were from the same grantee whose staff was not aware of the requirement to document training in the participants' files. We also found that 108 of the 350 participants' files (30.9 percent) did not include IEP. Because of this absence of training documentation and IEP there was no assurance that these participants received training that could assist them in obtaining unsubsidized employment.

To determine the extent of participants training, we interviewed SCSEP state/grantee program personnel to gain an understanding about the host agency's training methodology, processes, policies and procedures. We then statistically selected 350 of 25,154 participants from 14 of 639 states and sub-grantees and tested case file records to determine the extent of participant training. This process included reviewing training documentation in the participant case file to verify the types of training completed by the participant and training completion dates. Table 2 below illustrates the ARRA training findings resulting from our audit.

Five states and sub-grantees were responsible for all 108 instances of missing IEP. One grantee (PR PR001) indicated that its program staff was not sufficiently trained and did not complete the required IEP because they were not aware of the requirement. This grantee also indicated that it did not have sufficiently trained staff to implement the ARRA SCSEP program but accepted the funds so that the funds would not be returned; NCOA NY076 indicated that their focus was on enrollment and recruitment; NCOA WV048 indicated that the initial application contained sufficient information to substitute for the IEP; SSA AL008 indicated that per grantee policy, they did not prepare IEP until 90 days after enrollment and that these participants had exited within that 90-day period; and DE-DE001 indicated that the omitted IEP was an oversight.

Table 2: Actual Training Findings

State/Grantee/ Territorial Gov't	State/Sub-Grantee	Number of Participant Case Files In Audit Sample	No. of Participant Case Files With No IEP In File	Number of Participant Case Files with No Documented Training In File
AARP	FL937	30		
CA	CA020	30		
DE	DE001	30	1	
EW	OR038	50		
IL	IL001	25		
IL	IL007	7		
MS	OH204	9		
MD	MD007	3		
NCOA	NY076	40	40	1
NCOA	WV048	20	20	
PR	PR001	40	40	40
SER	IL009	18		
SSA	IA077	22		
SSA	AL008	26	7	3
Total		350	108 (30.9%)	44 (12.6%)

Title 20 CFR 641.535(a)(3) requires grantees and sub-grantees to use the information gathered during the assessment phase to develop IEP for participants. Title 20 CFR 641.540(a) states that grantees and sub-grantees must arrange skill training that is realistic and consistent with the participant's IEP. Title 20 CFR 641.560 requires grantees to work closely with participants to develop an IEP and assessment to determine what training the individual may need.

The absence of training documentation from the case files prevented us from determining whether the 44 participants (12.6%) received appropriate training. Because of the 108 (31.8%) missing IEP from the case file, 5 sub-grantees were not in compliance with regulatory requirements. Participant files did not contain documents to indicate that participants received training that qualified them for unsubsidized employment.

PARTICIPANT PLACEMENT

Finding 3 – Grantees did not meet the 23 percent placement goal established by the Department for Program Year 2009.

Our audit found that only 28 of the 350 ARRA SCSEP participants selected in our sample were placed into unsubsidized employment. The overall placement percentage rate for grantees selected in the sample was only 8.5 percent[3]. This was substantially below the 23 percent goal set by the Department for PY 2009. We found that 252 of the 350 (72.0 percent) participants selected in our sample were transferred to the regular Title V SCSEP program or other subsidy programs after the ARRA funds had been expended or at June 30, 2010, when the program ended. We also found that another 43 participants (12.2 percent) voluntarily left the program while 27 (7.7 percent) left for various other reasons. Table 3 below illustrates ARRA SCSEP program participant exit and transfer activity from Recovery Act inception (February 17, 2009) through June 30, 2010.

[3] Adjusted for health, family care, institutionalization, and death in accordance with TEGL17-05.

Table 3: Actual and Projected Participant Transfers and Exits

State/Grantee/ Territorial Gov't	Sub-Grantee	Number of Participant Case Files Selected In Audit Sample	Number of Participants Placed in Unsubsidized Employment	Number of Participants That Transferred to The Regular Title V SCSEP Program	Number of Participants That Voluntarily Left The Program	Other Participant [4]Exits
AARP	FL937	30	4	20	4	2
CA	CA020	30	1	26	1	2
DE	DE001	30	0	23	4	3
EW	OR038	50	10	35	1	4
IL	IL001	25	5	16	3	1
IL	IL007	7	0	4	0	3
MS	OH204	9	0	9	0	0
MD	MD007	3	0	1	1	1
NCOA	NY076	40	3	22	13	2
NCOA	WV048	20	0	15	3	2
PR	PR001	40	0	38	2	0
SER	IL009	18	2	15	1	0
SSA	IA077	22	1	14	4	3
SSA	AL008	26	2	14	6	4
Total		350	28 (8.5%)	252 (72.0%)	43 (12.2%)	27 (7.7%)
			Projected 2,264[5]	**Projected 18,234[6]**	**Projected 2,935[7]**	**Projected 1,723[8]**

For purposes of ARRA reporting, the "Unsubsidized Employment Placement Rate" was calculated as follows:

[4] Include attendance, behavior, subsequent ineligibility, etc.
[5] We projected with 95 percent confidence that there were between 601 and 3,924 individuals placed in unsubsidized employment with a point estimate of 2,264 individuals.
[6] We projected with 95 percent confidence that there were between 15,173 and 21,295 participants that transferred to the Regular Title V SCSEP Program with a point estimate of 18,234 participants.
[7] We projected with 95 percent confidence that there were between 667 and 5,204 participants that voluntarily left the program a point estimate of 2,935 participants.
[8] We projected with 95 percent confidence that there were between 649 and 2,797 participants left for various reasons with a point estimate of 1,723 participants.

Numerator = the number of participants selected in our sample that were exited into "unsubsidized employment" who were still employed in the first quarter after the exit quarter.

Denominator = the number of ARRA participants selected in our sample reduced by TEGL- 17-05 Exclusions (health, Institutionalized, medical, family care and death).

In its PY 2009 Final ARRA Nationwide Roll-Up Report, ETA calculated the ARRA EER or placement rate at 47.6 percent (2,348[9]/4,935[10]). In calculating this rate, ETA eliminated from the denominator 16,808 ARRA participants who transferred to the regular SCSEP program by June 30, 2010. ETA indicated that of the 16,808 who transferred into the regular program on July 1, 2010, 7,528 exited the program by December 31, 2011. Of those exiters, ETA indicated that 3,457 entered employment for an EER (placement) rate of 45.9 percent. ETA did not comment on the placement status of the remaining 9,280 (16,808 – 7,528) ARRA participants who transferred to the regular program.

Using this approach to calculate the ARRA placement rate is not an accurate representation of ARRA's placement performance for the period February 17, 2009, through June 30, 2010, and is an overstatement of the ARRA placement rate for PY 2009. While this methodology could be used consistently by ongoing SCSEP programs, the result is not a true reflection of the performance measures of the ARRA program which ended June 30, 2010.

Based on our statistical sampling results as illustrated in Table 3, we projected that 2,264 of the 25,154 participants enrolled in the ARRA SCSEP program were placed into unsubsidized employment while another 18,232 were transferred to the regular SCSEP Title V program after the ARRA program ended on June 30, 2010. We also projected that 2,935 left the program voluntarily while 1,723 left for various other reasons.

As illustrated in Exhibit 1, states and sub-grantees cited the short duration of the ARRA period, bad economy, enrollment problems, logistics, low participant skills, rural area high unemployment, age discrimination and other reasons for their low placement rates. Because of this low placement rate, the government did not reach its 23 percent PY 2009 placement goal and an excessive number of participants remained on a government subsidy (Title V) and other subsidy programs after the ARRA funds had been used at June 30, 2010.

Title 20 CFR 641.720 (a)(6)(iii) of the Federal Register dated September 1, 2010, states that the minimum percentage for the expected level of performance for entry into unsubsidized employment core indicator of performance is 23 percent for PY 2009.

[9] The numerator (2,348) is the number of ARRA SCSEP participants placed into unsubsidized employment by June 30, 2010 as reported by ETA in its Final ARRA Nationwide Roll-Up Report.
[10] The denominator (4,935) is the number of ARRA SCSEP participants who exited the program by June 30, 2010 as reported by ETA in its Final ARRA Nationwide Roll-Up Report.

ETA disagreed with the approach taken by the OIG because it includes in the denominator individuals who were still receiving services, and for whom performance outcomes were not yet known because they had not finished the program. ETA further stated that program participants are not counted in any ETA measure of employment outcomes until an individual finishes services and leaves the program. However, ETA's calculation did not consider over 16,000 participants who transferred to the regular SCSEP program and by doing so, overstated its entered employment rate.

PARTICIPANT CONTINUED EMPLOYMENT

Finding 4 – Grantee did not always conduct timely follow-ups required to verify continued employment.

Our audit found that 19 of the 28 (67.9 percent) participants placed into unsubsidized employment met the common measures continued employment requirement. The average period for continued employment for 26 of the 28 ARRA participants with known employment periods placed into unsubsidized employment was 9.97 months. Our audit found as indicated in Exhibit 2, that the maximum continued employment period for unsubsidized employment for ARRA participants selected in our sample was 19.4 months.

Finally, Exhibit 2 illustrates two instances where one grantee (SSA-AL008) did not timely conduct follow-ups required to monitor for continued employment. This sub-grantee did not attempt to conduct required follow-ups for these two participants until 27 and 22 months respectively after their placement. At this point, the two participants could not be located and the sub-grantee indicated that it could not find the employers. Because of this departure from regulatory requirements, continued employment for these two participants could not be determined.

TEGL 17-05 describes the common measures employment retention indicator as, "of those who are employed in the first quarter after the exit quarter: The number of adult participants who are employed in both second and third quarters after the exit quarter divided by the number of adult participants who exit during the quarter." Section 20 CFR 641.555(b) states that grantees must contact participants 6 months after placement to determine if they have been retained by the employer or use wage records to verify continued employment (OAA sec. 513(c)(2)(B)).

Objective 3 — To what extent were employers who participated in On the Job Experience (OJE) properly and accurately reimbursed?

Invalid data prevented the determination of how many employers participated in the program, but the six employers tested were properly and accurately reimbursed.

Finding 5 - Grantees did not provide a reliable OJE universe for use in our sampling plan.

We could not determine the extent to which employers who participated in the OJE program were properly and accurately reimbursed because the OJE universe (279 participants) provided was not reliable. As illustrated in Table 4 below, 45 of the 52 participants selected in our sample were not enrolled in the OJE program. This information was confirmed by sub-grantees NCOA WV048 and NCOA NY076 during our audit. Table 4 also illustrates our sample selection of 20 OJE participants from (NCOA WV048) and 25 OJE participants from (NCOA NY076). Our audit found that neither sub-grantee had OJE activity. These samples were selected from a universe of 279 OJE participants provided by ETA. (The six employers who provided OJE training to the remaining seven participants were properly and accurately reimbursed.)

Table 4: OJE Sample Selection and Enrolled OJE Participants

Sub-grantee	Number of Participants Selected In OJE Audit Sample	Number of Participants Enrolled In OJE Program
NCOA WV048	20	0
NCOA NY076	25	0
EW OR048	4	4
AARP FL937	3	3
Total	52	7

We discussed our concerns about the integrity of the OJE universe with ETA on January 23, 2012. ETA informed us that grantees may have checked the wrong box required to identify OJE activity when entering data into the SCSEP national database. Because we could not rely upon the integrity of the data provided, we were not able to determine to what extent employers who participated in OJE program were properly and accurately reimbursed.

The SCSEP Data Validation Handbook, Page 1, dated January 19, 2010, states that the data validation initiative requires that all grantees validate the information that is used to establish participant eligibility and to measure grantee performance. The SCSEP

Performance and Results Quarterly Progress Report System (SPARQ) is a computer system operated for, and on behalf of, the U.S. Department of Labor to evaluate program performance and manage participant data. Without preventive data validity controls, the accuracy and reliability of SPARQ performance outcomes is reduced.

RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training:

1. Direct the two grantees to reimburse the government for ARRA funds spent on behalf of ineligible participants.

2. Advise grantees to collaborate with their respective sub-grantees to ensure that they fully understand and comply with regulatory requirements to document participants' employment skills and needs in IEP.

3. Advise grantees to implement internal controls to ensure that verifiable documentation, such as employment training documentation and IEP are prepared and retained in participants' case files.

4. Develop a process to report and measure the placement rate for temporary funding that may be provided by Congress in the future.

5. Advise grantees to implement internal controls to ensure timely monitoring and accurate reporting of retention in unsubsidized employment placement and that participants meet eligibility requirements.

6. Develop and implement computer controls to prevent invalid information from entering its management information system.

We appreciate the cooperation and courtesies that ETA, states, national grantees, field offices, sub-grantees and territorial governments extended to Ollie Green & Company, CPA's during this audit.

Ollie Green, MBA, CPA
Managing Partner

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Exhibits

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Exhibit 1

Recovery Act Placements

Exhibit 1: Reasons Given By Sub-Grantees for Low Placement Rates

No.	Grantee/ State/ Territory	Sub-Grantee	Number In Audit Sample	Number of Participants placed	Placement Percentage	Reasons Given By States/Sub-Grantees For Low Placement Rates
1	AARP	FL937	30	4	13%	Short duration of ARRA period. Logistics, time frame & Office space. Notification of program was extremely quick. Difficult to enroll that quickly & have staff trained and ready. Not enough time to get office space ready. Thought the period should have been extended.
2	CA	CA020	30	1	3%	Low skill level of participants.
3	DE	DE001	30	0	0%	Poor economy. Poor job prospects
4	EW	OR038	50	10	20%	Lack of social skills Lack of job skills Low employment prospects Bad economy
5	IL	IL001	25	5	20%	Short run program. Started the program late. Needed more time for recruiting. Believed program was successful.
6	IL	IL007	7	0	0%	Rural area-no industry Low employment prospects Transportation-no public transportation Bad economy
7	MS	OH204	9	0	0%	Rural area with high poverty rate.
8	MD	MD007	4	0	0%	No jobs available for people with low skills. Age issues.
9	NCOA	NY076	40	3	8%	Program focus on recruitment and enrollment and not on placement because of short duration of ARRA program.
10	NCOA	WV048	20	0	0%	Lack of job skills, Rural area-no industry Transportation-no public transportation Bad economy-only coal mining and logging
11	PR	PR001	40	0	0%	

						Unaware of placement criteria of ARRA **Untrained Staff**
12	**SER**	**IL009**	**18**	**2**	**11%**	**Competitive job market in an area with one of the highest unemployment rates in the nation (over 40% unemployment rate)**
13	**SSA**	**IA077**	**22**	**1**	**5%**	**Factories shut down-competition with younger workforce** **Possible age discrimination**
14	**SSA**	**AL008**	**26**	**2**	**8%**	**Program services rural areas with fewer jobs available**

Exhibit 2

Recovery Act Continued Employment Duration

No.	Grantee/ State/ Territory	State/ Sub-Grantee	No. Of Participants In Audit Sample	No. Of Participants Placed	Unsubsidized Employment Period	Was Common Measures Employment Retention Follow-Up Conducted Timely? Y/N	Common Measures Employment Retention? Y/N
1	AARP	FL937	30	1	4.4 Months	Y	N
				1	9.0 Months	Y	N
				1	11.9 Months	Y	Y
				1	11.4 Months	Y	Y
2	CA	CA020	30	1	.4 Months	NA	NA
3	DE	DE001	30	0	NA	NA	NA
4	EW	OR038	50	1	14.1 Months	Y	Y
				1	14.0 Months	Y	Y
				1	11.5 Months	Y	Y
				1	11.4 Months	Y	Y
				1	11.1 Months	Y	Y
				1	12.1 Months	Y	Y
				1	12.8 Months	Y	Y
				1	13.4 Months	Y	Y
				1	19.4 Months	Y	Y
				1	2.6 months	Y	N
5	IL	IL001	25	1	10.1 Months	Y	Y
				1	5.9 Months	Y	N
				1	9.5 Months	Y	Y
				1	10.3 Months	Y	Y
				1	2. 7 Months	Y	N
6	IL	IL007	7	0	NA	NA	NA
7	MS	OH204	9	0	NA	NA	NA
8	MD	MD007	3	0	NA	NA	NA
9	NCOA	NY076	40	1	11 Months	Y	Y
				1	10 Months	Y	Y
				1	7 Months	Y	Y
10	NCOA	WV048	20	0	NA	NA	NA
11	PR	PR001	40	0	NA	NA	NA
12	SER	IL009	18	1	18 Months	Y	Y
				1	9 Months	Y	Y
13	SSA	IA077	22	1	5 Months	Y	N
14	SSA	AL008	26	1	Unknown[11]	N	N
				1	Unknown[12]	N	N
Totals			350	28 (8.5%)	Average = 9.97 Months	Total = 2 (No) Projected - 111[13]	Total =19 (Yes) Projected- 1,698[14]

[11] Sub-grantee was not able to provide retention follow-up information. Follow-up was not conducted timely.
[12] Ibid, Footnote 11
[13] We projected with 95 percent confidence that there were between 2 and 347 exceptions with a point estimate of 111 exceptions.
[14] We projected with 95 percent confidence that there were between 302 and 3,091 participants that met the common measures with a point estimate of 1,698 participants.

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Exhibit 3

Recovery Act Audit Sites Selected

Sample No.	State/ Grantee	Grantee Code	Site's City & State	Amount Spent
1	State of Illinois	IL001	Rockford, IL	$100,768.00
2	State of Illinois	IL007	Springfield, IL	$54,360.00
3	SER Jobs for Progress, Inc.	IL009	Waukegan, IL	$66,417.00
4	State of Maryland	MD007	Centreville, MD	$10,556.00
5	National Council on Aging	WV048	Buckhannon, WV	$132,177.00
6	National Council on Aging	NY076	Rochester, NY	$486,700.00
7	Mature Service, Inc.	OH204	Columbus, OH	$82,551.00
8	Senior Service America, Inc	IA077	Sioux City, IA	$111,531.00
9	State of Delaware	DE001	Wilmington, DE	$261,439.02
10	State of California	CA020	San Bernardino, CA	$91,106.00
11	Experience Works	OR038	St. Helens, OR	$903,696.00
12	Senior Service America, Inc	AL008	Northport, AL	$81,979.00
13	American Association of Retired Persons	FL937	Melbourne, FL	$190,744.00
14	Puerto Rico	PR001	San Juan, PR	$325,303.00
	Totals			$2,899,327.02

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Appendices

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Appendix A

Background

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 August 19, 2010, Congress provided $70.8 billion to DOL. See Table 5 below.

Table 5: Department of Labor Recovery Act Funding, as of August 19, 2010

Program	Amount[15] (in millions)	Percent
Unemployment Benefits	$66,000	93.18
Employment and Training	4,500	6.36
Job Corps Construction and Rehabilitation	250	0.35
Departmental Oversight	80	0.11
Total	[16]$70,830	100.00

The Recovery Act provided the U.S. Department of Labor with funds to, among other things, provide summer employment opportunities for youth and increase employment and training opportunities. The stated purposes of the Recovery Act are to:

- Preserve and create jobs and promote economic recovery;
- Assist those most impacted by the recession;
- Provide investments needed to increase economic efficiency by spurring technological advances in science and health;
- Invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and
- Stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The Recovery Act requires agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how their tax dollars are being spent and recipients of these funds deliver programmatic results.

The Recovery Act provided an additional $120 million for current Senior Community Service Employment Program grantees to supplement their PY 2009 funding. The Recovery Act does not contain requirements for how grantees must spend the additional funds. However, ETA guidance states that the agency expects SCSEP grantees to use the extra resources to "expand the number of SCSEP participants

[15] The amount was obtained from the Recovery Act dated February 17, 2009.
[16] The total amount does not include $6 million provided to the OIG to provide oversight over the Department's Recovery Act activities.

assigned to community service work, especially in the growth industries emphasized in the Recovery Act (e.g., health care, child care, education, green jobs, energy efficiency, and environmental services)."

The purpose of SCSEP is to foster individual economic self-sufficiency and offer job opportunities in community service for unemployed low-income persons age 55 and older. SCSEP awards formula grants to states and territories, and competitive grants to non-profit national organizations to provide part-time, minimum wage employment, job training and related services, and placement in unsubsidized employment.

SCSEP grantees serve about 90,000 participants per program year. While the eligibility requirement is an income less than 125 percent of the Federal poverty level, nearly 90 percent of participants live at or below the poverty level. SCSEP has a dual purpose, as authorized by the Older Americans Act, "to foster individual economic self-sufficiency and to increase the number of participants placed in unsubsidized employment in the public and private sectors, while maintaining the community service focus of the program."

SCSEP grantees include 56 units of state and territorial government, and 18 competitively selected national grantees. SCSEP-funded services are available in all 3,000 U.S. counties and territories. SCSEP funds are equitably distributed by a statutorily-prescribed formula that considers the number of low-income seniors residing in each state.

On March 18, 2009, ETA issued TEGL15-08 to provide all current SCSEP grantees with further instructions and procedures for ARRA funds that were available on February 17, 2009 with a period of performance to June 30, 2010. This TEGL also extended the period of performance of the current PY 2008 grants for an additional six months to December 31, 2009.

Appendix B

Objectives, Scope, Methodology, and Criteria

Objectives

The objectives of our audit were to determine:

1. To what extent did ETA ensure grantees administered and awarded ARRA funds properly to eligible participants?

2. To what extent have participants been trained and placed under these grants and did they continue employment?

3. To what extent were employers who participated in On the Job Experience (OJE) properly and accurately reimbursed?

Scope

Our performance audit covers the period from February 17, 2009, to June 30, 2010. We conducted our fieldwork at 14 state and grantee locations (Exhibit 3) from January 9, 2012, through February 10, 2012. Our performance audit was not designed to, and we did not, perform a financial audit of the amounts obligated or expended at any of the states, national grantees or territorial governments.

Our audit used statistical sampling principles. The ARRA SCSEP universe consisted of 74 states and grantees, 639 sub-grantees and 25,154 Recovery Act participants. The universe was stratified and samples were selected from each stratum. The sample size was 350 participants and random sampling was used to select the participants. A confidence level of 95 percent was used with sampling precision of +/-5 percent. A combined point estimate was calculated for all 74 states, national grantees and territorial governments.

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 provided a reasonable basis for our findings and conclusions based on our audit objectives.

Methodology

Our audit methodology included conducting structured interviews and/or discussions with officials at the ETA, state, national grantee and sub-grantee level to gain an understanding about the internal controls, processes, systems and procedures used to capture, compile, analyze and measure the information and data used by ARRA

SCSEP program personnel to ensure that only eligible participants were enrolled in the Recovery Act SCSEP program. We also requested, received and analyzed documentation from states, national grantees, and sub-grantees to determine the extent of participant training, placement and continued employment; and about the processes and procedures used to reimburse employers for training participants enrolled in the OJE program.

We performed a data reliability assessment to ensure we were receiving complete and accurate information for use in our audit testing and verification process. To determine whether data was reliable, we requested from ETA and received a description and/or flowchart of internal controls in place designed to ensure the integrity of data used for fiscal and performance reporting. We reviewed systems data validation checks, edit checks, report validation, data element validation and concluded that the data received from ETA, states, national grantees and territorial governments was sufficiently reliable for our audit purposes except for the OJE universe data.

Our sampling plan included the use of statistical sampling to determine participant eligibility and the extent that grantees had trained and placed participants. Statistical sampling was also used to determine the extent of continued employment of participants who were placed in unsubsidized employment. We could not use statistical sampling to determine the extent of employer OJE reimbursements as we could not obtain sufficient information to establish an OJE universe for OJE sampling. OJE universe activity information provided was found to be not sufficiently reliable to use in our sampling plan.

Our sampling plan used three (3)-stage stratified cluster sampling as illustrated below:

STAGE-1 Statistically selected a sample of 11 states, national grantees and territorial governments from a universe of 74 states, national grantees and territorial governments;

STAGE-2 Statistically selected 14 sub-grantees from a universe of 639 sub-grantees;

STAGE-3 Statistically selected 350 participants from a universe of 25,154 participants enrolled by the 639 sub-grantees identified in stage 2.

We used a random sampling method with stratified design to provide effective coverage of the units. To estimate the characteristics and sample sizes we used a confidence level of 95 percent plus or minus 5 percent. Each unit was tested for multiple characteristics as discrete variables involving nominal measures. An explanation of the audit test results and relevance of the test to the audit's objectives is provided in the body of the audit report.

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. For this engagement, we obtained an understanding of ETA's process for evaluating the integrity of fiscal and performance data submitted by states and national grantees receiving Recovery Act formula funding. The testing of internal controls over this process was not determined to be significant to our audit objectives.

Criteria

We used the following criteria to accomplish our audit:

- The American Recovery and Reinvestment Act of 2009
- Training and Employment Guidance Letter 15-08 dated March 18, 2009, including Attachment D, TEGL15-07, TEGL26-07, TEGL 30-07, TEGL12-06
- Title V, Older Americans Act of 1965
- Older Americans Act Amendments, Pub. L. 109-365, 42 USC 3056 et.seq., 20 CFR Part 641 Subpart G
- Federal Register: June 29, 2007 (Volume 72, Number, 125)
- March 4, 2009, Grant Allocation Letter from SCSEP Grant Officer
- Workforce Investment Act – Final Regulations
- OMB Memorandum 09-15, Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009, April 3, 2009
- Federal Register, April 9, 2004

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Appendix C

Acronyms and Abbreviations

AARP	American Association of Retired Persons
ARRA	American Recovery and Reinvestment Act of 2009
CA	State of California
CFR	Code of Federal Regulations
DE	State of Delaware
DOL	Department of Labor
ERR	Entered Employment Rate
ETA	Employment and Training Administration
EW	Experience Works
IEP	Individual Employment Plan
IL	State of Illinois
MD	State of Maryland
MS	Mature Service, Inc.
NCOA	National Council On Aging, Inc.
OIG	Office of Inspector General
OJE	On the Job Experience
OAA	Older Americans Act
PR	Puerto Rico
PY	Program Year
SCSEP	Senior Community Service Employment Program
SER	SER Jobs for Progress, Inc.
SSA	Senior Service America, Inc.
TEGL	Training and Employment Guidance Letter

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Appendix D

ETA Response to Draft Report

U.S. Department of Labor

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

SEP 28 2012

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

FROM: JANE OATES
Assistant Secretary of Labor
Employment and Training Administration

SUBJECT: Recovery Act Audit of Senior Community Service Employment Program
Draft Audit Report No. 18-12-008-03-360

The Employment and Training Administration (ETA) appreciates the opportunity that the Office of the Inspector General (OIG) has provided to comment on your draft final report on the Recovery Act audit of the Senior Community Service Employment Program (SCSEP). We appreciate OIG incorporating some of ETA's suggested changes to prior drafts of the report, and the opportunity to discuss the findings and recommendations in this report. Unfortunately, those discussions did not resolve a major disagreement that ETA has with the report entitled, "Recovery Act: Audit of Senior Community Service Employment Program." This OIG report includes a serious misrepresentation of SCSEP program design and function, and of the actual performance results of the Recovery and Reinvestment Act (ARRA) SCSEP grants. We believe that OIG has rejected established definitions related to SCSEP program performance metrics and has avoided using widely accepted methodologies for performance reporting. The OIG's decision has resulted in a measure for "entered employment" that is materially inaccurate and is applied in no other Department of Labor administered-employment program.

Common performance measures were established in 2006 and apply to virtually all ETA-administered programs, including SCSEP. These common measures focus on obtaining employment, retaining employment, and earning income in a six-month period. Grantees used the common measures to report performance under authorizing legislation and ARRA. The entered employment rate compares the total number of participants who left the program and got jobs to all the participants who actually left the program. In the report, the OIG compares the number of participants who left the ARRA SCSEP program and got jobs to all ARRA SCSEP participants, including those still receiving SCSEP training. In other words, OIG includes in its denominator individuals who were still receiving services, and for whom *performance outcomes were not yet known because they had not finished the program.* Program participants are not counted in any ETA measure of employment outcomes until an individual finishes services and leaves the program.

The ARRA SCSEP funds were intended to provide SCSEP services to additional unemployed low-income people during the Great Recession than then current, regular funding allowed. ETA made clear in its instructions to grantees in Training and Employment Guidance Letter No. 15-08, issued on March 18, 2009, that the purpose of the ARRA SCSEP funds was to increase the number of people served and paid minimum wage for part-time community service training. It also stated that the common measures applied to these funds. This was one direct response by

Congress to the increased need for services and income among unemployed low-income seniors during the downturn in the economy. In other words, ETA clarified that its performance expectation for the ARRA SCSEP funds was not necessarily to speed placement, nor were grantees expected to terminate participants supported by ARRA SCSEP funds at the end of the ARRA SCSEP funds. Thus, an unsubsidized job continued to be a desired outcome goal where possible; however, added services, including transition to the regular program funding where participants could continue to receive similar services, was expected if ARRA SCSEP-supported training was insufficient to meet the particular needs of the participant, enabling him or her to obtain an unsubsidized job. In other words, ETA expected that some SCSEP participants would similar services funded by both ARRA and regular SCSEP program funds.

Entered employment is established as a performance indicator in the SCSEP legislation and clearly defined in the SCSEP regulations at 20 CFR 641.710(2). The only appropriate measure for the employment outcomes for ARRA SCSEP participants is to examine whether or not they are employed after they exit the program. Looking at employment after someone has stopped receiving program services is the basis of the common performance measures approved by OMB, and is the calculation method used by every reputable third party evaluation completed of ETA training programs. ETA is not aware of any program it administers nor any federal skill training programs that measures the final effect of the training program on participants or students before the program intervention is over.

The OIG has expressed its interest in focusing on the time period February 17, 2009 to June 30, 2010. A more accurate portrayal of the ARRA SCSEP performance in this specific timeframe would be to compare the number of participants who actually left the program and found jobs compared to the number of participants who left the program in this specific time period. ETA strongly encourages readers of the audit report to review the performance outcomes publicly available, which demonstrate that ARRA SCSEP participants found employment at 47.6 percent, approximately the same rate as all other SCSEP participants. This is not surprising, since ARRA SCSEP participants received services authorized under the SCSEP legislation, similar to SCSEP participants supported with regular program funds. These authorized services included assessment, skill training, paid community service employment, annual physicals, and necessary supportive services. The only difference was the source of funds.

The Department has reviewed the OIG recommendations and will implement five of these recommendations. The OIG audit found that the vast majority of ARRA SCSEP grantees met grant requirements, with most recommendations based on the actions of one or two grantees. ETA will work with these grantees to:

- Collect costs associated with the two participants inaccurately found eligible.
- Advise grantees to ensure that their sub-grantees precisely document activities in participant Individual Employment Plans (IEPs).
- Advise grantees that once created, all IEPs must stay in an individual's case file.
- Advise grantees to conduct follow-up activities in a timely manner.
- Clarify definitions of information system data fields to improve data entry accuracy.

Thank you again for the opportunity to provide these comments.

Appendix E

Acknowledgements

Key contributors to this report were Ollie Green, MBA, CPA (Managing Partner), Fred Howell (OIG Director of Recovery Act Audits), Lynda D. Sanford, MBA, CIA, OIG Auditor, Susan Savitch, MS, CPA (Audit Manager), Andrea Morris, CPA (Audit Manager), Sharon Adams, CIA, CPA (Audit Manager), Misty McCrary, MS, CPA, (Senior Accountant), Nermina Mustafic (Staff Accountant), Elaine Styles (Staff Accountant).

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