

U.S. Department of Labor

Office of Inspector General—Office of Audit

EMPLOYMENT AND TRAINING ADMINISTRATION



RECOVERY ACT: REQUIRED EMPLOYMENT AND CASE MANAGEMENT SERVICES UNDER THE TRADE AND GLOBALIZATION ADJUSTMENT ASSISTANCE ACT OF 2009

This audit was performed by WithumSmith+Brown PC, CPAs, under contract to the 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

Date Issued: August 6, 2013
Report Number: 18-13-003-03-330

BRIEFLY...

Highlights of report number: 18-13-003-03-330, issued to the Acting Assistant Secretary for Employment and Training.

WHY READ THE REPORT

The Trade Globalization Adjustment Assistance Act (TGAAA) was enacted as part of the American Recovery and Reinvestment Act (Recovery Act). TGAAA increased funding and reauthorized the Trade Adjustment Assistance (TAA) program. TGAAA required states make available eight specific employment and case management services to participants eligible under the program. The audit covered the period from the inception of the Recovery Act through the end of audit fieldwork in May 2012. The scope of the audit was based on data submitted by the states as of September 30, 2011, and recorded in the Trade Activity Participant Report (TAPR), which included 114,711 participants certified under 4,516 petitions. We statistically selected a sample of eight states and 255 participants for detailed testing to answer our audit objectives.

WHY OIG CONDUCTED THE AUDIT

OIG conducted the audit to answer the following questions:

1. Did states offer eligible workers employment and case management services as required by TGAAA?
2. Was ETA able to demonstrate the additional funding for employment and case management services resulted in job placement and retention for participants?
3. To what extent have eligible workers received services or training and been placed in training-related jobs that resulted in continued employment?

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/2013/18-13-003-03-330.pdf>

August 2013

RECOVERY ACT AUDIT: REQUIRED EMPLOYMENT AND CASE MANAGEMENT SERVICES UNDER TGAAA

WHAT OIG FOUND

The OIG found that states provided some of the services required by TGAAA, but states could not demonstrate that all eligible workers were offered or provided all eight case management services required under the TGAAA. Although ETA issued guidance that states must document the offering of these services, not all of the states in our sample had effectively implemented that guidance.

Additionally, we found that ETA was not able to demonstrate that additional funding for employment and case management services resulted in increased job placement and retention for participants. ETA did not have accurate and complete data available to determine whether a participant received employment and case management services in either the TAPR or from documentation maintained at the state level. Certain data reported in the TAPR was inaccurate or not supported, therefore, not reliable. This was caused, in part, because neither the states nor ETA had fully implemented TAPR data integrity and validation efforts.

Based on our independent gathering of participant information available at the state level, when the audit testing results are projected to the entire universe of participants, we estimated that as of September 30, 2011, approximately 7,112 participants had become employed, and approximately 2,524 are estimated to have obtained training-related employment as a result of receiving case management and employment services.

WHAT OIG RECOMMENDED

We recommended the Acting Assistant Secretary for Employment and Training improve procedures, guidance, data validations, and transparency related to the TGAAA program.

The Acting Assistant Secretary agreed with the recommendations and described planned actions and actions already in process to implement the recommendations.

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Independent Auditors' Report

August 6, 2013

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The American Recovery and Reinvestment Act (Recovery Act) was signed into law by President Obama on February 17, 2009. Division B, title I, subtitle I of the Recovery Act known as the Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA) amended the Trade Act of 1974 and reauthorized Trade Adjustment Assistance (TAA). The TGAAA (2009 TAA program) required states to make available eight specific employment and case management services to eligible workers who lost jobs due to imports, outsourcing, or other trade policies. The TGAAA amended the previous TAA program which had been operating under the 2002 amendments to the Trade Act of 1974 (2002 TAA program). States continued to serve participants under the 2002 TAA program rules if their petitions were filed prior to enactment of the TGAAA.

In June 2009, the Department of Labor's (DOL) Employment and Training Administration (ETA) distributed additional TAA funds of more than \$455 million composed of \$381 million for supplemental training, \$57 million for supplemental administrative costs, and \$17 million to provide employment and case management services. Under TGAAA each state was provided over \$1 million in funding over three years to support implementation of these additional services.

WithumSmith+Brown (WS+B), under contract with the DOL Office of Inspector General (OIG), audited the use of funds provided for employment and case management services under TGAAA for the period from the inception of Recovery Act through the end of fieldwork.

Our overall audit objective was to assess the impact of the TGAAA employment and case management services by determining the following.

1. Did states offer eligible workers employment and case management services as required by TGAAA?
2. Was ETA able to demonstrate the additional funding for employment and case management services resulted in job placement and retention for participants?
3. To what extent have eligible workers received services or training and been placed in training-related jobs that resulted in continued employment?

To conduct the audit, we interviewed officials in ETA, eight Cooperating State Agencies (CSAs), and Local Workforce Investment Boards (LWIB) in eight states (see Exhibit 1) that administered and awarded TGAAA funds to participants. We statistically selected 255 of the 114,711 participants served by TGAAA from the inception date of Recovery Act through May 2012 and performed verification procedures on 44 Trade Activity Participant Report (TAPR) fields to the source documentation in participant files.

We conducted this performance audit in accordance with generally accepted government auditing standards which 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. Our objectives, scope, methodology, and criteria are more fully detailed in Appendix B.

RESULTS IN BRIEF

While states provided services required by TGAAA, they could not demonstrate that all eligible workers were offered or provided all eight case management services. Based on our testing of 255 participants in eight states, we found that all of the participants were eligible for the TGAAA program, but 78 (31 percent) of the participant files reviewed did not contain adequate documentation to support that all employment and case management services were offered. Although ETA had issued guidance that states must document the offering of these services, the states in our sample had not all effectively implemented that guidance. By not offering all eight employment and case management services, participants may not have received all the benefits they were entitled to under the law to increase their opportunities for employment.

We found certain data reported in the TAPR was inaccurate or not supported, and therefore not reliable. We tested a statistical sample of 255 participant files and found significant errors for 9 key fields we tested. Since ETA's data integrity efforts had not yet been fully implemented at the time of our fieldwork, these errors had not been detected and corrected. Data frequently did not exist to enable us to determine if those participants that completed training had been placed in training-related jobs that

resulted in continued employment. Lack of reliable and complete data inhibited ETA's ability to provide meaningful results.

ETA was not able to demonstrate that additional funding for employment and case management services resulted in job placement and job retention for participants based on the data in the TAPR. Although the TAPR did capture some employment and case management services, the TAPR was not designed to capture all the employment and case management services a participant receives. Therefore, ETA did not have complete data available to determine whether a participant was offered or provided all the additional services. In its FY 2011 Annual Performance Report, ETA stated that "positive outcomes suggest the availability of employment and case management services led to effective service strategies." ETA based this statement on its comparison of FY 2011 grantee reported employment and retention outcomes for participants served under the 2009 TAA program to outcomes achieved in FY 2011 by participants served under the 2002 TAA program. However, ETA's statement cannot be adequately supported.

Additionally, we gathered information from the participant files for the 255 sampled participants. Although we could not ascertain the completeness of the files, based on the documentation that was available, we determined that 33 (13 percent) of the 255 sampled participants had completed the training and 16 (6 percent) of the 255 were employed as a result of receiving program services. Of the 33 that completed training, 6 (18 percent) obtained training-related employment. When projected to the entire universe, we are 95 percent confident that 7,112 participants of the 114,711 participants became employed as a result of receiving services and 2,524 obtained training-related employment as of September 30, 2011. These numbers may increase as participants complete training and additional activities under the program.

We recommended the Acting Assistant Secretary for Employment and Training improve procedures, guidance, data validations and transparency related to the TGAAA program.

The Acting Assistant Secretary for Employment and Training agreed with the recommendations and described steps that will be taken or are already in process to implement the recommendations. The Acting Assistant Secretary's entire response is included in Appendix E.

RESULTS AND FINDINGS

Objective 1- Did states offer eligible workers employment and case management services as required by TGAAA?

Participants may not have received all the services they were entitled to under the law to increase their opportunities for employment.

Finding 1- States Could Not Demonstrate They Offered Workers All Employment and Case Management Services as Required by the TGAAA.

States provided some of the services required by TGAAA, but states could not demonstrate that all eligible workers were offered or provided all eight case management services. Based on our testing of 255 participants at eight states, all of the participants were eligible for the TGAAA program.

The TGAAA required states to provide or make available eight case management services to eligible participants. The purpose of these employment and case management services was to provide workers the necessary information and support for them to achieve sustainable reemployment. These services include individual specialized assessments of skills, development of individual employment plans, information on available training, financial aid, and support services. See Exhibit 2 for the complete listing of required services.

It is important to distinguish between services offered (i.e. made available to the participant) and services provided (actually received by the participant). The TGAAA only requires ETA to make available (offer) these services. Whether a participant takes advantage of the services is at the discretion of the participant.

To obtain TAA services and benefits, a group of workers must first file a petition with ETA requesting certification as workers adversely affected by foreign trade. ETA then initiates an investigation to determine whether the group of workers meets the group eligibility requirements, and if so, an eligibility certification will be issued. After a group certification is issued, each worker in the group must individually apply for services and benefits through their local One Stop Career Center.¹

Training and Employment Guidance Letter (TEGL) 22-08, dated May 15, 2009, Section G1 (page A-48) states that a Cooperating State Agency (CSA) must offer workers each of these services and **must demonstrate** (emphasis added) that it has provided or

¹ One Stop Career Centers, now called American Job Centers, provide a full array of employment and training-related services for workers, youth and businesses. These locations include mandatory Workforce Investment Act (WIA) partners-on-site. Affiliate American Job Centers provide limited services and do not include all mandatory WIA partners.

offered these services either in a paper-based case file or in an electronic case management system, which must be available for review.

In reviewing a statistical sample of 255 participant files, we found that 78 (31 percent) participant files did not contain evidence to support that all eight case management services were offered. The results varied significantly by state as follows:

Table 1: Participants Not Offered All Eight Case Management Services by State

State	Participants Tested	Participants <u>Not</u> Offered All Eight Case Management Services	Percent
North Carolina	35	35	100%
Ohio	40	20	50%
Michigan	40	12	30%
Kansas	20	4	20%
Connecticut	20	1	5%
Alabama	35	3	9%
Arkansas	30	2 ¹	7%
Virginia	35	1	3%
Total	255	78	31%

¹Two participant files were missing and therefore considered errors for purposes of this Table since the state could not demonstrate these two participants were offered all eight case management services.

We also found that of these 78 participants who were not offered all eight services, four participants completed training; two of these four were placed in employment, one of which was training-related employment.

The techniques and methods for implementing the case management and employment service requirements varied by state and also by local area within a state. For example, Virginia took the lead in assisting its local areas with documenting the offering of these services by developing a TGAAA Benefit Rights and Obligations presentation, handout and checklist for participants to sign acknowledging the services available. Other states left it up to the local areas to determine how to document the offering. North Carolina officials indicated that while they only documented which services were actually provided; they did not have a method to document which services were made available or offered to each participant, and the North Carolina TAA Participant Folder Checklist did not include information on services offered. As shown in Table 1, none of the North Carolina participants in our sample received all eight services.

Although ETA issued guidance that states must document the offering of these services, not all of the states in our sample had effectively implemented that guidance. By not offering all eight employment and case management services, participants may not have received all the benefits they were entitled to under the law to increase their opportunities for employment.

Objective 2 - Was ETA able to demonstrate the additional funding for employment and case management services resulted in job placement and retention for participants?

Incomplete and unreliable TAPR reporting impairs ETA's ability to demonstrate the impact of the additional employment and case management services on the program.

Finding 2 - Trade Act Data Reported by States Was Not Reliable.

ETA was not able to demonstrate that additional funding for employment and case management services resulted in job placement and retention for participants based on the data in the TAPR. ETA did not have accurate and complete data available to determine whether a participant received employment and case management services in either the TAPR or from documentation maintained at the state level. Based on both our participant file testing and our review of the data elements in the TAPR database, we did not find clear evidence that the employment and case management services resulted in job placement and retention. There were several interrelated reasons relating to implementation of the TAPR at the Federal, state and local areas, which contributed to the errors we noted. Since ETA's data integrity efforts had not yet been fully implemented at the time of our fieldwork, these errors were not detected and corrected. The lack of reliability of TAPR reporting impairs ETA's ability to demonstrate the impact of the additional employment and case management services on the program; and ETA, the Congress, and other stakeholders cannot make informed decisions about the program.

The TGAAA contained significant new reporting requirements and mandated the collection and reporting of TAA participant activities and outcomes, including posting to the Department's website and in an annual report to Congress. The TAPR was designed to simplify and improve the integrity and timeliness of program data. Prior to the TAPR, states were required to submit separate participation and performance reports using different formats, designations, instructions, and submission procedures. Participant information was submitted only in the aggregate by states, and only after data collection was complete, therefore creating a lag time.

ETA developed detailed guidelines and a handbook on how to complete the information required in the TAPR. Reporting of the TAPR was designed to track individuals from the first quarter when a determination of eligibility was made through six quarters following the quarter of exit from the program. The design of the TAPR provided information on each participant to be reported once it became available. Initially, the TAPR included 250 edit checks that ETA implemented.

However, the TAPR was not designed to capture all of the employment and case management services a participant received. For example, the TAPR does not capture a participant's diagnostic testing and assessment services received, nor does it capture

when a participant receives individual career counseling or jobs search and placement counseling. Additionally, neither ETA nor the states were required to track particular funding streams directly to services provided at the participant level, because funds for these services were not Recovery Act funds which required separate tracking.

ETA uses data from the TAPR to report Common Measures which include entered employment, employment retention, and six-month average earnings, in its Annual Performance Report, on its website, and in annual reports to Congress. ETA developed these Common Measures in consultation with OMB following the guidance in OMB Memorandum 02-06. Additionally, OMB Circular A-11, Part 6, Section 230.13, Assessing the Completeness and Reliability of Performance Data (August 2011), requires agencies to have in place verification and validation techniques that will ensure the completeness and reliability of all performance measurement data contained in the annual performance plans and performance reports.

ETA reported in DOL's FY 2011 Annual Performance Report that "positive outcomes suggest the availability of employment and case management services led to effective service strategies." According to ETA officials, ETA based this statement on outcomes achieved by those served under the 2009 TAA program compared to the 2002 TAA program and the results of over 100,000 exiter records for FY 2011. This data showed that exiters under the 2002 TAA program had an entered employment rate of 64.9 percent, while exiters under the 2009 TAA program had an entered employment rate of 66.6 percent, a 1.7 percent increase. Additionally, ETA's data showed retention for the 2002 TAA program participants was 89.6 percent, while retention for the 2009 TAA program participants was 91.3 percent, a 1.7 percent increase. Since the requirement that all participants be offered case management and employment services was the only change in services, ETA attributed the rate increases to these services.

ETA did not have sufficient, adequate, reliable data to reach this conclusion for the following reasons. First, the rate increases are similar to historic annual fluctuations in employment and retention rates.² Second, other factors, such as the characteristics of the population served, could impact employment and retention outcomes. For example, the 2009 TAA program expanded coverage to service workers, a population which could have different employability characteristics than traditional workers served under the 2002 TAA program. Third, some of the TAPR data upon which ETA calculated these rates, such as the number of exiters in a given period, we believe is unreliable due to the number of sample errors we found in exit dates. See Table 2. Finally, without knowing which, if any, employment and case management services the 2009 TAA program exiters who entered employment actually received, it is difficult to draw conclusions about the effectiveness of such services.

Additionally, we noted that while ETA reports outcome measures on its website, and in its annual performance report, ETA does not currently publish the formulas used to

² ETA reported the following retention outcomes: FY 2007 – 88%, FY 2008 – 90%, FY 2009 – 88%, FY 2010 – 86%, FY 2011 90%.

calculate these measurements or the actual participant numbers used in the calculations. Without this information, it is more difficult for the users of this information to gauge the context and scope of the results of the program.

We found certain data reported in the TAPR was inaccurate or not supported, and therefore not reliable. We gathered information from the participant files for the 255 sampled participants and tested 44 fields in the TAPR data that we judgmentally determined to be significant as related to our audit objectives, for the quarter ended September 30, 2011. We performed verification procedures comparing what was reported in the TAPR to the source documentation in the participant file maintained by the state or local agency.

We found significant information recorded in the TAPR that was either not supported by documentation in the participant file or was entered incorrectly for 9 key fields we tested:

Key Field	No. Tested	No. Errors	Percent Error
Exit Date	255	37	15%
Date Eligibility Determined	255	30	12%
Date of Most Recent Case Management and Reemployment Service	255	99	39%
Other Reason Exit	255	28	11%
Occupational Skill Training Code	255	30	12%
Occupational Code of Employment	255	65	25%
Industry Code of Employment	255	57	22%
Two Quarter Prior Earnings	255	64	25%
First Quarter Prior Earnings	255	53	21%

For some of the more significant fields, the nature of these errors and their impact can be further described as follows:

Exit Date – errors included not recording exit dates when participants should have exited, resulting in blank fields. Additional errors included system generated exit dates that were not valid and did not reflect a participant’s actual exit date. Errors in exit dates have the potential to affect the reported outcomes, since entered employment and retention are measured from the Exit Date.

Date of Most Recent Case Management and Reemployment Service – in some sample items, this field was populated with the participation date instead of the date of the most recent service. Errors in this field could result in errors in the Exit Date field since the exit date is dependent on the discontinuance of services.

Occupational Skill Training Code and Occupational Code of Employment – errors primarily consisted of blank data or invalid (e.g. 999999) data. Although errors in these fields do not directly impact any reported outcome measures, ETA and the states would have difficulty determining if participants obtain training-related jobs without these fields

being entered correctly. Regarding the occupational code of employment, ETA indicated there is no systematic means of verifying this data and there are no current means of attaining this data universally.

There were several interrelated reasons related to the development and implementation of the TAPR at the Federal, state and local levels that led to the errors we noted. Because the TAPR was a new system, ETA made frequent changes to the TAPR system, such as adding or modifying data definitions. States and local levels then had to modify their TAPR submissions or change their own systems and processes to capture and produce the necessary data. These modifications and changes reduced the accuracy and reliability of the data. Additionally, the states and local levels did not have procedures in place to detect these errors. For example, none of the states we visited had implemented a formal data validation process to ensure the accuracy and completeness of the data for the new TAPR system, as of the end of our fieldwork in May 2012. One of the states we visited had only recently implemented a data validation process at the time of our onsite fieldwork.

ETA indicated that their computations for reporting TAPR data ignored many of the data elements that contain premature and other erroneous entries by the states as noted in our audit. ETA was already aware of the need for better data quality and commenced a detailed Data Integrity Initiative in the Spring of 2012, and developed plans for classifying and quantifying errors and inconsistent reporting for each of the states. ETA performed its initial review on the September 30, 2011, data and began implementing additional changes and edit checks for subsequent submissions. ETA also implemented 80 additional edit checks beginning in April 2012. During 2012, ETA held a series of webinars with the regions and states discussing data integrity issues identified, submitted a state specific package to each state containing record level data that constituted areas of concern, and required states to resubmit corrected data and corrective action plans, for the quarter ending September 30, 2012. ETA also purchased a business intelligence tool which will be used to further analyze data integrity issues. ETA began its data integrity initiative with FY 2012 data, and is currently developing guidance to ensure the continuance on an ongoing annualized basis to reinforce accuracy, completeness, and timeliness of TAPR data.

Objective 3 - To what extent have eligible workers received services or training and been placed in training-related jobs that resulted in continued employment?

An estimated 7,112 participants³ became employed as a result of receiving services and 2,524 participants⁴ obtained training-related employment as of September 30, 2011.

Our analysis of the outcomes of participants was limited because we found that certain data reported in the TAPR was inaccurate or not supported, and data frequently did not exist to enable us to determine if those participants that completed training had been placed in training-related jobs that resulted in continued employment. The TAPR was not designed to capture all of the employment and case management services a participant received. For example, the TAPR did not capture a participant's diagnostic testing and assessment services received, nor did it capture when a participant received individual career counseling or jobs search and placement counseling.

Outcome Testing of Sampled Participants

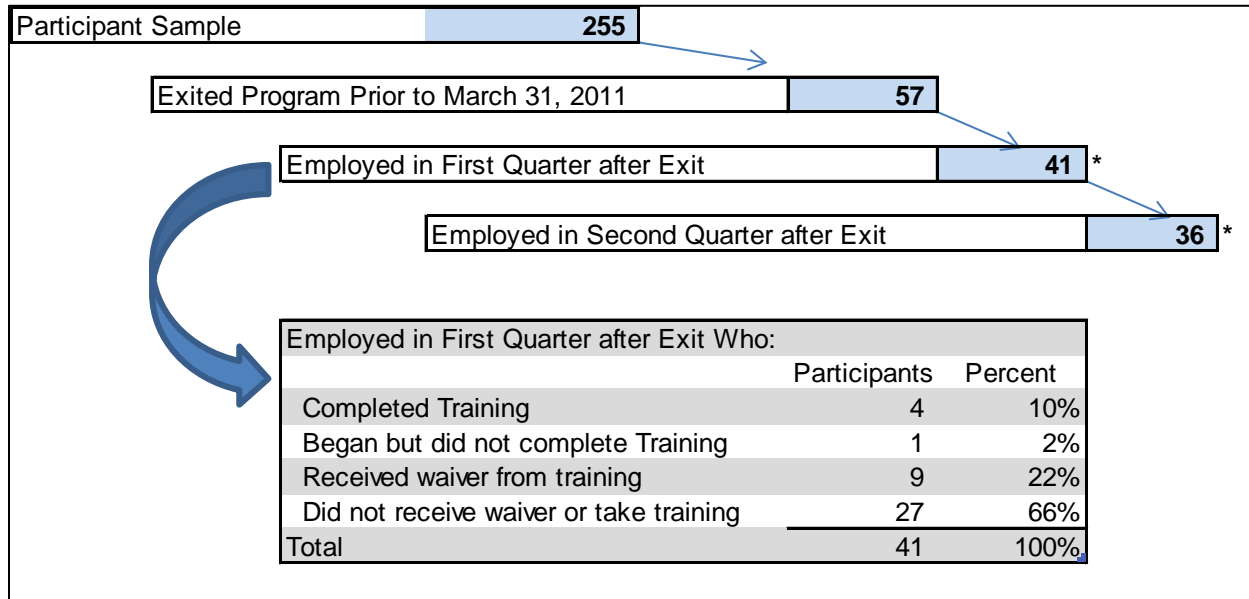
During our fieldwork from March to May 2012, we independently gathered additional information from the participant files for the 255 sampled participants, which included participants who had not completed participation in the program at the time of our fieldwork. We determined that 33 (13 percent) of the 255 sampled participants had completed training. Additionally, based on the limited documentation available, we determined that 16 (6 percent) of the 255 were employed as a result of receiving program services. Of the 33 that completed training, 6 (18 percent) of the 255 obtained training-related employment. These numbers may be understated because of the limited documentation available. Furthermore, it is important to note that these numbers may increase as participants complete training and additional activities under the program. When these sample results are projected to the entire universe, we are 95 percent confident that about 7,112 participants became employed as a result of receiving services and about 2,524 obtained training-related employment as of September 30, 2011.

In order to measure employment outcomes reported in TAPR at September 30, 2011, we identified sample participants who had exited the program prior to March 31, 2011. The following chart summarizes the employment outcomes and training activities of the participants in the sample as reported in the TAPR and validated during our fieldwork:

³ Based on a 95% confidence level and sampling precision of +/- 6.9% with an upper limit of 15,026.

⁴ Based on a 95% confidence level and sampling precision of +/- 1.7% with an upper limit of 4,416.

Chart 1: Status of Sample Participants Who Exited the Program Prior to March 31, 2011



* - These figures are different than what ETA would use to report entered employment and retention rates. For participants employed in the First Quarter after Exit, and Second Quarter after Exit, ETA would base the rates on those that exited the program on or before December 31, 2010 and September 30, 2010, respectively.

Note: For the participant who had entered training but had not completed training, data was not available to determine whether the participant had dropped out of training or was still enrolled in training.

Participants were provided training through approved training providers in connection with local One Stop Career Centers. Training for participants in our sample included such occupations as truck drivers, medical assistants, nurses, office supervisors, administrative support workers, general and operations managers, computer information systems managers, architectural and engineering managers, paralegals, HVAC mechanics, and medical records and health information technicians. In addition, the TGAAA expanded the length of time that workers could receive Trade Readjustment Allowance (TRA) wage subsidy benefits to 130 weeks for those who were enrolled in full time training (up from 104 weeks) and to 156 weeks for remedial or prerequisite training (up from 130 weeks). Workers who received a waiver from training were still eligible for 52 weeks of basic TRA.

RECOMMENDATIONS

We recommend the Acting Assistant Secretary for Employment and Training:

1. Develop a process to notify states to provide evidence of compliance in meeting future legislative requirements.
2. Complete the data validation program for FY 2013 TAPR data in accordance with OMB Circular A-11. This should include validation procedures for ETA to compare a sample of state reported data to source documentation, as well as

establish procedures to ensure states are accountable for correcting data if ETA identifies significant error rates.

3. Require states to conduct internal assessments of data integrity established by ETA, and comply with accountability procedures if ETA identifies significant error rates.
4. Include calculation formulas and actual participant numbers for computing performance measures in ETA's published reports and on its website.

WithumSmith+Brown, PC

Exhibits

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Exhibit 1

Eight Sampled States

Eight Sampled States			
State	Funding	TGAAA Participants	Participants Sampled
Alabama	\$ 21,549,191	2,174	35
Arkansas	36,399,850	1,515	30
Connecticut	13,696,817	918	20
Kansas	3,996,559	722	20
Michigan	127,695,863	13,586	40
Ohio	51,913,700	13,265	40
North Carolina	115,075,224	7,147	35
Virginia	26,849,073	4,889	35
Totals	\$ 397,176,277	44,216	255

Source: TAPR Data provided by ETA, Sample sizes calculated by OIG statistician.

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Exhibit 2

Employment and Case Management Services Required by TGAAA

1. Comprehensive and specialized assessment of skill levels and service needs, including diagnostic testing and in-depth interviewing to identify employment barriers and appropriate employment goals;
2. Development of an individual employment plan to identify employment goals and objectives and appropriate training to achieve those objectives and goals;
3. Information on training available in local and regional areas, information on individual counseling to determine which training is suitable training, and information on how to apply for such training;
4. Information on how to apply for financial aid;
5. Short-term prevocational services, such as interviewing skills;
6. Individual career counseling, including job search and placement counseling (while receiving a trade adjustment allowance and/or training) and after receiving training for purposes of job placement;
7. Employment statistics information, including accurate information relating to local, regional, and national labor market areas; and
8. Information relating to the availability of supportive services.

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Appendices

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Appendix A

Background

Since 1974, the TAA program has provided training and benefits to eligible workers who lost jobs due to imports, outsourcing, and other trade policies. The Recovery Act, Division B - Tax, Unemployment, Health, State Fiscal Relief and Other Provisions, Title I - Tax Provisions, Subtitle I – Trade Adjustment Assistance (P.L. 111-5; 123 STAT 367) reauthorized the TAA program as the “Trade and Globalization Adjustment Assistance Act of 2009” (19 USC 2101) and increased the cap on training funds. However, the additional funding was appropriated under the Omnibus Appropriations Act 2009, P.L. 111-8, to ETA’s Federal Unemployment Benefits and Allowances account. Therefore, the additional TAA funds are not considered Recovery Act funds subject to separate tracking and reporting requirements. ETA and state and local workforce professional staff refer to the TGAAA as the 2009 TAA program.

Prior to the TGAAA, the TAA program operated under the 2002 amendments to the Trade Act of 1974 (2002 TAA program). Participants certified under petitions under the 2002 TAA program continued to receive benefits and services under that program after passage of the TGAAA. Therefore, states operated multiple TAA programs concurrently. The TAA program offers a variety of benefits and services to eligible workers, including job training, income support, job search and relocation allowances, assistance with health insurance premiums, and certain wage supplements. The 2009 TAA program changed several of these benefits. Additionally, TGAAA mandated the states offer eight specific employment and case management services to eligible workers. Because states previously received no TAA program funds for case management, if they provided these services, they had to cover costs out of administrative funds or other sources such as Workforce Investment Act (WIA) formula funds.

In June 2009, ETA distributed to the states TAA funds of more than \$455,587,500 comprised of \$381,250,000 for supplemental training, \$57,187,500 for supplemental administrative costs, and \$17,150,000 to provide employment and case management services.⁵ Under TGAAA each state was provided funding totaling \$1,050,000 over three years (\$350,000 in FY2009, FY 2010 and FY 2011) to support implementation of these additional services.

The TAPR system was implemented by ETA in FY 2010 to streamline the TAA program activities reporting structure and to provide data as mandated by TGAAA. The TAPR is designed to track TGAAA activities on a real time basis for individuals from the point of TAA eligibility determination through post-participation outcomes. The CSAs are required to submit the TAPR on a quarterly basis to ETA. The TAPR contains 137 data elements for each participant.

⁵ TEGL 04-08 Ch.1

During the period covered by TGAAA, ETA certified 4,516 Petitions for Trade Adjustment Assistance, which covered 450,823 workers as estimated by the employers. Of these workers, 114,711 (25 percent) had applied for and received benefits under the program for the period October 1, 2009 through September 30, 2011 (FY 2010 and FY 2011).⁶ However, it is important to note that this percentage may understate the actual participation rate, since not all 450,823 workers may have actually been laid off during the time period of our audit, as the petitions are valid for 2 years following the petition determination date.

⁶ Source: TAPR Data, provided by ETA

Appendix B

Objective, Scope, Methodology, and Criteria

Objectives

Our overall audit objective was to assess the impact of the TGAAA employment and case management services by determining the following.

1. Did states offer eligible workers employment and case management services as required by TGAAA?
2. Was ETA able to demonstrate that additional funding for employment and case management services resulted in job placement and retention for participants?
3. To what extent have eligible workers received services or training and been placed in training-related jobs that resulted in continued employment?

Scope

The scope of the audit covers TGAAA participants reported on the September 30, 2011 TAPR reports submitted by the states. A total of 114,711 TGAAA participants were included on this report. A TGAAA participant is a worker who is eligible for TAA benefits who is covered under a petition certified under the TGAAA, with a petition number between 70,000 through 79,999.

Our audit work was performed in 8 statistically selected states, which included a sample of 255 participants. The period covered the inception of the Recovery Act through our fieldwork end in May 2012.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

Methodology

To answer our audit objectives, we performed data analysis on the TAPR data for the quarter ending September 30, 2011, for the entire universe of TGAAA participants. We queried the data to obtain information relevant to our audit objectives. A participant in the TAA program is an individual who worked or works for a company that ETA has certified (approved) its Petition for Trade Adjustment Assistance, and the state has determined the individual is eligible for the program. Participants are considered TGAAA

participants if they are covered under petitions approved after passage of TGAAA, and prior to the expiration of the TGAAA provisions on October 21, 2011.⁷

We performed an audit of the TGAAA implementation in eight states statistically selected for testing which included testing a statistical sample of 255 participants. The fieldwork we performed, during March 2012 through May 2012, included testing 44 fields in the TAPR data we judgmentally determined to be significant as related to our audit objectives for the quarter ended September 30, 2011. We performed verification procedures comparing what was reported in the TAPR to the source documentation in the participant file maintained by the state or local agency.

Internal Control

In planning and performing our audit, we obtained an understanding of ETA's internal controls considered significant to the audit objectives, including obtaining an understanding of the guidance issued to the states. The testing of ETA's controls was not determined to be significant to our audit objectives. At the state level, for the eight sampled states, we considered each states' internal controls relevant to our audit objectives by obtaining an understanding of those controls and assessing risk for the purpose of achieving our objectives. The objective of our audit was not to provide assurance on the internal control, therefore, we did not express an opinion on ETA's or the states' internal controls. Our consideration of internal control at the states of their processes for offering and documenting the eight employment and case management services, and their processes for recording and reporting certain information in the TAPR, would not necessarily disclose all matters that might be significant deficiencies. Because of the inherent limitation on internal control, misstatements or noncompliance may occur and not be detected.

Criteria

We used the following criteria to accomplish our audit:

- The American Recovery and Reinvestment Act (Recovery Act) of 2009 (P.L.111-5)
- Trade Act of 1974, as amended in 2002 and 2009
- Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA)
- Training and Employment Guidance Letters No. 22-08 and 22-08 Change 1
- Training and Employment Guidance Letters 9-09 and 9-09 Change 1
- Training and Employment Guidance Letter No. 16-10
- Training and Employment Guidance Letter No. 6-09

⁷ Petitions in this range are numbered TA-W-70,000 to 79,999.

Appendix C

Acronyms

CSA	Cooperating State Agency
ETA	Employment and Training Administration
FY	Fiscal Year
LWIB	Local Workforce Investment Board
OIG	Office of Inspector General
OMB	Office of Management and Budget
P.L.	Public Law
Recovery Act	American Recovery and Reinvestment Act of 2009
TAA	Trade Adjustment Assistance program
TAPR	Trade Activity Participant Report
TEGL	Training and Employment Guidance Letter
TGAAA	Trade and Globalization Adjustment Assistance Act of 2009
TRA	Trade Readjustment Allowance
WIA	Workforce Investment Act
WS+B	WithumSmith+Brown
2002 TAA Program	The TAA Program as amended by the TAA Reform Act of 2002
2009 TAA Program	The TAA Program as amended by the TGAAA

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Appendix D

Glossary

Glossary of Terms Related to TAPR Data

Exit Date – Date on which the last service funded by the program or a partner program is received by the participant. Once a participant has not received any services funded by the program or a partner program for 90 consecutive calendar days and has no gap in service and is not scheduled for future services, the data of exit is applied retroactively to the last day on which the individual received a service funded by the program or a partner program.

Date Eligibility Determined – Date upon which the applicant was determined to be (or not) part of a TAA certified worker group.

Date of Most Recent Case Management and Reemployment Service – Date on which the participant received his or her most recent Case Management and Reemployment Service.

Other Reason Exit – used to record specific codes for when a participant leaves the program for other than entry into unsubsidized employment

Occupational Skill Training Code – the 8 digit O*Net code that best describes the training occupation for which the participant received training services.

Occupational Code of Employment – the 8-digit occupational code that best describes the individual's employment using the O*Net classification system

Industry Code of Employment – The 4 to 6-digit industry code that best describes the individual's employment using the North American Industrial Classification System (NAICS)

Two Quarter Prior Earnings – Total earnings from wage records for the second quarter prior to the quarter of participation.

First Quarter Prior Earnings – Total earnings from wage records for the first quarter prior to the quarter of participation.

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ETA Response to Draft Report


U.S. Department of Labor

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



JUL 03 2013

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

FROM: GERRI FIALA 
Acting Assistant Secretary

SUBJECT: Response to the Office of Inspector General's Audit, *Recovery Act: Required Employment and Case Management Services Under The Trade and Globalization Adjustment Assistance Act of 2009*, Audit Report 18-13-003-03-330

The Employment and Training Administration (ETA) appreciates the opportunity to respond to the Office of the Inspector General's (OIG) draft audit report on the *Recovery Act: Required Employment and Case Management Services Under the Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA)*. We want to thank WithumSmith+Brown (WS+B) contract staff for their time and effort spent reviewing 255 participant files, which represent a sample size of 0.2 percent of the total 114,711 files collected at the time of the audit for participants served by TGAAA; and interviewing personnel at ETA's Office of Trade Adjustment Assistance (OTAA), eight Cooperating State Agencies (CSAs), and eight Local Workforce Investment Boards (LWIBs).

TGAAA provided displaced workers access to long-term training, and those hardest hit during the economic recession could enter training of up to 156 maximum weeks to improve their reemployment opportunities. Of the 120,903 Trade participants served to date who entered TGAAA, TGAAA provided 60,268 participants with training and 68 percent or 39,403 participants who exited the program entered employment.

The Department anticipated that there would be some challenges during the transition to TGAAA. After TGAAA was enacted, ETA took early, proactive steps for a successful implementation by issuing new Trade Adjustment Assistance guidance and following up with National Office staff providing necessary technical assistance to CSAs in six regional meetings. ETA also updated the Trade Act Participant Report (TAPR) handbook as the new program was implemented. Since then, the Department has engaged in regional and state training efforts to create a consistent means for data sharing and accurate data reporting. Additionally, TGAAA required CSAs to implement control measures to effectively oversee the operation and administration of the TAA program and to improve the timeliness of reported data and verify the accuracy of such data (TEGL 22-08, Section I.2) which continue under the current 2011 TAAEA program.

Below are the Department's responses to address each recommendation provided in this report. The Department continues to update its state monitoring procedures to address case

management, data integrity and reporting validation, and will continue to work with its regional and state workforce partners to ensure that proper case management is administered to those displaced trade impacted workers.

Recommendation 1: Develop a process to notify states to provide evidence of compliance in meeting future legislative requirements.

ETA Response to Recommendation 1: ETA concurs with this recommendation. In fact, OTAA began to work on producing a Trade Supplement to ETA's Core Monitoring Guide in 2012 which establishes monitoring protocols for reviewing state and local area compliance with statutory requirements. The guide provides instructions for ETA regional staff review of TAA participant files submitted by CSAs and will ensure comprehensive documentation of all eight required case management services by state and local areas. Additionally, the guide requires ETA regional staff to monitor state activities to certify that LWIAs are in compliance with statutory requirements. The resulting CSA monitoring reports will provide additional evidence of compliance.

Recommendation 2: Complete the data validation program for FY 2013 TAPR data in accordance with OMB Circular A-11. This should include validation procedures for ETA to compare a sample of state reported data to source documentation, as well as establish procedures to ensure states are accountable for correcting data if ETA identifies significant error rates.

ETA Response to Recommendation 2: ETA concurs with this recommendation. This summer, OTAA will recommence Data Element Validation for the FY 2013 TAPR data, and CSA reports will have a submission deadline of February 1, 2014. ETA will direct CSAs to pull a random sample of files for the purpose of validating reported data against documentation provided in TAA participant case management files. OTAA will establish procedures to ensure CSAs are accountable for correcting data if significant error rates are identified.

Recommendation 3: Require states to conduct internal assessments of data integrity established by ETA, and comply with accountability procedures if ETA identifies significant error rates.

ETA Response to Recommendation 3: ETA concurs with the recommendation. OTAA will instruct CSAs to conduct annual internal assessments of data integrity established by ETA in a forthcoming TEGL. The TEGL will formalize benchmarks for reporting, and will require CSAs to comply with accountability procedures outlined in the TEGL, should significant error rates be identified.

Recommendation 4: Include calculation formulas and actual participant numbers for computing performance measures in ETA's published reports and on its website.

ETA Response to Recommendation 4: ETA concurs with this recommendation to improve transparency of TAA data. OTAA is in the final stages of formalizing calculations for taking raw data reported by states and producing aggregate numbers, including participant counts and performance outcomes. The calculation formulas and actual participant numbers for computing performance measures will be included in ETA's published reports and linked to its website.

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