

U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE EMPLOYMENT AND TRAINING ADMINISTRATION



RECOVERY ACT: OUTCOMES FROM WIA TRAINING AND SERVICES TO ADULTS AND DISLOCATED WORKERS

This audit was performed by Harper, Rains, Knight & Company P.A., CPAs, under contract to the Office of Inspector General, and by acceptance, it becomes a report of the Office of Inspector General.

A handwritten signature in blue ink that reads "Eeliot P. Lewis".

Assistant Inspector General for Audit

Date Issued: September 30, 2014
Report Number: 18-14-002-03-390

BRIEFLY...

Highlights of report number: 18-14-002-03-390, issued to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

The American Recovery and Reinvestment Act (Recovery Act) provided the Department of Labor's Employment and Training Administration (ETA) with an additional \$500 million in Workforce Investment Act (WIA) Adult program and \$1.25 billion in WIA Dislocated Worker program formula funds to award to states. States were to use the funds to increase capacity and provide additional economic support and services to the workforce system. The Recovery Act did not change the nature of the WIA Adult and Dislocated Worker programs; supplemental funding could only be used for authorized WIA activities.

Within the Adult program, states were to use funds to provide the necessary services to substantially increase the number of adults entering or re-entering the job market; within the Dislocated Worker program, states were to use funds to support workers' re-entry into the job market.

The Recovery Act emphasized in the Adult program a priority use of funds for services to recipients of public assistance and other low-income individuals, as set forth in 134(d)(4)(E) of the WIA.

WHY OIG CONDUCTED THE AUDIT

The audit was conducted to answer the following questions:

- (1) To what extent did states use additional WIA Adult and WIA Dislocated Worker formula funds to increase the percentage of recipients they served with direct training and supportive services?
- (2) To what extent did states give priority of service to assistance recipients and low-income persons in the WIA Adult program, as required by the Recovery Act?

READ THE FULL REPORT

To view the report, go to:

<http://www.oig.dol.gov/public/reports/oa/2014/18-14-002-03-390.pdf>

September 2014

RECOVERY ACT: OUTCOMES FROM WIA TRAINING AND SERVICES TO ADULTS AND DISLOCATED WORKERS

WHAT OIG FOUND

Our audit found the number of participants served by the WIA Adult and Dislocated Worker programs increased proportionally to the increase in funding from the Recovery Act. As allowed under the Recovery Act, ETA did not require states to report Recovery Act participation separately; therefore, we were not able to determine the percentage increase in the use of Recovery Act funds for direct training and supportive services.

We found the number of participants served did not return to pre-Recovery Act levels, but remained constant at about one million for the Dislocated Workers program and around seven million for the Adult program. While participation has remained at the higher Recovery Act levels, the available funding to spend on participants in the program has returned to pre-Recovery Act levels. With the number of participants served leveling-off at or near Recovery Act levels coupled with funding levels dropping back to pre-Recovery Act levels, the spending per participant served in both the Adult and Dislocated Workers programs has reduced dramatically.

Currently, no published studies exist that identify how WIA Adult and Dislocated Worker funds, in times of limited funds, could best be used to effect the largest impact on the entered employment rate. However, the ongoing Gold Standard Evaluation ETA initiated in 2008 is designed to determine how intensive services and training impact participants' employment rates, earnings, and other related outcomes.

We found state and local board officials were aware of the Recovery Act priority of service provisions and the priority of service language was included in all grant documents, state plans, and state standard operating procedures we audited. No significant changes were required to the way assistance recipients and low-income individuals were enrolled as Recovery Act requirements were the same as those already in place under WIA.

WHAT OIG RECOMMENDED

ETA officials stated they anticipate using the Gold Standard Evaluation results to inform ETA of the best use of available funds to achieve the largest impact on participant outcomes. Therefore, our audit report does not include a recommendation to ETA. ETA management notified us they did not have any comments on the draft report.

PAGE INTENTIONALLY LEFT BLANK

Table of Contents

Results	4
Objective 1 — To what extent did states use additional WIA adult and WIA Dislocated Worker formula funds to increase the percentage of recipients they served with direct training and supportive services?.....	4
Objective 2 — To what extent did states give priority of service to assistance recipients and low-income persons in the WIA Adult program, as required by the Recovery Act?	8
Exhibits	
Exhibit 1: Examples of State and Local Workforce Investment Board Responses Showing Impact of Recovery Act funds on Participation.	13
Exhibit 2: Responses to Application of the Provision to Give Priority of Service	15
Appendices	
Appendix A Objectives, Scope, Methodology, and Criteria	19
Appendix B Acronyms and Abbreviations.....	21

PAGE INTENTIONALLY LEFT BLANK



September 30, 2014

Portia Wu
Assistant Secretary
for Employment and Training
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, D.C. 20210

The American Recovery and Reinvestment Act (Recovery Act), signed into law on February 17, 2009, was 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 the Department of Labor's Employment and Training Administration (ETA) with an additional \$500 million in Workforce Investment Act (WIA) Adult program and \$1.25 billion in WIA Dislocated Worker program formula funds to award to states. These funds were to be used to increase capacity and provide additional economic support and services to the workforce system. Within the Adult program, funds were to provide the necessary services to substantially increase the number of adults entering or re-entering the job market. Within the Dislocated Worker program, funds were to support workers' re-entry into the job market. This was to be done through the targeted use of funds, coordinating and aligning with other federal and state resources, leveraging and supporting registered apprenticeship programs, and through supportive services and needs-related payments.

The Recovery Act emphasized in the Adult program a priority use of funds for services to recipients of public assistance and other low-income individuals, as set forth in 134(d)(4)(E) of the WIA Act. The Recovery Act made no such provisions for grants to States for dislocated worker employment and training activities. The Recovery Act further required states to ensure that supportive services and needs-related payments, as set forth in 134(e)(2) and (3) of the WIA Act, were made available to support the employment and training needs in both the Adult and Dislocated Worker populations.

*Harper, Rains, Knight & Company, P.A. • Certified Public Accountants • Consultants
One Hundred Concourse • 1052 Highland Colony Parkway, Suite 100 • Ridgeland, Mississippi 39157
Telephone 601.605.0722 • Facsimile 601.605.0733 • www.hrkcpa.com*

We conducted a performance audit of the program's WIA Adult and Dislocated Worker formula funds provided by the Recovery Act. The audit objectives were to determine:

1. To what extent did states use additional WIA Adult and WIA Dislocated Worker formula funds to increase the percentage of recipients they served with direct training and supportive services?
2. To what extent did states give priority of service to assistance recipients and low-income persons in the WIA Adult program, as required by the Recovery Act?

Our audit found the number of participants served, as identified by the states, in the WIA Adult and Dislocated Worker programs increased proportionally to the increase in funding from the Recovery Act. However, we also found per participant funding decreased from a pre-Recovery Act average of \$3,300 to a post-Recovery Act average of \$2,200 for the WIA Dislocated Workers program and a pre-Recovery Act average of \$1,000 to a post-Recovery Act average of \$400 for the WIA Adult program, as the number of participants remained at the higher Recovery Act levels. We also found states made no changes to their priority of services for assistance recipients and low-income participants, as this was an existing program requirement. Further, state data showed an increase of 58 percent in the number of such participants served from PY 2008 to PY 2009.

Background

Under Title VIII of the Recovery Act, Congress provided ETA with an additional \$500 million in WIA Adult program and \$1.25 billion in WIA Dislocated Worker program formula funds to award to states.

The Recovery Act did not change the nature of the WIA Adult and Dislocated Worker programs; supplemental funding could only be used for authorized WIA activities. These activities were described in Training and Employment Guidance Letters (TEGL). The TEGLs provide guidance using and reporting on the supplemental Recovery Act funds.

ETA Recovery Act Implementation Guidance on WIA Adult and WIA Dislocated Worker Activities

The Recovery Act funds had to be used to supplement annual WIA appropriations and could only be used for activities that were in addition to those that would otherwise be available in the local area in the absence of such funds (WIA sec. 195(2)). The recipients were instructed to spend the Recovery Act funds concurrently with other WIA funding, and were instructed not to use the funds to replace state or local funding currently dedicated to workforce development and summer jobs.¹

¹ TEGL 14-08, Guidance for Implementation of the Workforce Investment Act and Wagner-Peyser Act Funding in the American Recovery and Reinvestment Act of 2009 and State Planning Requirement for the Program Year 2009

ETA determined it was not possible for states and local service providers to distinguish "Recovery Act" participants from regular formula fund participants as funds were spent concurrently and the characteristics and eligibility requirements were equivalent for WIA Adult and WIA Dislocated Worker program participants served with Recovery Act and/or WIA formula funds.² Therefore, all reported participant numbers and spending amounts include both formula WIA funds and the supplementary Recovery Act funds.

Due to the inability to distinguish Recovery Act participants, ETA instructed the states to continue submitting required quarterly and annual reports, and include participants whose services were financed with regular WIA formula funds and/or Recovery Act funds. ETA required states to report counts of people whose services were financed by either the regular formula funds and/or the Recovery Act funds in these supplemental reports. Furthermore, ETA designed the reporting requirements to keep the additional reporting burden to a minimum, while ensuring ETA collected the necessary data to report timely information to stakeholders about the use of Recovery Act funds.³ These instructions were supported by OMB's guidance on pre-existing data collection requirements which instructed agencies not to change standard reporting for awards, unless there was a legal or other compelling justification.⁴

ETA Recovery Act Priority of Service Guidance for WIA Adult Program

TEGL 14-08 provided specific information to states regarding how to spend additional WIA funds received under the Recovery Act. Attachment A of TEGL 14-08 instructed states what to include in their modified State Plans. For example, ETA required states to describe their strategies to "effectively implement the Recovery Act priority of services for low-income adults and recipients of public assistance under the WIA Adult Program."

Previously, auditors under contract with OIG reviewed state and local plans regarding supplemental WIA Adult formula funds and found all six state plans and four of the six local plans audited addressed Recovery Act priority of service requirements (see *Recovery Act: Actions Needed to Better Ensure Congressional Intent Can Be Met in the Workforce Investment Act Adult and Dislocated Worker Programs* OIG Report No. 18-10-004-03-390, March 31, 2010). In its written response to OIG's report, ETA stated it recognized some local areas could benefit from technical assistance and information in implementing the priority of service for low-income persons in the WIA Adult program. ETA said it would provide such assistance, as needed.

² <http://www.doleta.gov/recovery/MonthlyReports/201004.cfm>

³ TEGL 24-08, Workforce Investment Act and Wagner-Peyser Act Performance Accountability Reporting for the American Recovery and Reinvestment Act of 2009

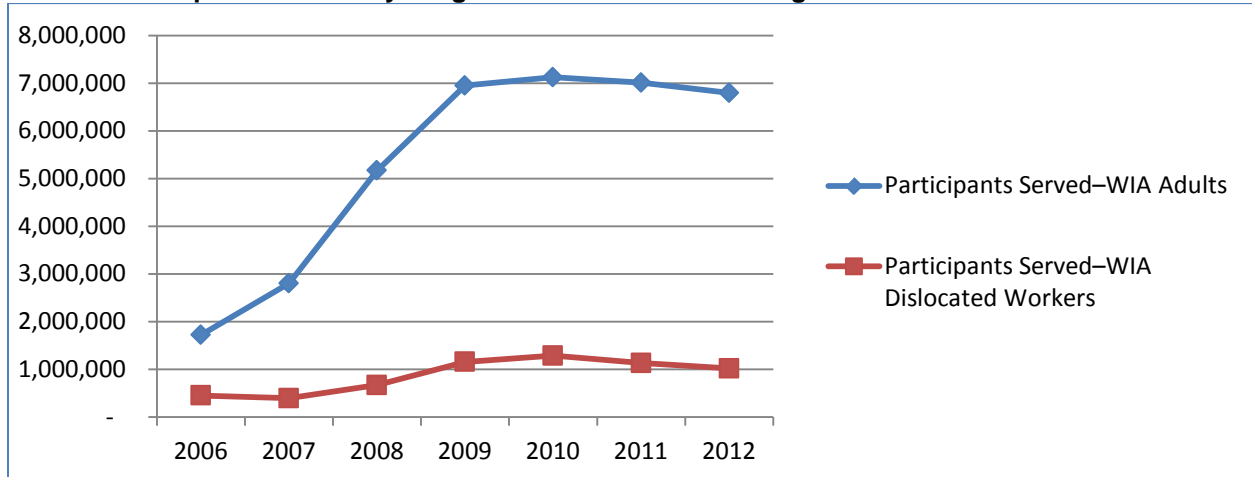
⁴ OMB Memorandum 09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, Section 2

Results

Objective 1 — To what extent did states use additional WIA adult and WIA Dislocated Worker formula funds to increase the percentage of recipients they served with direct training and supportive services?

ETA did not require states to report Recovery Act participation separately; therefore, we were not able to determine the percent increase in the use of Recovery Act funds for direct training and supportive services. However, using Program-wide data obtained from ETA’s WIA State Annual Reports and Summaries for Program Year (PY) 2006 through PY 2012,⁵ we can see the overall WIA Adult participation increased by 34 percent between Program Year⁶ 2008 and 2009 and by 2.5 percent between Program Year 2009 and 2010. Overall WIA Dislocated Worker participation increased by 72.5 percent between Program Year 2008 and 2009 and by 11 percent between Program Year 2009 and 2010. Program years 2008 through 2010 were used in these calculations as they were impacted by the Recovery Act funds. Furthermore, as depicted in Table 1, in PYs 2011 and 2012 the number of participants served did not return to pre-Recovery Act levels, but remained constant at about 1 million for Dislocated Workers program and around 7 million for the Adult program.

Table 1: Participants Served by Program Year from 2006 through 2012



Source: DOL ETA WIA National Summary of Annual Performance Data⁷

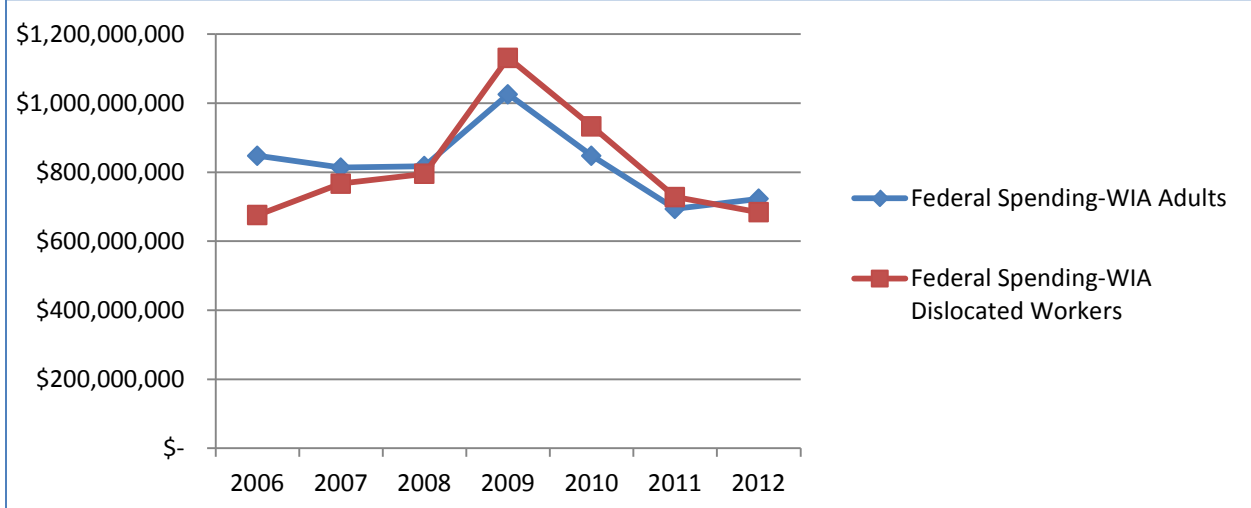
While participation has remained at the higher Recovery Act levels, the available funding to spend on participants in the program has returned to pre-Recovery Act levels, as depicted in Table 2.

⁵ Total participants served data obtained from Table M, column F (Total Participants Served – WIA Adults) and column H (Total Participants Served WIA DW). Total federal spending data obtained from Table N, column B (Total Federal Spending – Local Adults (N1)) and column C (Total Federal Spending – Local DW (N2)).

⁶ Program Years (PY) are different than Fiscal Years, in that Program Years run from 7/1 through 6/30. The Recovery Act was passed in PY 08 and funding was available into PY 10.

⁷ DOL ETA WIA State Annual Reports & Summaries by Program Year: <http://www.doleta.gov/performance/results/#wiarankings>

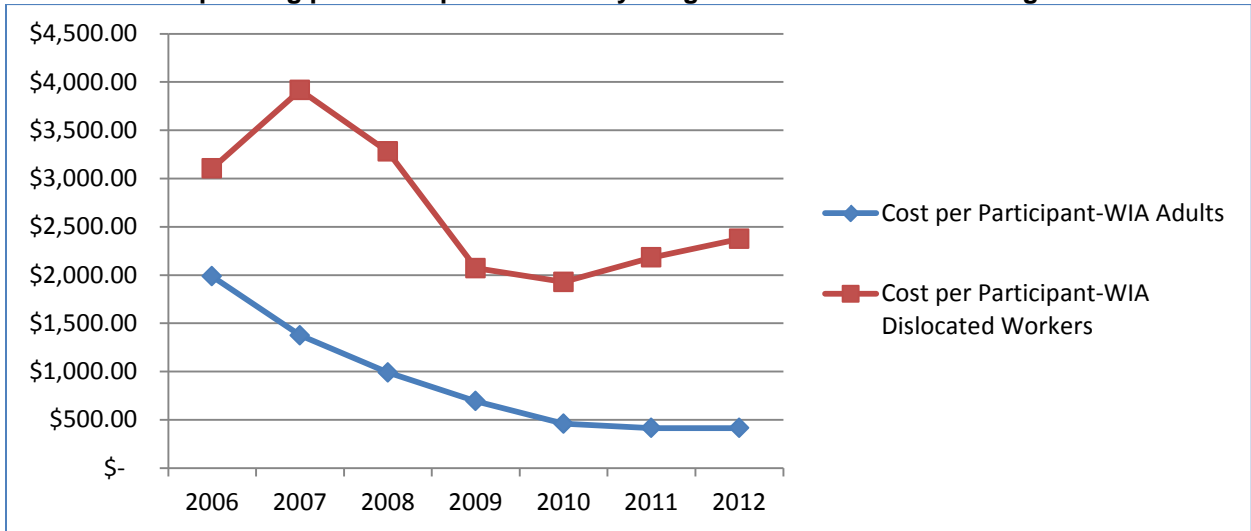
Table 2: Total Spending for WIA Adult and Dislocated Worker Programs, Program Years 2006-2012



Source: DOL ETA WIA National Summary of Annual Performance Data⁸

The result of the number of participants served leveling off at or near Recovery Act levels coupled with funding levels dropping back to pre-Recovery Act levels has dramatically reduced the spending per participant served in both the Adult and Dislocated Workers programs, as depicted in Table 3.

Table 3: Total Spending per Participant Served by Program Year from 2006 through 2012



Source: DOL ETA WIA National Summary of Annual Performance Data⁹

Our results mirrored the ETA supported study, *Implementation of the American Recovery and Reinvestment Act: Workforce Development and Unemployment*

⁸ DOL ETA WIA State Annual Reports & Summaries by Program Year:
<http://www.doleta.gov/performance/results/#wiarankings>

⁹ DOL ETA WIA State Annual Reports & Summaries by Program Year:
<http://www.doleta.gov/performance/results/#wiarankings>

*Insurance Provisions, Final Report, issued October of 2012,*¹⁰ produced by the National Association of State Workforce Agencies (NASWA), which found the “Recovery Act funds that remained for the second year were not enough to offset the continued increase in the number of participants in each program, and subsequently expenditures per participant fell in the second year of the Recovery Act funding period.” ETA has identified this same trend in their budget justifications for FY 2014¹¹ and FY 2015.¹²

Higher participation combined with limited funds strained the system as a whole. While the FY 2014 and FY 2015 budget justifications alluded to the issue, we did not find any published studies, internal nor external, which identified how WIA Adult and Dislocated Worker funds, in times of limited funds, could best be used to effect the largest impact on the entered employment rate. However, in 2008, ETA initiated a national impact evaluation to address this question. This evaluation of WIA Adult and Dislocated Worker formula funded programs, called the Gold Standard Evaluation, is designed to determine how intensive services and training provided using WIA Adult and Dislocated Worker funds impact participants’ employment rates, earnings, and other related outcomes.¹³ The Gold Standard Evaluation will also measure how differences in services and training implementation impact participants’ outcomes. Evaluators, under contract to the Department, are gathering follow-up information over a 30-month period from approximately 35,000 study participants. Results will be submitted to the Department of Labor in the summer of 2017.

Grantees used Recovery Act funds for Direct Training and Supportive Services

Even though we could not determine an exact percent increase in the use of Recovery Act funds for direct training and supportive services, as identified above, we did validate that Recovery Act funds were used for direct training and supportive services. We validated the use of Recovery Act funds by testing a sample of states and territories that reported providing participants with direct training and supportive services funded either partially or fully with Recovery Act supplemental WIA Adult and Dislocated Workers program funds.

During the period covered by our audit, the 8 sampled states (Alaska, Arizona, Illinois, Maine, Nebraska, New Mexico, Vermont, and Washington) and territory (Puerto Rico), received \$71 million in Recovery Act WIA Adult funding and \$152 million in Recovery Act WIA Dislocated Worker funding. They reported to ETA serving, either partially or fully, 43,865 participants with Recovery Act funds. Of these participants, we statistically selected a sample of 490 participants.

¹⁰ Excerpt can be found on pages 266-267 in the complete document:

http://wdr.doleta.gov/research/keyword.cfm?fuseaction=dsp_puListingDetails&pub_id=2523&mp=y&start=1&sort=7

¹¹ FY 2014 Congressional Budget Justification, Employment and Training Administration, Overview, pages ETA – 10 and ETA – 11. <http://www.dol.gov/dol/budget/2014/PDF/CBJ-2014-V1-03.pdf>

¹² FY 2015 Congressional Budget Justification, Employment and Training Administration, Overview, pages ETA – 17 and ETA – 18. <http://www.dol.gov/dol/budget/2015/PDF/CBJ-2015-V1-03.pdf>

¹³ WIA Gold Standard Fact Sheet, March 2014

We audited the 490 sample participant files for evidence of eligibility and direct training or support services provided through Recovery Act funding either partially or fully. To verify participants were eligible for either the WIA Adult or the Dislocated Worker programs, we reviewed participant files for documentation related to the age, citizenship, receipt of public assistance, selective service registration for males born after January 1, 1960, and employment status. Specific documentation reviewed included copies of driver licenses, social security cards, birth certificates, selective service registration printouts, passports, and printouts from various public assistance agencies. For participants in the Dislocated Worker program we also reviewed documentation from previous employers to determine the reason for employment dislocation. Usually documentation consisted of letters from employers stating an individual had been laid off or terminated due to downsizing or facility closure. All 490 participants were determined eligible to participate in the WIA Adult and/or Dislocated Worker programs.

We found the grantees either partially or fully charged the costs of training and services provided to all 490 participants to Recovery Act funds. For the 490 participants tested, the average amount spent using regular WIA formula funds and WIA Recovery Act funds per participant receiving direct training was \$4,204 in both the Adult and Dislocated Worker programs. For both the Adult and Dislocated Worker programs, the average amount spent per participant receiving support services was \$1,161. Of the 490 participants, records in the participant files indicated that 299 (61 percent) of the participants entered employment upon exiting the program, as compared to the Adult and Dislocated Worker overall populations' average entered employment rate of 59 percent from Program Years 2008 through 2010.

While in the field, we conducted interviews with state and local workforce boards. Officials in every office indicated the supplemental Recovery Act funds allowed for greater participation in the program and that the Recovery Act funds were administered in the same fashion as the regular WIA program funds. Overall, the officials overseeing the WIA Adult and Dislocated Worker programs saw an increase in number of participants, which ultimately resulted in an increase in number of participants placed in employment. These results are summarized by state in Exhibit 1.

The availability of the supplemental Recovery Act funds allowed the state workforce systems to serve more of the Adult and Dislocated workers who were impacted by the downturn in the United States economy. Our audit found the Adult and Dislocated worker participants were eligible for the services provided and that funding was provided in part or in whole by the Recovery Act. The Recovery Act participants in our sample received funding and entered employment in line with the overall WIA Adult and Dislocated worker programs per participant spending and entered employment rates. The lingering impact of the Recovery Act and the downturn in the economy has been a sustained participation rate that has not dropped to pre-Recovery Act levels. This increased participation rate, coupled with pre-Recovery Act funding levels, has resulted in fewer WIA funds being available on a per participant basis in the post-Recovery Act program years.

Objective 2 — To what extent did states give priority of service to assistance recipients and low-income persons in the WIA Adult program, as required by the Recovery Act?

Although states did not separately track Recovery Act funded services, we found that the percentage of assistance recipients and low-income persons increased from 15 percent to 21 percent¹⁴ during the period during which Recovery Act funds were received. We found state and local board officials were aware of the Recovery Act priority of service provisions and the priority of service language was included in all grant documents, state plans, and state standard operating procedures we audited. No significant changes were required to the way the assistance recipients and low-income individuals were enrolled as the Recovery Act eligibility requirements were the same as those already in place under WIA.

For adult employment and training activities, including supportive services and needs-related payments, the Recovery Act provided that a priority of use of these funds shall be services for individuals receiving public assistance and other low-income individuals.¹⁵ The priority of service was addressed by ETA, who stated “ETA encourages states and local areas to pay particular attention to these populations in the development of implementation strategies for Recovery Act funds.”¹⁶

We found the states reported certain characteristics of exiters,¹⁷ including low-income and public assistance characteristics. The state-reported data indicated an increase in the percentage of low-income and public assistance recipients the states served¹⁸ for the program years subsequent to the enactment of the Recovery Act in 2009.

¹⁴ The calculation is performed using Table II-2 from the WIASRD Data Book for Program Year 2012 prepared by the Social Policy Research Associates (SPR) for the ETA. We divided the *Total Low Income* characteristic by the *Number of exiters* for the Adult program. The period considered is PY 2008 to PY 2010.

¹⁵ Workforce Investment Act Section 134(d)(4)(E)

¹⁶ TEGL 14-08, Sections 6 and 10

¹⁷ Exiters are defined as a participant that has not received any services funded by the program or a partner program for 90 consecutive calendar days, has no gap in service, and is not scheduled for future services.

<http://wdr.doleta.gov/directives/attach/TEGL17-05.pdf>

¹⁸ Data source is the WIASRD Data Book's prepared by SPR for the ETA for PY 2008 through PY 2011.

http://www.doleta.gov/performance/results/#wiasrd_databook

Table 4: Number of Adult Exiters, by Low Income and Public Assistance Characteristics by Program Year from 2008 through 2010

	PY 2008	PY 2009	PY 2010
Number of exiters	1,040,676	1,187,450	1,252,411
<i>Characteristics of Exiters who Received Intensive or Training Services</i>			
Low income	153,126	242,098	260,160
Public assistance recipient	65,206	111,948	128,529
TANF recipient	12,435	17,043	18,235
Other public assistance	62,720	109,084	124,934

Source: WIASRD Data Book for Program Year 2012 prepared by SPR¹⁹

As noted previously, the reporting does not distinguish exiters funded by the Recovery Act from those funded with WIA funds and the data is unaudited.

State-level workforce agencies passed the Recovery Act requirements to the local workforce investment boards (LWIBs) through language in the grant documents, plans, and standard operating procedures that we audited. All sampled LWIBs were aware of the emphasis on the priority of service provision in the Recovery Act, but indicated they did not need to change the way in which they applied the priority of service provisions. Responses from the audited state and local board officials are summarized by state in Exhibit 2.

The results we noted were mirrored in the *Implementation of the American Recovery and Reinvestment Act: Workforce Development and Unemployment Insurance Provisions, Final Report, issued October of 2012*,²⁰ which stated:

The Recovery Act did not usher in much change with regard to providing services for low-income individuals because there had always been an emphasis on providing priority of service for low-income individuals within the WIA Adult program.

Additionally the report stated:

State workforce agencies viewed the Recovery Act as not leading to many changes in policies or practices at the state or local workforce levels related to serving low-income individuals – WIA Adult programs already were targeted to and serving substantial numbers of low-income individuals.²¹

¹⁹ Data source is the WIASRD Data Book's prepared by SPR for the ETA for PY 2012, Table II-2:

<http://www.doleta.gov/performance/results/pdf/PY2012WIASRDDataBook.pdf>

²⁰ Excerpt can be found on page 63 in the complete document:

http://wdr.doleta.gov/research/keyword.cfm?fuseaction=dsp_puListingDetails&pub_id=2523&mp=y&start=1&sort=7

²¹ Excerpt can be found on page 65 in the complete document:

http://wdr.doleta.gov/research/keyword.cfm?fuseaction=dsp_puListingDetails&pub_id=2523&mp=y&start=1&sort=7

The States and local boards evidenced no substantial change in the application of the Recovery Act WIA Adult priority of service requirement, due primarily to the overall WIA Adult population consisting of public assistance and low-income individuals. Our audit found all of the sampled states and local boards were aware of and included the priority of service provision in their grant documents, state plans, and standard operating procedures.

Conclusion

In summary, currently, no published studies exist which identify how WIA Adult and Dislocated Worker funds, in times of limited funds, could best be used to effect the largest impact on the entered employment rate. However, the Gold Standard Evaluation ETA initiated in 2008 is designed to determine how intensive services and training impact participants' employment rates, earnings and other related outcomes. ETA officials stated they planned to use the results of the Gold Standard Evaluation to develop its budget requests to Congress; to assist with the transition from WIA to the Workforce Innovation Opportunity Act (WIOA), the law which will replace WIA; and to determine how to direct discretionary funds to services with the greatest cost benefit. ETA officials further stated they anticipate using the Gold Standard Evaluation results to inform ETA of the best use of available funds to achieve the largest impact on participant outcomes. Therefore, our audit report does not include a recommendation to ETA. ETA management notified us they did not have any comments on the draft report.

We appreciate the cooperation and courtesies ETA personnel extended to Harper, Rains, Knight & Company, P.A. during this audit.

Harper, Rains, Knight & Company, P.A.

Harper, Rains, Knight & Company, P.A.

Exhibits

PAGE INTENTIONALLY LEFT BLANK

Exhibit 1: Examples of State and Local Workforce Investment Board Responses Showing Impact of Recovery Act funds on Participation.

State	Responses to impact of Recovery Act funds on participation
Alaska	Used same performance measures; set up system codes to track participants that were partially or wholly Recovery Act funded; co-enrolled many participants to ensure funding was available for continued training beyond Recovery Act funds availability; and noted a large increase in number of participants from 2009 to 2010, steep decline after Recovery Act funds ended.
Arizona	Reported a greater number of participation under the period in which Recovery Act funds were available; targeted high unemployment rate counties; did not track Recovery Act results separately from normal formula funds; increase in participation mirrored increase in available funds; and handled increase in participation rate above normal levels as a result of the Recovery Act funds.
Illinois	No additional nor formal analysis of the Recovery Act funds was done versus the standard formula funds as all funds were administered in the same fashion; Recovery Act funds allowed for an increase in the number of participants who could take advantage of the services offered by the programs; served participants that otherwise would have been on the waiting list.
Maine	Tracked new versus prior participants and Recovery Act versus regular WIA participants; revised policies; increased caps for service programs to serve more participants; doubled enrollment, provided opportunities for longer training programs due to Recovery Act funds; allowed more participants to be served because of Recovery Act funds; and noted increases in one local board for both enrollment and placement.
Nebraska	Did not formally measure the impact, but noted participation increased.
New Mexico	Increase in Recovery Act funds lead to increases in participation and therefore exiters. Identified serving 50 percent more participants across all funding streams; provided opportunity to do more because of flexibility of Recovery Act funds; identified larger WIA issues because of increased monitoring of Recovery Act funds; restored funding levels back to what the grantee considered “whole” with the addition of Recovery Act funds; measured impact using same common measures; noted tremendous increase in participation, but hard to measure impact otherwise; and attributed the increase in participation due to Recovery Act funds and public awareness of the Recovery Act versus.
Puerto Rico	No additional analysis of Recovery Act funds but noted increased participation. Believed more services could be offered due to Recovery Act funds. One local board noted they served an additional 239 Adults and 202 Dislocated Worker participants.
Vermont	Noted an increased number of participants, which increased the number of participants placed in employment. But, specific measurements were not developed beyond serving more participants and specific goals for increasing participation were not developed. Understood the additional Recovery Act funding would increase enrollments; was able to provide participants with longer training allowing for greater opportunity for long-term careers; but found it difficult to determine if more participants were served due to availability of Recovery Act funds or due to more people in need of services.

State	Responses to impact of Recovery Act funds on participation
Washington	<p>Did not analyze success of Recovery Act funds versus standard formula funds. Recovery Act funds allowed for an increase in the number of people that could take advantage of services offered by the programs. One local board identified serving 289 Dislocated Workers and 194 Adult participants with Recovery Act funds. Restarted some programs at community colleges that had been cancelled due to lack of funding. One local board identified Dislocated Worker participants were at 119 percent of the quarterly target and overall Dislocated Worker capacity increased 423 percent over the PY 2007 baselines as of FY 2010.</p>

Exhibit 2: Responses to Application of the Provision to Give Priority of Service

State	Responses to application of the provision to give priority of service
Alaska	Provided guidance through policies and scope of work, and issued advisories on priority of service; strengthened the policies in 2009 to ensure prioritization guidelines were clear; and continued providing priority of service to customers, adding emphasis to the priority of service provision.
Arizona	Applied provision to the contract document and referred local board to TEGL 14-08. Priority of service is always applied and a very large percentage of the participants, nearly all, are low-income.
Illinois	Low-income participants greatly exceed the normal percentage (51 percent) required; Nearly all recipients who apply for the program are low-income and currently receiving some form of government assistance. Did not develop additional policies. No additional analysis was performed over Recovery Act funds with regard to low-income participants. All participants in the adult program were underemployed. During Recovery Act funding, the number of participants who applied exceeded the number of available spots/funds, so priority of service was applied the same.
Maine	Treated priority of service as an existing requirement of the regular WIA Adult program. No special instructions or provisions were added for Recovery Act funds. Priority of service is inherent in the WIA Adult program. Applied provision per normal policies and procedures and nothing was added nor removed due to the Recovery Act funding. In one local area only those meeting federal poverty guidelines were enrolled in the WIA Adult program.
Nebraska	No change in priority of service. Applied priority of service as stated in ETA's guidance.
New Mexico	Emphasized priority of service. Included priority of service in grant documents to locals. Worked with workforce services to identify target populations, such as the long-term unemployed and those with a lower living standard equivalent. One LWIB used Recovery Act funds to primarily fund low-income participants, and used regular WIA Adult formula funds for participants that were not low-income.
Puerto Rico	Applied priority of service the same for Recovery Act funds; did not adjust any poverty level thresholds for Recovery Act priority of service. Guidance was provided by central office.
Vermont	Priority of Service is already an existing requirement of the WIA Adult program. If applicants are eligible for certain aid programs, they are automatically classified as "priority" placement eligible. Most applicants are eligible through public assistance, UI payments, or other programs. If the applicant exceeded the low-income requirement, the application was elevated for approval by the state DOL. No guidance was needed as the requirements were already in place. The program ran as usual. No change to low-income/assistance applicants, as the prioritization was already required by WIA and worked closely with other state programs to coordinate service to meet priority of service requirements.
Washington	Most applicants for the program were low-income. Priority of service had always been a requirement to implement the WIA Adult funds. Policy/procedures did not change; state already had in place a priority system of level 1, 2, or 3 participants with level 1 being the most in need. Local boards reported 70 percent to 76 percent

State	Responses to application of the provision to give priority of service
	of Recovery Act recipients were level 1 participants.

Appendices

PAGE INTENTIONALLY LEFT BLANK

Appendix A

Objectives, Scope, Methodology, and Criteria

Objectives

The objectives of our audit of the Recovery Act Outcomes from WIA Training and Services to Adults and Dislocated Workers were to determine:

1. To what extent did states use additional WIA Adult and WIA Dislocated Worker formula funds to increase the percentage of recipients they served with direct training and supportive services?
2. To what extent did states give priority of service to assistance recipients and low-income persons in the WIA Adult program, as required by the Recovery Act?

Scope

The audit period covered February 17, 2009, the inception date of the Recovery Act, through September 30, 2011, and included participants in all 50 U.S. States, as well as the District of Columbia and Puerto Rico as identified in 20 Code of Federal Regulations (CFR) 660.300. The nine grantees selected were Alaska, Arizona, Illinois, Maine, Nebraska, New Mexico, Puerto Rico, Vermont, and Washington.

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

Methodology

In planning and performing our audit, we considered ETA's internal controls that were relevant to our audit objectives. We confirmed our understanding of these controls through interviews and reviews of policies and procedures. Our consideration of internal controls relevant to our audit objectives would not necessarily disclose all matters that might be significant deficiencies. Because of inherent limitations in internal controls, noncompliance may nevertheless occur and not be detected.

We conducted structured interviews with officials, who were responsible for the administration of the WIA Recovery Act funds at the Employment and Training Administration (ETA) National Office, as well as officials and staff at the State and Local levels for each selected state and Local Workforce Investment Board (LWIB). We

selected the states, LWIBs, and participants using a 3-stage cluster-sampling plan. The sample resulted in 9 grantees, 34 LWIBS, and 490 Recovery Act coded participants for audit. The 9 grantees selected were Alaska, Arizona, Illinois, Maine, Nebraska, New Mexico, Puerto Rico, Vermont, and Washington. The 490 participants were selected using individual state Management Information Systems (MIS)²² where participants were coded as receiving Recovery Act funds partially or fully and not from the Workforce Investment Act Standard Record Data (WIASRD). WIASRD was specifically designed to not allow identification of an individual participant. We used WIASRD for program-wide statistical analysis while the state MIS systems were used for participant level testing. We used the participant sample to validate that the data provided was accurate through testing for the Recovery Act attributes.

We reviewed all 490 participant files for evidence of eligibility and direct training or support services provided through Recovery Act funding, either partially or fully. To verify participants were eligible for either the WIA Adult or the Dislocated Worker programs, we reviewed participant files for documentation related to the age, citizenship, receipt of public assistance, selective service registration for males born after January 1, 1960, and employment status. Specific documentation reviewed included copies of driver's licenses, social security cards, birth certificates, selective service registration print-outs, passports, and printouts from various public assistance agencies. For participants in the Dislocated Worker program, we also reviewed documentation from previous employers to determine the reason for employment dislocation. This consisted of letters from employers stating an individual had been laid off or terminated due to downsizing or facility closure.

Criteria

We used the following to perform the audit:

- Workforce Investment Act of 1998 (WIA) – P.L. 105-220
- TEGL 13-08, March 6, 2009
- TEGL 14-08, March 18, 2009
- TEGL 17-08, April 23, 2009
- TEGL 24-08, May 21, 2009
- TEGL 19-09, March 30, 2010
- TEGL 17-05, February 17, 2006
- GAO's Oversight of the Recovery Act
- American Recovery and Reinvestment Act of 2009 (ARRA) – P.L. 111-5
- Government Auditing Standards 2011 Internet Version, Chapter 6-7
- DOL OIG's *Policies and Procedures Handbook*, July 2009

²² These systems were not audited.

Appendix B

Acronyms and Abbreviations

ARRA	American Recovery and Reinvestment Act of 2009
CFR	Code of Federal Regulations
CPA	Certified Public Accountant
DOL	Department of Labor
ETA	Employment and Training Administration
GAO	Government Accounting Office
LWIB	Local Workforce Investment Board
OIG	Office of Inspector General
OMB	Office of Management and Budget
P.A.	Professional Association
P.L.	Public Law
PY	Program Year
TANF	Temporary Assistance For Needy Families
TEGL	Training and Employment Guidance Letter
WIA	Workforce Investment Act of 1998
WIOA	Workforce Innovation Opportunity Act
WIASRD	Workforce Investment Act Standard Record Data

TO REPORT FRAUD, WASTE, OR ABUSE, PLEASE CONTACT:

Online: <http://www.oig.dol.gov/hotlineform.htm>
Email: hotline@oig.dol.gov

Telephone: 1-800-347-3756
202-693-6999

Fax: 202-693-7020

Address: Office of Inspector General
U.S. Department of Labor
200 Constitution Avenue, N.W.
Room S-5506
Washington, D.C. 20210