

U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE EMPLOYMENT
AND TRAINING ADMINISTRATION



ETA NEEDS TO IMPROVE AWARDING OF YEAR-END NATIONAL EMERGENCY GRANTS

Date Issued: September 30, 2015
Report Number: 02-15-205-03-390

BRIEFLY...

September 2015

ETA NEEDS TO IMPROVE AWARDING OF YEAR-END NATIONAL EMERGENCY GRANTS

WHY OIG CONDUCTED THE AUDIT

During the period July 1, 2011, through June 30, 2014, ETA awarded nearly a half billion dollars in National Emergency Grants (NEG) to states and local workforce investment boards to quickly respond to emergencies or disasters of national significance that could result in substantial loss of employment. Forty-four percent (\$212.8 million) of grant funds were awarded at year end. The funds were part of ETA's Dislocated Worker Training National Reserve that were due to expire and had to be obligated by the end of the year or returned to U.S. Department of Treasury.

WHAT OIG DID

We conducted a performance audit to determine the following:

Did ETA properly award NEGs?

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/2015/02-15-205-03-390.pdf>

WHAT OIG FOUND

While ETA technically complied with the requirements for grant awards, it made awards to grantees whose applications did not fully meet the objectives of its solicitations. Out of 64 year-end awards, we reviewed 27 year-end awards, totaling \$85.6 million, and found 17 applications, totaling \$55.9 million and serving 13,762 participants, that: 1) did not have explanations of how proposed training would lead to industry recognized credentials; or 2) contained lower-budgeted costs for training or higher-budgeted costs for administrative activities than were called for in the grant solicitations.

In Program Year (PY) 2012, which ended June 30, 2013, and PY 2013, which ended June 30, 2014, ETA announced the availability of year-end grants on May 28 and April 28, respectively. These grants were to be awarded by June 30. In PY 2012, applicants had 10 days to submit proposals, and in PY 2013 they had 29 days. ETA acknowledged it was difficult to perform detailed application reviews under these time constraints and provided guidance that allowed ETA to work with grantees to modify grants to meet solicitation requirements after the grants were awarded. However, at least a year after grants were awarded, ETA continued to work with grantees to modify their initial applications, and none of the 17 sampled year-end grants (\$55.9 million) had been modified to meet the requirements of the solicitations. As a result, grantees may not have provided participants with sufficient opportunity to obtain industry-recognized credentials to enable them to fill in-demand jobs. Moreover, available funds may not have been fully used to train and properly serve participants.

WHAT OIG RECOMMENDED

We recommend the Assistant Secretary for Employment and Training: (1) review all year-end grants awarded during PYs 2012 and 2013 to verify whether or not they met solicitation requirements; and (2) allow sufficient time to review grant applications and only award grants that fully meet the solicitation requirements, or issue guidance to ensure grant modifications are made within a reasonable timeframe after award so grantees can incorporate the revised scope of work into their grants and properly serve participants.

ETA agreed with OIG's recommendations and stated it has begun to take corrective actions.

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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



September 30, 2015

INSPECTOR GENERAL'S REPORT

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During the period July 1, 2011, through June 30, 2014, ETA awarded nearly a half billion dollars in National Emergency Grants (NEG) to states and local workforce investment boards to quickly respond to emergencies or disasters of national significance that could result in substantial loss of employment. Forty-four percent (\$212.8 million) of grant funds were awarded at year end. The funds were part of ETA's Dislocated Worker Training National Reserve that were due to expire and had to be obligated by the end of the year or returned to U.S. Department of Treasury.

Our audit objective was to determine the following:

Did ETA properly award NEGs?

RESULTS IN BRIEF

While ETA technically complied with the requirements for grant awards, it made awards to grantees whose applications did not fully meet the objectives of its solicitations. Out of 64 year-end awards, we reviewed 27, totaling \$85.6 million, and found 17 applications, totaling \$55.9 million and serving 13,762 participants, that: 1) did not have explanations of how proposed training would lead to industry recognized credentials; or 2) contained lower-budgeted costs for training or higher-budgeted costs for administrative activities than were called for in the grant solicitations.

In Program Year (PY) 2012, which ended June 30, 2013, and PY 2013, which ended June 30, 2014, ETA announced the availability of year-end grants on May 28 and April 28, respectively. These grants were to be awarded by June 30. In PY 2012, applicants had 10 days to submit proposals, and in PY 2013, they had 29 days. ETA acknowledged it was difficult to perform detailed application reviews under these time constraints and provided guidance that allowed ETA to work with grantees to modify grants to meet solicitation requirements after the grants were awarded. However, at least a year after grants were awarded, ETA continued to work with grantees to modify their initial applications, and none of the 17 sampled year-end grants (\$55.9 million) had

been modified to meet the requirements of the solicitations. As a result, grantees may not have provided participants with sufficient opportunity to obtain industry-recognized credentials to enable them to fill in-demand jobs. Moreover, available funds may not have been fully used to train and properly serve participants.

BACKGROUND

The Workforce Investment Act of 1998 (WIA), Title I, Subtitle D, Section 173, authorizes funding for NEGs. NEGs are discretionary awards by the Secretary of Labor that temporarily expand service capacity at the state and local levels through time-limited funding assistance in response to significant dislocation events. Significant events are those that create a sudden need for assistance that cannot reasonably be expected to be accommodated within the ongoing operations of the formula-funded WIA Dislocated Worker program, including the discretionary resources reserved at the state level.

During the period July 1, 2011, through June 30, 2014, ETA awarded \$478.5 million for 162 NEGs to states and local workforce investment boards to quickly respond to emergencies or disasters of national significance that could result in substantial loss of employment, and to assist dislocated workers impacted by plant closures, mass layoffs, and trade-related job loss. ETA's awarding process consisted of pre-application consultations, application submission reviews, and final-funding decisions by the Secretary of Labor.

Year-end grant award funds were part of ETA's Dislocated Worker Training National Reserve that were due to expire and had to be obligated by the end of the year or returned to Treasury. In PY 2012, ETA awarded the Dislocated Worker Training NEGs (DWT), totaling \$58 million, to 30 states to expand training of dislocated workers to help them acquire industry-recognized credentials leading to new careers. States were to give priority to long-term unemployed dislocated workers and those who have been "profiled" as likely to exhaust unemployment insurance benefits. In PY 2013, ETA awarded the Job-Driven NEGs (JD), totaling \$154,757,547, to 32 states, Puerto Rico, and the Cherokee tribal nation, to help them implement new, improved, or expanded local and regional job-driven strategies. The goal was to create opportunities for dislocated workers to participate in work-based and occupational training leading to industry-recognized credentials.

RESULTS

While ETA technically complied with the requirements for grant awards, it made awards to grantees whose applications did not fully meet the objectives of its solicitations. We estimate grant awards, totaling at least \$106,991,000 (with a 95 percent confidence level), were made to grantees for applications that did not meet the requirements of the solicitations for credential attainment and budgeted costs. Furthermore, at least a year after sampled grants were awarded, they had not been modified to meet the objectives of the solicitations. As a result, grantees may not have provided participants with

sufficient opportunity to obtain industry-recognized credentials to enable them to fill in-demand jobs. Moreover, available funds may not have been fully used to train and properly serve participants.

We are making recommendations to the Assistant Secretary for Employment and Training to allow sufficient time to review grant applications and only award grants that fully meet the requirements of the solicitation, or issue guidance to ensure grant modifications are made within a reasonable timeframe after award so grantees can incorporate the revised scope of work into their grants and properly serve participants. The implementation of these recommendations will result in better use of funds.

YEAR-END GRANTS AWARDED DID NOT MEET THE OBJECTIVES OF GRANT SOLICITATIONS

We found the DWT and JD year-end grants did not fully comply with the grant solicitation. This was due to the urgency to award year-end grants before funds were due to expire and be returned to Treasury. The year-end grant awards accounted for 44 percent (\$212.8 million) of total grant funds awarded during the audit period. For the remaining non-year-end NEG grants (\$265.8 million), ETA followed its procedures to properly award these grants by providing pre-application consultations, application reviews for solicitation requirements, award decisions, and notification to applicants of award decisions.

Out of 64 year-end awards, we reviewed 27, totaling \$85.6 million, and found 17 applications, totaling \$55.9 million, that: 1) did not have explanations of how proposed training would lead to industry recognized credentials; or 2) contained lower-budgeted costs for training or higher-budgeted cost for administrative activities than were in the grant solicitations. According to the grant applications, these 17 sampled awards were to serve a total of 13,762 dislocated workers, 6,457 for sampled DWT and 7,305 for sampled JDs.

CREDENTIAL ATTAINMENT – GRANTEES DID NOT EXPLAIN HOW PROPOSED TRAINING WOULD LEAD TO INDUSTRY-RECOGNIZED CREDENTIALS

According to ETA's advisory notice, the goal of the grant award phase is to make the best investment with the resources available. In doing so, ETA is to negotiate work statements that are fully responsive to statutory requirements, and to ETA's guidelines and priorities to ensure all applicants recommended for funding have adequate plans for implementation. *Dislocated Worker Training National Emergency Grants*, Training and Employment Notice (TEN) No. 38-12, states NEGs should describe "how the proposed training will lead to eligible credentials." Funding was to be made available to states to provide workers the opportunity to participate in training and acquire an industry-recognized credential for enabling them to obtain a good job. Similarly, *Job-Driven National Emergency Grants*, TEN No. 29-13, indicates that funding will be made available to states to implement new or expanded local and regional job-driven

partnerships that provide workers opportunities to participate in work-based training, or occupational training that results in an industry-recognized credential, and/or other non-training reemployment services. The JD decision memo also indicated ETA is committed to supporting training and credential attainment to help dislocated workers become reemployed, promote the nation’s economic recovery, and support the President’s call to have “the best educated, most competitive workforce in the world.”

An industry-recognized credential is one that either is developed and offered by, or endorsed by, a nationally-recognized industry association or organization representing a sizeable portion of the industry sector, or a credential that is sought or accepted by companies within the industry sector for purposes of hiring or recruitment, which may include credentials from vendors of certain products. In addition, educational credentials consist of diplomas, certificates, and degrees.

Of the 27 sampled year-end awards, 16 awards (\$50.4 million) specified in their grant applications the areas of training that would lead to industry-recognized credentials and/or the types of educational credentials such as GED, diploma, degree, certificate, or training at colleges. For the remaining 11 awards (\$35.2 million), 5 did not state in their grant applications that credentials would be provided. The other 6 indicated participants would receive industry-recognized credentials in high-growth or in-demand industry/occupations, but did not provide specifics on the types of credential or areas where high-growth industries/occupations were expected. Furthermore, there was no correlation between the types of training and the credentials participants would receive.

BUDGETED COSTS – LOWER BUDGETED COST FOR WORK-BASED TRAINING OR HIGHER BUDGETED COST FOR ADMINISTRATIVE ACTIVITIES

In recognition that work-based learning can bridge the divide between unemployment and employment for long-term unemployed individuals, ETA required a minimum of 25 percent, but no more than 60 percent, of the DWT award to be used for work-based learning. For JD, ETA required a minimum of 30 percent of funds to be used for one or more of the work-based training models. For both DWT and JD grants, ETA established a maximum of 10 percent of the award to be used for administrative costs associated with operating NEGs at the state and project-operator level.

We found four DWTs and six JDs with budgeted costs for work-based training lower than the percentage required by ETA. Also, one JD had budgeted administrative costs higher than the maximum percentage allowed by ETA. As a result, less funding was budgeted for training activities to participants.

SAMPLED YEAR-END GRANTS HAVE NOT BEEN MODIFIED TO MEET THE SOLICITATION'S REQUIREMENTS

At least a year after grants were awarded, ETA continued to work with grantees to modify their initial applications. All 17 sampled grants, totaling \$55.9 million, had not been modified to meet the solicitation's requirements. We found 4 of the 17 sampled grantees had submitted modifications to address the exceptions noted; however, these modifications were pending ETA's approval. This was due to ETA not providing a specific timeframe for when modifications had to be finalized. As a result, grantees may not have provided participants with sufficient opportunity to obtain industry-recognized credentials to enable them to fill in-demand jobs. Moreover, available funds may not have been fully used to train and properly serve participants.

The year-end funds were due to expire and had to be obligated by the end of the year or returned to Treasury. In PYs 2012 and 2013, ETA announced on May 28, and April 28 respectively, that grant funds would be awarded by June 30. In PY 2012, applicants had 10 days to submit the DWT applications, and in PY 2013 applicants had 29 days to submit the JD applications. Overall, DWTs took a month from solicitation to award, and JDs took about two months from solicitation to award.

ETA acknowledged that it was difficult to perform detailed application reviews under these time constraints. Therefore, ETA's guidance allowed ETA grant officers to work with grantees to modify grants to meet solicitation requirements after the grants were awarded. According to *Revised National Emergency Grant Application Submission*, TEN No. 32-10, "ETA anticipates that the use of this revised process will significantly reduce the number of NEG modifications that must be submitted, as many modifications result from issues that were present in the original NEG application." However, we found ETA did not provide a specific timeframe of when modifications had to be finalized.

OIG'S RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training:

1. Review all year-end grants awarded during PYs 2012 and 2013 to verify whether or not they met solicitation requirements.
2. Allow sufficient time to review grant applications and only award grants that fully meet the solicitation, or issue guidance to ensure grant modifications are made within a reasonable timeframe after award so grantees can incorporate the revised scope of work into their grants and properly serve participants.

MANAGEMENT’S RESPONSE

The Assistant Secretary for Employment and Training agreed with the recommendations and stated that improving grant administration is a priority. The Assistant Secretary also stated ETA is working diligently to make improvements in the areas of concern identified through this audit. Specifically, the Assistant Secretary said PY 2012 year-end grants have been modified and are now in compliance with the solicitation, and ETA is working to execute PY 2013 grant modifications. Management’s response to our draft report is included in its entirety in Appendix B.

We appreciate the cooperation and courtesies ETA personnel extended to the Office of Inspector General during this audit. OIG personnel who made major contributions to this report are listed in Appendix C.



Elliot P. Lewis
Assistant Inspector General
for Audit

Appendices

Objectives, Scope, Methodology, and Criteria

Objective

The objective of the audit was to determine the following:

Did ETA properly award NEGs?

Scope

This audit covered 162 active and inactive NEGs awarded by ETA during PYs 2011, 2012, and 2013. Our universe included Disaster, Dual enrollment, and Regular NEG's, totaling \$478,534,579. It did not include any awards made under The American Recovery and Reinvestment Act of 2009 funded On-the-Job NEG Training grants, ETA Superstorm Sandy awards, Superstorm Sandy appropriations from Congress, or Health Coverage Tax Credit NEGs. We also reviewed NEG application files where ETA did not approve funding from PY 2011 through PY 2013.

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

Methodology

Our methodology consisted of: 1) a file review of 49 statistically-selected NEGs awarded by ETA, totaling \$141,665,221, and a review of 11 Dislocated Worker Training (DWT) and Job-Driven (JD) NEG requests that did not receive funding; 2) interviews with officials in ETA's Office of National Response, Office of Grant Management, Office of Trade Adjustment Assistance, and Office of Performance and Technology; 3) reviews of federal laws, regulations, and ETA guidance related to NEGs and other NEG-related technical assistance materials ETA has issued; and 4) a review of ETA's responses to our questionnaire on internal controls for the administration of the NEG Program.

We performed a data reliability assessment to ensure we had complete and accurate grant award data. We relied on computer-generated data from ETA's NEG system. We reviewed NEG applications, including budget information, review checklists, Secretary's decision memos, and grant modifications as of August 3, 2013. We determined the data was sufficiently reliable for purposes of this report.

In planning and performing our audit, we considered whether internal controls significant to the audit were properly designed and placed in operation. This included review of ETA policies related to awarding disaster, dual-enrollment, regular, and year-end NEGs.

We confirmed our understanding of these controls and procedures through interviews with ETA National Office officials and review of files from the NEG system. Our consideration of these internal controls would not necessarily disclose all matters that might be significant deficiencies. Because of inherent limitations in internal controls, misstatements or noncompliance may nevertheless occur and not be detected.

Sampling

For testing ETA's awarding process for NEGs, we determined 162 NEGs were awarded during the period July 1, 2011, through June 30, 2014. From these NEGs, we used a single stage risk-based sampling approach to select a sample of 49 NEGs using a 95 percent confidence level and +/- 7 percent sampling precision.

Criteria

- Employment and Training Guidance Letter No. 15-10, Increasing Credential, Degree, and Certificate Attainment by Participants of the Public Workforce System
- Employment and Training Order No. 1-08, Grant Management Policies and Responsibilities within the Employment and Training Administration
- TEN No. 29-13, Job-Driven National Emergency Grants
- TEN No. 32-10, Revised National Emergency Grant Application Submission
- TEN No. 38-12, Dislocated Worker Training National Emergency Grants
- WIA, Title I, Subtitle D, Section 173, National Emergency Grants

Management Response to Draft Report


U.S. Department of Labor

SEP 28 2015

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



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

FROM: PORTIA WU 
Assistant Secretary
for the Employment & Training Administration

SUBJECT: Response to the Office of the Inspector General's
ETA Needs to Improve Awarding of Year-End
National Emergency Grants Draft Audit Report
No. 02-15-205-03-390

Thank you for the opportunity to comment on the draft report resulting from the Office of the Inspector General (OIG) audit of the Employment and Training Administration's (ETA's) Need to Improve Awarding of Year-End National Emergency Grants (NEGs), Report No. 02-15-205-03-390. Improving our grant administration is a priority for us and we are working diligently to make improvements in the areas of concern identified through this audit.

ETA's response to each of the recommendations in the draft report is as follows:

OIG Recommendation #1: Review all year-end grants awarded during PYs 2012 and 2013 to verify whether or not they met solicitation requirements.

Response: ETA agrees with this recommendation and has taken significant action to correct this concern. ETA has completed reviews regarding solicitation requirements for the PY 2012 year-end awards. As a result of these reviews, 30 modifications have been executed for the PY 2012 grants, bringing them in compliance with the solicitation.

With the exception of five grants, the PY 2013 year-end awards have also been reviewed regarding solicitation requirements. As a result of these reviews, 27 modifications have been executed bringing these grants into compliance with the solicitation. ETA plans to complete the remaining five reviews and modifications by October 19, 2015.

OIG Recommendation #2: Allow sufficient time to review grant applications and only award grants that fully meet the solicitation, or issue guidance to ensure grant modifications are made within a reasonable timeframe after award so grantees can incorporate the revised scope of work into their grants and properly serve participants.

Response: ETA also agrees with this recommendation and is working to make improvements in this area. Our PY 2014 Sector Partnership solicitation was open for 30 days, thus, meeting the Uniform Guidance requirement. In addition, on September 16, 2015, we completed the reviews of the NEG year-end PY 2014 awards regarding solicitation compliance. The Office of Grants Management e-mailed the findings of these reviews to our regional staff including guidance to obtain modification submissions for 22 grants within 60 days.

Acknowledgements

Key contributors to this report were Mark Schwartz, Cardelia Tsoi, Eliacim Nieves-Perez, Eric Rann, and Mary Lou Casazza.

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