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

REPORT TO THE EMPLOYMENT AND TRAINING ADMINISTRATION

TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING GRANTS:

ETA SPENT $1.5 BILLION AND MET ITS STATED CAPACITY DEVELOPMENT GOALS, BUT IS CHALLENGED TO DETERMINE IF THE INVESTMENT IMPROVED EMPLOYMENT OUTCOMES

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

# BRIEFLY...

**ETA SPENT $1.5 BILLION AND MET ITS STATED CAPACITY DEVELOPMENT GOALS, BUT IS CHALLENGED TO DETERMINE IF THE INVESTMENT IMPROVED EMPLOYMENT OUTCOMES**

**July 26, 2018**

## WHY OIG CONDUCTED THE AUDIT

This audit builds upon prior OIG and GAO audits that raised concerns about DOL's grant investments not achieving their intended performance goals. The Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants Program provided funds to build capacity to deliver training programs that are suited for workers who are eligible for training under the Trade Adjustment Assistance for Workers program.

## WHAT OIG DID

We conducted this performance audit to answer the following question:

> To what extent did TAACCCT grantees achieve their goals of developing and expanding education and training programs that prepared participants for employment in high-wage, high-skill occupations?

Our audit covered 185 TAACCCT grants, totaling approximately $1.5 billion. We analyzed reported outcomes for the 185 grants, and reviewed the capacity developed and outcomes achieved for a judgmental sample of 10 grants.

## READ THE FULL REPORT

http://www.oig.dol.gov/public/reports/oa/2018/02-18-201-03-330.pdf

## WHAT OIG FOUND

Grantees generally achieved their goals related to developing, expanding, and improving training programs; however, less than half of the students that were unemployed when they entered training found a job. Moreover, for participants who found jobs, ETA lacked information to determine if the resulting employment was in high-wage, high-skill occupations.

ETA provided program development data that showed grantees developed 1,992 training programs, substantially meeting its goal of 2,074.

For students who were unemployed when they entered training, only 44 percent had entered employment. Furthermore, in rounds 2 and 3, grantees established and ETA accepted targets for program completion of 59 percent and 65 percent, respectively. Overall, grantees did not achieve those targets, as only 37 percent of students completed training in both rounds 2 and 3.

For those participants who obtained employment, grantees were not able to determine whether the jobs they obtained were in high-wage, high-skill occupations because of challenges the grantees faced in obtaining employment data. Moreover, ETA did not collect additional performance data after the grants ended. As a result, ETA lacked the ability to measure the long-term results of TAACCCT's capacity-building investment.

Finally, we questioned $1 million of advertising costs incurred by one grantee that were not allocable to the TAACCCT program.

## WHAT OIG RECOMMENDED

We made 3 recommendations to the Deputy Assistant Secretary for Employment and Training to improve future discretionary grant programs that use funds to develop new education and training programs. We also recommended ETA recover questioned costs of $1 million and issue additional procurement guidance to grantees.

The Deputy Assistant Secretary for Employment and Training generally agreed with our recommendations.

## TABLE OF CONTENTS

# INSPECTOR GENERAL'S REPORT

Rosemary Lahasky
Deputy Assistant Secretary
 for Employment and Training
200 Constitution Avenue
Washington, DC 20210

This report presents the results of our audit of the Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants Program. Under TAACCCT, the Employment and Training Administration (ETA) awarded 256 grants to community colleges and other institutions of higher learning, totaling almost $2 billion.

ETA awarded these grants to build capacity for participants to attain the skills, degrees, and credentials necessary for employment in high-wage, high-skill occupations. Grantees were to use funds for developing new education and training programs, or for replicating existing programs that could be completed in two years or less and were suitable for workers who had lost their jobs or were threatened with job loss because of foreign trade. Eligible program participants included workers eligible for assistance under the Trade Adjustment Assistance for Workers program, as well as other individuals that met grantees' regular admission requirements.

Prior OIG and Government Accountability Office audits raised concerns that DOLs grant investments had not achieved their intended results. Given those concerns, we conducted an audit of the TAACCCT program to determine the following:

> To what extent did TAACCCT grantees achieve their goals of developing and expanding education and training programs that prepared participants for employment in high-wage, high-skill occupations?

To answer this question, we analyzed reported outcomes for 185 grants, and reviewed the capacity developed and outcomes achieved for a judgmental sample of 10 grants during our audit period. Our audit covered approximately $1.5 billion in grant funds awarded to 173 grantees during the first three rounds of TAACCCT, with a period of performance from October 1, 2011, through September 30, 2017.

Grantees generally achieved their goals related to developing, expanding, and improving training programs; however, less than half of the students that were unemployed when they entered training found a job. Additionally, for participants who found jobs, ETA lacked information to determine if the resulting employment was in high-wage, high-skill occupations.

## RESULTS

All 10 TAACCCT grantees in our sample met the goals established in their grant agreements for developing and expanding education and training programs. Additionally, based on program development data provided by ETA, grantees developed 1,992 training programs, substantially meeting its goal of 2,074 (96 percent).

However, our review of the 177 grants[1] awarded in the first 3 rounds of TAACCCT that included performance targets, found that grantees had not achieved their performance targets for employment. For students who were not employed when they enrolled, less than half completed training and entered employment.

Based on reported performance through September 30, 2017, we found 127 of 177 grantees had met less than 50 percent of their employment targets. Specifically, for Rounds 2 and 3,[2] where grantees established and ETA accepted completion targets of 59 percent and 65 percent respectively, we found only 37 percent of students completed training in both Rounds 2 and 3. At the end of each round, there were students who had not yet completed their programs of study when the grants ended. Final performance outcomes for these students will not be reported, as these 3 rounds have ended and additional data will not be reported to ETA.

---

[1] Eight grantees from Round 1 did not provide targets for their TAACCCT outcomes.

[2] ETA did not require grantees to establish targets for participant enrollment and completion in Round 1.

Additionally, grantees were not able to determine whether the jobs obtained by participants were in high-wage, high-skill occupations because of challenges they faced in obtaining employment outcome data. Further, ETA lacked a process to collect additional performance data after the grants ended. As a result, ETA will not be able to measure the long-term results of TAACCCT's capacity-building investment.

## ETA REPORTED THAT, OVERALL, GRANTEES MET PROGRAM GOALS FOR CAPACITY DEVELOPMENT

We sampled 10 grants that received $85.9 million from a universe of 185 grants, totaling approximately $1.5 billion. These sampled grants generally met the requirements identified in the Solicitation for Grant Awards (SGA) for developing and expanding training programs. Moreover, ETA provided program development data for the universe of 185 grantees that showed grantees developed 1,992 training programs from a target of 2,074 (96 percent).

TAACCCT grants were primarily focused on capacity building rather than tuition assistance for students. Sampled grantees developed 184 new or expanded programs, with a focus on accelerating progress for low skilled and older workers by combining basic skills training with specific career knowledge. Grantees developed strategies to improve retention and achievement rates, and developed systems to strengthen online and technology-enabled learning.

One grantee, a consortium of 15 community colleges in Massachusetts, developed programs with credentials, certificates, and degrees in Advanced Manufacturing, Financial Services, Healthcare Services Industry, and Life Sciences and Biotechnology. Another grantee in Vermont developed Associates in Applied Sciences degree programs in Medical Assisting, Digital Marketing, and Applied Business Practices. A community college in Delaware developed programs covering Aviation Power Plant, Electronic Health Records, Energy Efficient Manufacturing, Information Security, Renewable Energy – Solar, and Sustainable Landscaping.

One of the overarching goals of TAACCCT was to increase attainment of degrees, certificates, and other industry-recognized credentials, and better prepare the targeted population and other adults for high-wage, high-skill employment. Grantees were also expected to introduce innovative and effective methods for curriculum development and delivery that addressed

specific industry needs and lead to improved learning outcomes. Further, grantees were required to actively engage employers and/or industry associations to identify certifications that were either necessary for employment in the field of study or were widely used by employers for hiring and promotion purposes (see Chart 1).

**Chart 1: Types of programs and number of certifications earned by students at sampled grants**
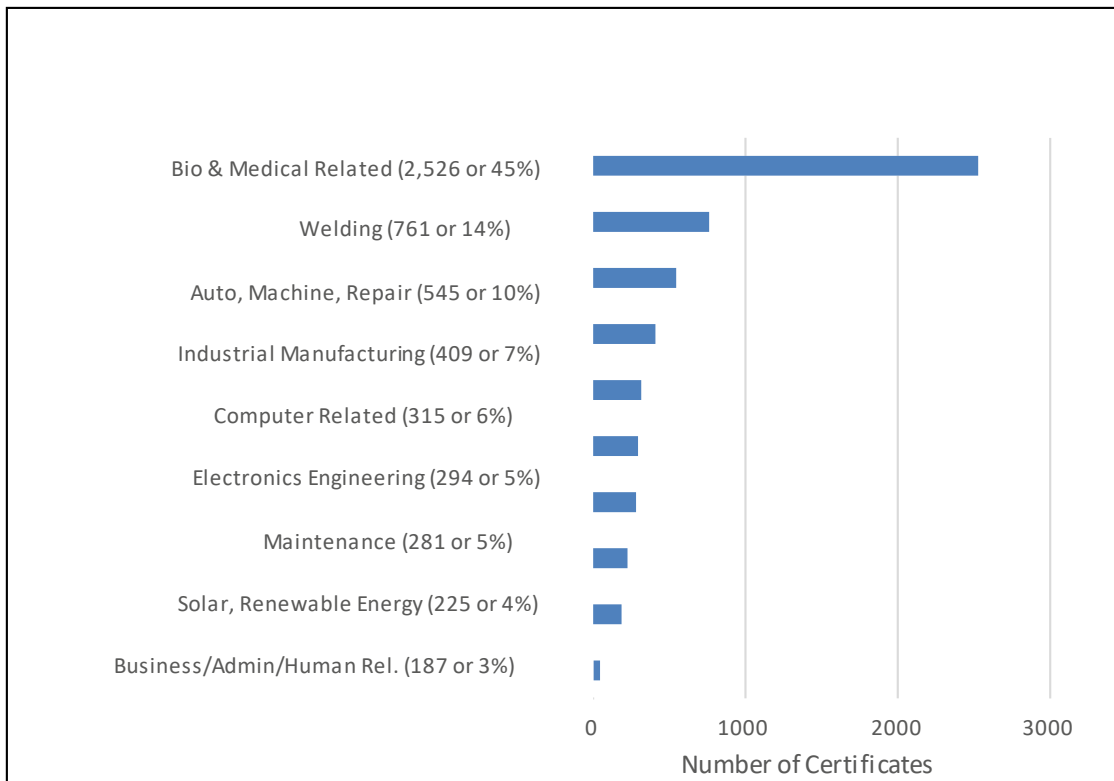


Source: 10 sampled grants

To ensure TAACCCT accomplished the above stated goals, grantee projects in Round 1 were to incorporate one of the following four priorities: 1) Accelerate Progress for Low-Skilled and Other Workers; 2) Improve Retention and Achievement Rates to Reduce Time to Completion; 3) Build Programs That Meet Industry Needs; and 4) Strengthen Online and Technology-Enabled Learning.

Requirements in Round 2 were modified and grantee projects were required to incorporate five core elements: 1) Evidence-Based Design; 2) Career Pathways;

3) Online and Technology-Enabled Learning; 4) Transferability and Articulation; and 5) Strategic Alignment with the Workforce System and Other Stakeholders.

Round 3 added Alignment with Previously-Funded TAACCCT Projects as a sixth core element.

For our 10 sampled grants, we determined grantees' proposed project descriptions met the requirements of TAACCCT and included the priorities and core elements required by the applicable SGAs. We also reviewed grants' evidence supporting select capacity building strategies and deliverables to ensure they were achieved and were aligned with the descriptions included in their Statement of Work.

In reviewing the types of certificates and degrees earned by TAACCCT students at sampled grants, we noted 86 percent of the students earned certificates for programs that were completed in less than one year, 5 percent were for programs completed in over 1 year, and 9 percent were for degrees. This was in accordance with the TAACCCT goal that programs be completed in two years or less.

## TAACCCT HAS NOT MET PERFORMANCE GOALS FOR PROGRAM COMPLETION AND EMPLOYMENT

One of the primary goals of TAACCCT was to demonstrate improved employment outcomes by implementing innovative and effective methods for designing and delivering instruction that addressed specific industry needs. However, as of September 30, 2017, only 40 percent of enrolled students had completed training. Of those students who were not employed at enrollment, 44 percent had completed training and entered employment.

For rounds 2 and 3, grantees established completion targets of 59 percent and 65 percent, respectively. We found only 37 percent of students, in each of the two rounds, completed training.[3]

For students not employed at enrollment, less than half completed training and found a job. In our opinion, this occurred partly because ETA placed greater emphasis on developing program capacity than achieving participant completion and employment targets. As a result, the additional capacity did not benefit as

---

[3] At the end of the grant, some students were still in the program. ETA will not collect or report final performance outcomes for these students.

many participants as targeted. Furthermore, ETA did not know if any of the jobs obtained were in high-skill, high-wage occupations, as grantees were not required to report occupational information.

Through September 30, 2017, 360,621 participants enrolled in TAACCCT programs and 142,822 completed training (see Chart 2). Grantees in rounds 1 to 3 had collectively projected that 109,490 participants would enter employment and 93,321 would retain their jobs for two consecutive quarters. However, the final outcomes reported by grantees showed that only 36,481 entered employment and 22,821 retained employment for two consecutive quarters. As a result, grantees had not achieved targeted employment outcomes at the end of the first three rounds of TAACCCT awards (see Exhibit 1 – Table 3, for proposed and actual outcomes all rounds).

**Chart 2: Employment outcomes for participants
not employed at enrollment**
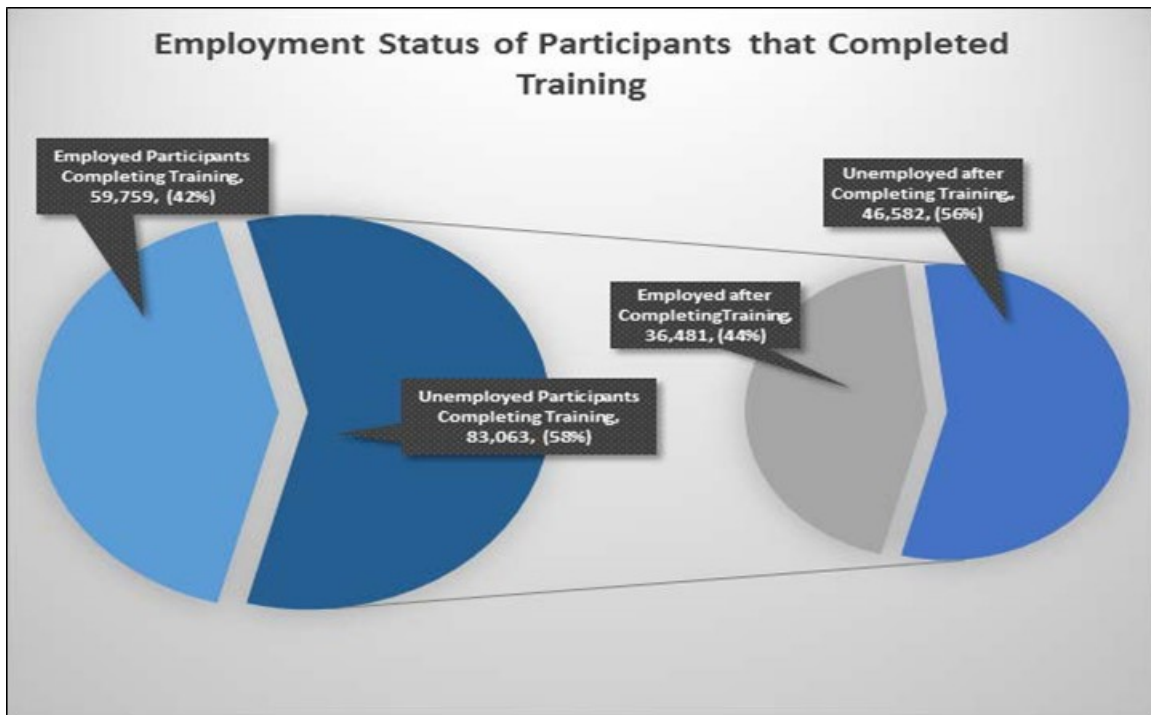


Source: Grantee reported performance information - Unaudited

**CHALLENGES WITH OBTAINING AND USING
WAGE RECORDS TO VALIDATE EMPLOYMENT
AND RETENTION OUTCOMES**

Five of the 10 sampled grantees had not established agreements with their state workforce agencies to obtain wage records. The remaining five grantees that established agreements had limitations in using the data to report employment outcomes. The SGAs stated that ETA was working to develop data-matching processes that could assist grantees with tracking long-term employment outcomes. According to ETA officials, these processes have not been developed due to a number of barriers that hindered efforts, including explicit statutory prohibitions, policy and legal interpretations, and infrastructure.

The five grantees that had not established agreements with their state workforce agencies could not validate their reported employment and retention outcomes using state administrative records. Instead, these grantees used student surveys to record employment and retention. ETA expected these grantees to have access to wage records to report the required outcome measures on employment, retention and wages, and recommended that applicants establish data sharing agreements to access wage records containing this information.

We noted that the five grantees that established agreements with their state workforce agencies found limitations with the state wage-matching data they received, as wage record data were typically not available until two to three quarters after it was reported. In addition, states provided the data in an aggregated format due to privacy concerns. Aggregated data did not allow identification of individual students or their occupations. As a result, grantees were unable to determine if employment could be attributed to the training students completed, or if the jobs students obtained were in high-skilled, high-wage occupations. Without access to individualized employment data, ETA is challenged in determining whether the overarching employment outcomes envisioned by TAACCCT were attained.

The Department of Labor has issued a contract to conduct an outcomes evaluation of Round 4, and will be working with the Department of Health & Human Services' Office of Child Support Enforcement on a memorandum of understanding to access National Directory of New Hires data as a means of obtaining individualized employment and wage data on Round 4 participants. The evaluation is expected to be issued in December 2019.

## ETA LACKED DATA TO MEASURE THE LONG-TERM IMPACT OF TAACCCT

ETA lacked a process to capture data that measured the overall results of TAACCCT's capacity-building investments after the end of the grants. At the end of the first three rounds, there were 50,226 students (or 14 percent of the total enrollment) who had not yet completed their programs of study when the grants ended. Final performance outcomes for these students will not be reported, as these three rounds have ended and additional data will not be reported to ETA. ETA officials stated that federal agencies are not able to require grantees to submit performance data after their grants have ended; however, this information would be useful to measure long-term performance accurately.

The period of performance for TAACCCT grants was generally four years – three years for project development and delivery and one year for evaluation. The one-year evaluation and reporting period was not sufficient to capture long-term outcomes for all participants, both completers and those that had not yet completed the program. As a result, ETA lacked the ability to measure the long-term effects of TAACCCT.

On September 21, 2016, GAO issued a report titled, "Tiered Evidence Grants - Opportunities Exist to Share Lessons from Early Implementation and Inform Future Federal Efforts." This report cited a similar concern across agencies, stating:

> It can be challenging to conduct an evaluation within a 3-5 year grant period because some data may be unavailable or not measured until some timeframe after the service model is delivered.

It also stated that in 2013, the Department of Education updated its Education Department General Administrative Regulations to allow grant periods for competitive grants to be extended beyond 5 years with funding for data collection and analysis.[4]  GAO recommended to OMB that agencies establish a formal means for federal agencies to collaborate on tiered evidence grants.

---

[4] 34 C.F.R. § 75.25 250 b) The Secretary may approve a data collection period for a grant for a period of up to 72 months after the end of the project period and provide funding for the data collection period for the sole purpose of collecting, analyzing, and reporting performance measurement data regarding the project.

ETA's evaluation of TAACCCT capacity-building activities consisted of the following:

1. Number of programs developed or enhanced
2. Number of participants served
3. Openly Licensed Curriculum[5]

In addition, all round two through four grantees had to contract third-party evaluators to design and execute a rigorous evaluation of each funded project. These third-party evaluators were required to submit an interim report to ETA on findings-to-date and a final report at the end of the grant period of performance.

Prior to 2014, ETA did not have authority to use TAACCCT grant funds for administrative purposes, and advised that DOL's Chief Evaluation Office was conducting a study that would provide an overall assessment of TAACCCT. The Department of Labor awarded contracts for $2.64 million for an evaluation of TAACCCT. The evaluation was designed to: (1) document the similarities and differences among the various TAACCCT programs developed by grantees; (2) review how grants were implemented; and (3) identify promising strategies and implementation challenges.

The contractor conducted a nationwide assessment of TAACCCT through collaboration with grantees and their third-party evaluators and issued four briefs[6] in February 2017. The fourth brief, "Early Results of the TAACCCT Grants," presented preliminary results on key outcomes and characteristics of program participants for the first four years, from September 30, 2011, through September 30, 2015.

This brief revealed a 34 percent completion rate for program participants and a 43 percent employment rate for those unemployed at enrollment. TAACCCT's primary focus was to build additional capacity for ongoing use in periods after grants ended.

The Department of Labor funded a contract to conduct an outcomes evaluation covering Round 4. This evaluation will track outcomes through September 2019 for those students enrolled through year 3 of the grant (September 2017) as student enrollment in Round 4 must end in year 3. This study should be

---

[5] SkillsCommons repository of Open Educational Resources has enabled late-round TAACCCT institutions to re-use and adapt curriculum developed by early-round grantees, and built the capacity of colleges and programs that did not receive TAACCCT funding. As of September 21, 2017, ETA stated 10,315 items (representing 42,547 files), including curricula and other educational materials, had been uploaded to Skills Commons by TAACCCT grants.
[6] Brief 1 – "Goals, Design, and Evaluation," Brief 2 – "Grantee Characteristics," and Brief 3 – "Approaches, Targeted Industries, and Partnerships"

completed by December 2019. However, based on discussions with the Chief Evaluation Office, collection of data from grantees for Rounds 1-3 will not extend beyond the end of the grants, which inhibits ETA's ability to determine the long- term effects of TAACCCT for these grants.

## OTHER MATTERS – PROCUREMENT ISSUES, AND $1 MILLION IN QUESTIONED COSTS

We performed limited testing of financial transactions at sampled grants during our on-site reviews and identified the following transactions that did not comply with federal requirements:

1. Nine purchases greater than $100,000 lacked competition
2. Unallowable Services - $1 million in questioned advertising costs

### PURCHASES GREATER THAN $100K LACKED EVIDENCE OF COMPETITION

At the five grants where we conducted onsite fieldwork, we identified procurements totaling $3 million that exceeded the simplified acquisition threshold of $100,000, and therefore required open competition. Grantees lacked documentation to support one or more of the elements necessary to demonstrate the existence of open competition, such as issuance of a request for proposal, cost analysis, receipt of bids, justification, and/or appropriate approval for a sole source contract.

The SGA required grantees to follow procurement requirements specified in Title 29, Code of Federal Regulations (29 CFR), Section 95.40-48, that states all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.

These procurement exceptions occurred because grantees followed their normal procurement practices when selecting vendors and did not believe they were in violation of federal procurement rules. By not following federal procurement rules, the services purchased by grantees may not have provided the most benefit to the government.

## UNALLOWABLE SERVICES OF $1 MILLION FOR ADVERTISING COSTS

Our review of one grantee's documentation for a $1 million marketing services contract determined the services purchased did not benefit the TAACCCT grant. Although the grantee's statement of work included a marketing plan for recruitment of TAA participants, the marketing promotion did not include any content promoting TAACCCT. Instead, its content centered on promoting the community colleges that were partners on the grant.

OMB Circular A-21 states that costs for advertising that solely promote the institution are unallowable. This occurred because the grantee misunderstood the guidance for allowable costs for advertising and did not properly promote TAACCCT with the awarded funds. As a result, we have questioned the $1 million in costs associated with the grantee's procurement of these marketing services. ETA also identified this issue during its onsite monitoring of the grantee, but did not question these costs.

## OIG'S RECOMMENDATIONS

To improve future discretionary grant programs that use funds to develop new education and training programs, we recommend that the Deputy Assistant Secretary for Employment and Training:

1. Strengthen the grant management process by identifying factors and patterns that inhibit grantees from achieving performance goals, and where appropriate re-evaluate and update performance goals.

2. Explore new methods, similar to the Department of Education that changed administrative regulations to allow for data collection for an extended period after the end of the project, for the sole purpose of collecting, analyzing, and reporting performance data.

3. Assist grantees to address the barriers that hindered their efforts to access wage data.

We also recommend the Deputy Assistant Secretary for Employment and Training provide additional guidance to grantees on documentation needed to support procurements exceeding the simplified acquisition threshold and recover

questioned costs of $1 million associated with the marketing contract that did not provide benefit TAACCCT.

## SUMMARY OF ETA'S RESPONSE

ETA concurred with the OIG's four recommendations. Specifically, the agency will identify factors and patterns that prohibit grantees from achieving their performance goals, explore new methods for data collection after the grant ends, and assist grantees with accessing wage data. ETA also stated the ETA Resolution Unit will follow its normal resolution process to determine if there are disallowed costs subject to repayment.

Management's response to our draft report can be found in Appendix B. ETA also provided Employment and Training Order No. 1-17, which was too voluminous to attach, but will be available upon request.

We appreciate the cooperation and courtesies ETA extended us 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

## EXHIBIT 1: TRAINING AND EMPLOYMENT OUTCOMES

### Table 1: Proposed and Actual Outcomes for Round 1

| Performance Measures | Proposed | Actual | % |
|---|---|---|---|
| Enrolled | No Targets | 111,368 | |
| | | | |
| Total Completed Training | No Targets | 50,164 | 45% |
| Participants Employed at Enrollment that Completed Training | | 18,008 | 36% |
| Participants Not Employed at Enrollment that Completed Training | | 32,156 | 64% |
| | | | |
| Entered Employment | 47,494 | 16,431 | 51% |
| Employment Retention | 37,630 | 10,429 | 63% |

### Table 2: Proposed and Actual Outcomes for Rounds 2 & 3

| Performance Measures | Round 2 | | | | Round 3 | | | |
|---|---|---|---|---|---|---|---|---|
| | Proposed | % | Actual | % | Proposed | % | Actual | % |
| Enrolled | 88,060 | | 130,153 | | 62,241 | | 119,100 | |
| | | | | | | | | |
| Total Completed Training | 51,693 | 59% | 48,370 | 37% | 40,606 | 65% | 44,288 | 37% |
| Employed at Enrollment - Completed Training | | | 21,351 | 44% | | | 20,400 | 46% |
| Not Employed at Enrollment - Completed Training | | | 27,019 | 56% | | | 23,888 | 54% |
| | | | | | | | | |
| Entered Employment | 36,615 | 71% | 11,331 | 42% | 25,381 | 63% | 8,719 | 36% |
| Employment Retention | 32,251 | 88% | 7,116 | 63% | 23,440 | 92% | 5,276 | 61% |

**Table 3: Proposed and Actual Outcomes for
all Rounds**

| Performance Measures | Proposed | % | Actual | % |
|---|---|---|---|---|
| Enrolled | | | 360,621 | |
| | | | | |
| Total Completed Training | | | 142,822 | 40% |
| Participants Employed at Enrollment that Completed Training | | | 59,759 | 42% |
| Participants Not Employed at Enrollment that Completed Training | | | 83,063 | 58% |
| | | | | |
| Entered Employment | 109,490 | | 36,481 | 44% |
| Employment Retention | 93,321 | 85% | 22,821 | 63% |

## APPENDIX A: BACKGROUND, SCOPE, METHODOLOGY, & CRITERIA

**BACKGROUND**

The overarching goals of TAACCCT were to:

1. Increase attainment of certifications, certificates, diplomas, and other industry-recognized credentials to better prepare Trade Adjustment Assistance (TAA) - eligible workers and other adults for high-wage, high-skill employment or re-employment in growth industry sectors;

2. Introduce innovative and effective methods for curriculum development and delivery that address specific industry needs and lead to improved learning outcomes and retention rates for TAA-eligible workers and other adults; and

3. Demonstrate, for TAA-eligible workers in particular, improved employment outcomes as a result of the funded program.

In addition to TAA-eligible workers, grant-funded training programs could serve individuals outside of those eligible for TAA.

TAACCCT consisted of four rounds of grants that were awarded by ETA annually, from 2011 through 2014, and were primarily focused on capacity building, with grant funding directed at institution building rather than tuition assistance for students to help them pay for education and training. Grants were required to develop capacity and enroll participants within the first 18 months of the grant award and to deliver training within the second 18 months of their program. The final 12 months of the grant award was limited to gathering data for reporting outcome measures and completing the requirements for a third-party to evaluate grant performance.[7]

In addition, ETA required grants to set performance targets to measure the program's impact on participants. Data on participant characteristics, progress measures, and performance outcomes were to be collected and reported to ETA annually in order to continuously monitor and improve program performance.

---

[7] Third-party evaluations were limited to rounds two through four.

## SCOPE

The scope of the audit covered 185 TAACCCT grants awarded to 173 grantees, totaling approximately $1.5 billion. We analyzed reported outcomes for the 185 grants and reviewed the capacity developed and outcomes for a judgmental sample of 10 grants. Our audit covered grants' performance from grant award date, October 1, 2011, through the reporting period ending September 30, 2017.

Fieldwork was performed at ETA's National Office in Washington, DC; and grantee locations in Massachusetts, Delaware, Vermont, Kansas, Alabama, and Florida. Fieldwork also included meetings with ETA regional offices.

## METHODOLOGY

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.

To accomplish our audit objective, we obtained an understanding of the TAACCCT program and processes by reviewing pertinent criteria and by meeting with ETA regional and national offices. We also interviewed staff and documented reviews during our selected grantee site visits and desk reviews.

We considered the internal control elements of: the control environment, control activities, risk assessment, information and communication, and monitoring during our planning and substantive audit phases. We used either internal control questionnaires or examined relevant control procedures at each grantee. We inquired about the various roles of ETA offices (National, Regional, and Chief Evaluation Office) in TAACCCT development, capacity building, execution, and performance outcomes assessment.

We analyzed both financial, on a limited basis, and performance information reported to ETA on their quarterly financial and performance reports. While onsite and during desk reviews, we analyzed these reports and the supporting data to determine how program results were reported and used. For the universe of 185 grants, we compared grants' proposed targets against their reported performance outcomes through September 30, 2017.

*DATA RELIABILITY OF GRANTEE AND
PERFORMANCE OUTCOMES DATA REPORTED*

For the financial data testing, we judgmentally sampled a few high-dollar transactions and the supporting documentation. While onsite and for desk reviews, we compared the 9130 Quarterly Financial reports filed with ETA to the general ledger maintained by grants. This testing is not projectable to the universe of grants, and as such, the report only mentions specific issues we found.

We assessed the reliability of universe data provided by ETA, which identified all grants receiving TAACCCT funding in rounds 1-3. We considered the completeness, authenticity, consistency, and accuracy of computer processing, and concluded the data was sufficiently reliable to support our results and conclusions. We also received data for rounds 1 – 3 that identified grantee targets and actual outcomes. We performed logic checks on the grants performance data reported to ETA. We also compared the numbers of grants provided by ETA to the numbers we identified in our planning document for all TAACCCT to ensure that all grants were included (completeness test).

In selecting the sample, we first separated the universe of 185 grants by round. We then stratified each round based on: 1) grants to consortiums, 2) grantees with single grants, 3) grants with low and high spending, 4) grantees receiving grants in multiple rounds, and 5) grantees designated by a state. We then selected a judgmental sample of 10 grants. We reviewed financial and performance outcomes documentation and traced key data to source documents, and confirmed results with grants and the national office. Specifically, we checked for compliance with funding requirements per the SGA, comparing budgeted to actual costs incurred by the grantee, participants served (budgeted vs. actual), and if milestones and deliverables proposed by the grantee to meet the SGA requirements were completed. No material discrepancies were noted.

**CRITERIA**

- OMB Circular A-21-Cost Principles for Educational Institutions
- OMB Circular A-87-Cost Principles for State, Local and Indian Tribal Government
- OMB Circular A-110-Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
- 29 CFR 95.40-48 Procurement Standards

- Training and Employment Guidance Letter 15-10-Increasing credential, degree and certificate attainment by participants of the public workforce system
- Solicitation for Grant Awards for TAACCCT Rounds 1, 2 and 3

## APPENDIX B: AGENCY'S RESPONSE TO THE REPORT

**U.S. Department of Labor**

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210

**JUL 2 5 2018**

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

FROM:                    ROSEMARY LAHASKY
                             Deputy Assistant Secretary

SUBJECT:               Response to Office of Inspector General (OIG) Draft Audit Report
                             No. 02-18-201-03-330, *ETA Spent $1.5 Billion and Met Its Stated
                             Capacity Development Goals, but is Challenged to Determine if
                             the Investment Improved Employment Outcomes*

Thank you for the opportunity to respond to the draft audit report related to the Trade Adjustment Assistance Community College and Career Training (TAACCCT) program.

The Employment and Training Administration (ETA) appreciates the OIG's recognition that the TAACCCT program met its capacity development goals. From the start of the grant program, ETA stated that success would be evaluated on the basis of increased capacity and training expansion.

ETA also acknowledges that measuring employment outcomes has been challenging, particularly for community colleges. Since many grantees had little experience in tracking employment outcomes prior to receiving a TAACCCT grant, ETA provided considerable technical assistance to grantees, both with respect to establishing wage record data agreements with their state Unemployment Insurance agencies and also covering how to use alternatives to wage record data, if needed. Nevertheless, many grantees encountered significant challenges in tracking employment outcomes, and ETA believes that has resulted in underreporting.

In addition to the grantee performance data, the TAACCCT national evaluation for Round 4, overseen by the Department of Labor's (Department) Chief Evaluation Office (CEO) and carried out by an independent evaluator on contract to CEO, will analyze employment outcomes of TAACCCT Round 4 participants for at least 12 months post-enrollment. The agreements made with grantees as part of this study enable the Department to look at the participants' employment outcomes for up to 10 years post-enrollment. With current funding, the Department is reviewing employment outcomes for one year. The Department is considering studies of employment outcomes of TAACCCT Round 4 grantees for a longer period of time, should this align with Congressional and Departmental evaluation funding priorities.

Below are the OIG's recommendations contained in the draft audit report, followed by ETA's responses:

**Recommendation 1:** **Strengthen the grant management process by identifying factors and patterns that inhibit grantees from achieving performance goals, and where appropriate re-evaluate and update performance goals.**

ETA Response: ETA agrees with the recommendation to strengthen the grant management process by identifying factors and patterns that inhibit grantees from achieving performance goals. ETA currently assesses grantees' progress against their targets throughout the period of performance, in order to provide technical assistance and compliance monitoring to assist grantees in meeting their grants' goals and objectives by the end of the period of performance. As such, ETA issued Employment and Training Order (ETO) 1-17, on September 19, 2017, to strengthen protocols around this specific area, as well as other grant management process topics. Specifically, the *Period of Performance* section (pages 9 – 12) describes how Federal Project Officers (FPOs) should assist grantees in accomplishing the goals and objectives of their grants and ensure compliance with federal grant award requirements. The *Period of Performance* section of the ETO also discusses how ETA reviews progress towards goals as part of its quarterly performance reviews to identify and prioritize necessary technical assistance and uses corrective action plans when technical assistance alone is deemed to be insufficient to enable grantees to meet their goals and objectives. With respect to re-evaluating and updating performance goals, ETA does not generally approve reductions in target outcomes because applicants provide goals as part of the competitive grant selection process and awards are made based on the stated outcomes. When ETA receives requests to change performance goals, updates to sub-goals may be granted; however, the request is analyzed to ensure that it maintains the overall strength of the original grant proposal.

**Recommendation 2:** **Explore new methods, similar to the Department of Education that changed administrative regulations to allow for data collection for an extended period after the end of the project, for the sole purpose of collecting, analyzing, and reporting performance data.**

ETA Response: ETA agrees to explore new methods for data collection beyond the end of the grant period of performance. ETA agrees that the ability to track data for a longer period of time after participants complete training would improve our ability to understand whether grantees are fully successful in meeting their grant goals and objectives. As this report points out, many times low performance numbers may reflect a data collection or timing issue, as opposed to a program performance issue. For example, in this study the OIG notes that "there were a combined total of 50,226 students (or 14 percent of the total enrollment) who had not yet completed their programs of study when the grants ended." Many of those who had not completed training at that time were still in the program; therefore, ETA would not expect them to be employed.

ETA will explore new methods to allow for an extended period of data collection; however, there are a number of difficult obstacles to overcome, such as: the policy issue of spending limited resources to measure outcomes for longer rather than serving additional people; the increased workload/administrative burden associated with FPOs having to manage even larger grant

2

portfolios resulting from longer periods of performance; and statutory provisions on the life of funds contained in most of ETA's appropriations that prohibit a grant from going more than four years while still allowing sufficient time for grant closeout before the funds expire.

The Department includes an evaluation component in many of its discretionary grants (including TAACCCT Round 4) for the purpose of collecting long-term outcome data to understand the extent to which programs meet their targets and, most importantly, to improve outcomes compared to those who did not receive program services (which performance data alone cannot answer)—thereby building evidence both about performance and program effectiveness.

**Recommendation 3: Assist grantees to address the barriers that hindered their efforts to access wage data.**

ETA Response: ETA agrees with the recommendation to assist grantees in addressing barriers with accessing wage data. In general, for all discretionary grants that fund training and for which ETA requires participant level data, including Social Security numbers, ETA utilizes a wage record interchange system to match Social Security numbers to administrative wage records, thus relieving grantees of the burden of accessing wage record data on their own. This system is currently in use and will be used going forward, as applicable. When states are the grant recipients, Social Security numbers are not required, because states can do their own wage record matching.

This wage record interchange system was not available to TAACCCT grantees because ETA did not require grantees to report participant data at the individual level with Social Security numbers, but rather in aggregate. A primary reason for this was that TAACCCT funds paid for capacity development and not training. However, for TAACCCT, the Round 4 national evaluation outcomes study will use administrative data through the National Directory of New Hires (NDNH) to obtain individual-level wage data on participants, which will also help inform several Round 4 third-party evaluators in their analyses of employment outcomes. This process does not place additional burden on grantees after their grants end. Permission to use the NDNH data is through a Memorandum of Understanding between the Department and the U.S. Department of Health and Human Services (HHS).

**Additional OIG Recommendation: We also recommend the Deputy Assistant Secretary for Employment and Training provide additional guidance to grantees on documentation needed to support procurements exceeding the simplified acquisition threshold and recover questioned costs of $1 million associated with the marketing contract that did not provide benefit to TAACCCT.**

ETA Response: ETA agrees with the need to provide additional direction to grantees regarding procurements that exceed the simplified acquisition threshold. While the procurement requirements contained in the Code of Federal Regulations have been—and continue to be—incorporated into grantees' award documents, ETA plans on offering two sessions of Uniform Guidance training for grantees over the course of the next year that will reemphasize the documentation needed to support procurements exceeding the simplified acquisition threshold. Following the issuance of the OIG's final report, ETA respectfully requests the name and grant number for the grantee that the OIG has identified as having questioned costs of $1 million

3

associated with the marketing contract that did not provide benefit to the TAACCCT program. Following the issuance of the OIG's final audit report, this recommendation will be forwarded to ETA's Audit Resolution Unit in the Office of Grants Management's Division of Policy Review and Resolution for action. An initial and final determination will be issued to the grantee in question according to the process outlined in the Department of Labor Manual Series (DLMS) 8 Chapter 500 to determine if there are disallowed costs subject to repayment and, if so, the amount.

ETA appreciates the opportunity to respond to your draft audit report and its recommendations. If you have questions, please contact Amanda Ahlstrand, Administrator, Office of Workforce Investment, at 202-693-3980.

Attachment – ETO 1-17

4

## APPENDIX C: ACKNOWLEDGEMENTS

Key contributors to this report were: Mark Schwartz (Audit Director), Charmaine Thorne (Audit Manager), Eric Rann, Eliacim Nieves-Perez, Patrick Trager, and Hilda Gil.

**REPORT FRAUD, WASTE, OR ABUSE**
**TO THE DEPARTMENT OF LABOR**

**Online**
http://www.oig.dol.gov/hotline.htm

**Email**
hotline@oig.dol.gov

**Telephone**
(800) 347-3756 or (202) 693-6999

**Fax**
(202) 693-7020

**Address**
Office of Inspector General
U.S. Department of Labor
200 Constitution Avenue, NW
Room S-5506
Washington, DC 20210