

# U.S. Department of Labor

Office of Inspector General—Office of Audit

**REPORT TO THE EMPLOYMENT  
AND TRAINING ADMINISTRATION**



## **ETA NEEDS TO IMPROVE ITS DISASTER NATIONAL DISLOCATED WORKER PROGRAM**

**DATE ISSUED: JANUARY 29, 2021  
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## BRIEFLY...

### ETA NEEDS TO IMPROVE ITS DISASTER NATIONAL DISLOCATED WORKER PROGRAM

January 29, 2021

#### WHY OIG CONDUCTED THE AUDIT

Prior OIG audits have raised concerns about ETA's grant investments not achieving performance goals and ETA needing to provide better oversight of its disaster grants.

In the aftermath of 2017 hurricanes Harvey, Irma, and Maria, and the 2017 wildfires in California, Congress passed the Bipartisan Budget Act of 2018. The Act provided \$100 million in additional funding for cleanup and restoration, and for career and supportive services for people affected by these disasters. California, Florida, and Puerto Rico were approved for up to \$83 million of the \$100 million appropriation for hurricane and wildfire cleanup and evacuee assistance.

#### WHAT OIG DID

We conducted an audit to answer the following question:

Did ETA properly administer its Disaster National Dislocated Worker Grants (DWG) Program under the Bipartisan Budget Act of 2018?

To answer this question, we reviewed the grant award process and analyzed grantees' performance data as of December 31, 2019. We focused on California, Florida, and Puerto Rico to gauge eligibility, and for financial testing.

#### WHAT OIG FOUND

ETA provided minimal oversight of its state grantees, and needs to do more to: 1) ensure grantees help local areas restore communities timely; 2) ensure out-of-work participants receive expeditious disaster relief assistance; 3) maximize the number of participants who obtain employment as intended by the grants; and 4) ensure disaster relief funds are used efficiently and effectively.

It took some grantee subrecipients up to approximately 6 months to begin cleanup services and up to approximately 13 months for some evacuee assistance to begin after the disaster declarations. Additionally, there were incomplete recovery efforts because grantees did not allocate funds to local areas most in need of disaster relief services.

Grantees underperformed on all their goals and significantly underperformed on enrolling participants in training and returning them to full-time employment, as intended by some of the grants. Overall, grantees only provided training services to about one-third of participants and only returned 39 percent of unemployed participants back to full-time employment.

Additionally, about \$4.5 million in grantee obligations and costs were either not necessary for disaster relief or were not supported by adequate documentation.

#### WHAT OIG RECOMMENDED

We made 6 recommendations to ETA regarding timeliness, eligibility, and allowable costs. ETA generally agreed with our recommendations and stated it has already taken corrective actions on the issues identified.

#### READ THE FULL REPORT

<https://www.oig.dol.gov/public/reports/oa/2021/02-21-002-03-391.pdf>

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## **INSPECTOR GENERAL'S REPORT**

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This report presents the results of the Office of Inspector General's (OIG) audit of \$79 million in Dislocated Worker Grant (DWG) funds provided for training and employment services to workers dislocated by 2017 hurricanes Harvey, Irma, and Maria, and the 2017 wildfires in California.<sup>1</sup> Our audit covered funds claimed from October 1, 2017, through May 25, 2019, as well as performance data as of December 31, 2019.

Hurricanes Irma and Maria were Category 5 storms, the highest category on the hurricane speed scale. Grants related to hurricanes Irma and Maria, and the California wildfires, provided for cleanup and evacuee assistance. Cleanup activities consisted of career and training services, and temporary jobs relating to cleanup, restoration, and humanitarian aid. Evacuee services consisted of career and training services, supportive services, and temporary jobs. In total, these 3 disasters caused an estimated 4,800 fatalities, and damaged or destroyed more than 96,000 homes and structures.

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<sup>1</sup> The DWGs were awarded under H.R.1892, the Bipartisan Budget Act of 2018. On February 9, 2018, Congress passed the Act and granted \$100 million in additional funding for training and employment services for dislocated workers assistance, less \$500,000 for Office of Inspector General oversight. ETA returned approximately \$21 million of the \$100 million to U.S. Department of the Treasury after the obligational authority expired on September 30, 2019.

The Bipartisan Budget Act of 2018 required the OIG to perform oversight activities of the Department of Labor's (DOL) response to such hurricanes and wildfires. This audit also builds upon prior OIG audits that raised concerns about the Employment and Training Administration's (ETA) grant investments not achieving their intended performance goals and ETA needing to provide better oversight of its disaster grants. Given these concerns, we conducted an audit to answer the following question:

Did ETA properly administer its Disaster National Dislocated Worker Grant Program under the Bipartisan Budget Act of 2018?

We found ETA provided minimal oversight of its state grantees and needs to improve the administration of the DWG program to ensure: 1) grantees help local areas restore communities in a timely manner; 2) out-of-work participants receive expeditious disaster relief assistance; 3) a greater number of participants obtain employment as intended by the grants; and 4) disaster relief funds are maximized and properly used.

To accomplish our audit, we reviewed the awarding process for all 8 grantees and analyzed reported performance data as of December 31, 2019. The DWGs were awarded to California, Florida, Georgia, Massachusetts, New York, Puerto Rico, Texas, and U.S. Virgin Islands.

We also selected California, Florida, and Puerto Rico to visit, gauge eligibility, and for financial testing because they collectively were approved for up to \$83 million of the \$100 million appropriation. As of December 31, 2019, they reported total costs of \$41.6 million for hurricane and wildfire cleanup, and evacuee assistance.

## RESULTS

ETA provided minimal oversight of its state grantees, which resulted in the need to improve the administration of the DWG program. Specifically, we identified the following:

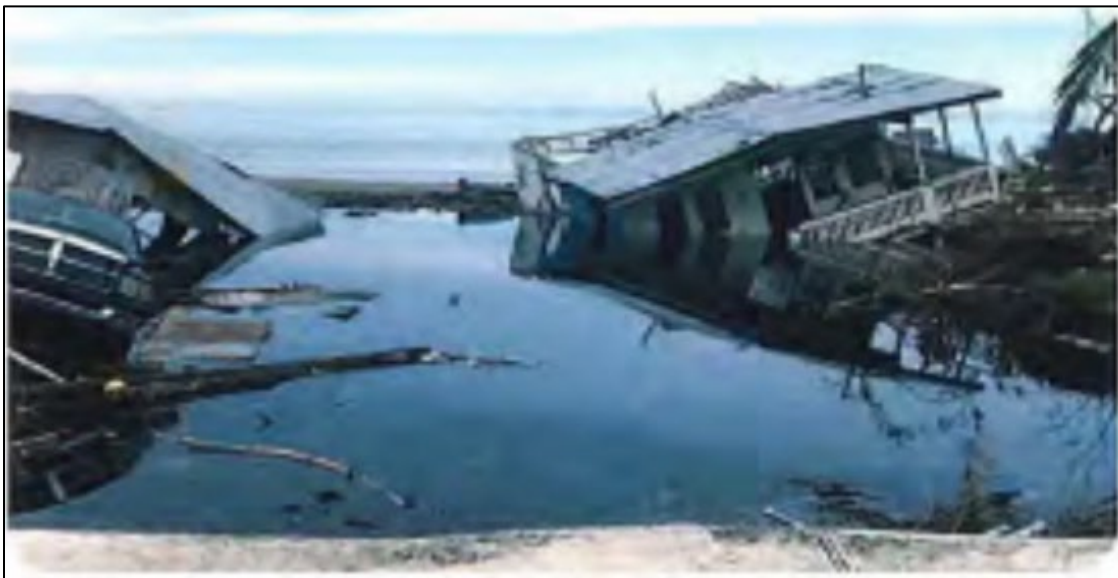
- For 11 sampled grantee subrecipients, it took up to approximately 6 months for cleanup services and up to approximately 13 months for evacuee assistance after the disaster declaration. It is important for ETA to establish timeliness goals to not only hold grantees accountable to participants, but to also assist in restoring communities by providing people with food, water, and other necessities.

- There was an incomplete recovery effort because grantees did not allocate funds to local areas most in need to maximize disaster relief services.
- DWG grantees underperformed on all their key performance goals, and significantly underperformed for enrolling participants in training and ultimately returning unemployed participants back to full-time employment, as intended by some of the grants. Some performance was farther from meeting the mark, exemplified by the 39 percent of participants that exited from the program and received employment. Other performance outcomes were better but still didn't reach the goal, including 85 percent of participants that were employed in temporary disaster relief assistance.
- Approximately \$4.5 million of grantee obligations and costs were either not necessary for disaster relief or were not supported by adequate documentation.

These conditions occurred primarily because of ETA's minimal oversight of its state grantees, and state grantees limited monitoring of their subrecipients. Furthermore, ETA had no timelines for disaster relief, and did not follow requirements for the use of funds and verification of participant eligibility when participants self-certified.

The destruction caused by the hurricanes and wildfires warranted timely and effective ETA monitoring of its state grantees, as the human and financial toll to local communities and states was devastating. The following pictures are examples of damage caused by hurricanes in Puerto Rico (see Image 1) and the Whittier Fire in California (see Image 2). The California wildfires devastated approximately 1.2 million acres of land.

**Image 1: Homes Destroyed by Hurricanes  
in Puerto Rico**



Source: Puerto Rico's Mayaguez One Stop Center — Unaudited

**Image 2: Whittier Fire in California**



Source: Santa Ynez Valley Star, July 9, 2017 – Unaudited



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**DELAYS OF UP TO APPROXIMATELY  
6 MONTHS FOR CLEANUP SERVICES AND  
UP TO APPROXIMATELY 13 MONTHS FOR  
EVACUEE ASSISTANCE**

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ETA had not provided criteria or guidance on when services to participants should have begun after a disaster declaration. Sampled subrecipients of cleanup-related grants began providing cleanup employment between 25 days and almost 6 months from the date of the disaster declaration. Sampled subrecipients of evacuee-related grants began providing assistance from approximately 3 months to almost 13 months from the date of the disaster declaration. This was the result of a lack of criteria specifying when services should have begun after a disaster declaration. As a result, grantees were not fully successful in helping restore communities in a timely manner after a FEMA-declared disaster, or in assisting out-of-work participants most in need of disaster relief employment and humanitarian assistance.

ETA awarded cleanup grants from 3 days to 21 days after FEMA declared the disaster, and subrecipients began cleanup efforts between 25 days to almost 6 months after the date of the disaster declaration. Additionally, 2 months after FEMA declared hurricanes Irma and Maria as disasters, ETA awarded California a grant modification for additional wildfires in southern California. Of the 11 subrecipients sampled for cleanup-related grants, 3 began cleanup employment within one month after FEMA declared disaster, 2 within two months after FEMA declared disaster, 3 within four months, and 3 within six months.

ETA awarded evacuee-related grants approximately 4 months after FEMA declared disaster, and subrecipients began evacuee services between approximately 3 months<sup>2</sup> to almost 13 months from the date of the disaster declaration. Of the 4 subrecipients sampled for evacuee-related grants, 2 provided evacuee services within three to four months of the FEMA-declared disaster, 1 took seven months to initiate services, and 1 took almost 13 months.

Exhibit 1 provides further details about the length of time it took the subrecipients we sampled to begin restoring communities and assisting out-of-work participants most in need of disaster relief employment and humanitarian assistance.

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<sup>2</sup> According to the participant reported data, 2 Florida subrecipients (Broward and Southwest) began providing services to participants prior to the ETA grant award date. The period of performance for these grants was prior to the award date, which was allowable with approval of the federal awarding agency according to 2 CFR 200.458, Pre-award costs.



DWG funds were made available to provide disaster relief employment on projects that provided food, clothing, shelter, and other humanitarian assistance for emergency and disaster victims. In Florida, cleanup activities on roads, city parks, and public areas included damaged tree removal, leaf raking, lifting and loading heavy equipment/items, shoveling, digging, prying, and related activities.

For the 2017 California wildfires, participants cleaned up burnt foliage, cleaned up and repaired public and non-profit facilities that sustained damage as a result of the fires, and did other ecologically-based work, such as cleaning up ash and fire debris from lakes, trails, parks, and irrigation systems.

In Florida, hurricane Irma and Maria evacuee participants who enrolled in the program received services that included an initial assessment, work experience training, and temporary jobs. They also received supportive services, including funds for transportation and work-related certifications.

ETA had not provided guidance on when services to participants should have begun after the DWG was awarded. However, ETA had provided guidance on the timeframe for submitting an Emergency Application following a disaster declaration, the number of days following the award of an Emergency Application that the grantee had to submit a Full Application,<sup>3</sup> and the number of days the Secretary of Labor had to approve an application.<sup>4</sup>

According to ETA, it would be difficult to make a blanket statement on when services should begin because typical disaster grants require considerable coordination of resources on the ground to ensure efforts are not duplicated among entities providing assistance. The circumstances vary widely among the types and severity of disaster events.

Establishing timelines based on ETA's past experience with various types of disasters could expedite relief to those in need. It is important for ETA to establish timeliness goals and hold grantees accountable to not only provide necessary services to participants affected by hurricanes and wildfires, such as temporary employment, healthcare, and housing assistance, but also to assist in

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<sup>3</sup> Training and Employment Guidance Letter (TEGL) 02-15 required Emergency applications for Disaster DWGs to be submitted within 15 days of the qualifying Federal Agency or FEMA declaration. In addition, within 60 business days following an award of Disaster DWG funds requested via an Emergency Application, the grantee must have submitted a Full Application via the DWG electronic application system.

<sup>4</sup> Workforce Opportunity and Innovation Act (WIOA) Section 170 states that the Secretary of Labor shall issue a final decision on an application for a DWG not later than 45 calendar days after receipt of the application. The Secretary shall issue a notice of obligation for such grant not later than 10 days after the award of such grant.

restoring communities and providing people with food, water, and other necessities.

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## **FUNDS NOT PROVIDED TO AREAS MOST IN NEED**

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In Puerto Rico and Florida, grantees did not allocate funds to local areas most in need to maximize disaster relief services. We found Puerto Rico did not prioritize \$5 million of cleanup funds to worksites that were most severely damaged and in need for assistance because Puerto Rico did not ask local areas about their recovery needs, but instead allocated funds evenly to all areas. In Florida, victims of hurricane Irma received untimely cleanup assistance as the state's largest cleanup grant subrecipient spent approximately half of its awarded \$3 million one year after the grant award. The grant was later modified and the grant period extended to include developing on-the-job training for participants.

These conditions occurred because ETA only performed limited oversight of DWG grantees, including on-site monitoring activities, which resulted in incomplete recovery efforts. According to Training and Employment Guidance Letter (TEGL) 02-15:

States are expected to be able to deobligate and reobligate funds to affected areas and service providers quickly in order to ensure the funds are where they need to be in order to fulfill the purposes of this grant and to ensure that workers needing assistance are receiving it.

In addition, grantees must prioritize the worksites for temporary jobs so the highest priority is given to public facilities that have been most severely damaged, consistent with the strategic plans of the community.

## **PUERTO RICO**

Hurricanes Irma and Maria knocked out all power and most cellphone service in Puerto Rico, and were expected to be the largest and most costly disasters in U.S. history. According to its governor, hurricane Maria completely destroyed 87,094 homes, while another 385,703 sustained major damage.

Puerto Rico officials did not prioritize \$5 million in cleanup funds to support the worksites for temporary jobs so that public facilities severely damaged by the storms received the cleanup support they needed. Further, Puerto Rico awarded subrecipients funding without giving the subrecipients a chance to provide input

on projected needs. Of particular note, officials at 1 of the 3 sampled local areas stated that they needed as many as 100 cleanup workers, yet received enough funding for only 14 cleanup workers along with a lead person.

Moreover, to increase cleanup efforts, the 3 sampled subrecipients used funds approved for administrative costs to pay participants engaged in cleanup activities. While cleanup work was helpful to the communities, participants in Puerto Rico stated they wanted to stay in the program longer because there was a need for additional disaster recovery work, but grantee funding was unavailable for cleanup. Had Puerto Rico officials requested more funding for cleanup assistance, they may have been able to receive additional funding. ETA returned \$21 million of the \$100 million appropriated for hurricanes Harvey, Irma, and Maria, and the 2017 wildfires in California, to the U.S. Department of the Treasury after the obligational authority expired on September 30, 2019.

On November 4, 2019, Puerto Rico officials provided us several pictures of areas that still required cleanup, including several neighborhoods. Puerto Rico's Road 64, El Seco Neighborhood (see Image 3), is an example of an area that still required cleanup 2 years after the hurricanes.

**Image 3: El Seco Neighborhood, Puerto Rico**



Source: Unrepaired hurricane damage. Photo provided by Puerto Rico officials. -Unaudited

Puerto Rico's insufficient prioritization of funds to local areas most in need, and ETA's lack of awareness due to minimal monitoring activities, resulted in an incomplete recovery effort in response to the hurricane Irma and Maria disasters. Ultimately, local areas could not afford to hire additional cleanup workers, those impacted by the disaster were not provided temporary employment, and it took longer for areas that needed cleanup to be served.

## **FLORIDA AND CALIFORNIA**

Cleanup services funded under Florida and California's DWG grants were delayed for up to approximately 4.5 months in Florida and 6 months in California. Since ETA performed no monitoring during Florida's initial grant performance period and no monitoring of California at all, critical services were not received when most needed during the early aftermath of the storms.

During its initial 1-year grant performance period, Florida's largest subrecipient was only able to spend \$1.5 million of its \$3 million award because the need for the award was ending by the time the subrecipient started enrolling participants into the program. As a result of this delay, much needed cleanup activities to public areas, such as roads and city parks, were not completed or funded in a timely manner. ETA ultimately issued a grant modification, extending the period of the award and adjusting the grant scope to include developing on-the-job training for eligible participants in construction in the Florida Keys, and included a 2 year apprenticeship, classroom instruction, supportive services, and housing assistance.

California received \$20 million in DWG funds to clean up and repair public and non-profit facilities damaged by the wildfires. However, this work, which would have included clean-up of ash and fire debris from lakes, trails, parks, and irrigation systems, and other ecologically-based work, was delayed up to 6 months.

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## **UNDERPERFORMANCE OF KEY TRAINING AND EMPLOYMENT GOALS**

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Under the hurricane Irma and Maria cleanup grants, participants were to receive career and training services and temporary jobs relating to cleanup, restoration, and humanitarian aid. Under the hurricane Irma and Maria evacuee grants, participants were to receive career and training services, as well as supportive services, such as transportation, childcare, housing assistance, healthcare, assistance with work, school related items, tests and certifications, and

employment and training related applications. Under the California wildfire grant, participants were to receive temporary jobs for cleanup and humanitarian aid.

DWG grantees underperformed on all their key performance goals. This was partially due to ETA's minimal oversight of its grantees, and state grantees' limited monitoring of their subrecipients. Overall, grantees only provided training services to about one-third of participants and only returned 39 percent of unemployed participants back to full-time employment. That percentage was below what was intended by the grants, resulting in only 506 participants, of the planned goal of 1,289 participants, exiting the program with employment.

## KEY PERFORMANCE GOALS

As of the end of our fieldwork, DWG grantees had not achieved any of their key performance goals. Some performance was farther from meeting the mark, such as the significantly lower number of participants 39 percent of that exited from the program and received employment. Other performance outcomes were better but still didn't reach the goal, including 85 percent of participants that were employed in temporary disaster relief assistance.

Table 1 provides details based on grantees' performance goals.

**Table 1: Key Performance Goals<sup>5</sup>**

<b>All Grantees as of 12/31/19</b>	<b>Planned</b>	<b>Actual</b>	<b>Percent</b>
Total Participants	6,520	4,729	73%
Enrolled in Training	843	255	<b>30%</b>
Supportive Services	2,404	1,344	56%
Career Services (Intensive Services)	3,199	2,205	69%
Post Exit Employment Rate (2 <sup>nd</sup> Quarter)			73%
<b>Reported as of 9/30/2019 (9104 Reports)</b>			
Employed in Temporary Disaster Relief Assistance	3,488	2,964	85%
Exited with Employment	1,289	506	<b>39%</b>

Source: Grantee quarterly reported performance information on 9104 reports – Unaudited.

<sup>5</sup> Starting July 2019, ETA revised DWG program goals to conform to WIOA Section 116(b)(2)(A) performance indicators and modified grantees performance reporting. ETA changed performance reporting from the ETA reporting system to the Workforce (footnote continues on the next page)

Grantees reported 30 percent of planned participants enrolled in training, with 85 percent of the grant period of performance having elapsed as of December 31, 2019, and 39 percent of participants exited with employment, with 79 percent of the grant time having elapsed as of September 30, 2019.

Overall, grantees were not meeting their performance goals because of minimal oversight by ETA of its state grantees, and limited monitoring by state grantees of their subrecipients. We found ETA did not provide timely monitoring for 2 of the 3 sampled grantees (California and Florida), which could have helped them meet grant goals. According to ETA officials, they provided significant technical assistance, but did not conduct monitoring of the California grant because there were complications in accessing the sites impacted by the fires, given the damage and then floods.

In our view, the additional funding for employment and training services did not maximize the number of participants who obtained employment as intended by the grants, and disaster relief funds were not used efficiently and effectively. The demand for DWG services was evident by the number of participants enrolled in the program, yet there was a failure to meet targets for providing training services and returning participants back to full-time employment.

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Integrated Performance System (WIPS). The quarter that grantees reported performance outcomes under the new reporting format varied. After September 30, 2019, active grantees discontinued reporting the fields Employed in Temporary Disaster Relief Assistance and Exit with Employment. As a result, we used the last (or most recent) 9104 quarterly report as of September 30, 2018 (Georgia), June 30, 2019 (California), and September 30, 2019 (Florida & Puerto Rico), for the fields Employed in Temporary Disaster Relief Assistance and Exit with Employment. We note that Georgia and Puerto Rico did not plan for Exits with Employment. Additionally, Massachusetts and New York adopted the new WIPS report prior to September 30, 2019, so the specific fields for Exited with Employment and Employed in Temporary Disaster Relief Assistance were not included in our computations.

We used the new WIPS report for the fields Total Participants, Enrolled in Training, Supportive Services, Career Services, and Post Exit Employment Rate (2nd Quarter) as of December 31, 2019. Lastly, we note that U.S. Virgin Islands was not included in any calculations, as there were no planned goals to measure performance. Texas was not included in any calculations, as the majority of funding was not under the Act.

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**APPROXIMATELY \$4.5 MILLION OF  
GRANTEE OBLIGATIONS AND COSTS WERE  
EITHER NOT NECESSARY FOR DISASTER  
RELIEF OR NOT SUPPORTED BY ADEQUATE  
DOCUMENTATION**

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We identified \$4,488,627 in funds that were either not necessary for disaster relief or were not supported by adequate documentation. The majority of that resulted from \$2.5 million that Puerto Rico had obligated for mobile units to help with disaster outreach, but had not spent as of 2 years after the hurricanes. We also identified \$1,988,627 in questioned costs, consisting of \$1,556,584 for costs that were not supported by adequate documentation and \$432,043 that were not necessary for the wildfire and hurricane grants. This occurred because subrecipients did not follow policies and procedures per federal regulations.

**\$2.5 MILLION IN FUNDS THAT COULD HAVE BEEN  
PUT TO BETTER USE**

Puerto Rico obligated \$2.5 million that was not necessary for hurricanes Irma and Maria. Puerto Rico had not spent \$2.5 million for mobile units to help with disaster outreach. The mobile units were to provide timely workforce services during the disasters. However, Puerto Rico had not made the approved equipment purchases 2 years after the hurricane and 1 year after the approval of the equipment purchase.

During our audit, Puerto Rico officials informed us that Puerto Rico's General Services Administration had not completed the contracting process for the acquisition of the mobile units, and the OIG notified ETA that the planned expenditure was not allowable because it was not directly related to the consequences of hurricanes Irma and Maria, as required by grant management regulations, policies, and procedures. ETA responded:

[W]hile the mobile units could have served an important purpose in the delivery of workforce services in the aftermath of the storms, the use of DWG funds for their purchase was no longer supported by grant management regulations, policies, and procedures.

ETA retracted its prior approval and de-obligated the funds. Since ETA stopped the mobile unit purchase, we consider the \$2.5 million as funds that could have been put to better use.



## **\$1,988,627 IN QUESTIONED COSTS**

We found \$1,988,627 in questioned costs, consisting of \$1,556,584 for costs that were not supported by adequate documentation and \$432,043 that were not necessary for the wildfire and hurricane grants.

### ***COSTS NOT SUPPORTED BY ADEQUATE DOCUMENTATION – \$1,556,584***

Grantees spent \$1,239,889 for participants, but could not provide evidence to support program eligibility, and spent \$316,695 for other items that were not supported by adequate documentation.

#### **California and Florida Spent \$1,239,889, but Could Not Provide Evidence to Support Participant Eligibility**

Prior to awarding the DWGs, ETA had not addressed the DOL-OIG recommendations from a prior audit about validating participants' eligibility after they self-certified. In a prior audit of hurricane Sandy,<sup>6</sup> OIG recommended ETA reinstate the policy to require DWG grantees to have systems in place to review eligibility determinations once needed documentation becomes available. Subsequent to awarding the grants, on March 18, 2020, ETA issued TEGL No. 12-19 that required states to collect all documentation necessary to demonstrate that each participant is eligible. As a result of the delayed guidance, California and Florida spent \$1,239,889 million in average wages and fringe benefits that were not supported by adequate documentation.

ETA did not implement the OIG recommendation until after the DWGs were awarded. The eligibility for participants in Puerto Rico was verified using means such as an employer layoff notice. Florida and California, on the other hand, did not design or implement a system to validate the eligibility of participants beyond self-certification, even though their DWG agreements state:

[D]ue to the circumstances surrounding the disaster, documentation of eligibility may be difficult to obtain during the start of the DWG program. Grantees should have a system in place to verify eligibility for individuals once better data are available. If the Grantee has such a system in place, and if a participant is later found to be

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<sup>6</sup> Superstorm Sandy National Emergency Grants: ETA Awarded Funds Promptly, but Could Improve Grant Modification and Eligibility Verification Processes, Audit Report Number 02-15-204-03-390, dated March 26, 2015.

ineligible, the costs incurred prior to the discovery of ineligibility will not be disallowed.

Florida and California grantees did not design or implement a system to validate the eligibility of participants beyond self-certification despite OIG's prior recommendation. Five years after OIG issued that recommendation, we found that of 283 statistically sampled participants, 201 participants (71 percent) had no evidence that eligibility was verified by subrecipients beyond self-certification. Of the 201 participants, 152 who self-certified eligibility were in the temporary DWG jobs program, with a total estimated \$1,239,889 million in average wages and fringe benefits that were not supported by adequate documentation.

#### California and Florida Spent \$316,695 That Was Not Supported by Adequate Documentation

Federal regulation<sup>7</sup> requires costs to "be adequately documented." For California and Florida, we question a total of \$316,695 of reclassification, professional consulting, and staffing agency costs that were not supported by adequate documentation.

For California Grant Number DW314031860A6, we identified \$64,853 of questioned reclassification costs and professional consulting services. Specifically:

- Reclassification costs of \$59,453 – Officials did not provide support for reclassification of salaries and benefits to the subrecipient grant. They explained the reclassification was required because state reporting requires subcontractor costs for training and support services to be broken out from the total subcontractor costs. However, no documents were provided to support the California Human Development subrecipient salaries charged to the DWG wildfire grant.
- Professional consulting services \$5,400 – Consulting service reports were not provided to support assistance in building partnerships with state departments, agencies, and non-profits; and assistance with worksite development for the DWG fulfillment.

For Florida Grant Number DW315931860A12, we identified \$251,842 of questioned reclassification costs and staffing agency costs for Florida's Career Source Central Florida subrecipient. Specifically:

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<sup>7</sup> 2 CFR Part 200.403, Factors Affecting Allowability of Costs

- Reclassification costs of \$241,506 – Career Source Central Florida provided a copy of 3 general ledger transactions for staff wages showing the reclassification of expenses to the Maria and Irma grants without supporting documentation.
- Staffing agency work experience costs \$10,336 – Inadequate documents for a different amount were provided in support of staffing agency payments to candidates for clerical work. While the \$10,336 transaction was for work experience, we were provided an invoice in the amount of \$12,822.

*COSTS OF \$432,043 WERE NOT NECESSARY FOR  
THE WILDFIRE AND HURRICANE GRANTS*

2 CFR Part 200.405 Allocable Costs states:

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.

In addition, 2 CFR Part 200.430 (8)(viii) Compensation – Personnel Services states:

[B]udget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes.

Also, all necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

For California Grant Number DW314031860A6, we identified \$406,093 of questioned costs, including workers' compensation of \$273,369 for the La Cooperativa Campesina De California subrecipient, and \$132,724 for the Center for Employment and Training subrecipient salaries and supportive services. Specifically:

- Workers' compensation of \$273,369 – The DWG program was charged workers compensation based on estimated payroll costs, and not adjusted based on actual payroll wage amounts. La Cooperativa Campesina did not provide actual payroll wages to compute workers' compensation.

- Center for Employment and Training administrative expenses of \$132,724 – Budgeted administrative expenses were charged to the DWG program and not adjusted to actual costs. The original contract budget was for \$1,327,242, with 10 percent, or \$132,724, for administrative expenses.

For Florida Grant Number DW315931860A12, we identified \$25,950 of questioned costs for Florida's Career Source Central Florida subrecipient. Specifically:

- Digital Marketing \$25,950 – Costs for brochures and billboards to advertise were not necessary for the DWG program. These marketing expenses did not benefit hurricane Maria evacuees. For example, based on picture of a billboard provided below (see Image 4), the advertising was to promote Career Source Central Florida services, but nothing specific toward hurricane Maria evacuees was mentioned.

**Image 4: Billboard Purchased to Promote Career Source Central Florida**



Source: Career Source Central Florida – Unaudited

## **OIG'S RECOMMENDATIONS**

To improve future DWG awards, we recommend the Assistant Secretary for Employment and Training:

1. Establish written timelines for when disaster relief should begin providing relief to those impacted by a disaster.
2. Develop a strategy to continuously work with state grantees to ensure local areas maximize the use of disaster relief funds, and that states are sufficiently monitoring subrecipients.
3. Evaluate ETA's monitoring of grantees and technical assistance provided to ensure grantees have greater opportunities to achieve key performance goals.
4. To the extent feasible, consider having grantees verify participant eligibility when self-certifications were used to expedite the eligibility process, as required by the grant agreement.
5. Ensure that on future awards that include self-certification processes, regular eligibility verification is performed.
6. Recover \$1,988,627 in questioned costs.

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## **SUMMARY OF ETA'S RESPONSE**

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ETA generally concurred with OIG's 6 recommendations and is taking corrective action of the audit results. Nothing in ETA's response changed our report.

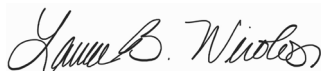
However, in its response to the report, ETA stated that while it agreed with the underlying premise that ETA should work with grant recipients to provide services as quickly and effectively as possible after a disaster, the start date used to calculate the elapsed time should be the date of grant award, and not the date of the disaster declaration. The OIG report contains information for both the elapsed time from the date of the disaster declaration and grant award. However, we continue to believe the critical measurement should be the totality of time from the disaster declaration to begin restoring communities and providing humanitarian assistance after a FEMA-declared disaster.

ETA also disagreed with OIG's characterization that minimal oversight of the states was provided. We maintain our conclusion as ETA did not provide any on-site monitoring of California, and did not monitor Florida until approximately a year after the grant award even though the initial grant had a 1-year period of performance. As discussed in the report, by the time ETA monitored Florida there was no longer a need for clean-up activities and the grant had to be modified and the period of performance extended. Furthermore, ETA's monitoring of Puerto Rico was not sufficient to identify that funding was not allocated to local areas most in need to maximize disaster relief services, which resulted in incomplete recovery efforts.

Management's response to our draft report can be found in Appendix B.

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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.



Laura Nicolosi  
Acting Assistant Inspector General  
for Audit

**EXHIBIT 1: TIME TO SERVICE START DATE**

Grantee/ Sub-recipient (Local Operator)	Disaster Declaration Date	Grantee Application Date	ETA Grant Award Date	Time period from the Disaster Declaration to Grant Award	Service Start Date	Number of Months (Declaration to Service Start)
<b>Clean-up Grants</b>						
CA - CET (Southern Wildfires) [Grant Modification]	12/8/2017	12/22/2017	2/6/2018	2 Months*	5/29/2018	5.7
CA - CHD (Northern Wildfires)	10/10/2017	10/17/2017	10/31/2017	21 Days	2/26/2018	4.6
FL - Hernando & Pasco (Hurricane)	9/10/2017	9/12/2017	9/14/2017	4 Days	1/22/2018	4.5
CA - NCI (Northern Wildfires)	10/10/2017	10/17/2017	10/31/2017	21 Days	2/5/2018	3.9
CA - ORA (Northern Wildfires)	10/10/2017	10/17/2017	10/31/2017	21 Days	1/30/2018	3.7
FL - Miami (Hurricane)	9/10/2017	9/12/2017	9/14/2017	4 Days	12/4/2017	2.8
PR - Noroeste (Hurricane)	9/20/2017	9/28/2017	9/29/2017	9 Days	11/2/2017	1.4
PR - Mayaguez (Hurricane)	9/20/2017	9/28/2017	9/29/2017	9 Days	10/26/2017	1.2
PR - Noreste (Hurricane)	9/20/2017	9/28/2017	9/29/2017	9 Days	10/16/2017	1.2
FL - Brevard (Hurricane)	9/10/2017	9/12/2017	9/14/2017	4 Days	10/6/2017	0.9
FL - Southwest (Hurricane)	9/10/2017	9/12/2017	9/14/2017	4 Days	10/5/2017	0.8 (25 days)
<b>Evacuee Grants</b>						
FL - Tampa Bay (Hurricane)	9/20/2017	11/27/2017	1/26/2018	4.3 Months	10/10/2018	12.8
FL - Orlando (Hurricane)	9/20/2017	11/27/2017	1/26/2018	4.3 Months	4/19/2018	7.0
FL - Broward (Hurricane)	9/20/2017	11/27/2017	1/26/2018	4.3 Months	1/25/2018**	4.2
FL - Southwest (Hurricane)	9/20/2017	11/27/2017	1/26/2018	4.3 Months	12/27/2017**	3.3
*The 2 months represent an ETA grant modification after a new FEMA-declared disaster declaration for additional fires within the state.						
**According to the participant reported data, two Florida sub-recipients (Broward and Southwest) began providing services to participants prior to the ETA grant award date. The period of performance for these grants was prior to the award date which is allowable with approval of the federal awarding agency according to 2 CFR 200.458 Pre-award costs.						

Source: Auditor prepared based on subrecipient service start dates from sampled participant records.



## APPENDIX A: SCOPE, METHODOLOGY, & CRITERIA

### SCOPE

In the aftermath of hurricanes Harvey, Irma, and Maria, and the 2017 wildfires in California, Congress passed the Bipartisan Budget Act of 2018. The audit scope encompassed \$100 million under H.R.1892 – The Bipartisan Budget Act of 2018. The DWGs were awarded to California, Florida, Georgia, Massachusetts, New York, Puerto Rico, Texas, and U.S. Virgin Islands. Approved and appropriated amounts are listed in Table 2.

**Table 2: DWG Approved and Appropriated Amounts**

State	DWG	Period of Performance	Approved Grant Award	Total Grant Obligations
California	Wildfires / cleanup	October 18, 2017 to June 30, 2020	\$28,951,941	\$20,000,000
Florida	Hurricane Irma/ cleanup	September 6, 2017 to September 30, 2020	\$30,000,000	\$29,620,755
Florida	Hurricane Irma and Maria/ evacuees	October 1, 2017 to September 30, 2020	\$13,020,000	\$6,060,765
Georgia	Hurricane Irma/ cleanup	September 22, 2017 to September 30, 2018	\$1,000,000	\$354,397
Massachusetts	Hurricanes Irma and Maria/ evacuees	December 1, 2017 to June 30, 2020	\$2,588,511	\$2,588,511
New York	Hurricane Irma and Maria/ evacuees	October 1, 2017 to June 30, 2020	\$10,000,000	\$1,000,000
Puerto Rico	Hurricanes Irma and Maria/ cleanup and support services	September 5, 2017 to September 30, 2019	\$11,000,000	\$9,500,000

State	DWG	Period of Performance	Approved Grant Award	Total Grant Obligations
Virgin Islands	Hurricanes Irma and Maria/ cleanup and support services	September 6, 2017 to March 31, 2020	\$3,000,000	\$3,000,000
Texas	Hurricane Harvey	August 27, 2017 to December 31, 2020	\$36,000,000	\$6,000,000
		Totals	\$135,560,452	\$78,124,428

Source: Auditor prepared based on grant agreements and appropriation amounts provided by ETA.

Under the DWG grants, most participants were hired to perform cleanup work and provide humanitarian assistance. Cleanup grants were approved for \$74,452,000 and appropriated for \$68,475,000. Under the evacuee grants, primary activity consisted of career services and training activities to assist evacuees with obtaining reemployment and addressing relocation needs. Evacuee grants were approved for \$25,609,000 and appropriated for \$9,649,000.

According to ETA officials, of the \$100 million, \$21,375,572 in unobligated funding was returned to U.S. Department of the Treasury. As of December 31, 2019, a total of \$50,304,449 was reported as expended.

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

To accomplish our objective, we selected the 3 highest state/territory grantees for site visits and testing: California, Florida, and Puerto Rico. Those grantees were approved for up to \$83 million of the \$100 million appropriation. As of December 31, 2019, the three states reported total costs of \$41.6 million for hurricane and wildfire cleanup, and evacuee assistance. We judgmentally selected \$1.9 million of \$7.6 million (25 percent) of subrecipients costs considered as high risk costs based on high dollar amounts, cost classifications such as payroll, and repetitive monthly expenses.

We performed statistical sampling of participants based on stratified sampling using a 90 percent confidence level with an error rate of 25 percent. We visited 6 subrecipients in California, Florida, and Puerto Rico. At each of the subrecipients, we interviewed officials, reviewed a judgmental sample of costs, tested participant eligibility, and spoke to participants who were available during our visit. We reviewed funds awarded and expended, and performance reported at the time of our site visits.

To determine the reliability of a grantee's financial and performance reports, we reconciled a grantee's Summary of Expenditures to their subrecipient's general ledger and reconciled the state participant populations to the subrecipients populations for Florida, California, and Puerto Rico. We also verified participant data to participant case files. We found no differences. Therefore, we determined the financial and performance data was reliable and complete.

During our fieldwork, grants were active and changes took place that included the awarded amounts and periods of performance. In April 2019 and September 2019, for a DWG related to Hurricane Harvey, ETA appropriated and awarded \$5 million and \$1 million, respectively, to Texas, for a total of \$6 million under H.R. 1892 the Bipartisan Budget Act. We did not review this grant or include its performance metrics in our analysis because the majority of funding was not under the Act.

## **INTERNAL CONTROLS**

In planning and performing our audit, we considered ETA's internal controls relevant to our audit objective by obtaining an understanding of those controls and assessing control risks for the purpose of achieving our objective. The objective of our audit was not to provide assurance of the internal control; therefore, we did not express an opinion on ETA's internal controls. Our consideration of internal controls for administering the accountability program would not necessarily disclose all matters that might be significant deficiencies. Because of the inherent limitations on internal controls, or misstatements, noncompliance may occur and not be detected.

## **CRITERIA**

- HR 1892 Bipartisan Budget Act
- WIOA Section 170

- TEGL 02-15 Operating Guidance for the Workforce Innovation and Opportunity Act (WIOA)
- 2 CFR Part 200.403 Factors Affecting Allowability of Costs
- 2 CFR Part 200.405 Allocable Costs

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


**U.S. Department of Labor**

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



December 16, 2020

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

FROM: JOHN PALLASCH   
Assistant Secretary for Employment and Training

SUBJECT: Response to the Office of Inspector General Draft Report Number  
02-21-002-03-391 – *ETA Needs to Improve Its Disaster National  
Dislocated Worker Program*

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft report, *ETA Needs to Improve Its Disaster National Dislocated Worker Program*. The draft report provides the OIG's conclusions regarding the Employment and Training Administration's (ETA) administration of National Dislocated Worker Grants (DWG) for cleanup and restoration and for career and supportive services for people affected by an emergency or major disaster. The draft report focuses on Disaster Recovery DWGs for hurricane and wildfire cleanup and evacuee assistance funded under the Bipartisan Budget Act of 2018.

ETA appreciates the OIG's recommendations and is committed to continuous improvement of the DWG program. ETA recently published Training and Employment Guidance Letter (TEGL) 12-19, Change 1, clarifying that DWG recipients' past performance will be taken into account during the review of incremental and supplemental funding requests. In addition, ETA has implemented increased technical assistance procedures to support states and other grant recipients with DWGs to address the COVID-19 pandemic to help them resolve challenges or concerns early in the life of their grants to promote more rapid implementation and enrollment of participants.

Before addressing the six audit recommendations, feedback is provided below on a few themes in the draft report. ETA is hopeful that the OIG will find the feedback helpful and will make revisions in the final report to provide a more accurate characterization of the program for the public.

As ETA previously shared with the OIG, the start date for the calculation used to assess the time elapsed to provide DWG services by a grant recipient is the date of the grant award, not the date of the disaster declaration made by the Federal Emergency Management Agency (FEMA). A state has to officially receive a grant award before it can begin to provide DWG services. ETA agrees with the OIG's underlying premise and will work with grant recipients to provide services as quickly and effectively as possible after a disaster. That said, the OIG's use of the disaster declaration date as the starting point for this metric leads to inaccurate statements, such as the following on page 4 of the draft report: "There was no criteria or guidance on when services to participants should have begun after a disaster declaration," and "...was the result of the lack of criteria specifying how long services should have begun after a disaster declaration." Until a

grant award is made, the emergency services of the grant cannot be offered. There are innumerable instances of disaster declarations being issued in which a state does not apply for a DWG. For example, a storm may not actually impact a state that receives a disaster declaration, or the damage from the storm could be minimal and not severe enough to require DWG assistance. However, ETA agrees that services should be delivered quickly once a state determines a DWG is necessary and receives an award. ETA works with any state where a disaster declaration is received to assist it in determining whether to submit a Disaster Recovery DWG application, which also prepares ETA to respond in a timely manner if the state decides to submit an application.

ETA also recommends the OIG reconsider the discussion in the *\$2.5 Million in Funds that Could Have Been Put to Better Use* section of the draft report prior to issuing the final report. Specifically, ETA suggests striking the statement that “Puerto Rico obligated \$2.5 million that was not necessary for Hurricanes Irma and Maria,” and the OIG’s determination on pages 12 and 13 of the draft report that the initially approved mobile unit costs are “...not allowable because it was not directly related to the consequences of Hurricanes Irma and Maria, as required by grant management regulations, policies, and procedures.”

ETA approved the mobile unit purchase based on the Commonwealth’s justification that the American Job Centers “suffered significant damage to their infrastructure” and did not have appropriate facilities for the provision of workforce services. The mobile units would have assisted with service continuity in the storms’ aftermath, as well as enabled service delivery to rural locations. After the grant’s period of performance, these mobile units would have continued to sustain workforce development services to remote areas, as the Commonwealth’s request also noted that Hurricane Irma destroyed two of their mobile units that were used to serve remote areas.

On February 5, 2020, the Federal Project Officer for this grant notified the Grant Officer that the Commonwealth had not completed the mobile unit procurement process two years after the hurricane and one year after the equipment approval. The Grant Officer subsequently reconsidered the equipment approval and determined that this delay made the proposed cost of the mobile units no longer necessary and reasonable, per Uniform Administrative Requirements, Cost Principles and Audit Requirements at 2 CFR 200. Further, Employment and Training Order 2-17 stipulates:

*Recipients may not purchase equipment in the last funded year of performance, which is defined as full program service delivery (not follow up activities), which may not be the same as the last twelve months of the period of performance. Even with prior approval, recipients may not purchase equipment in the last funded year of program operations, except under limited circumstances that are subject to a joint review by the National and Regional Grant Officer. If any approved acquisition has not occurred (i.e. the procurement has been executed) prior to the last funded year of performance, approval for that item(s) is rescinded.*

Based on the application of the aforementioned regulations and policy, it was determined these costs, which would have been allowable if they had been incurred much earlier in the grant's period of performance, were no longer reasonable in early 2020, with the DWG ending on September 30, 2020. Consequently, the Grant Officer rescinded approval for the mobile units on March 5, 2020. As Puerto Rico's purchase of the mobile units was not timely, the funding approved for this expenditure will be returned to the Treasury. ETA agrees that this unliquidated obligation could have been put to better use by addressing other allowable DWG activities.

Finally, ETA disagrees with the OIG's characterization that minimal oversight of the states was provided. As ETA shared with the OIG during the course of this audit, ETA dedicated a significant amount of resources to providing oversight of Puerto Rico. ETA's Boston Regional Office held weekly technical assistance calls with Puerto Rico to aid the State's implementation of the grant. In addition, ETA also monitored Puerto Rico twice, on-site in late 2017 and via a hybrid on-site/remote review in early 2018, to assess its implementation of their DWG. ETA's Atlanta Regional Office monitored Florida's DWG in early 2019. An on-site review was conducted at Ft. Lauderdale Career Source as a part of this monitoring.

The OIG made the following recommendations based on its audit. ETA's response follows each of the recommendations.

**OIG Recommendation 1: Establish written timelines for when disaster relief should begin providing relief to those impacted by a disaster.**

Response: ETA agrees that the need for funding by states is immediate following a federal disaster declaration. DWG emergency funding enables states to quickly employ eligible individuals in disaster-relief positions to address the related cleanup and humanitarian assistance needs. ETA has established a new metric to track how quickly Disaster Recovery DWG recipients operationalize their projects and uses this metric in its reviews of grant recipient operations. ETA is collecting data to establish a baseline and tailored target goals for Disaster Recovery DWGs to have all agreements and services in place and deliver services after receiving an award. The tracking of this metric involves the close monitoring of every grant's enrollments, additional technical assistance for any first-time grant recipients unfamiliar with disaster-relief subsidized employment, and increased emphasis and technical assistance regarding accelerating enrollments. ETA plans to use this data to set performance goals for timeframes for serving participants, which may vary by type of DWG.

ETA, however, does not plan to establish a single timeline for all Disaster Recovery DWG awards, because grants serving Department of Health and Human Services-declared public health emergencies, such as the COVID-19 pandemic and the opioid crisis, are very different from awards made in response to a FEMA natural disaster declaration, and states may apply for grants at varying lengths of time after a disaster. The type of disaster and its extenuating circumstances affect the timing of the DWG application submission, the subsequent award, and ultimately, the provision of grant services. For instance, states may not be able to submit an immediate application in the event of severe flooding, as initial damage cannot be assessed until flood waters recede. In addition, some states prefer to forgo submitting an emergency application and, instead, take the time to thoroughly assess damages and submit a full application



containing a budget and implementation plan. Although ETA does not plan to establish a single metric, ETA does conduct regular technical assistance for grant cohorts, holding separate meetings and developing separate materials for each DWG type that speak to the specific requirements of those projects. ETA uses this technical assistance to address expectations for operationalizing the projects and to provide an assistance framework for monitoring against grant-specific timetables.

**OIG Recommendation 2: Develop a strategy to continuously work with state grantees to ensure local areas maximize the use of disaster relief funds, and that states are sufficiently monitoring subrecipients.**

Response: ETA agrees that assisting states awarded Disaster Recovery DWGs can provide value to those grant recipients in creating and sustaining successful Disaster Recovery DWG projects and has been adjusting monitoring and technical assistance to accomplish that goal. For instance, ETA has developed tools to more closely monitor grant implementation timelines and provides direct support to each applicant for COVID-19-related DWGs to encourage more rapid implementation of the grants.

ETA adjusts its technical assistance to Disaster Recovery DWG recipients as the impact of disaster events vary by type and disaster location. ETA works one-on-one to support states as they develop their applications, as well as throughout the lifecycle of the grant as challenges are identified. In some cases, ETA sets up peer-to-peer discussions between states that have had success in particular aspects of their grant (such as recruitment) with states struggling with a similar challenge. Where possible, ETA identifies common challenges across various Disaster Recovery DWGs to share information with the states. ETA also provides individualized technical assistance to state grant recipients to address the specific identified needs they are experiencing in implementing their DWG. Through the provision of this technical assistance, ETA works with grant recipients on their outreach and enrollment challenges and assists grant recipients in addressing any issues they may experience with training and placement of participants and analyzing the utilization of their grant resources.

In cases where a disaster declaration may be more widespread than a fire or a storm (such as the opioid crisis or COVID-19), ETA can and does provide more consistent support for applicants and grant recipients, as there are common themes and consistent challenges across states. Upon publication of the National Health Emergency (NHE) TEGL 4-18 announcing the availability of grants to address the opioid crisis, ETA conducted technical assistance calls to assist potential applicants and to help them address the complicated requirements in their application. ETA continues to hold regular technical assistance calls and webinars for NHE DWG recipients to share promising practices, address identified challenges, and promote peer-sharing related to common challenges, including recruitment, eligibility determination, disaster-relief employment opportunities, grant performance, etc.

As with the NHE DWG recipient cohort, ETA intends to provide extensive technical assistance to COVID-19 Disaster Recovery DWG recipients. In its continuing efforts to provide timely technical assistance, ETA has already hosted several webinars and recorded podcasts, including a peer-to-peer webinar on November 5, 2020, focused on highlighting successes in implementing

COVID-19 Disaster Recovery DWGs to support the goal of ensuring resources are reaching eligible participants more quickly. ETA plans additional technical assistance efforts to support COVID-19 Disaster Recovery DWG recipients in the coming months. An online Community of Practice to share peer-to-peer promising practices and resources is also currently under development. ETA also plans to hold regular conference or video calls with grant recipients throughout the life of the grants to focus on peer sharing, technical assistance, and identifying and addressing any challenges faced by grant recipients. ETA has also developed multiple tools that will be used to monitor quarterly grant progress for all DWGs towards various outcomes, including participant enrollments and performance indicators.

When the COVID-19 disaster was declared, ETA developed a new suggested Disaster Recovery DWG application form and detailed instructions designed to ensure applicants were able to provide the necessary information as quickly and easily as possible so they could receive the requested funding to address the overwhelming health and economic impacts of the pandemic. The suggested form includes fields for applicants to describe the impact of COVID-19 on their communities, the kinds of disaster-relief employment they plan to create to address those impacts, and what steps the grant recipient plans to take to ensure they have established clear and effective strategies for oversight and management of subrecipients. ETA subsequently hosts technical assistance calls with grant recipients to ensure they fully understand the expectations and requirements of the grant. This technical assistance includes a review and discussion of the applicant's proposed plan for oversight and management of subrecipients. ETA is also in the process of planning a technical assistance training series for state grant recipients on monitoring of subrecipients to be provided in Fiscal Year 2021. In addition to providing technical assistance to grant recipients, as part of its monitoring of DWGs, ETA also monitors grant recipients' oversight and monitoring of their subrecipients.

**OIG Recommendation 3: Evaluate ETA's monitoring of grantees and technical assistance provided to ensure grantees have greater opportunities to achieve key performance goals.**

Response: ETA agrees with this recommendation, and regularly considers how its monitoring and technical assistance could provide grant recipients greater opportunities to achieve program performance goals. In designing the monitoring and technical assistance to support the COVID-19 DWGs, ETA examined prior monitoring and technical assistance efforts and initiated additional and more intensive supports than provided for typical DWGs, as described in the response to Recommendation 2 above. ETA will also continue to execute its core responsibilities in monitoring of DWG awards. Every DWG award is monitored at least once during its lifecycle; many reviews are conducted on-site, but some are desk reviews when budgets or other factors, such as the COVID-19 pandemic, do not permit travel. When monitoring reveals problems with a grant, ETA continues to follow up on issues during the lifecycle of the grant, including noting findings that require formal resolution.

ETA has also taken additional steps to ensure that grant recipients have greater opportunities to achieve performance goals. ETA reviews a grant recipient's performance as part of a determination on the release of incremental or supplemental funding, as requested by the grant recipient. To ensure that all grant recipients fully understand this process, ETA recently released

Change 1 to TEGL 12-19, which clarifies how increased scrutiny of grant recipient performance is a consideration in additional funding decisions.

Further, ETA recently updated the approved Quarterly Narrative Reports that all DWG grant recipients are required to submit. This update adds new clarifying instructions for DWG grant recipients on how to best report on the progress made under the grant. In addition, ETA has developed new tools that will enable regional offices to better use information from Quarterly Performance Reports to monitor the progress of DWGs towards established program performance goals. ETA updates these tools on a quarterly basis and uses the tools as a part of its regular technical assistance efforts.

**OIG Recommendation 4: To the extent feasible, consider having grantees verify participant eligibility when self-certifications were used to expedite the eligibility process, as required by the grant agreement.**

**Response:** Use of self-attestation is an option that many states and local areas allow in cases when there may be no other information available to determine an individual's eligibility, such as following a major disaster that destroys the homes and documents of individuals who may be eligible to participate in the Disaster Recovery DWG. Self-attestation is an allowable method of determining participant eligibility in many states and local areas; those entities may have additional supporting information that is required based on state or local policy.

In March 2020, ETA published TEGL 12-19, which contained updated DWG guidance requiring grant recipients to gather additional eligibility information for individuals who used self-attestation at initial enrollment. ETA also established data validation requirements in TEGL 23-19, some of which align with reporting elements related to information used in eligibility determinations and impose certain documentation requirements on grant recipients. The data validation requirements for DWGs are aligned to the WIOA core programs (WIOA Dislocated Worker, in particular), as appropriate.

**OIG Recommendation 5: Ensure that on future awards that include self-certification processes, regular eligibility verification is performed.**

**Response:** DWG recipients make eligibility determinations at the time of enrollment in the program, based on DWG eligibility requirements. Based on ETA's updated DWG guidance in TEGL 12-19, grant recipients are required to gather additional eligibility information for those who used self-attestation at initial enrollment. Once a participant's eligibility has been determined and documented, ETA does not require grant recipients to conduct "regular eligibility verification" by repeatedly reviewing the same documentation used to determine eligibility. Grant recipients can continue to serve eligible participants until they exit the program and also provide follow-up services after exit, where needed.

Further, ETA monitors grant recipient processes used to verify participant eligibility. Each grant recipient retains participant files that are reviewed during a monitoring event. If ETA determines in its monitoring that grant recipient files are lacking appropriate documentation or data, ETA

will require such information be added to the file or may question the costs associated with serving an individual who does not clearly meet eligibility requirements.

**OIG Recommendation 6: Recover \$1,988,627 in questioned costs.**

Response: ETA's Audit Resolution Unit in the Office of Grants Management's Division of Policy Review and Resolution will be tasked to resolve this recommendation. Following the issuance of the OIG's final report, ETA respectfully requests an itemized list of the components that comprise the identified questioned costs. Initial and final determinations will be issued to the grant recipients in question, in accordance with Department of Labor Manual Series 8-300, to determine if there are disallowed costs and any amounts subject to repayment.

ETA takes questioned costs very seriously and views monitoring and enforcement of these costs as a core function. ETA welcomes the opportunity to work with the OIG on more efficient and effective ways of recovering questioned costs.

ETA appreciates the opportunity to respond to your draft report and its recommendations. If you have any questions, please contact Kimberly Vitelli, Administrator, Office of Workforce Investment, at (202) 693-3639.

## **APPENDIX C: ACKNOWLEDGEMENTS**

Key contributors to this report were:

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