

REPORT TO THE EMPLOYMENT AND TRAINING ADMINISTRATION



COVID-19: DELAYS IN PROVIDING DISASTER RELIEF JEOPARDIZE \$366 MILLION DISASTER WORKER GRANT PROGRAM

This report was prepared by The Lopez Group, LLP, under contract to the U.S. Department of Labor, Office of Inspector General, and by acceptance, it becomes a report of the Office of Inspector General.

A handwritten signature in cursive script that reads "Carolyn R. Hantry".

U.S. Department of Labor
Assistant Inspector General for Audit

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BRIEFLY...

COVID-19: DELAYS IN PROVIDING DISASTER RELIEF JEOPARDIZE \$366 MILLION DISASTER WORKER GRANT PROGRAM

January 28, 2022

WHY OIG CONDUCTED THE AUDIT

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act stimulus bill was passed by the 116th U.S. Congress. The CARES Act provided additional funding in the amount of \$345 million to the Department of Labor (DOL) Employment and Training Administration (ETA) under Division B, Title VIII.

This audit focused on funds allocated to the Disaster National Dislocated Worker Grants (DWG) reserve. From April to August 2020, ETA awarded 57 grants totaling \$366 million. ETA used \$248 million provided under the CARES Act, along with \$118 million from ETA's regular National Dislocated Workers reserve funds for training and employment services and other necessary expenses directly related to the consequences of the COVID-19 pandemic.

Prior Office of Inspector General audits have raised concerns about ETA's grant not achieving performance goals and ETA needing to provide better oversight of DWGs.

WHAT OIG DID

We contracted with the independent certified public accounting firm of Lopez and Associates, LLP, DBA, The Lopez Group, LLP (Lopez) to conduct a performance audit to answer the following question:

Did ETA administer the CARES Act-funded DWG program in accordance with applicable federal regulations and guidelines?

To answer this question, Lopez reviewed the grant awarding process, analyzed performance data metrics, reviewed a judgmental sample of grantee costs, and interviewed ETA and grantee officials.

WHAT OIG FOUND

ETA generally administered the DWG program in accordance with applicable federal regulations and guidelines. However, there was a significant delay in the length of time for grantees to provide disaster relief employment and training from approximately 1 to 9 months. With 38 percent of the grant periods elapsed, and minimal grant spending, it is unlikely that grantees will effectively use the funds and deliver services by the end of the grant period. Moreover, there was a failure to quickly roll out programs and achieve targets for providing training services and returning participants back to employment.

In addition, for the 15 sampled grants, 2 grantees exceeded the 60-day deadline to provide the full application per Training and Employment Guidance Letter 12-19. ETA's delay in obtaining the full application while allowing grantees to draw funding increases the risk of unallowable costs being incurred and performance goals not being met.

Lopez determined DWG goals were clear, measurable, and linked to governing statutes. Lopez also found grantee expenditures were tied to disaster relief employment and training requirements.

WHAT OIG RECOMMENDED

Lopez made four recommendations to ETA to provide technical assistance to the states regarding grantee performance, provide close monitoring to ensure performance, establish written timelines for disaster relief action, and enforce existing procedures. ETA generally agreed with these recommendations and stated it has already taken corrective action.

READ THE FULL REPORT

<https://www.oig.dol.gov/public/reports/oa/2022/19-22-002-03-391.pdf>

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INSPECTOR GENERAL'S REPORT

Angela Hanks
Acting Assistant Secretary
for Employment and Training
U.S. Department of Labor
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Washington, DC 20210

The United States Department of Labor (DOL) Office of Inspector General (OIG) contracted with the independent certified public accounting firm of The Lopez Group, LLP (Lopez)¹ to conduct a performance audit of the Employment and Training Administration's (ETA) Disaster National Dislocated Worker Grant (DWG) program.

The OIG monitored Lopez's work to ensure it met professional standards and contractual requirements. Lopez's independent audit was conducted in accordance with generally accepted government auditing standards.

Lopez was responsible for the auditors' evaluation and the conclusions expressed in the report while we reviewed Lopez's report and supporting documentation.

Purpose

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act stimulus bill was passed by the 116th U.S. Congress. The CARES Act provided additional funding in the amount of \$345 million to ETA under Division B, Title VIII, to prevent, prepare for, and respond to the coronavirus, domestically or internationally, and for necessary expenses for the dislocated workers assistance national reserve. From April to August 2020, ETA awarded 57 grants totaling \$366 million. ETA used \$248 million provided under the CARES Act, along with \$118 million from ETA's regular National Dislocated Workers reserve funds.²

¹ Lopez & Associates, LLP DBA the Lopez Group, LLP

² As of December 31, 2020, the 57 DWGs totaled \$371 million (four grants had modifications to increase grants by approximately \$5 million), of which \$253 million was funded under the CARES Act, along with \$118 million provided under ETA's regular National Dislocated Workers reserve funds.

This audit covered funds claimed and reported performance from March 1, 2020, through December 31, 2020. This audit also builds upon prior OIG audits that raised concerns about ETA's grant investments not achieving their intended performance goals and ETA's need to improve oversight of its disaster grants. Given these concerns, Lopez conducted this performance audit to answer the following question:

Did ETA administer the CARES Act-funded DWG program in accordance with applicable federal regulations and guidelines?

To answer this question, Lopez reviewed the awarding process for 15 grants awarded to 13 grantees;³ analyzed performance data metrics, including the comparison of performance reports to planned performance; reviewed a judgmental sample of grantee costs; and interviewed ETA and grantee officials.

Results

Lopez concluded ETA generally administered CARES Act funding to the DWG program in accordance with applicable federal regulations and guidelines. However, Lopez noted there was a significant delay in grantees providing disaster relief employment and training services. For the first 9 months of the grants, DWG grantees did not perform at a rate that would enable them to meet planned outcomes as DWGs are expected to be utilized over a 24-month period. In addition, 2 of the 15 sampled grant applications were not fully executed within the required 60-day deadline. ETA allowed grantees to draw funding without obtaining the full application, which increased the risk of unallowable costs being incurred and not meeting performance goals and planned outcomes.



Assistant Inspector General for Audit

³ The California Department of Employment Development and Washington State Department of Employment Security each received two grants.



PERFORMANCE AUDIT REPORT

Angela Hanks
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200 Constitution Ave., NW
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This report presents the results of our independent performance audit of the Department of Labor (DOL) Employment and Training Administration's (ETA) Disaster National Dislocated Worker Grant (DWG) program.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act stimulus bill was passed by the 116th U.S. Congress. The CARES Act provided additional funding in the amount of \$345 million to ETA under Division B, Title VIII, to prevent, prepare for, and respond to the coronavirus, domestically or internationally, and for necessary expenses for the dislocated workers assistance national reserve. From April to August 2020, ETA awarded 57 grants totaling \$366 million. ETA used \$248 million provided under the CARES Act, along with \$118 million from ETA's regular National Dislocated Workers reserve funds.

The CARES Act required the OIG to perform oversight activities of DOL's response to the COVID-19 pandemic. This audit also builds upon prior OIG audits that raised concerns about ETA's grant investments not achieving their intended performance goals and ETA needing to provide better oversight of its disaster grants.

Our audit objective was to determine if ETA administered the CARES Act-funded DWG program in accordance with applicable federal regulations and guidelines.

To accomplish our audit, we reviewed the awarding process for 15 of the 57 grants representing 63 percent of the \$366 million (as of August 2020)

awarded and analyzed reported performance data as of December 31, 2020.⁴ We also compared performance metrics reported by the selected grantees via their performance reports to their planned performance through December 31, 2020. In addition, we interviewed ETA and grantee officials and reviewed a judgmental sample of grantee costs.

Lopez conducted this performance audit in accordance with standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our objectives, scope, methodology, and criteria are detailed in Appendix A.

Based on the results of the audit work, we found ETA generally administered the CARES Act-funded DWG program in accordance with applicable federal regulations and guidelines. However, there were significant delays in grantees providing disaster relief employment and training services. As of December 31, 2020, 38 percent of the grant periods elapsed and 8 percent (or \$18.8 million) of grants funds were spent. Therefore, there is a lack of evidence of to support that grantees will effectively use the funds and deliver services by the end of the grant periods.

Background

The COVID-19 pandemic has had a significant effect on employment in every state, industry, and major demographic group in the United States. According to a January 12, 2021, Congressional Research Service report,⁵ the unemployment rate peaked at an unprecedented level in April 2020 (14.8 percent)—a level not seen since data collection started in 1948—before declining to a still-elevated level in December 2020 (6.7 percent). See Figure 1.

⁴ See Exhibit I for detailed information from grantee quarterly reports submitted to ETA for the period ended December 31, 2020. Award amounts for 15 grants totaled \$230,516,516, which represents 63 percent of \$366 million total grants awarded.

⁵ Unemployment Rates During the COVID-19 Pandemic: In Brief, Congressional Research Service Report No. R46554 (January 12, 2021), <https://crsreports.congress.gov/product/pdf/R/R46554/6>.

Figure 1: Historical Unemployment Rate⁶
 Seasonally-adjusted monthly data from January 1948 to December 2020



Note: Shaded regions in Figure 1 indicate recessionary periods as identified by the National Bureau of Economic Research

ETA received funding for training and employment services for the dislocated workers assistance national reserve for necessary expenses directly related to the consequences of the COVID-19 pandemic. The DWG award process began with the Federal Emergency Management Agency’s declaration of emergencies and major disasters eligible for public assistance. These projects provided funds for employment and training services where needed to help affected individuals return to full employment as quickly as possible.

RESULTS

ETA generally administered the CARES Act funding to the DWG program in accordance with applicable federal regulations and guidelines. We found DWG goals were clear, measurable, and linked to governing statutes. However, as previous DOL OIG audits have found,⁷ there were significant delays in grantees

⁶ Unemployment Rates During the COVID-19 Pandemic: In Brief, Congressional Research Service Report No. R46554 (January 12, 2021), <https://crsreports.congress.gov/product/pdf/R/R46554/6>.

⁷ ETA Needs to Improve its Disaster National Dislocated Worker Program, OIG Report No. 02-21-002-03-391 (January 29, 2021), <https://www.oig.dol.gov/public/reports/oa/2021/02-21-002-03-391.pdf>.

providing disaster relief employment and training services. As of December 31, 2020, 38 percent of the grant periods elapsed and 8 percent (or \$18.8 million), of grant funds were spent. Therefore, it is unlikely that grantees will effectively use the funds and deliver services by the end of the grant period. Moreover, there was a failure to quickly roll out programs and achieve targets for providing training services and returning participants back to employment. As a result, the ability of the \$366 million DWG program to meet its goals is in jeopardy.

This occurred in part because ETA relied on existing DWG guidance and measures and did not establish additional metrics or guidance to assist grantees with the timely delivery of services to quickly assist dislocated workers with disaster relief activities. Further, one state indicated the reason it had not spent any of the funds allocated through the grant early on was due to confusion over how the grant funds should be properly spent per provisions in the grant.

In addition, 2 of the 15 sampled grant applications were not fully executed within the required 60-day deadline. Grantees for Guam and Oklahoma continued to draw grant funds beyond the 60-day period without providing the final application. The delay in obtaining the full application while allowing grantees to draw funding increased the risk of unallowable costs being incurred and not meeting performance goals and planned outcomes.

**GRANTEES EXPERIENCED SIGNIFICANT
DELAYS IN PROVIDING DISASTER RELIEF
EMPLOYMENT**

DWGs are expected to be utilized over a 24-month period, and for the first 9 months of the grants, DWG grantees were not performing at a rate that would enable them to meet planned outcomes. This occurred in part because ETA relied on existing DWG guidance and measures and did not establish additional metrics or guidance to assist grantees with the timely delivery of services to quickly assist dislocated workers with disaster relief activities. Further, one state indicated the reason it had not spent any of the funds allocated through the grant early on was due to confusion on how the grant funds should be properly spent per provisions in the grant.

The CARES Act provided \$345 million of additional funding for DWG training and employment services for necessary expenses directly related to the consequences of the COVID-19 pandemic. From April to August 2020, ETA awarded 57 grants totaling \$366 million. ETA used \$248 million provided under the CARES Act, along with \$118 million from ETA's regular National Dislocated Workers reserve funds. We found the additional CARES Act funding did not

effectively help unemployed individuals obtain temporary employment as intended by the grants. With 38 percent of the grant periods elapsed and minimal (8 percent) grant spending, there is a lack of evidence to support that grantees will effectively use the funds and deliver services by the end of the grant periods.

ETA administered CARES Act funding in accordance with the Workforce Innovation and Opportunity Act (WIOA), which states, in part:

The Secretary shall establish and publish additional requirements related to eligibility for employment and training assistance under the national dislocated worker grants to ensure effective use of the funds available for this purpose.⁸

In addition, ETA's Training and Employment Guidance Letter (TEGL) No. 12-19 states, in part:

ETA expects states to allocate funds to affected areas and service providers quickly in order to ensure funds can fulfill the purpose of these grants and to ensure that workers receive assistance.⁹

As stated in the TEGL, ETA expected grantees to allocate funding to affected areas and service providers to quickly provide assistance to dislocated workers. Some grantees partially achieved this. For example, California spent awarded grant funds to provide employment services, training, work-based learning, and support services to help participants return to work. Texas spent awarded grant funds to provide participants with training and employment services including job referrals and job placements in disease investigation and contact tracing positions.

However, we determined grantees were not fully successful in restoring communities in response to the COVID-19 pandemic and assisting out-of-work participants most in need of disaster relief employment. Through December 31, 2020, with 9 months or 38 percent of the grant periods elapsed, grantees for the 15 sampled grants reported the following:

- Approximately 8 percent (\$18.8 million) of grant funds were spent. For nine grants, review of the drawdowns showed less than 10 percent of

⁸ Workforce Innovation and Opportunity Act, Public Law 113-128. Section 170, National Dislocated Worker Grants – Employment and Training Assistance Requirements. July 22, 2014. <https://www.govinfo.gov/content/pkg/PLAW-113publ128/pdf/PLAW-113publ128.pdf>.

⁹ National Dislocated Worker Grant Program Guidance. TEGL No. 12-19. March 18, 2020. https://wdr.doleta.gov/directives/attach/TEGL/TEGL_12-19.pdf.

grant funds were expended. This included New York and Nevada reporting no expenditures (see Exhibit I).

- Approximately 19 percent (4,799) of planned participants were enrolled. For four grants, review of the quarterly reports showed less than 10 percent of planned participants were enrolled, including Louisiana, Nevada, Oklahoma, and New York, with New York reporting no enrolled participants (see Exhibit II).
- Of the 4,799 enrolled participants, 811 of the participants were placed in temporary employment positions. For seven grants, review of the quarterly reports showed less than 10 percent of the planned temporary employment placements were placed, including four grants (Florida, Guam, Texas, and New York) that had no temporary employment placements for participants (see Exhibit III).

ETA did not establish additional metrics or guidance to assist grantees in meeting goals to quickly assist dislocated workers. We also found ETA did not implement corrective actions to address a similar recommendation issued in a previous DOL OIG performance audit report.¹⁰

In addition, grantees New York, Nevada, and Louisiana each cited issues when administering the funding. ETA is optimistic about the grantees' ability to use grant funds within the current period of performance. However, New York had not spent any of its grant funds as of March 31, 2021, nor provided any services as officials stated they were not sure how the grant funds should be spent per provisions in the grant. Furthermore, Nevada and Louisiana commented in their quarterly reports ended March 31, 2021, that enrolling participants had been a challenge.

ETA and grantees reported limited spending and performance for enrolling participants and placing them in temporary employment positions. With 38 percent of the grant periods elapsed, minimal grant spending, and businesses reopening, there is a lack of evidence to support that grantees will effectively use the funds and deliver services by the end of the grant period. The additional funding for employment and training services did not effectively help unemployed individuals obtain temporary employment as intended by the grants.

ETA provided updated grantee performance statistics through March 25, 2021, to show their progress in meeting grant goals and spending funds. However, due to

¹⁰ ETA Needs to Improve its Disaster National Dislocated Worker Program, OIG Report No. 02-21-002-03-391 (January 29, 2021), <https://www.oig.dol.gov/public/reports/oa/2021/02-21-002-03-391.pdf>.

the continued lack of progress, it is uncertain if the following four grants will use their remaining \$73.879 million in grant funds: Florida (\$29.417 million), New York (\$12 million), Nevada (\$10.153 million), and Louisiana (\$22.309 million). In addition, it is uncertain the other 11 sampled grants will use the remaining grant funds of \$122.207 million by the end of the grant periods.

**2 OF 15 GRANT APPLICATIONS WERE NOT
IN COMPLIANCE WITH THE 60-DAY
REQUIREMENT**

ETA generally complied with federal and agency guidelines when awarding the COVID-19 DWGs. However, grantees were able to access funding without final approved authorization. Specifically, 2 of the 15 sampled grant applications (Guam and Oklahoma) were not fully executed within the required 60-day deadline. This occurred because ETA technical assistance did not include tracking and discussing the need to submit the full application within the required timeframes. The delay in obtaining the full application while allowing grantees to draw funds increased the risk of unallowable costs being incurred and performance goals not being met. These two grantees cumulatively spent approximately \$1.6 million or 64 percent of their grant funds without a full application.

Eligible applicants for DWGs are the state, outlying area, or Indian tribal government. According to TEGL No. 12-19, these applicants may request DWGs through an abbreviated emergency application to facilitate timely delivery of DWG assistance in response to a disaster event. Applicants also have the option to submit a full application containing a budget and plan in lieu of an emergency application. In the event the applicant submits an abbreviated application, the applicant would have 60 business days following an award of DWG funds requested via an emergency application to provide a full application.

Grantees for Guam and Oklahoma did not adhere to this requirement and continued to draw grant funds beyond the 60-day period without providing the final updated application (see Table 1). These two grants accounted for approximately \$2.5 million or approximately 1 percent of the sampled DWGs awarded.

Table 1: Days Over Deadline for Obtaining the Full Application

Grantee	ETA Grant Officer Signature Date	60-Day Due Date	Extension Deadline Due Date	Date Received by ETA	Days Over Deadline
Government of Guam Department of Administration	4/15/20	7/13/20	7/24/20	8/20/20	27 days
Oklahoma Department of Commerce	5/11/20	8/6/20	N/A	8/13/20	7 days

Source: Grant documentation provided by ETA and grantees

ETA did not ensure Guam and Oklahoma adhered to the 60-day requirement. The delay in obtaining the full application while allowing grantees to draw funding increases the risk of unallowable costs being incurred and performance goals not being met. As of December 31, 2020, Guam had expenditures of approximately \$1.2 million (80 percent) of its total grant of \$1.5 million and Oklahoma had spent \$411,484 (41 percent) of its total grant of \$999,000 before they obtained approval on their planned spending.

DWG GOALS WERE CLEAR, MEASURABLE, AND LINKED TO GOVERNING STATUTES

DWG goals were clear, measurable, and linked to governing statutes. ETA administers DWGs to allow grantees to quickly employ eligible individuals in humanitarian relief employment, including COVID-19 screeners, program support staff, food handlers, cleaners, inspectors, food delivery drivers, and contact-tracing workers. The CARES Act did not create any additional regulations related to DWGs. ETA tied DWG goals to the following federal regulations: WIOA and 2 Code of Federal Regulations (CFR) 200 (2013). ETA relied on pre-existing DWG programs metrics to measure the program's success. ETA's primary performance metrics are as follows:

- Employment Rate – 2nd Quarter After Exit
- Employment Rate – 4th Quarter After Exit
- Median Earnings – 2nd Quarter After Exit
- Credential Attainment

- Measurable Skill Gains
- Effectiveness in Serving Employers

In addition, ETA provided the data that captured the total amount of participants served as well as the number of participants employed in temporary disaster-relief positions. After 9 months (38 percent of the time elapsed), the grantees had collectively enrolled 18 percent of planned participants and placed 6 percent of the planned participants in employment.

DWG GRANTEE EXPENDITURES WERE TIED TO DISASTER RELIEF EMPLOYMENT AND TRAINING REQUIREMENTS

We found DWG grantee expenditures were tied to disaster relief employment and training in accordance with grant requirements. We selected a sample of \$3,008,482 (16 percent) of the total expenses reported of \$18,787,605 as of December 31, 2020. We judgmentally selected the largest dollar drawdown from ETA's drawdown schedule for each sampled grantee with drawdowns as of October 13, 2020. For each selected drawdown, we examined documentation in support of grant expenditures (including subrecipients) and performed tests for allowability and noted that grantees properly expended funds for disaster relief employment and training in accordance with grant requirements. We also found ETA:

- Monitored expenditures that included participants' salary and fringe benefits, career services, education and training, supportive services, and state and local administration costs;
- Performed steps to verify whether participant cost was allowable; and
- Provided technical assistance to DWG grantees and subrecipients.

RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training:

1. Provide dedicated technical assistance to the states of Florida, New York, Nevada, and Louisiana to assist them in attaining planned goals. If no specific plan of action is provided or is not being met by grantees, ETA

- should recoup any DWG funding where the states cannot demonstrate their ability to achieve their planned goals by the end of the grant period.
2. Continue to closely monitor the remaining COVID-19 DWG awards to ensure attainment of performance goals and objectives and provide technical assistance as needed throughout the grant lifecycle. To the extent permitted by law, any of the remaining funds (determined as not needed) should be returned to the Department of Treasury or recouped as soon as practicable so that these funds would become available for other allowable purposes.
 3. Amend TEGL No. 12-19 to include timeline provisions for when disaster relief grantees should begin providing relief to those impacted by a disaster.
 4. Amend TEGL No. 12-19 to include technical assistance provisions for grantees that fail to meet the 60-day requirement for submitting full applications.

SUMMARY OF ETA'S RESPONSE

ETA generally agreed with the four recommendations and is taking corrective action. Nothing in ETA's response changed our report. However, in its response to the report, ETA was concerned that the report did not acknowledge the challenges that the grantees faced in providing assistance during the COVID-19 pandemic, including the unprecedented need for unemployment insurance benefits and participants' understandable hesitancy to risk their health. In addition, ETA stated it had awarded the first 26 DWGs within 20 days under challenging conditions.

AUDITOR'S RESPONSE

ETA generally concurred with the recommendations. Though ETA believes that COVID related challenges were not acknowledged in the report, the report does state that the grantees indicated that there was confusion on grant provisions and that there were challenges in enrolling participants. Also, the report states that "the COVID-19 pandemic has had a significant effect on employment in every state, industry, and major demographic group in the United States" and outlines the unprecedented level of unemployment not seen since data collection began in 1948.

Management's response to the draft report is included in its entirety in Appendix B. We appreciate the cooperation and courtesies ETA extended us during this audit.

A handwritten signature in dark ink that reads "The Lopez Group, LLP". The signature is written in a cursive, flowing style.

The Lopez Group, LLP
Temecula, CA
January 25, 2022

EXHIBIT 1: PERCENTAGE OF GRANTEE DRAWDOWNS AS OF DECEMBER 31, 2020

Grantee	Total Drawdowns	Award Amount	Percentage of Award
California Department of Employment Development – Disaster Grant	1,478,295	\$12,000,000	12.32%
New York State Department of Labor	0	\$12,000,000	0.00%*
Texas Workforce Commission	3,828,737	\$39,685,179	9.65%*
Technical College System of Georgia	1,118,683	\$25,293,837	4.42%*
State of Florida, Department of Economic Opportunity	5,106,129	\$40,394,746	12.64%
Mississippi Department of Employment Security	1,019,550	\$11,257,012	9.06%*
Rhode Island Department of Labor and Training	1,152,812	\$2,326,005	49.56%
Government of Guam Department of Administration	1,192,710	\$1,500,000	79.51%
Louisiana Workforce Commission	155,361	\$22,767,303	0.68%*
Washington State Department of Employment Security – Disaster Grant	865,621	\$12,000,000	7.21%*
Oklahoma Department of Commerce	411,484	\$999,000	41.19%
Tennessee Department of Labor and Workforce Development	878,896	\$14,815,295	5.93%*
California Department of Employment Development – Employment Grant	1,263,047	\$12,502,750	10.10%
Washington State Department of Employment Security – Employment Grant	316,281	\$12,000,000	2.64%*
Nevada Department of Employment, Training & Rehabilitation	0	\$10,975,389	0.00%*
Total	\$18,787,605	\$230,516,516	8.15%

Notes:

* Nine grants expended less than 10 percent of funds including New York and Nevada, which had no expenditures.

Source: Grantee quarterly reports submitted to ETA

EXHIBIT 2: ACTUAL VS. PLANNED ENROLLMENT AS OF DECEMBER 31, 2020

Grantee	Actual Number Participants Enrolled	Planned Number of Participants Enrollment	Percentage of Enrollment
California Department of Employment Development – Disaster Grant	214	619	34.57%
New York State Department of Labor	0	2,185	0.00%*
Texas Workforce Commission	691	2,042	33.84%
Technical College System of Georgia	260	2,190	11.87%
State of Florida, Department of Economic Opportunity	978	5,500	17.78%
Mississippi Department of Employment Security	222	697	31.85%
Rhode Island Department of Labor and Training	183	388	47.16%
Government of Guam Department of Administration	179	210	85.24%
Louisiana Workforce Commission	89	3,100	2.87%*
Washington State Department of Employment Security – Disaster Grant	351	622	56.43%
Oklahoma Department of Commerce	43	945	4.55%*
Tennessee Department of Labor and Workforce Development	222	1,383	16.05%
California Department of Employment Development – Employment Grant	1,013	2,892	35.03%
Washington State Department of Employment Security – Employment Grant	176	915	19.23%
Nevada Department of Employment, Training & Rehabilitation	178	1,829	9.73%*
Total	4,799	25,517	18.81%

Notes:

* Four grants enrolled less than 10 percent of planned participants including DWG grantee New York, which reported zero participants.

Source: Grantee quarterly reports submitted to ETA

EXHIBIT 3: ACTUAL VS. PLANNED EMPLOYMENT PLACEMENTS AS OF DECEMBER 31, 2020

Grantee	Actual Employment Placements	Planned Employment Placements	Percentage of Employment
California Department of Employment Development	141	595	23.70%
New York State Department of Labor	0	2,185	0.00%**
Texas Workforce Commission	0	1,918	0.00%**
Technical College System of Georgia	110	1,070	10.28%
State of Florida, Department of Economic Opportunity	0	4,200	0.00%**
Mississippi Department of Employment Security	173	697	24.82%
Rhode Island Department of Labor and Training	183	250	73.20%
Government of Guam Department of Administration	0	210	0.00%**
Louisiana Workforce Commission	69	2,309	2.99%*
Washington State Department of Employment Security	4	230	1.74%*
Oklahoma Department of Commerce	1	45	2.22%*
Tennessee Department of Labor and Workforce Development	130	826	15.74%
Total	811	14,535	5.58%

Notes:

* Seven grants had less than 10 percent of planned employment placements.

** Four grant had zero temporary employment.

Source: Grantee quarterly reports submitted to ETA

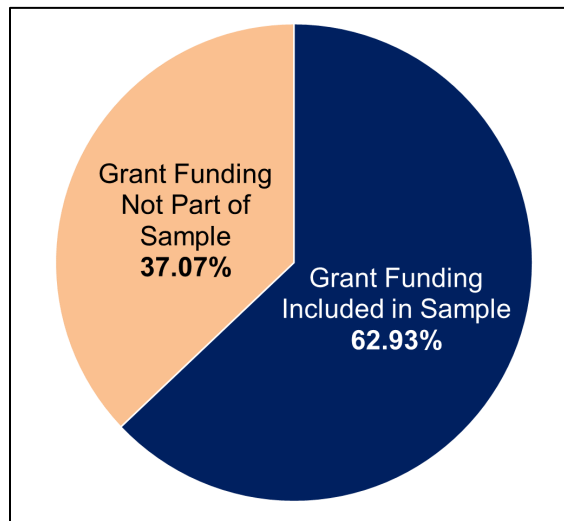
APPENDIX A: SCOPE, METHODOLOGY, & CRITERIA

SCOPE

The audit scope encompassed 57 DWGs awarded by ETA as of August 2020 in response to the COVID-19 pandemic totaling \$366 million. The CARES Act provided additional funding in the amount of \$345 million to ETA to prevent, prepare for, and respond to the coronavirus, domestically or internationally, and for necessary expenses for the dislocated workers assistance national reserve. Through August 2020, ETA only used \$248 million provided under the CARES Act, along with \$118 million from ETA’s regular National Dislocated Workers reserve funds (see Figure 2 and Figure 3).¹¹

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act stimulus bill was passed by the U.S. Congress.

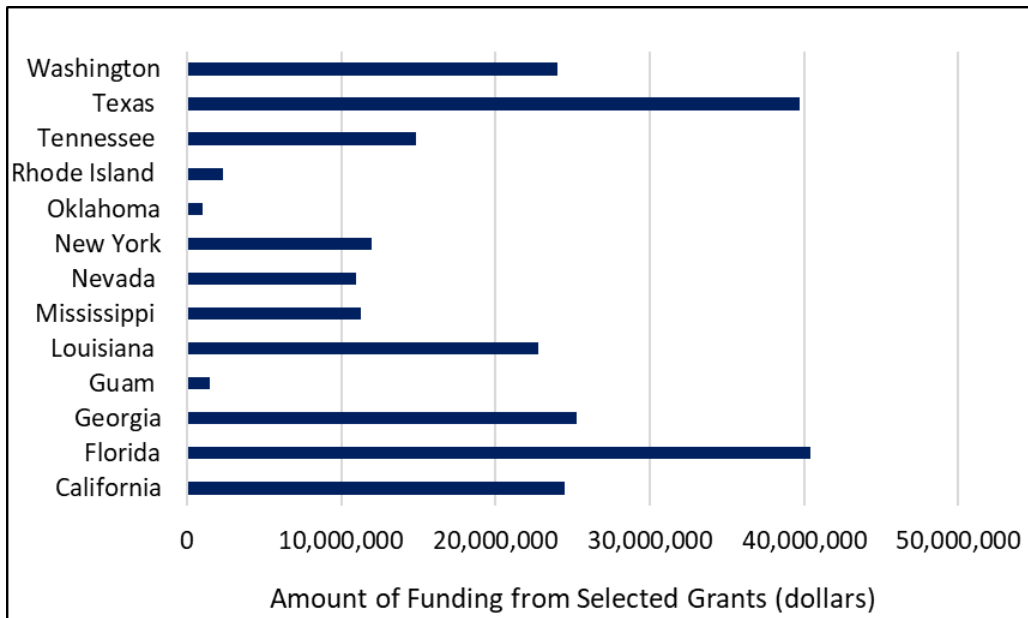
Figure 2: Percentage of Sampled Grant Awards as of August 2020



Source: ETA Drawdown Report as of 10/13/2020

¹¹ As of December 31, 2020, ETA reported 64 DWGs totaling \$398 million, of which \$255 million was funded under the CARES Act, with \$143 million provided under the regular National Dislocated Workers reserve.

Figure 3: Sampled Grant Awards by State as of August 2020



Note: California and Washington each had two grants; other states had only one.
 Source: ETA Drawdown Report as of 10/13/2020

METHODOLOGY

To accomplish our audit objectives, we obtained an understanding of the grant’s objectives by reviewing the grant agreements, solicitation for grant applications, grant modifications, progress reports, financial reports, ETA monitoring reports, and other correspondence and related documents. We identified criteria key to the administration of the grant in the grant agreements and reviewed applicable ETA policies and procedures. We conducted procedural walkthroughs with ETA and grantees to obtain an understanding of administration and financial procedures for reporting performance data and charging costs to the DOL grant. We reviewed documentation supporting the grantees’ participant data reported to DOL and documentation supporting expenses charged to the grants.

This performance audit was conducted remotely and covered 15 grants awarded to 13 states and territories.

We conducted this performance audit in accordance with standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed ETA's award process, determined if grantees properly expended grant funds, and compared the grantees' actual participants as of December 31, 2020, to their planned participant goals. The DWGs were awarded to 57 states and territories, and we judgmentally selected a sample of 15 grants. These 15 grants totaled approximately \$231 million (or 63 percent) of the total grants funds approved. Grantees for these 15 grants reported \$18.8 million as expended. During fieldwork, grants were active, with changes to the amount of funds expended, participants enrolled, and periods of performance. In addition, we interviewed grantee officials and selected some of their sub-recipients. We also interviewed subrecipients' officials and judgmentally tested a sampling of costs.

We assessed the reliability of performance and financial data. For the performance data, we obtained an understanding of the systems and methods used to collect and report expenditure and participant outcome data. We concluded that data reported to ETA was complete and sufficiently reliable.

For financial and performance data we assessed the reliability of expenditures and participant data reported to ETA. We reconciled information on ETA's website to grant agreements, ETA internal reports, grantees' drawdown documentation, and quarterly reports to ETA. Grantees' internal reports and quarterly reports to ETA were reconciled to grantee and subrecipient drawdown documentation and participant data. We found no differences.

INTERNAL CONTROL

In performing the audit, we evaluated internal controls used by ETA and grantees for reasonable assurance that the DOL grants were administrated in accordance with federal and internal requirements. Our consideration of internal controls for administering the DOL grants would not necessarily disclose all matters that might be reportable conditions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected.

Because this was a performance audit, our audit was not designed to provide an opinion on the internal controls of ETA or to provide an opinion on the fair presentation of expenditures provided by the grantees. Accordingly, we provide no such opinions. We did not verify the total number of participants served.

CRITERIA

- 2 Code of Federal Regulations 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- Coronavirus Aid, Relief, and Economic Security Act
- Training and Employment Guidance Letters
- Workforce Innovation and Opportunity Act

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



December 17, 2021

MEMORANDUM FOR: CAROLYN R. HANTZ
Assistant Inspector General for Audit

FROM: ANGELA HANKS **AH**
Acting Assistant Secretary

SUBJECT: Response to the Office of Inspector General Draft Report Number
19-22-XXX-03-391 – *COVID-19: Delays in Providing Disaster
Relief Jeopardize \$366 Million Disaster Worker Grant Program*

Thank you for the opportunity to respond to the above-referenced Office of Inspector General (OIG) draft report. The draft report provides the OIG's conclusions and recommendations regarding the Employment and Training Administration's (ETA) administration of Disaster National Dislocated Worker Grants (DWG) awarded under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for training and employment services and other necessary expenses directly related to the consequences of the COVID-19 pandemic.

Prior to addressing the draft report's recommendations, ETA would like to provide feedback on several themes contained in the draft report that were discussed with the OIG during the course of the audit. ETA hopes that the OIG finds this feedback useful, and respectfully requests that appropriate additions and revisions be made prior to issuing the final report to more accurately characterize the program and the overall situation in which the grants were awarded.

- Appropriate context with regard to the circumstances of the pandemic and acknowledgement of the challenges experienced from the onset of these grants is important to acknowledge. Stay-at-home orders at the Federal and State (grant recipient) level, closures of businesses (employers) across the country, and other COVID-19-related restrictions impacted the grant recipients' ability to enroll participants and provide employment services for a significant period of time.
- ETA and COVID-19 DWG recipients worked to implement COVID-19 DWG programs in unprecedented conditions. Unlike a traditional disaster event, the COVID-19 pandemic is an ongoing and evolving event. Even as COVID-19 DWG recipients were trying to identify needs for disaster-relief employment and training activities, local conditions, as well as available science-based guidance to mitigate impacts, were changing constantly. Many jobs that were expected to be needed at the time of the COVID-19 DWG application were obsolete within a short time.
- While COVID-19 resulted in historically high unemployment, many affected individuals were not willing or able to participate in disaster-relief employment. There were many

justifiable reasons for this, including hesitancy to go to work and put themselves or family members at risk for contracting COVID-19, or an inability to take an employment opportunity due to child or eldercare responsibilities that initially impacted participation levels, which were reflected in the broader national unemployment situation as well. As schools and daycare centers reopened and vaccines became widely available, COVID-19 DWG enrollments increased dramatically.

- Many states experienced such a dramatic demand for unemployment insurance (UI) benefits that existing state staff were needed to support the UI claims process, leaving many other programs short-staffed. DWG projects in many states suffered from having fewer staff to develop contracts with service providers, conduct outreach, and otherwise manage grants, which led to slower implementation. As UI claims stabilized and began to decline, reallocated staff returned to their regular jobs and were able to support more effective operation of the COVID-19 DWGs and other programs.

As the country continues to recover and return to “normal,” these factors, which were outside the control of DWG recipients, have lessened. This is demonstrated by increases in COVID-19 DWG enrollments – 7,112 (for the quarter ending December 31, 2020) compared to 17,870 (for the quarter ending June 30, 2021).

Finally, ETA respectfully requests that the OIG reconsider the title of the report itself. As written, the title appears to infer that there was a delay in making disaster-relief funding available to eligible applicants. Under section 170 of the Workforce Innovation and Opportunity Act, DWGs must be approved by the Secretary within 45 days from receipt of a fundable application. ETA notes that the CARES Act (P.L. 116-136) was signed into law on March 27, 2020. Despite the pandemic, eligible applicants submitted, ETA reviewed, and the Secretary approved the award of the first 26 COVID-19 DWG applications on April 14, 2020, just 20 days after the CARES Act became law. ETA sustained this pace of expedited review and approval throughout the pandemic, with the elapsed time from receipt of emergency applications to approval averaging 20 days across all COVID-19 DWGs awarded. The OIG recognizes this fact in the “Briefly” section of the draft report, and discusses the fact that its concerns are with the length of time it took for some COVID-19 DWG recipients to begin providing services. The current title of the draft report does not convey this important distinction between ETA’s role in awarding COVID-19 DWGs and the grant recipients’ role in implementing and operating COVID-19 DWGs.

Please find below ETA’s responses to the OIG’s recommendations and proposed actions to address them.

OIG Recommendation 1: Provide dedicated technical assistance to the states of Florida, New York, Nevada, and Louisiana to assist them in attaining planned goals. If no specific plan of action is provided or is not being met by grantees, ETA should recoup any DWG funding where the states cannot demonstrate their ability to achieve their planned goals by the end of the grant period.

ETA Response: ETA agrees with this Recommendation and has provided a substantial amount of technical assistance to COVID-19 DWG recipients, including hosting a series of peer-to-peer sessions that allowed grant recipients the opportunity to share with one another their challenges with COVID-19 DWG implementation, as well as other possible solutions to attain planned goals. The technical assistance also included the development of COVID-19 DWG implementation podcasts; webinars highlighting different focus areas, including grant recipients demonstrating early successes; partnership recommendations; and participant outreach and engagement tools. This intensive technical assistance eliminated the need to recoup previously-awarded grant funds to COVID-19 DWG recipients, as the majority of the states are on track to achieve their planned goals. To ensure continued grant success, all grant recipients, including the four states listed in this Recommendation, will continue to receive technical assistance throughout the remainder of the period of performance.

In addition to the aforementioned technical assistance provided to all COVID-19 DWG recipients, the grant recipients specifically identified in this Recommendation also received dedicated technical assistance as described below. Based on this dedicated technical assistance, ETA has determined that recouping funds from these grant recipients is not necessary.

Florida: ETA's Atlanta regional office provided several technical assistance sessions and reviews weekly progress reports from this grant recipient. The weekly reports serve as a platform to discuss challenges and successes and allow ETA the opportunity to identify concerns. Additional technical assistance was provided to the grant recipient by ETA regional and national office staff in February 2021 to specifically advise Florida on enrollments and expenditures, and ETA closely monitors the grant recipient to assist in these areas. To date, the grant recipient has expended 60 percent of the awarded funds and enrolled 45 percent of planned participants, with three and a half months remaining in the period of performance.

New York: ETA's Boston/Philadelphia regional office conducted peer-to-peer technical assistance sessions for all COVID-19 DWG recipients on June 19, 2020; July 7, 2020; August 19, 2020; September 17, 2020; October 29, 2020; December 1, 2020; February 18, 2021; and April 22, 2021. In addition, the regional office held numerous calls with New York, providing individual technical assistance concerning grant implementation, potential modifications to their statement of work, and grant performance. ETA continues to monitor and provide technical assistance. To date, the grant recipient has expended 12 percent of its Disaster Recovery DWG award and 40 percent of its Employment Recovery DWG award. ETA expects to see the impact of new temporary employment opportunities in the December 31, 2021 fiscal reports.

Nevada: ETA's San Francisco regional office conducted a series of virtual technical assistance sessions for all of the region's states/territories and tribes that were awarded COVID-19 DWGs. The sessions focused on grant requirements; program and fiscal reporting; the ETA grant monitoring process; and best practices and other resources and tools to assist grant recipients in effectively implementing their COVID-19 DWGs. These sessions also provided an opportunity for sharing grant implementation challenges and success with their peers. Additionally, targeted technical assistance was frequently provided to Nevada on an on-going basis, on topics including performance, Conditions of Award, grant modifications, and overall progress towards grant goals and outcomes, including internal procurement policies that resulted in significant delays in

implementing and expending grant funds timely. To date, the grant recipient has expended 40 percent of its Disaster Recovery DWG award and 48 percent of its Employment Recovery DWG award.

Louisiana: ETA's Dallas regional office conducted a series of technical assistance sessions for Louisiana, which included weekly conference calls and meetings to provide guidance on DWG program requirements. To date, Louisiana has expended 16 percent of its COVID-19 DWG award, and enrolled 10 percent of its targeted 3,200 participants. In addition to the COVID-19 pandemic, a series of hurricanes made landfall in calendar years 2020 and 2021 (Hurricane Laura made landfall August 27, 2020; Hurricane Delta made landfall October 9, 2020; Hurricane Zeta made landfall October 29, 2020; and Hurricane Ida made landfall August 29, 2021), which further impacted Louisiana's ability to timely implement its COVID-19 DWGs. Most recently, between October and December 2021, ETA conducted virtual technical assistance forums on grants management, performance, and fiscal training for state and local staff. ETA will continue to monitor Louisiana's COVID-19 DWG implementation as the state continues its recovery from these additional disasters.

OIG Recommendation 2: Continue to closely monitor the remaining COVID-19 DWG awards to ensure attainment of performance goals and objectives and provide technical assistance as needed throughout the grant lifecycle. To the extent permitted by law, any of the remaining funds (determined not needed) should be returned to the Department of Treasury or recouped as soon as practicable so that these funds would become available for other allowable purposes.

ETA Response: ETA agrees with this recommendation and recognizes the importance of monitoring COVID-19 DWGs. ETA continues to monitor the remaining COVID-19 DWG awards to ensure attainment of goals, expenditure of funds, and overall grant performance. Technical assistance has been and will continue to be delivered throughout the period or performance of the grants to ensure adherence to standards for fiscal responsibility, thereby alleviating the need to return funds allocated to COVID-19 DWG recipients back to Treasury.

OIG Recommendation 3: Amend TEGL No. 12-19 to include timelines provisions for when disaster relief grantees should begin providing relief to those impacted by a disaster.

ETA Response: ETA agrees with the general concept conveyed by this Recommendation, but disagrees with the specific approach identified, as each circumstance is unique and strict timelines are not appropriate to include in guidance. Instead, ETA is currently finalizing a replacement to Training and Employment Guidance Letter (TEGL) No. 12-19 to provide a number of programmatic clarifications, including some of those identified by the OIG that arose as a result of the COVID-19 pandemic. For instance, as a part of this new DWG guidance, in order to help DWG recipients implement grants both timely and effectively, ETA will clarify which activities they may start during the period of an emergency application and which require prior approval.

OIG Recommendation 4: Amend TEGL No. 12-19 to include technical assistance provision for grantees that fail to meet the 60-day requirement for submitting full applications.

ETA Response: ETA agrees with the spirit of this recommendation, but not with the specific approach identified in this Recommendation. As a part of the new TEGL that will replace TEGL No. 12-19, discussed in the response to Recommendation 3, ETA will include language that informs DWG recipients of the requirement to submit a full application within 60 days of receipt of a grant awarded in response to an emergency application. As this timeframe is often challenging for states experiencing a disaster, the language will also remind DWG recipients to notify ETA if they are unlikely to meet the timeline and to request technical assistance as they work to complete a full application.

Additionally, ETA is planning a wide array of technical assistance for DWG recipients to accompany and follow the publication of the new TEGL. The technical assistance will address many areas where DWG recipients have experienced challenges or delays in meeting proposed goals or implementing projects, as well as adapt to emerging situations, such as the impact of the COVID-19 pandemic.

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.

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