Appendix C

ETA Response to Draft Report

U.S. Department of Labor

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

MAR 20 2015

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

FROM: PORTIA WU
Assistant Secretary
for Employment and Training

SUBJECT: Response to the Office of the Inspector General's Superstorm Sandy National Emergency Grants Audit Draft Report, Report No. 02-15-204-03-390

Thank you for the opportunity to comment on the draft report resulting from the Office of the Inspector General's (OIG's) audit of the Employment and Training Administration's (ETA's) Superstorm Sandy National Emergency Grants (NEGs), Report No. 02-15-204-03-390. ETA appreciates being able to provide feedback before the final report is completed and issued.

ETA would also like to thank the OIG for their acknowledgement in the draft report that the initial grant award process was properly administered for all of the Superstorm Sandy NEGs and that ETA acted swiftly to review and approve these applications. ETA places a high priority on providing funds expediently to states that have experienced an eligible disaster, so the clean-up and community healing process can commence without delay. ETA takes this responsibility seriously and has dedicated significant resources to ensuring that NEG applications are not only reviewed, approved, and awarded quickly, but are done so in accordance with applicable statute, regulations, and policy.

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

OIG Recommendation #1: Track modification requests to determine if the revised modification review procedures address systemic problems that delay timely decision on NEG modification requests.

Response: ETA identified concerns with the NEG modification process prior to this audit being conducted. As a result, ETA undertook a thorough review of its NEG modification process and identified areas it could streamline to make it not only easier for

grantees to submit acceptable modification requests, but also to speed the review and approval of modification requests.[1] The revised NEG modification process was announced to the grantee community via Training and Employment Guidance Letter 17-14, *National Emergency Grant Revised Modification Process*, on January 6, 2015 (http://wdr.doleta.gov/directives/attach/tegl/TEGL-17-14.pdf). As part of a continuous improvement process, ETA will track the impact of this change and will continue to make improvements to the process, as necessary.

OIG Recommendation #2: To ensure the disaster NEG program serves its intended population, reinstate the policy to require disaster NEG grantees have systems in place to review eligibility determinations once needed documentation becomes available.

Response: ETA is in the process of promulgating regulations and developing operating instructions and other guidance as part of its implementation of the Workforce Innovation and Opportunity Act (WIOA) that will address participant eligibility. Participant eligibility determinations is an issue that cuts across all of ETA's programs, and for NEGs, intersects significantly with the Dislocated Worker formula program.

Anticipated performance reporting requirements under WIOA will include collection of individual participant information used to determine eligibility for this and other programs. The associated data validation requirements ETA will issue for its programs, to verify performance outcomes for the programs under WIOA, including disaster grants, will include the necessary acceptable documentation required about the participants, and will take into account the level of acceptable documentation necessary to verify eligibility for the program(s). It is important to recognize the reality that, in disaster situations, documents that are normally used to verify program eligibility could have been lost or destroyed in the disaster event.

OIG Recommendation #3: Recover $3,234,897 ($3,197,599 for SBS, $9,367 for Westchester, and $27,931 for Essex) of funds due to unallowable costs, inaccurate financial reporting and problematic payroll records.

Response: This recommendation will be forwarded to ETA's Audit Resolution Unit in the Office of Grants Management's Division of Policy Review and Resolution for action. Initial and final determinations will be issued according to the process laid out in 20 CFR 667.500.

OIG Recommendation #4: Ensure sub-grantees have controls in place to adequately charge expenses to NEGs and draw-down funds.

[1] ETA continues to disagree with the methodology that the OIG used in this report to calculate the amount of time it takes to approve modification requests (as the methodology does not take into account the grantee's responsibility to provide accurate information in a timely manner to enable a modification request to be executed within a reasonable amount of time.)

- 3 -

Response: Through its participation in the Council of Financial Assistance Reform (COFAR), ETA was able to work with other agencies across the Federal government to strengthen the language contained in the Uniform Guidance around this issue. The Uniform Guidance makes it clear that the terms and conditions contained in the Recipient's (Grantee's) award must flow down to any Sub-Recipients (Sub-Grantees), which include internal control and accounting practices. ETA began the process of providing training on the Uniform Guidance to its grantees the week of March 9, 2015, and will be providing training to ETA grantees in each of ETA's six regions throughout March and April of 2015.

If you have questions concerning this document, please contact Laura P. Watson, Associate Deputy Administrator of the Office of Management and Administrative Services at (202) 693-3333.

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