U.S. Department of Labor

Office of Inspector General—Office of Audit

EMPLOYMENT AND TRAINING ADMINISTRATION

AUDIT OF WORKFORCE INVESTMENT ACT DATA VALIDATION FOR THE ADULT AND DISLOCATED WORKER PROGRAMS

Date: September 30, 2009
Report Number: 03-09-003-03-390

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

BRIEFLY…

Highlights of Report Number: 03-09-003-03-390, Audit of Workforce Investment Act Data Validation for the Adult and Dislocated Worker Programs, to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

The U.S. Department of Labor (DOL) Office of Inspector General (OIG) performed an audit of the Employment and Training Administration's (ETA) data validation initiative for the Workforce Investment Act (WIA) Adult and Dislocated Worker programs. ETA implemented data validation to ensure that state workforce agencies (SWA) report accurate and reliable WIA performance data. ETA uses this data to report WIA performance measure results in DOL's annual Performance and Accountability Report. Data validation requires SWAs to conduct (1) report validation by assessing whether their software accurately calculated performance outcomes in their Annual Performance Reports to ETA, and (2) data element validations by reviewing samples of WIA participant files to check the accuracy of the data that the SWAs use to calculate performance outcomes. The data element validation is performed after the report validation in order to detect and identify specific problems with an SWA's WIA reporting process.

WHY OIG CONDUCTED THE AUDIT

OIG conducted the audit to answer the following question:

> Does ETA exercise adequate oversight of the SWAs' data validation of WIA performance data?

The audit covered data SWAs reported for Program Year (PY) 2006 (July 1, 2006, through June 30, 2007), the latest PY that was subject to the data validation process at the time of our audit. The audit also included analysis of reported self-service participant and exiter data covering PYs 2005 through 2007. We reviewed a statistical sample of participant files used to perform data element validation at the SWAs in Michigan, Utah, and Texas.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

http://www.oig.dol.gov/public/reports/oa/2009/03-09-003-03-390.pdf

September 2009

AUDIT OF WORKFORCE INVESTMENT ACT DATA VALIDATION FOR THE ADULT AND DISLOCATED WORKER PROGRAMS

WHAT OIG FOUND

The OIG found that ETA provided extensive guidance to SWAs in preparing for and implementing data validation; however, it needs to strengthen its oversight to ensure SWAs are conducting data validations correctly. Our analysis of participant files from the SWAs' data element validation reviews found they were not validated using the appropriate ETA criteria or source documentation. This occurred in part because ETA did not finalize the draft guide for monitoring the SWAs' data validation process. Without sufficient oversight, ETA has no assurance that data validation is operating as designed.

We also noted that ETA is not updating the software used for data validation on a timely basis because it has not had sufficient funds for the maintenance needed to ensure it operates efficiently and addresses changes in performance reporting requirements as they occur. This has negatively impacted the effectiveness and efficiency of using the data validation software.

We also found reported participant and exiter data was inconsistent from SWA-to-SWA because the instructions did not clarify which self-service participants and exiters should be counted. As a result, Congress, stakeholders, the public, and other interested parties do not have accurate information on participation levels which is needed to fully report on whether the One-Stop systems are meeting the needs of business and the workforce.

WHAT OIG RECOMMENDED

The OIG recommended that the Assistant Secretary for Employment and Training finalize the Data Validation Monitoring Guide, require the regional offices to implement a monitoring plan of data validation at the SWAs, and provide regional offices access to data validation results that they can use to assist them in monitoring SWAs. We also recommended ETA sufficiently fund for maintaining and revising the data validation software and develop and disseminate instructions that clearly define how SWAs should report self-service participants and exiters.

HOW THE AUDITEE RESPONDED

ETA responded that they generally concurred with the recommendations, and initiated several steps in the direction of the recommendations.

Table of Contents

Assistant Inspector General's Report 1

Results and Findings 4

Objective — Does ETA exercise adequate oversight of the SWAs' data validation of WIA performance data? 4

Finding 1 — ETA has not implemented an effective monitoring process to ensure that data validation for the Adult and Dislocated Worker programs is operating as designed. 4
Finding 2 — ETA is not adequately maintaining the data validation software.... 10
Finding 3 — ETA did not provide clear instructions to ensure that SWAs consistently report the number of self-service participants and exiters served by their One-Stop systems. 12

Recommendations 14

Exhibits 17

Exhibit 1 Statistical Results of Audit of Sample of SWA Data Validation Files 19
Exhibit 2 WIA Annual Report Instructions Describing the Elements in Table M for the Adult and Dislocated Worker Programs 21

Appendices 23

Appendix A Background 25
Appendix B Objective, Scope, Methodology, and Criteria 31
Appendix C Acronyms and Abbreviations 35
Appendix D Agency Response 37

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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

September 30, 2009

Assistant Inspector General's Report

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The U.S. Department of Labor (DOL) Office of Inspector General (OIG) performed an audit of the Employment and Training Administration's (ETA) data validation initiative for the Workforce Investment Act (WIA) Adult and Dislocated Worker programs. WIA is designed to provide employment and training services to assist eligible individuals in finding and qualifying for meaningful employment and to help employers find the skilled workers they need to compete and succeed in business. The Adult and Dislocated Worker programs are two of WIA's employment and training programs. The Adult program provides employment and training activities for adults, including low-income individuals and public assistance recipients. The Dislocated Worker program provides reemployment services and retraining assistance to individuals permanently dislocated from their employment. WIA provides formula-based funding to state workforce agencies (SWA) to design and operate both of the training programs. Funding for both programs totaled $2.2 billion in fiscal year (FY) 2009.

In October 2004, ETA implemented a data validation initiative for WIA to ensure that SWAs report accurate and reliable WIA performance data. ETA designed data validation to minimize the SWA's reporting burden and provide clear standards for assessing the validity of data. ETA uses this data to report WIA performance measure results in DOL's annual Performance and Accountability Report (PAR). Data validation requires SWAs to conduct (1) report validation by assessing whether its software accurately calculated performance outcomes in its Annual Performance Report to ETA, and (2) data element validations by reviewing samples of WIA participant files to check the accuracy of the data that the SWAs use to calculate performance outcomes. The data element validation is performed after the report validation in order to identify specific problems with an SWA's WIA reporting process so as to enable the SWA to correct the problems. Data validation is intended to meet ETA's Government Performance and Results Act (GPRA) responsibilities that the performance data is reasonably accurate. In the PARs for FYs 2007 and 2008, ETA reported that the data quality for WIA performance goals was rated Very Good. Part of its basis for the rating was the agency's extensive effort made to improve data quality through the use of the data validation system and monitoring at both the national and regional levels.

There are three GPRA performance measures for Federal employment and training programs, referred to as the "common measures" — increase in employment, retention, and earnings of individuals who received employment and training services and exited the program. In the FY 2008 PAR, DOL reported that Adult and Dislocated Worker programs did not achieve their performance goals. The Adult program did not achieve one of the three common measure targets and the Dislocated Worker goal did not achieve two.

We conducted an audit of ETA's data validation initiative to answer the following question:

> Does ETA exercise adequate oversight of the SWAs' data validation of WIA performance data?

The audit covered data reported by the SWAs for the Adult and Dislocated Workers program for Program Year (PY) 2006 (July 1, 2006, through June 30, 2007), the latest PY that was subject to the data validation process at the time of our audit. The audit also included analysis of reported self-service participant and exiter data covering PYs 2005 through 2007. We performed audit work at SWAs in Michigan, Utah, and Texas; and at ETA regional offices in Chicago and Dallas.

To accomplish the audit objective we obtained an understanding of the program by reviewing documentation and interviewing ETA national and regional office management and staff responsible for administering data validation. We also reviewed documentation and conducted interviews at the three SWAs visited. We obtained an understanding of the SWAs' data validation process and reviewed a statistical sample of participant files that the SWAs used to perform their data element validation.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our objective, scope, methodology, and criteria are detailed in Appendix B.

RESULTS IN BRIEF

ETA provided extensive guidance to SWAs in preparing for and implementing data validation; however, it needs to strengthen its oversight to ensure SWAs are conducting data validations correctly. We found that the three SWAs audited did not properly conduct data element validation reviews of participant files for the WIA Adult and Dislocated Workers programs. Overall, our analysis of participant files from the SWAs' data element validation reviews found they were not validated using the appropriate ETA criteria or source documentation. This occurred because (1) the SWAs did not fully

understand ETA data element validation requirements or the instructions for validating data elements in participant exit records; (2) ETA regional offices did not finalize the draft guide for monitoring the SWAs' data validation process and did not follow the draft guide's procedures for conducting data validation reviews; and (3) ETA regional offices did not have access to two reports on the SWAs' data validation results that would assist them in their monitoring efforts and enhance their technical assistance to the SWAs. Without an effective monitoring process, ETA has no assurance that data validation is operating as designed so that the data can be relied upon for accurately reporting performance results for the Adult and Dislocated Worker programs.

We also noted ETA is not updating the software used for data validation on a timely basis because it has not had sufficient funds for the maintenance needed to ensure it operates efficiently and addresses changes in performance reporting requirements as they occur. ETA has had to reduce funding for data validation since 2006 because it was faced with reduced appropriations. ETA officials told us that while they appreciate the critical role data validation plays in assuring the quality of performance data, investments in data validation had to compete with other high priority activities when budget reductions occurred. ETA officials said this fact is reflected in the reductions in data validation funding. As a result, the insufficient funding has negatively impacted the timeliness of the software availability. With the lack of software upgrades, the effectiveness and efficiency of using the data validation software as a tool to improve the accuracy and reliability of WIA performance data has been compromised.

We also found that reported participant and exiter data was inconsistent from SWA-to-SWA because the instructions did not clarify which self-service participants and exiters should be counted. ETA implemented the requirements and instructions for SWAs to report data on self-service participants and exiters in PY 2005; however, based on the requirement and instructions given, not all of the 53 SWAs have included this information in their WIA annual reports. WIA requires ETA establish a comprehensive performance accountability system, and Training and Employment Guidance Letter (TEGL) 17-05 requires SWAs use that system to annually report progress in achieving performance measures. Because not all states are reporting self-service participant and exiter data consistently, Congress, stakeholders, the public, and other interested parties do not have accurate information on participation levels; and that information is needed to fully report on whether the One-Stop systems are meeting the needs of business, the workforce, and contributing to economic growth. Until clear instructions are issued, ETA will continue to operate without any substantive assurance that the total participant level counts for WIA are reliable.

We recommended that ETA finalize the Data Validation Monitoring Guide, require the regional offices to implement a monitoring plan of data validation at the SWAs, and provide regional offices access to data validation results that they can use to assist them in monitoring SWAs. We also recommended ETA sufficiently fund for maintaining and revising the data validation software. Finally we recommend ETA develop and disseminate instructions that clearly define how SWAs should report self-service participants and exiters and work with the SWAs that are not reporting self-service

participants and exiters to ensure their compliance with the reporting instructions. In response to our draft report, ETA generally concurred with the recommendations, and initiated several steps in the direction of these recommendations. ETA's written response to the draft report is provided in its entirety in Appendix D

RESULTS AND FINDINGS

Objective — Does ETA exercise adequate oversight of the SWAs' data validation of WIA performance data?

Finding 1 — ETA has not implemented an effective monitoring process to ensure that data validation for the Adult and Dislocated Worker programs is operating as designed.

ETA provided extensive guidance to SWAs in preparing for and implementing data validation; however, it needs to strengthen its oversight to ensure SWAs are conducting data validations correctly. We found that the three SWAs audited did not properly conduct data element validation reviews of participant files for the WIA Adult and Dislocated Workers programs. Overall, our analysis of 622 participant files from the SWAs' data element validation reviews found that 263, or 42 percent, were not validated using the appropriate ETA criteria or source documentation. This occurred because:

- The SWAs did not fully understand ETA data element validation requirements or the instructions for validating data elements in participant exit records;
- ETA did not finalize the draft guide for monitoring data validation and ETA regional offices did not follow the draft guide's procedures for conducting data validation reviews; and
- ETA regional offices did not have access to two reports on the SWAs' data validation results that would assist them in their monitoring efforts and enhance their technical assistance to the SWAs.

Without an effective monitoring process, ETA has no assurance that data validation is operating as designed so that the data can be relied upon for accurately reporting performance results for the Adult and Dislocated Worker programs.

SWAs Did Not Properly Conduct Data Validation

Federal regulations[1] require SWAs to report participant and performance data in accordance with DOL instructions, and allow ETA to sanction SWAs that submit annual performance reports that cannot be validated or verified as accurately reporting activities in accordance with the reporting instructions. In October 2004, ETA

[1] Code of Federal Regulations (CFR) Title 2, Part 667, Subpart C, Reporting Requirements.

implemented a data validation initiative for WIA to ensure that SWAs report accurate and reliable WIA performance data. ETA designed data validation to minimize the SWA's reporting burden and provide clear standards for assessing the validity of data. Data validation is intended to detect and identify specific problems with an SWA's WIA reporting process so as to enable the SWA to correct the problems. ETA instructions[2] require SWAs to validate the accuracy of Workforce Investment Act Standard Record Data (WIASRD) participant data records by comparing selected information from the sample of participant exit records with the original paperwork supporting the information. ETA provides the validation rules, conditions to be used when records were missing or invalid, and the source documentation requirements for each of the data elements to be validated. ETA also issued instructions[3] to the SWAs defining participants, program participation, program exit, and exit dates. For most data elements, the validation instructions provided multiple forms of acceptable source documentation. If the SWA collects multiple sources for the same data element and the sources conflict, the most reliable source should be used to determine if the element passes or fails. For example, copies of records from a training provider are a more reliable source than participant self attestation.

The three SWAs audited did not properly conduct data element validation reviews of participant files for the WIA Adult and Dislocated Workers programs. Our analysis of participant files from the SWAs' data element validation reviews found that they were not validated using the appropriate ETA criteria or source documentation. For the Adult program, we estimate with a 97.5 percent confidence level, that the percentage of the validation reviews not done correctly was at least greater than 1 percent for Michigan, and at least greater than 27 percent and 61 percent, respectively, for Texas and Utah. However, the unbiased point estimate is 4 percent for Michigan, and 34 percent and 68 percent, respectively, for Texas and Utah. For the Dislocated Worker program, we estimate with 97.5 percent confidence level, that the percentage of the data element validation reviews not done correctly was at least greater than 9 percent for Michigan, and at least greater than 34 percent and 79 percent, respectively, for Texas and Utah. However, the unbiased point estimate is 15 percent for Michigan, and 41 percent and 84 percent, respectively, for Texas and Utah. See Exhibit 1 for details.

ETA considers a participant file to have failed if at least one or more elements in the file did not agree with ETA-approved criteria or was not supported by the required source documentation. We found that SWAs either improperly passed a data element that was not supported by the required source documentation or, conversely, improperly failed a data element when the required source documentation agreed with the data element. The following table provides a list of data elements for which five percent or more failed in our testing for each program.

[2] TEGL No. 3-03, dated August 20, 2003 and Training and Employment Notice (TEN) No. 19-07, PY 2006 Reporting and Data Validation Timeline.
[3] TEGL No. 17-05, Common Measures Policy for the ETA Performance Accountability System and Related Performance Issues, February 17, 2006.

Table 1 – Data Elements Failed in Participant Files Sampled for the Three SWAs Combined

Element	Total Sampled	Total Failed	Percentage Failed
Adult Program			
Program Exit Date	219	54	25%
Enter Training Date	337	51	15%
Exit Training Date	219	23	11%
First Intensive Service Date	337	20	6%
First Core Service Date	219	10	5%
Dislocated Workers Program			
Qualifying Dislocation Date	285	66	23%
Program Exit Date	210	45	21%
Enter Training Date	210	35	17%
Exit Training Date	210	30	14%
Program Participation Date	210	18	9%
First Intensive Service Date	285	24	8%
First Core Service Date	210	16	8%

The following provides details on our audit of the elements listed in Table 1.

Program Exit Date – Date on which the last service funded by the program or a partner program is received by the participant. Once a participant has not received any services funded by the program or a partner program for 90 consecutive calendar days and has no gap in service and is not scheduled for future services, the date of exit is applied retroactively to the last day on which the individual received a service funded by the program or a partner program. The source of the date is from the WIA status/exit forms, SWA MIS data, and case notes.

We found the documentation contained in the participants' files did not support the program exit date. An SWA official indicated that it took them approximately 9 months to understand exactly what ETA wanted under the new Common Measures. Additionally, the SWA's management information system (MIS) did not automatically exit participants after 90 days without a service; therefore, it was the case manager's responsibility to exit the participant. The SWA is planning to modify their MIS to automatically exit participants.

Qualifying Dislocation Date – Date of separation or dislocation from employment. The source of the date is verification from the employer, rapid response list, notice of layoff, public announcement with follow-up cross-match with UI, or self attestation.

We found the documentation in the participants' files did not support the reported date or there was information in the file that contradicted the qualifying dislocation date. Additionally, there were incidents in which the SWAs failed the

qualifying dislocation date when there was documentation in the file to support the date.

Entered Training Date – Date on which the individual's training actually began. If multiple training services were received, the earliest date is recorded on which the individual entered training. Otherwise, the field is left "blank" if the individual did not receive training. The source of the date is cross-matched between dates of service and vendor training information, vendor training documentation, SWA's MIS, or case notes.

We found documentation in the participants' files did not support the date entered training or there was vendor training documentation that contradicted the date entered training. The SWAs misinterpreted which documents they should use (which documents carry a higher value) for training service elements (entered/exit training). For example, an SWA used the MIS to validate the date entered training; however, we found documentation from the training vendor that contradicted the MIS date. According to ETA instructions, the documentation from the training vendor is a more reliable source and therefore should have been used.

Exit Training Date – Date when the participant completed training or withdrew permanently from training. If multiple training services were received, the most recent date on which the individual completed training is recorded. Otherwise, the field is left "blank" if the individual did not receive training services. The source of the date is cross-matched between dates of service and vendor training information, vendor training documentation, the SWA's MIS, or case notes.

We found the participants' files did not support the date or there was vendor training documentation that contradicted the date exit training. There were also incidents in which the file contained documentation to support the date; however, the SWAs failed the data element.

Program Participation Date – Date on which the individual begins receiving his/her first service funded by the program following a determination of eligibility to participate in the program. The source for the date is from information in the SWA's MIS.

We found the documentation in the participants' files did not support the program participation date or the SWA had failed the program participation date when there was documentation in the file to support the date.

First Intensive Service Date – Date on which the individual received his/her first intensive service. Otherwise, the field should be left "blank" if the individual did not receive intensive services. The source for the date is information from the SWA's MIS data or case notes.

We found the SWAs' MIS did not support the first intensive service date listed on the Data Reporting and Validation System (DRVS) worksheets. There were also incidents in which the SWAs' MIS supported the date but the SWA had failed the data element. One SWA validated the most recent intensive service received date instead of the first date because their MIS automatically entered the most recent training date.

First Staff Assisted Core Service Date – Date on which the individual received his/her first staff assisted core service (excluding self-service and informational activities). Otherwise, the field should be left "blank" if the individual did not receive staff assisted core services. The source for the date is from information in the SWA's MIS.

We found the SWAs' MIS did not support the first staff assisted core service date listed on the DRVS worksheets or the SWAs' MIS did support the date; however, the SWA failed the data element.

SWA officials told us they appreciated the information the audit provided and believed it will assist them in identifying areas of needed improvement in their data validation processes.

As a result of the SWAs not complying with ETA data element validation requirements, the process is not operating as intended to ensure that error-rate results are accurate for each data element. Without accurate error-rate results, the SWA cannot properly evaluate the quality of the reported performance data and take corrective action to improve their accuracy for the next program year.

ETA Monitoring of SWA Data Validation

Government Accountability Office (GAO) Standards for Internal Controls in the Federal Government, and Office of Management and Budget (OMB) Circular A-123 provide standards for the overall framework for establishing and maintaining internal controls. Monitoring is one of the internal control standards that management needs to apply in developing and maintaining internal control activities. ETA stated in its TEGL 3-03, that it will monitor the validation effort on a regular schedule to ensure that SWAs are able to successfully complete validation procedures and standards. Additionally, GPRA requires each agency to prepare an annual performance plan covering each program activity set forth in the agency's budget and that the plan describe the means to be used to verify and validate measured values. OMB Circular A-11, Part 6, Section 230.5, Assessing the Completeness and Reliability of Performance Data, requires agencies to have in place verification and validation techniques that will ensure the completeness and reliability of all performance measurement data contained in their annual performance plans and annual performance reports.

In a 2005 audit of WIA performance data, GAO reported that ETA had inconsistent monitoring processes across its regional offices for reviewing performance data. Specifically, ETA did not have a standard data monitoring guide in place and regional office oversight procedures did not usually include verifying the accuracy of a sample of the data submitted by states. GAO recommended that ETA establish standard monitoring procedures that regional offices could use to oversee state data validation efforts.

In 2006, ETA informed GAO it planned to modify the data validation software to allow Federal staff to pull a sub-sample of state data validation records and conduct a review of those records. However, in 2008, ETA reported that while it continued to be interested in modifying the software for the above purpose, due to resource constraints, the agency gave priority to making software enhancements that made it easier for the SWAs to carry out their data validation responsibilities.

ETA has provided extensive guidance to SWAs to prepare them for implementing and conducting data validation[4]; however, the agency has not implemented a monitoring process which includes reviews of participant files as recommended by GAO, and has not made available to the regional offices information that could assist them in monitoring data validation at the SWAs. Specifically, the two ETA regional offices we visited had not implemented a monitoring plan:

- The Dallas regional office, which is responsible for 11 SWAs, set a goal to perform data validation reviews at four SWAs each year. However, it conducted only two reviews over the past two fiscal years. Staff told us they planned to conduct more reviews but they were either cancelled or postponed due to staffing or funding constraints.

- The Chicago regional office, which is responsible for 10 SWAs, wanted to complete reviews at all 10 SWAs over a 2-year period. However, the last review the staff conducted was in September 2006. They planned to perform two reviews before the end of FY 2008, but these were cancelled because of severe staffing and funding shortages.

ETA drafted the *Data Validation Monitoring Guide* for regional staff to use to monitor the SWAs' implementation of data validation but has not finalized it. The purpose of the draft guide was to monitor the SWA's validation results to ensure that they are conforming to ETA requirements, and identify areas where a state needs to improve its reporting accuracy. The guide stated that the core of the monitoring process should occur as soon as possible after an SWA completes its validation cycle, and is generally accomplished through an on-site review at the SWA where the validation records and supporting documentation are maintained. The guide allowed reviewers to conduct

[4] ETA provided technical assistance on the integration of quality controls into data collection and reporting systems, conducted several regional training sessions and webinars to address technical and policy questions about performance reporting, and issued revised guidance on WIA incentives and sanctions in which data validation results was one of the criterion for WIA incentive awards.

some, or even all, of the core monitoring tasks remotely by having the SWA provide supporting documentation or remote access to it. Therefore, even with funding and staffing shortages, there is a mechanism in the draft guide that would allow for regional offices to perform data validation monitoring remotely.

In addition to the lack of a monitoring guide, neither of the ETA regional offices had access to MIS reports – the Report Validation Summary Report[5] and Data Element Validation Summary[6] – that would have assisted them in monitoring SWA data validation. Chicago staff told us they have not been able to access the reports for the last two years (PYs 2005 and 2006). They believe the cause of the lost functionality was the merger of the Enterprise Business Support System (EBSS)[7] into ETA's E-Grant system when ETA implemented the Common Measures for WIA performance. ETA regional offices are supposed to have access to EBSS so they can review SWAs' WIA Annual Performance Report, ETA-9091, for completeness and electronically sign off on it as accepted.

ETA cannot demonstrate on-going monitoring of data validation at the regional level and it has not implemented the draft monitoring guide cited. Although ETA provided guidance to SWAs to prepare them for implementing and conducting data validation, without an established monitoring process, ETA has no assurance of the effectiveness of its front-end implementation efforts with the SWAs.

Finding 2 — ETA is not adequately maintaining the data validation software.

ETA is not updating the software used for data validation on a timely basis because it has not had sufficient funds for the maintenance needed to ensure it operates efficiently and addresses changes in performance reporting requirements as they occur. ETA has had to reduce funding for data validation since 2006 because it was faced with reduced appropriations. ETA officials told us that while they appreciate the critical role data validation plays in assuring the quality of performance data, investments in data validation must compete with other high priorities when budget reductions have occurred. ETA officials stated this fact is reflected in the reductions in data validation funding. As a result, the insufficient funding negatively impacted the timeliness of the

[5] The Report Validation Summary Report is created after the SWAs' WIA Annual Performance Report, ETA 9091, completes the report validation process in which the validation software compares validation values to the reported values. The report displays the difference between the two sets of values including a percentage difference, and it is used to compare the SWA-level data to similar data for variances and error rates.

[6] The Data Element Validation Summary contains the results of a sample of records of exiters. Data validation software selects the individual records to validate, after which the software determines the error rate by funding group. The report lists the error rates for each data element validated and it is used to identify the error rates of data elements that support the WIA Annual Performance Report, ETA 9091.

[7] EBSS is the management information system used by ETA to process and generate reports on the WIA performance data. Within EBSS, the Data Reporting and Validation System (DRVS) provides WIA report validation and data element validation information. This system allows the SWAs to review and validate their WIA reporting data before final submission to the ETA National Office.

software availability. With the lack of software upgrades, the effectiveness and efficiency of using the data validation software as a tool to improve the accuracy and reliability of WIA performance data has been compromised.

ETA contracted with Mathematica Policy Research (Mathematica) to develop and maintain the DRVS data validation software. The DRVS software reads participant records in the WIASRD format and performs all of the processing required to conduct the validation, and can be used to generate the WIA Annual Performance Report. ETA provided the DRVS software at no cost to the SWAs, and Mathematica worked directly with the SWAs to provide information about application installation, WIA data files, performance reports, and any other issues related to the DRVS.

Data validation funding has decreased significantly since ETA's implementation of the Common Measures for PY 05. Funding for data validation averaged $660,812 annually in 2005 and 2006, but subsequent years' funding has decreased by 51 percent, to $322,293, in 2007; and by 93 percent, to $45,483, in 2008. ETA officials explained that they considered data validation a lower priority when faced with reduced budgets during the past several fiscal years. ETA's overall appropriated funds decreased approximately 25 percent during this period, from $11.3 billion in FY 2005 to $8.5 billion in FY 2009. The reduction in data validation funding has adversely affected the SWAs' ability to perform data validations. Examples include:

- An ETA official told us there has been a decline in SWAs using the DRVS to generate their WIA Annual Report. The official provided us a list which showed that For PY 2006, eight SWAs discontinued using the DRVS to generate the WIA Annual Report. Although use of the DRVS to generate the WIA Annual Report is not required, SWAs can use it to address inconsistencies in calculating the performance measures and verify the accuracy of outcomes reported from the data in the SWAs' MIS. The DRVS accomplishes this by checking the accuracy of the SWAs' software used to calculate Annual Performance Report submitted to ETA. If these SWAs would have continued, the number of SWAs using the DRVS to generate the WIA Annual Report would have totaled 33.

- The DRVS is used by the SWAs to generate the sample of participant files to be used in data element validation. An official from one of the SWAs in our audit told us that last year the final DRVS software patch was sent out after they already generated their sample and began reviewing the participant files. The team could not load the patch because they would have had to generate a new sample and restart their work. This would have disrupted the planning of the resources needed to conduct the data element validation.

- An SWA explained that it could not meet the ETA reporting deadlines for PY 2007 because they did not receive the DRVS software updates in time.

- The Texas Workforce Commission (TWC) is a pilot demonstration SWA using the new Workforce Investment Streamlined Performance Reporting (WISPR)[8] format to submit participant file data. ETA plans to replace WIASRD with WISPR. Initially, Mathematica was available to reformat TWC's WISPR so that the DRVS software could be used to generate the participant sample needed to perform the data element validation. Subsequently, ETA had not provided funding to continue this and TWC had to use its resources to perform the functions normally done by the DRVS software for data element validation.

  Before ETA implements WISPR, it needs to address the funding issue with the data validation software so that the DRVS can be used by the SWAs to perform data validation functions.

ETA needs to strengthen its oversight to ensure SWAs are conducting data validations correctly. The SWAs audited did not properly conduct data element validation reviews of participant files. Without an effective monitoring process, ETA has no assurance that data validation is operating as designed. Additionally, ETA needs to adequately maintain the data validation software to ensure it operates efficiently and addresses changes in performance reporting requirements as they occur.

Finding 3 — ETA did not provide clear instructions to ensure that SWAs consistently report the number of self-service participants and exiters served by their One-Stop systems[9].

Reported participant and exiter data was inconsistent from SWA-to-SWA because the instructions did not clarify which self-service participants and exiters should be counted in each data element on Table M[10]. ETA implemented the requirements and instructions for SWAs to report data on self-service participants and exiters in PY 2005[11]; however, based on the requirement and instructions given, not all of the 53 SWAs have included this information in their WIA annual reports. WIA[12] requires ETA establish a comprehensive performance accountability system, and TEGL 17-05 requires SWAs use that system to annually report progress in achieving performance measures. Because not all SWAs are reporting self-service participant and exiter data consistently, Congress, stakeholders, the public, and other interested parties do not have accurate information on participation levels; and that information is needed to fully report on

[8] The WISPR system will standardize data elements for participants served through the One-Stop delivery system and therefore, reduce duplicate record keeping by allowing SWAs to utilize a single set of data specifications and formats to report.
[9] The One-Stop delivery system is operated by the SWAs and is where participants may receive services from multiple programs such as Wagner-Peyser, Veterans Employment and Training Service, Workforce Investment Act Title 1B, National Emergency Grants, and Trade Adjustment Assistance.
[10] Table M – Participation Levels, is one of several tables contained in the WIA Annual Report that SWAs submit to ETA. Table M contains various data elements concerning the number of individuals served during the PY. ETA provides a copy of the Annual Report for each SWA to Congress and publishes each SWA's report on its performance website.
[11] The requirement was issued in TEGL 17-05 and the instructions were issued in the *Workforce Investment Act Annual Report: General Reporting Instructions and ETA Form 9091, Revised 2006*.
[12] WIA Subtitle B, Performance Accountability System, Section 136.

whether the One-Stop systems are meeting the needs of business, the workforce, and contributing to economic growth. Until clear instructions are issued, ETA will continue to operate without any substantive assurance that the total participant level counts for WIA are reliable.

The *Workforce Investment Act Annual Report: General Reporting Instructions and ETA Form 9091, Revised 2006*, provides the instructions for reporting participants and exiters in the WIA Annual Report, Table M. There are four data elements each to report participant and exiter data covering both the Adult and Dislocated Worker programs. See Exhibit 2 for the data elements and their description, according to the instructions.

Our analysis of the WIA Annual Report, Table M, for PYs 2005 through 2007 showed that many SWAs did not report their self-service participants and exiters. In PY 2005, more than 50 percent of the SWAs were not reporting either self-service participants or exiters. By 2007, the percentages decreased to 21 percent for participants and 26 percent for exiters. The following table provides the number of SWAs not reporting for each PY.

Table 4: Number of SWAs Not Reporting Self-Service Participants and Exiters

PY	2005	2006	2007
Number SWAs Not Reporting Self-Service Participants	33	21	11
Percentage to Total of 53 SWAs	62%	40%	21%
Number SWAs Not Reporting Self-Service Exiters	31	22	14
Percentage to Total of 53 SWAs	58%	42%	26%

ETA officials told us that they have not required SWAs to report self-service participants and exiters if they do not have the resources to count them.

The SWAs that did report self-service participants and exiters used three different methods to do so which resulted in inconsistent reporting. We found some SWAs reported self-service participants solely in the data element for self-service. We also found some SWAs reported self-service participants in the data elements for total served for the WIA Adult program where other SWAs did not. Lastly we found some SWAs reported self-service participants in the data elements for total served for both the WIA Adult and Dislocated Worker programs where other SWAs did not.

We analyzed the reporting of self-service participants and exiters by the three SWAs visited, and found that Utah and Texas did not account for them accurately. We concluded that the ETA instructions were not clear because they did not clarify which participants and exiters should be counted in each data element on Table M. The instructions state self-service participants and exiters should have only been reported in Columns D and E of Table M which are designated as self service only. However, when we discussed the instructions with ETA officials, we were told that SWAs should also report self-service participants and exiters in Columns F (“Total Participants Served - WIA Adults”) and Column G ("Total Exiters - WIA Adults”). ETA officials told us it

appears SWAs are not correctly interpreting the reporting instructions and also stated that the design of the form in the instructions could be misleading.

ETA did not correct the reporting inconsistencies because its review of the reported participant and exiter data focused on identifying outliers from numbers reported and did not include any review to determine if the SWAs properly reported self-service participants and exiters. ETA officials told us they do not have the resources to review the SWAs' participant reporting. They said for PY 2006, they did identify outliers for significant increases or decreases in reporting participants and exiters and followed up with the ETA regional offices for an explanation. Most of the outliers were attributed to the reporting of self-service participants.

Collecting data on self-service participants and exiters is important because they represent a large portion of One-Stop participants. One-Stop staff time and resources are used to establish and maintain self-service resource rooms and web sites. Without information on individuals who use self-service, it will be difficult for ETA to show how effectively One-Stops are being used. Because not all SWAs are reporting data consistently, Congress, stakeholders, the public, and other interested parties do not have accurate information on participation levels which is needed to fully measure and report on whether the One-Stop system is meeting the needs of business and the workforce, and contributing to economic growth. Until clear instructions are issued, ETA will continue to operate without any substantive assurance that the total participant level counts for WIA are reliable.

Recommendations

We recommend that the Assistant Secretary for Employment and Training:

1. In conjunction with regional office representatives, revise and finalize the *Data Validation Monitoring Guide*.

2. Require the regional offices to develop and implement a monitoring plan of data validation for the SWAs in their respective jurisdiction.

3. Make the changes necessary to the EBSS to allow regional offices access to data validation results that they can use to assist them in monitoring SWAs.

4. Sufficiently fund the DRVS to ensure that the software is maintained and revised as needed to improve its efficiency and address the SWAs' needs, and ensure it is operating as designed when WISPR is implemented.

5. Develop and disseminate instructions that clearly define how SWAs should report self-service participants and exiters in the WIA Annual Report, Table M.

6. Work with SWAs that are not reporting self-service participants and exiters to develop corrective actions plans with planned milestone dates to ensure their compliance with the reporting instructions.

Agency Response

In response to the draft report, the Assistant Secretary for Employment and Training stated that ETA generally concurs with the recommendations, and has initiated several steps in the direction of these recommendations. The response stated that ETA continues to make the validation of WIA and other program data a priority and, most importantly, is able to certify that the results included in the PAR have been calculated and reported by states with a high degree of accuracy. GAO has commended ETA for implementing the data validation initiative, stating "… almost all state officials we surveyed reported that Labor's data validation requirements have helped increase awareness of data accuracy and reliability."

ETA responded that it will continue to refine its Core Monitoring Guide, including a Data Validation Monitoring component. The updated Data Validation Monitoring component will be submitted to OMB for its clearance by October 2010. Concerning data validation monitoring, the response stated that ETA will put in place a performance standard for each Regional Administrator with an expectation to monitor data validation as part of the regional office annual SWA monitoring efforts. The monitoring plan will include two SWA onsite data validation monitoring visits each year, with some remote monitoring as necessary. Also, ETA responded that it will make the changes necessary to the EBSS to allow regional offices access to data validation results that they can use to assist them in monitoring SWAs.

Concerning the DRVS software, ETA responded it will continue to maintain the data validation software system and provide technical assistance to SWAs. The response stated that since the beginning of PY 2002, ETA has invested approximately $2 million for the development and maintenance of the software and approximately $4 million for assistance to help SWAs better their capacity to conduct and report data validation for employment and training programs. ETA responded that investments in the DRVS were reduced as the focus turned to maintenance and SWAs gained experience in using it. During PY 2007 and PY 2008, all but two SWAs submitted its data validation report results for its annual performance information as contained in the WIA Annual Report. The two SWAs that did not submit their data validation report results used a pilot reporting system designed to meet their needs to report WIA performance information, and both conducted data validation reviews of local area data using systems they have developed. ETA further responded that as discussion on WIA reauthorization advances, new reporting and associated data validation requirements will be required. ETA plans to examine the benefits and costs of options such as a web-based data validation and reporting system, and will factor in such benefits and costs in making decisions to invest in the development of a system that would allow ETA to monitor grantee activities and validate data through a range of reports.

To address inconsistencies in SWA reporting for self-service participants, ETA responded it plans to convene a working group of SWA, local, and federal staff to assess and refine the definition and instruction and welcomes OIG participation in the discussion. The response also noted WIA excludes self-service participants from performance measures, so the WIA Adult and Dislocated Worker performance outcomes will not be affected by the numbers of self-service participants. For PY 2008, ETA responded that it will identify those SWAs that do not report self-service participant counts, and request that appropriate Regional Office staff assist the SWAs so that they implement procedures to count and report self-service participants.

OIG Conclusion

We consider ETA's proposed corrective actions to be responsive to the report recommendations.

We appreciate the cooperation and courtesies extended to us by ETA personnel during the audit.

Elliot P. Lewis
Assistant Inspector General
for Audit

Exhibits

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Exhibit 1

Statistical Results of Audit of Sample of SWA Data Validation Files

SWA/Program	SWA Universe	Audit Sample	Point Estimate	Sampling Error	95 Percent Confidence Limit	
					Lower Limit	Upper Limit
Texas						
Adult Program	305	118	33.90%	3.43%	27.18%	40.62%
Dislocated Worker Program	132	75	41.30%	3.76%	33.93%	48.67%
Utah						
Adult Program	287	116	68.10%	3.35%	61.52%	74.68%
Dislocated Worker Program	237	107	84.10%	2.63%	78.94%	89.26%
Michigan						
Adult Program	348	103	3.90%	1.61%	0.75%	7.05%
Dislocated Worker Program	343	103	14.60%	2.92%	8.87%	20.33%

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Exhibit 2

WIA Annual Report Instructions Describing the Elements in Table M for the Adult and Dislocated Worker Programs

Table M Element	Description
Total Participants Served – Total Adult Customers	Adult and Dislocate Worker program participants within the reporting period.
Total Participants Served – Total Adults (Self Service Only)	Adult and Dislocated Worker program self-service participants within the reporting period.
Total Participants Served – WIA Adults	Adult program participants within the reporting period.
Total Participants Served – WIA Dislocated Workers	Dislocate Worker program participants within the reporting period.
Total Exiters – Total Adult Customers	Adult and Dislocated Worker program participants who exited within the reporting period.
Total Exiters – Total Adults (Self Service Only)	Adult and Dislocated Worker program self-service participants who exited the within the reporting period.
Total Exiters – WIA Adults	All Adult program participants who exited within the reporting period.
Total Exiters – WIA Dislocated Workers	All Dislocated Worker program participants who exited within the reporting period.

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Appendices

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Appendix A

Background

The Workforce Investment Act of 1998 is designed to provide employment and training services to assist eligible individuals in finding and qualifying for meaningful employment and to help employers find the skilled workers they need to compete and succeed in business. DOL's ETA is responsible for administering WIA at the Federal level. WIA goals are to:

- increase employment, as measured by entry into unsubsidized employment;
- increase retention in unsubsidized employment six months after entry into employment;
- increase earnings received in unsubsidized employment for dislocated workers; and
- enhance customer satisfaction for participants and for employers.

The Adult and Dislocated Worker programs are authorized under Title IB of WIA. WIA provides formula-based funding to SWAs to design and operate both of the training programs. The Adult program provides employment and training activities for adults, including low-income individuals and public assistance recipients. The Dislocated Worker program provides reemployment services and retraining assistance to individuals permanently dislocated from their employment. SWAs can use Dislocated Worker program funds for rapid response assistance to help workers affected by mass layoffs and plant closures.

The following table provides appropriated funding for the Adult and Dislocated Worker programs for the FYs 2006 through 2009.

Table 6: Funding for Adult and Dislocated Worker Programs for FYs 2006-2009

Program	FY 2006	FY 2007	FY 2008	FY 2009
Adult	$ 857,079,000	$ 864,199,000	$ 849,101,000	$861,540,000
Dislocated Worker	$ 1,337,553,000	$ 1,471,903,000	$1,446,189,000	$1,341,891,000
Total	$ 2,194,632,000	$ 2,336,102,000	$ 2,295,290,000	$2,203,431,000

WIA programs provide for three tiers, or levels, of service for adults and dislocated workers:

> Core services - include basic services such as job searches and labor market information. These activities may be self-service or require some staff assistance. WIA excludes job seekers who receive core services that are self-service and informational in nature from being included in the performance measures.
>
> Intensive services - include such activities as comprehensive assessment and case management, or activities that require greater staff involvement.
>
> Training services - include such activities as occupational skills or on-the-job training.

Congress enacted GPRA in part to improve the confidence of the American people in the capability of the federal government, by systematically holding federal agencies accountable for achieving program results. This is accomplished by agencies setting program goals, measuring program performance against those goals, and reporting publicly on their progress. GPRA was intended to improve congressional decision making by providing more objective information on agencies' achievement of statutory objectives, and the relative effectiveness and efficiency of federal programs and spending.

Subtitle B – Performance Accountability System, Section 136 of WIA requires ETA to establish a comprehensive performance accountability system to assess the effectiveness of SWAs and local areas in achieving continuous improvement of workforce investment activities funded under WIA. WIA requires the SWAs to report annually to ETA on the progress in achieving their performance measures. The annual reports need to contain information on participants in workforce investment activities. ETA is required to make the information contained in the annual reports available to the general public through publication and other appropriate methods, disseminate State-by-State comparisons of the information, and provide copies of the reports to the appropriate congressional committees.

Subtitle E – Administration, Section 185(d) of WIA requires SWAs to submit an Annual Report to DOL on its Adult and Dislocated Workers program activities pertaining to

- the relevant demographic characteristics (including race, ethnicity, sex, and age) and other related information regarding participants;
- the programs and activities in which participants are enrolled, and the length of time that participants are engaged in such programs and activities;

- outcomes of the programs and activities for participants, including the occupations of participants, and placement for participants in nontraditional employment;

- specified costs of the programs and activities; and

- information necessary to prepare reports to comply with WIA Act of 1998, Section 188, Nondiscrimination.

WIA also requires DOL to ensure that all elements of the information required for the reports described above are defined and reported uniformly.

Common Measures

In response to an OMB initiative, ETA began requiring SWAs to implement common performance measures for WIA programs. The purpose of the OMB initiative was to established a set of common performance measures to be applied to all federal employment and training programs administered by DOL, Education, Health and Human Services, Veterans Affairs, Interior, and Housing and Urban Development. ETA required SWAs to implement these measures for PY 2005 which began July 1, 2005. Replacing the definitions for the WIA performance measures that are similar to the Common Measures with the new definitions allowed ETA to compare outcomes across all its programs and provide a more uniform picture of outcomes achieved. The following are the Common Measures ETA uses to report performance for the WIA Adult and Dislocated Worker program in DOL Annual PAR.

Entered Employment
Of those who are not employed at the date of participation:

Number of adult participants who are employed in the first quarter after the exit quarter.

Divided by

Number of adult participants who exit during the quarter.

Employment Retention
Of those who are employed in the first quarter after the exit quarter:

Number of adult participants who are employed in both the second and third quarters after the exit quarter

Divided by

Number of adult participants who exit during the quarter.

Average Earnings
Of those adult participants who are employed in the first, second, and third quarters after the exit quarter: :

Total earnings in the second plus the total earnings in the third quarters after the exit quarter

Divided by

Number of adult participants who exit during the quarter.

In the FY 2008 PAR, DOL reported that Adult and Dislocated Worker programs did not achieve their performance goals. The Adult program did not achieve one of the three common measure targets and the Dislocated Worker goal did not achieve two.

Reporting Performance Data

The SWAs submit performance data each October in their WIA Annual Report, ETA 9091. The performance data reported in the WIA Annual Report must be comprised of information provided by each SWA from their individual WIASRD. ETA established WIASRD to ensure that all elements of data required for the WIA Annual Reports are defined and reported uniformly. WIASRD facilitates the collection and reporting of valid, consistent, and complete information on an individual in order to support the overall management, evaluation, and continuous improvement of the programs at the local, state, and federal levels; and shares program performance results with consumers, taxpayers, Congress and others with an interest in the WIA programs. WIASRD consists of information on exiters who received WIA Title I – B and National Emergency Grant programs services. The data is used to support the SWAs' WIA Annual Performance Report, ETA 9091. ETA compiles the reported performance data and posts the data to its Performance and Results website and uses it to report the results of its performance goals in DOL's annual PAR.

In the near future, ETA plans to implement the WISPR system to replace WIASRD. WISPR will be for the programs delivered through the One-Stop delivery system. These are the Wagner-Peyser, Veterans Employment and Training Service, Workforce Investment Act Title 1B, National Emergency Grants, and Trade Adjustment Assistance programs. The WISPR system will standardize data elements for participants served through the One-Stop delivery system and therefore, reduce duplicate record keeping by allowing SWAs to use a single set of data specifications and formats to report.

The WIA Annual Report contains tables on various performance calculations, including the outcomes and participation levels for the Adult and Dislocated Workers programs. The outcomes are referred to as the Common Measures and the participation levels contain the total number of individuals served by each program during the PY. SWAs submit their WIA Annual Report to ETA through the EBSS. ETA provides a copy of the Annual Report for each SWA to Congress. ETA also publishes each SWA's report on its performance website. SWAs must complete the report validation prior to submitting their

WIA Annual Report. ETA uses data from the WIA Annual Reports to report WIA performance measure results in DOL's annual PAR.

Data Validation

In 2004, DOL implemented new data validation requirements that called for SWAs to review samples of participant files and to use ETA provided software to help SWA ensure that the performance measures were computed accurately. ETA initiated data validation to improve the quality of the performance information collected and reported under WIA. ETA contracted with Mathematica to develop and maintain the data validation software, referred to as the DRVS. ETA provided the DRVS at no cost to the SWAs. The intent of the DRVS is to assist SWAs in understanding and complying with the WIA performance reporting requirements. The SWAs worked directly with Mathematica for information about application installation, WIA data files, performance reports, and any other issues related to the DRVS.

Data validation requires SWAs to conduct the following:

> Report validation—assessing whether the SWAs' software accurately calculated performance outcomes. Report validation checks the accuracy of the state calculations used to generate the Annual Report, ETA 9091.
>
> Data element validation—reviewing samples of WIA participant files. Data element validation checks the accuracy of the data that the SWAs use to calculate performance outcomes.

Data validation is intended to accomplish the following goals:

- Detect and identify specific problems with a state's WIA reporting process, including software and data problems, so as to enable the state to correct the problems;
- Ensure that critical performance data used to direct incentives and sanctions and to meet ETA's GPRA responsibilities are reasonably accurate, by calculating an error rate for selected data elements validated on the Annual Report, ETA 9091;
- Provide tools that help states and local areas analyze the causes of their performance successes and failures by displaying participant data organized by performance outcomes;
- Minimize the burden on states in conducting the validation by providing DRVS standardized software that reads records in the WIASRD format and performs all of the processing required to conduct the validation; and
- Further minimize the burden on the states by selecting the smallest possible validation samples necessary to compute valid error rates.

Report Validation

ETA provided software to help SWAs generate the aggregate information required for performance reports, such as performance outcomes. If SWAs elect to use the software, they are not required to validate the calculations. To address inconsistencies in calculating the performance measures, the report validation software verifies the accuracy of outcomes reported by the SWAs. The report validation checks the accuracy of the SWAs' software used to calculate Annual Performance Report, ETA 9091. The DRVS reads participant records in the WIASRD format and performs all of the processing required to conduct the validation, and can be used to generate the Annual Performance Report, ETA 9091 and the WIASRD uploads to ETA. For example, if an SWA reports, for a particular time frame, that 100 adults found employment after they received services, the validation software searches through the SWA's electronic records to ensure that 100 records are found that match these criteria. SWAs can use the software in two ways: they can use the software to compute the SWA's performance measures, or they can use the software to check the calculations computed by their SWA's software to make sure that the measures were calculated accurately

Data Element Validation

Data element validation is due 120 days after the SWAs submit their WIA Annual Report. ETA selected data elements for validation based on factors such as feasibility and risk of error. ETA provided software to help the SWAs select a sample of participant files to be validated that includes participants from each group reported on in the performance measures — adults, dislocated workers, older youth, and younger youth. The process compares selected information from a sample of participant exit records with the original paperwork that contained this information. The validator applies a series of validity criteria to each sampled record. These criteria, which are based on federal requirements that determine how data are reported, instruct the validator to locate specified source documentation and to verify that the state's data record is correct as compared to the source documentation. Once the SWA enters its pass/fail determinations for all sampled records, the DRVS will produce a Data Element Validation Summary/Analytical Report that lists the error rates for each data element validated. ETA instructions require that at least 25 data elements be validated for each program. The number of data elements to be validated could be less than 25 because SWAs are only required to validate positive data elements. For example, if the participant is not a veteran, the Veteran Status data element does not have to be validated. States submit this report to ETA using the DRVS e-Submit functionality.

In the PAR, ETA reported that the data quality for WIA performance goals are rated Very Good. Part of their basis for the rating was the extensive efforts made toward improving data quality through the use of the data validation system and monitoring at both the national and regional levels.

Appendix B

Objective, Scope, Methodology, and Criteria

Objective

The audit objective was to answer the following question.

> Does ETA exercise adequate oversight of the SWAs' data validation of WIA performance data?

Scope

The audit covered data reported by the SWAs for the Adult and Dislocated Worker program for PY 2006 (July 1, 2006, through June 30, 2007), the latest PY that was subject to the data validation process at the time of our audit. The results of the SWAs' data validation of the PY 2006 data were due to ETA February 1, 2008. The audit covered the data validation process at ETA's national office, selected ETA regional offices, and at selected SWAs for PY 2006, and included any changes that may have subsequently occurred as of the time of our audit. Our audit also included analysis of reported self-service participant and exiter data covering PYs 2005 through PY 2007. The analysis did not consider self-service participants and exiters for the Dislocated Worker program. Self service only participants and exiters for the Dislocated Worker program would not normally occur often because these individuals typically need and receive intensive or training services. Additionally, we did not conduct any audit work on reporting of self-service participants and exiters at the SWAs, except as it pertained to the analysis of the need for ETA to issue clear instruction to consistently report the number of these participants.

Because of limited resources and time, we did not use statistical sampling to select the SWA that would be representative to the universe of 53. Therefore, we decided to conduct work at three SWAs based on the available audit resources and time frames. The results of our work can not be projected to the universe of the 53 SWAs.

We judgmentally selected 3 SWAs based on the number of exiters the SWAs reported, potential problems in how SWAs counted the number of exiters, and whether or not the SWAs used ETA's software for their report validation phase:

SWA	Reason for Selection
Michigan	Ranked in top 10 for exiters, and used the DRVS.
Utah	Ranked first in top 10 for exiters, and is a small state in terms of population.
Texas	Ranked in top 10 for exiters, did not use DRVS for data element validation in PY 06 because they are using WISPR.

We performed audit work at ETA's National Office in Washington, D.C. and at ETA's regional offices in Chicago, Illinois and Dallas, Texas, because they had jurisdiction

over the SWAs selected for the audit. We performed audit work at the following three SWAs: the Michigan Department of Labor and Economic Growth, Bureau of Workforce Transformation, in Lansing, Michigan; Utah Department of Workforce Services in Salt Lake City, Utah; and the Texas Workforce Commission in Austin, Texas. We performed the audit field work from July 2008 to January 2009.

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

A performance audit includes an understanding of internal controls considered significant to the audit objectives and testing compliance with significant laws, regulations, and other requirements. In planning and performing our audit, we considered whether internal controls significant to the audit were properly designed and placed in operation. This included reviewing ETA's policies and procedures for administering data validation and reviewing the SWAs' policies and procedures for conducting data validation. We confirmed our understanding of these controls and procedures through interviews and documentation review.

Methodology

In designing the audit, we obtained an understanding of the program by reviewing the appropriate criteria and prior audit reports, and conducted interviews with ETA National and regional office management and staff responsible for administering data validation and performance reporting. At the SWAs we conducted interviews of management and staff responsible for data validation and reporting data on the SWAs' WIA Annual Report to obtain an understanding of their data validation and reporting process. We also reviewed and evaluated policies and procedures. For the SWAs that did not use the DRVS, we obtained an understanding of the process used to validate the accuracy of aggregate performance reports generated by their MIS.

To determine if the SWAs audited complied with ETA's data validation requirements, we reviewed their validation processes and tested a statistical sample of their data element validations. We statistically sampled a representative number of the data element validations each SWA performed for the Adult and Dislocated Worker programs. The sample sizes were sufficient to produce statistically valid conclusions for each SWA at the 95 percent confidence level, with an error rate of no more than plus or minus 7 percent. See Exhibit 1 for the universe and sample size for the Adult and Dislocated Worker program for each SWA. The universe of data element validations will vary for each SWA. The DRVS calculates the sample size and small states will have a reduced precision rate. The results of the statistical projection could only be made on each SWA and cannot be projected to the population of 53 SWAs because we did not use random statistical sampling to select the SWAs used in the audit. We used the criteria provided in Training and Employment Notice (TEN) No. 19-07 as the basis for our testing. ETA

instructions required at least 25 data elements[13] to be validated for each program along with its definition and documentation requirements.

To determine if ETA has an effective monitoring process, we visited the ETA regional offices responsible for the SWAs selected for audit and obtained an understanding of their monitoring process and related policies and procedures. To determine if ETA had an effective system in place to ensure that reported performance data is reviewed and compiled accurately for the PAR, we obtained an understanding of the process they used and performed analytical review of the data for outliers. We used a schedule provided by ETA to determine funding for data validation. We compared the schedule to the contracts awarded to, invoices received from, and payments made to Mathematica. We also reviewed Mathematica's proposal for ETA Data Validation Implementation Assistance.

We obtained an understanding of the reporting process and the relationship of the various data involved to determine if the SWAs were accurately reporting participant and exiter data. Based on this understanding, we analyzed the data to draw conclusion to identify the accuracy and consistency of reporting by the SWAs. We also had discussions with ETA officials at headquarters and the Dallas Regional Office, as well as officials at Mathematica, about Table M reporting instructions. Based on those discussions we compiled an excel spreadsheet which disclosed that Utah and Texas did not accurately account for their self-services participants. We did not review source documentation or perform testing at the SWAs.

In performing the audit, we evaluated internal controls used by ETA and the SWAs for reasonable assurance that data validation was administered and conducted in accordance with Federal and internal requirements. Our consideration of ETA's and the SWAs' internal controls for administering and conducting data validation 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 may not be detected.

In planning and performing the audit we relied on computer-generated data. We assessed the reliability of performance data by performing analytical procedures of data in the SWAs' Annual Report and by testing a statistical random sample of data element validations performed by the SWAs selected for audit. We concluded the data was sufficiently reliable to use to judgmentally select the SWAs for audit. At the SWA's we relied on computer-generated lists of data element validations conducted for PY 2006. We used audit command language tools to analyze and compare these lists to data element validation data on the same SWAs provided by ETA. We considered the data to be materially complete to conduct our sampling of data validation reviews.

[13] The number of data elements to be validated could be less than 25 because SWAs are only required to validate positive data elements. For example, if the participant is not a veteran, the Veteran Status data element does not have to be validated

Criteria

We used the following criteria in performing the audit.

Workforce Investment Act of 1998, Public Law 105–220, August 7, 1998

20 CFR Part 652 et al. Workforce Investment Act; Final Rules - August 11, 2000

GPRA of 1993

OMB Memorandum, M-02-06, Planning for the President's Fiscal Year 2004 Budget Request, April 24, 2002

OMB Circular A-11, Preparation, Submission, and Execution of the Budget, Part 6—Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports, June 26, 2008

OMB Circular A-123, Management's Responsibility for Internal Control, June 21, 1995, and revisions issued December 21, 2004

GAO Internal Control Standards, November 1999

TEGL 3-03, Data Validation Policy for Employment and Training Programs, August 20, 2003

TEGL 14-02, Data Validation Initiative, May 28, 2003

TEGL 17-05, Common Measures Policy for the ETA Performance Accountability System and Related Performance Issues, February 17, 2006

TEN 19-07 Program Year 2006/Fiscal Year 2007 Performance Reporting and Data Validation Timelines, December 11, 2007

DRVS User Handbook, versions June 2004, November 2006, and August 2007

ETA Core Monitoring Guide, April 2005

ETA Draft Data Validation Monitoring Guide, February 2006

Appendix C

Acronyms and Abbreviations

CFR	Code of Federal Regulations
DOL	Department of Labor
DRVS	Data Reporting and Validation System
EBSS	Enterprise Business Support System
ETA	Employment and Training Administration
FY	Fiscal Year
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
Mathematica	Mathematica Policy Research
MIS	Management Information System
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
PY	Program Year
SWA	State Workforce Agencies
TEGL	Training and Employment Guidance Letter
TEN	Training and Employment Notice
TWC	Texas Workforce Commission
WIA	Workforce Investment Act
WIASRD	Workforce Investment Act Standard Record Data
WISPR	Workforce Investment Streamlined Performance Reporting

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Appendix D

Agency Response

U.S. Department of Labor

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

SEP 29 2009

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

FROM: JANE OATES
Assistant Secretary for Employment and Training

SUBJECT: Audit of Data Validation for the Adult and Dislocated Worker Program

We appreciate the opportunity to comment on the Office of Inspector General (OIG) audit of data validation for the Workforce Investment Act (WIA) Adult and Dislocated Worker Programs. Similar to the OIG, the Employment and Training Administration (ETA) recognizes the importance of data validation to the degree of confidence that decision makers and federal tax payers have in WIA program performance and related program reporting.

ETA generally concurs with the recommendations, and has already initiated several steps in the direction of these recommendations. However, we would like to clarify a few items before we discuss the recommendations in more detail. ETA continues to make the validation of WIA and other program data a priority as evidenced by its investment of staff and financial resources, resulting generally in the improved quality and timeliness of state reports. Most importantly, ETA is able to certify that the results included in the Secretary's Performance Annual Report have been calculated and reported by states with a high degree of accuracy. The Government Accountability Office commended ETA in its November 2005 report and February 2009 testimony for implementing the data validation initiative, stating "…almost all state officials we surveyed reported that Labor's data validation requirements have helped increase awareness of data accuracy and reliability."[1]

ETA launched its data validation initiative in 2001, responding to a previous Office of Inspector General finding about the inability of ETA to verify the performance outcomes reported by states. Expanding upon its data validation for the Unemployment Insurance Program, ETA issued Training and Employment Notice 14-2, *Data Validation Initiative*, to the State Workforce Agencies (SWAs) in May 2003; this Notice informed the system of ETA's plan to develop a validation process for its employment and training programs. Several states, including Washington, West Virginia, and Texas, participated in the development and eventual pilot of the data validation software and process.

In August 2003, ETA received the Office of Management and Budget (OMB) approval to collect the results of the data validation process from states, and quickly issued Training and Employment Guidance Letter (TEGL) 3-03, *Data Validation Policy for Employment and*

[1] See GAO, Workforce Investment Act: *Labor Has Made Progress in Addressing areas of Concern, but More is Needed on Understanding What Works and What Doesn't*, February, 2009

1

Training Programs, to State Workforce Agencies (SWAs) – establishing an initial due date for state validation reports results in December 2003. Since that time, ETA has issued a series of TEGLs and TENs to SWAs and others about data validation responsibilities and procedures (see attachment).

To assist the OIG in acquiring a complete picture of ETA's investments in data validation – both the development and maintenance of data validation software and technical assistance provided to SWAs, ETA identifies the resources provided to four contractors, including the initial software development by Mathematica Policy Research. ETA will be pleased to provide the detailed back up for expenditures totaling $5.9 million over seven Program Years (PY), beginning in PY 2002. Additional detail is provided in ETA's response to OIG Recommendation 4.

Recommendations: ETA offers the following comments on the six OIG recommendations contained in the draft report:

Recommendation 1: In conjunction with regional office representatives, revise and finalize the *Data Validation Monitoring Guide*.

ETA continues to refine its *Core Monitoring Guide*, including a Data Validation Monitoring component, and will submit an updated Data Validation Monitoring component to OMB for its clearance by October 2010. In the meantime, ETA Regional Office staff continue to use the draft guide in conducting reviews of the SWAs under their jurisdiction – both on site, and as the OIG report notes, remotely when staff are not able to schedule an onsite data validation monitoring visit.

Recommendation 2: Require the regional offices to develop and implement a monitoring plan of data validation for the SWAs in their respective jurisdiction.

ETA agrees and is putting in place a performance standard for each Regional Administrator that includes an expectation that as part of the Regional Office's annual, scheduled, SWA monitoring efforts, it will include data validation monitoring for WIA Adult and Dislocated Worker and other employment and training programs. Regional monitoring plans will include two SWA onsite data validation monitoring visits each year, with some remote monitoring as necessary. ETA notes that since 2003, Regional staff have conducted data validation reviews of 37 states and territories.

Recommendation 3: Make the changes necessary to the EBSS to allow regional offices access to data validation results that they can use to assist them in monitoring SWAs.

In finalizing its PY 2009 plans for pilots, demonstrations, and research, evaluation, and technical assistance and capacity-building activities, ETA will include funds to make the necessary enhancements to the Enterprise Business Support System that will allow Regional Office staff access to data validation results.

2

Recommendation 4: Sufficiently fund the DRVS to ensure that the software is maintained and revised as needed to improve its efficiency and address the SWAs' needs; and ensure it is operating as designed when WISPR is implemented.

ETA will continue to maintain the data validation software system and provide technical assistance to SWAs. The table below provides a summary of the resources beginning in PY 2002 that ETA has invested for the development and maintenance of the system and provision of assistance to help states better their capacity to conduct and report data validation for employment and training programs. As the table below shows, the initial development and testing of the software required substantial resources. As the focus turned to maintenance and SWAs gained experience in using the data validation software, ETA's investments were reduced. During PY 2007 and PY 2008, every state, with two exceptions, has submitted its data validation report results for its annual performance information as contained in the WIA Annual Report – the two exceptions are Pennsylvania and Texas. Both states use a pilot reporting system designed to meet their needs to report WIA performance information, and both conduct data validation reviews of local area data using systems they have developed.

SUMMARY OF DATA VALIDATION RESOURCES

Program Year	Amount	Technical Assistance	Software
2002	$363,000	$363,000 (investment in project design)	
2003	$1,530,000	$1,000,000	$530,000
2004	$1,140,534	$640,534	$500,000
2005	$974,588	$624,588	$350,000
2006	$875,000	$625,000	$250,000
2007	$461,226	$265,001	$196,225
2008	$585,000	$425,000	$160,000
TOTAL	**$5,929,348**	**$3,943,123**	**$1,986,225**

As discussion on WIA reauthorization advances -- including possible new or refined performance measures, the interest grows at all levels for streamlined reporting, and new reporting and associated data validation requirements will be required, ETA plans to tap the expertise of various experts to examine the benefits and costs of options such as a web-based data validation and reporting system. ETA will factor in such benefits and costs in making decisions to invest in the development of a system that would allow ETA to monitor grantee activities and validate data through a range of reports.

Recommendation 5: Develop and disseminate instructions that clearly define how SWAs should report self-service participants and exiters in the WIA Annual Report, Table M.

3

ETA issued TEGL 17-05, Common Measures Policy for the Employment and Training Administration's (ETA) Performance Accountability System and Related Performance Issues, dated February 17, 2006, that requires SWAs to report both self-service participants and exiters. In response to the OIG recommendation, ETA plans to convene a working group of SWA, local, and federal staff to assess and refine the definition and instruction and welcomes OIG participation in the discussion. ETA also notes that since data validation ensures that the performance outcomes are calculated with the same methodology by all states, and Section 136(B)(2)(a)(i) of WIA excludes self-service participants from performance measures, WIA Adult and Dislocated Worker performance outcomes will not be affected by the numbers of self-service participants. The number of self-service participants and exiters, however, provides an important gauge of the number of individuals served through the One-Stop delivery system.

Recommendation 6: Work with SWAs that are not reporting self-service participants and exiters to develop corrective action plans with planned milestone dates to ensure their compliance with the reporting instructions.

State Program Year 2008 WIA Annual Reports are due to ETA by October 1, 2009. ETA will identify those states that do not report self-service participant counts, and request that appropriate Regional Office staff assist the SWAs so that they implement procedures to count and report self-service participants.

Findings: ETA also takes this opportunity to provide some additional comments on select findings in the OIG EIA data validation report. We hope they prove useful as the OIG finalizes its report.

Finding 1: ETA has not implemented an effective monitoring process to ensure that data validation for the Adult and Dislocated Worker programs is operating as designed.

ETA believes that the monitoring process, including data validation monitoring, can be improved. It will build upon the considerable guidance provided to SWAs on implementing data validation activities – including updates to TEGL 3-03, national data validation training sessions in 2004, regional data validation conferences, national performance conferences in 2006, 2007, and 2009, and technical assistance tailored to specific SWA situations. Since all states have submitted report validation results, ETA believes that SWAs recognize the importance of data validation. Regional Office staff will continue to provide technical assistance and focus monitoring to ensure that decision makers can be assured that the data reported are reliable. ETA also notes that the focus of the OIG audit of data elements that failed validation was based on the data element validation component of the software, which was developed as a technical assistance tool for SWAs to improve the quality of their recordkeeping and reporting.

Finding 2: ETA is not adequately maintaining the data validation software.

ETA made the data validation and reporting software available to SWAs in 2003. It has maintained the system to allow SWAs to use the software and submit their data validation results as required by ETA's policy guidance.

4

The data validation and reporting software provides states an ancillary benefit -- the ability to generate performance reports. ETA modified the software to provide states the opportunity to generate such reports. The audit report stated that an "ETA official" reported that fewer states used the software to generate its WIA Annual Report. The primary purpose of the data validation software and reporting system is to verify the accuracy of the data calculations. For example, in 2005, 26 states chose to start using the data validation and reporting software to validate and produce quarterly reports (ETA form 9090) and annual reports (ETA form 9091). In addition, 20 states used the system to produce their ETA form 9002 reports for Wagner-Peyser Employment Service activities. Other states choose to use other software to generate their performance reports; ETA does not mandate of any software system for purposes of report generation.

Additionally, ETA provides software and technical assistance to the Migrant and Seasonal Farm Workers Program grantees to validate their performance reports. ETA has also provided software and technical assistance for states to validate their Trade Adjustment Assistance Participant Report.

Finding 3: ETA did not provide clear instructions to ensure that SWAs consistently report the number of self-service participants and exiters served by their One-Stop systems.

ETA believes that reporting guidance always can be improved; however, ETA believes that adequate guidance and assistance were provided to SWAs to enable them to implement the data validation initiative. ETA's reporting instructions for the WIA Annual Report (ETA Form 9091), state how states are to report on self-service only participants and on those participants who received staff-assisted services (i.e., more than self-service). Additionally, ETA continues to conducts periodic technical assistance conferences and webinars on performance issues, including data validation. Forty-two states reported self-service participants and thirty-eight states reported self-service exiters in their PY 2007 annual reports, and ETA expects that number to increase as part of the PY 2008 reports.

ETA notes that page 14 of the OIG audit includes the statement that, "ETA is not meeting the intent for introducing common measures, which was to more accurately reflect the number of individuals who benefit from the public workforce investment system." In other words, until all SWAs are reporting self-service participants and exiters, "Congress, stakeholders, the public and interested parties" cannot have accurate information on the individuals served under the system. The intent of a set of common performance measures is to describe the outcomes of Federally-funded job training programs in a similar manner – for example, how many people found jobs, stayed employed, and what the earnings were. WIA Adult and Dislocated Workers programs exclude self-service participants from performance measures; thus, they are not included in the calculation of current common measures.

Again, we greatly appreciate the opportunity to comment on this important OIG audit. Please contact me should you have any questions.

Attachment

5

ATTACHMENT

List of ETA-Issued Guidance related to Data Validation:

Training and Employment Notice (TEN) 8-09, *Program Year 2008/Fiscal Year 2009 Performance Reporting and Data Validation Timelines*, dated August 25, 2009.

TEN 9-08, *Program Year 2007/Fiscal Year 2008 Performance Reporting and Data Validation Timelines* , dated September 3, 2008

TEN 6-08, *Extension of the Unemployment Insurance (UI) Data Validation (DV) Program*, dated August 19, 2008

TEN 19-07 *Program Year 2006/Fiscal Year 2007 Performance Reporting and Data Validation Timelines*, dated December 11, 2007.

TEN 9-06, *Timeline for Program Year (PY) 2005 Workforce Investment Act (WIA) Performance Reporting and PY 2005 Data Validation (all programs),* dated August 15, 2006.

Training and Employment Guidance Letter (TEGL) 3-03, Change 3, *Revision to the Data Validation Policy for Employment and Training Programs for Program Year 2004,* dated July 15, 2005.

TEGL 3-03, Change 2, *Data Validation Submission Instructions,* dated October 20, 2004.

TEGL 1-02, Change 2, *Labor Exchange Performance and Reporting: Corrections to ET Handbook No.406 (ETA 9002 and VETS 200 Reports); Data Validation; Customer Satisfaction; and Program Year (PY) 2003 GPRA Goals,* dated August 31, 2004.

TEGL 3-03, Change 1, *Data Validation Policy for Employment and Training Programs,* dated August 20, 2004.

TEGL 1-02, Change 1, *Labor Exchange Performance and Reporting: Corrections to ET Handbook No. 406 (ETA 9002 and VETS 200 Reports); Data Validation; Customer Satisfaction; and Program Year (PY) 2003 GPRA Goals*, dated April 13, 2004.

TEGL 3-03 *Data Validation Policy for Employment and Training Programs,* dated August 20, 2003, (See Change 1, August 20, 2004 and Change 2, October 20, 2004).

TEN 14-02, *Data Validation Initiative,* dated May 28, 2003.

6

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