

# U.S. Department of Labor

Office of Inspector General—Office of Audit

**EMPLOYMENT AND TRAINING  
ADMINISTRATION**



## **ADDITIONAL INFORMATION NEEDED TO MEASURE THE EFFECTIVENESS AND RETURN ON INVESTMENT OF TRAINING SERVICES FUNDED UNDER THE WIA ADULT AND DISLOCATED WORKER PROGRAMS**

Date Issued: September 30, 2011  
Report Number: 03-11-003-03-390

## BRIEFLY...

Highlights of Report Number **03-11-003-03-390**, issued to the Assistant Secretary for Employment and Training.

### WHY READ THE REPORT

The Office of Inspector General (OIG) conducted a performance audit of training services provided under the Workforce Investment Act (WIA) Adult and Dislocated Worker programs. The U.S. Department of Labor's (DOL) Employment and Training Administration (ETA) awards more than \$2 billion annually in formula grants to State Workforce Agencies (SWA) to operate the WIA Adult and Dislocated Worker programs.

Training Services is one of the three tiers, or levels, of services provided under WIA. However, the amount of funding spent on each of the service tiers is not available because fund allocation is left to the discretion of the SWAs, and ETA does not collect this information. WIA established a comprehensive performance accountability system to assess the effectiveness of SWAs in achieving continuous improvement of workforce investment activities in order to optimize the return on investment of federal funds. The core indicators of performance are entry into unsubsidized employment; retention in unsubsidized employment 6 months after entry into the employment; and earnings received in unsubsidized employment 6 months after entry into the employment.

### WHY OIG CONDUCTED THE AUDIT

The audit objectives were to answer the following questions:

1. Was ETA's comprehensive performance accountability system able to assess the effectiveness of training services provided under the WIA Adult and Dislocated Worker programs?
2. What were the results of the training services provided under these programs, and were the training services linked to demand occupations?

### 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/2011/03-11-003-03-390.pdf>.

September 2011

## ADDITIONAL INFORMATION NEEDED TO MEASURE THE EFFECTIVENESS AND RETURN ON INVESTMENT OF TRAINING SERVICES FUNDED UNDER THE WIA ADULT AND DISLOCATED WORKER PROGRAMS

### WHAT OIG FOUND

WIA limits ETA's ability to include the results of training services in its WIA performance accountability system. Although the system ETA developed complied with WIA, it did not provide sufficient information on performance results and the cost of training services for which ETA paid. For the 20 SWAs in our audit universe, we estimated that ETA spent about \$307 million on training services to 103,340 exiters during the period April 2008 to March 2009.

Because ETA had limited information on the outcomes and cost of training services, we analyzed a sample of 362 Adult and Dislocated Worker program exiters who received training services. Our analysis showed that in almost every case the exiters received training related to a demand occupation and 86 percent completed their training. Employment outcomes for the sampled exiters showed 85 percent obtained employment after training. Of those who obtained employment, 82 percent were still employed in the second quarter after exiting.

Our analysis also showed that 37 percent of the sampled exiters either did not obtain employment or their employment was unrelated to the training they received. Specifically, almost 13 percent did not obtain employment, and for those who did, almost 24 percent were in jobs not related to their training. Additionally, for another 10 percent of exiters, the SWAs could not provide sufficient evidence to demonstrate whether job placement was training related. We estimated that \$124 million was spent on training participants who did not obtain training-related employment, or there was insufficient information to make that determination.

### WHAT OIG RECOMMENDED

The OIG recommended that the ETA Assistant Secretary pursue legislative authority to develop performance measures for training outcomes, and require SWAs to report training costs at the participant level; and to exercise oversight over SWAs to ensure they develop practices to increase the percentage of exiters who find training-related employment.

ETA did not believe the report put the findings in the proper perspective and did not agree with the **recommendations** to pursue legislative authority on performance measures for training outcomes and to collect training costs and funding sources.



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**U.S. Department of Labor**

Office of Inspector General  
Washington, D.C. 20210



September 30, 2011

**Assistant Inspector General's Report**

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The U.S. Department of Labor's (DOL) Employment and Training Administration (ETA) awards more than \$2 billion annually in formula grants to State Workforce Agencies (SWA) to operate the Workforce Investment Act (WIA) Adult and Dislocated Worker programs. The Adult and Dislocated Worker programs provide for three tiers, or levels, of services — core, intensive, and training. The amount of funding spent on each of the service tiers is not available because allocation of the funds between the service tiers is left to the discretion of the SWAs and ETA does not collect the information. Within the SWAs, Local Workforce Agencies (LWA) are responsible for providing these services to eligible participants. In order to receive training services, participants must be unable to obtain employment through intensive services and must require assistance beyond what is available through other grant programs. WIA requires training services to be directly linked to occupations that are in demand in the local area or in another area where the participant is willing to relocate, although exceptions are allowed in some cases. WIA, Section 136, established a comprehensive performance accountability system to assess the effectiveness of SWAs in achieving continuous improvement of workforce investment activities in order to optimize the return on investment of federal funds. WIA specified the core indicators of performance as being entry into unsubsidized employment; retention in unsubsidized employment 6 months after entry into the employment; and earnings received in unsubsidized employment 6 months after entry into the employment.

The audit objectives were to answer the following questions:

1. Was ETA's comprehensive performance accountability system able to assess the effectiveness of training services provided under the WIA Adult and Dislocated Worker programs?
2. What were the results of the training services provided under these programs, and were the training services linked to demand occupations?

The audit focused on training services provided and outcomes achieved under the WIA Adult and Dislocated Worker programs for 103,430 exiters from 20 SWAs<sup>1</sup> between April 1, 2008, and March 31, 2009. This was the most current period available for review because outcome data is not available until 12-15 months after participants exit the program. The audit covered processes in place at the time of our fieldwork from January through July 2011. We reviewed case file documentation for a statistical sample of 362 exiters from 6 SWAs to determine if the training provided was linked to a demand occupation, if the exiter completed the training, if the exiter found employment and if it was related to the training received, and if the exiter retained employment. The audit also included a determination of the extent to which SWAs and LWAs identified demand occupations.

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.

## **RESULTS IN BRIEF**

WIA limits ETA's ability to include the results of training services in its WIA performance accountability system. The WIA performance accountability system that ETA developed complied with WIA, Section 136 in that it included performance measures for reporting whether exiters found and retained employment. However, it did not provide sufficient information on the performance results of training services for which ETA paid. WIA does not allow ETA to establish any new performance measures apart from the core employment indicators required in WIA, Section 136. Therefore, ETA could not use data it collected on training-related employment through its Workforce Investment Act Standard Record Data (WIASRD) for performance accountability purposes. Additionally, our review of the training service data in WIASRD found it was incomplete and unreliable. Moreover, ETA did not collect information on training costs and was unable to identify the funding source(s) of training services, which could be paid for by sources other than WIA. ETA claimed that WIA does not allow the agency to collect information on the cost of training activities, but we believe WIA does not prevent ETA from requesting SWAs to report these costs at the participant level.

As a result, there is limited information available at the national level about the results and cost of the training services provided by the Adult and Dislocated Worker programs. ETA is unable to report if the training services provided by these programs are achieving intended results and at what cost. For the 20 SWAs in our audit universe, we estimated that ETA spent about \$307 million on training services during the period April 2008 to March 2009.

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<sup>1</sup> Exiters are participants who enrolled, received services, and exited from a WIA program. The 20 SWAs were responsible for 79 percent of the exiters who received training services nationwide within the audit time frame.

Because ETA had limited information on the outcomes and cost of training services, we performed an analysis of the 362 sampled Adult and Dislocated Worker program exiters who received training services. Our analysis of the sampled exiters showed that in almost every case (98 percent), they received training related to a demand occupation. Although ETA did not have a measure or goal for the rate at which training was completed, we found that 86 percent of the sampled exiters completed their training, and their employment outcomes indicated that 85 percent obtained employment after training. Of those who obtained employment, 82 percent were still employed in the second quarter after exiting the programs.

However, our analysis also showed that 37 percent of the sampled exiters either did not obtain employment or their employment was unrelated to the training they received. Specifically, almost 13 percent of the sampled exiters did not obtain employment, and for those who did, almost 24 percent were in jobs that were not related to the training they received. Additionally, for another 10 percent the SWAs could not provide sufficient evidence to demonstrate whether the job placement was training related. Projecting these results to our audit population of 103,340 exiters, we estimate that \$124 million was spent on training participants who did not obtain training-related employment or there was insufficient information to make that determination.

These results demonstrate the importance of having performance and cost information to assess the effectiveness of training services. ETA is not in position to report to stakeholders the outcomes and cost of training services and areas that could be improved. Also, SWAs and LWAs lacked goals for placing exiters in training-related employment. Information on training services is especially important because recent trends show the annual amount of funds allotted to SWAs for the WIA Adult and Dislocated Worker programs is decreasing while the number of participants is increasing. Usable and reliable information on training costs and training-related employment would assist ETA and the SWAs in determining how to best allocate decreasing WIA funds to those services that will achieve the desired results of enabling participants to pursue viable career paths leading to self-sufficiency. Such information would also improve accountability and transparency over WIA funds invested in training participants for demand occupations.

We recommend that the ETA Assistant Secretary pursue legislative authority in the WIA reauthorization to develop performance measures for training outcomes; require SWAs to report training costs and funding sources at the participant level so stakeholders have adequate information to make return-on-investment decisions for WIA services; develop and provide guidance to SWAs and LWAs regarding the best methodology for collecting and reporting data for training-related employment; and exercise oversight over SWAs to ensure they develop and/or identify best practices to increase the percentage of exiters who find employment related to the training they receive.



## **ETA RESPONSE**

In response to the draft report, ETA disagreed that “there is limited information available at the national level about the results and cost of the training services provided by the Adult and Dislocated Worker programs.” ETA said it currently collects data that allows it to calculate outcomes for each participant who receives training; and OIG’s suggestion that the data is “limited” is neither fair nor accurate. ETA also believed the report tended to overstate deficiencies and understate positive findings.

ETA did not agree with the recommendation to pursue legislative authority in WIA reauthorization to develop performance measures for training outcomes because it may exert a diluting effect on accountability. ETA stated that it measures the system on its ability to improve outcomes for all customers regardless of the services provided.

ETA also disagreed with the recommendation to require SWAs to report training costs and funding sources in WIASRD because its opinion is that WIA, Section 185(g), prohibits it from doing so. ETA also stated that the report does not acknowledge the costs necessary to modify local, state, and federal information systems, train staff, and use staff time to comply with the requirement.

ETA agreed with the recommendations to provide guidance to the SWAs and LWAs regarding the collection and reporting of training-related employment data and exercise oversight to ensure SWAs develop and/or identify best practices for increasing the percentage of exiters who find training-related employment.

ETA’s response is included in its entirety as Appendix D

## **OIG CONCLUSION**

ETA’s response did not result in any changes to the report. While ETA does collect the additional information cited in its response, we believe that obtaining accurate and reliable data on training-related employment, the funding source of training, and the cost of training are key data elements needed in assessing the programs’ effectiveness and return on investment. The data currently collected on training-related employment is incomplete and unreliable and, as described by ETA, should only be used with “extreme care.” Additionally, this data does not differentiate training funded under the WIA Adult and Dislocated Worker programs from training funded by other sources. As a result of these data limitations, ETA cannot currently calculate outcomes for participants who received training paid with WIA funds; and therefore, it has no way to assess whether those training funds are being spent in an effective manner. As such, the data is “limited” in its usefulness in determining the effectiveness of training paid with WIA Adult and Dislocated Worker program funds.

Elevating training-related employment results to a performance measure would increase accountability over the effectiveness of training services paid under the WIA Adult and Dislocated Worker programs and increase the transparency of ETA’s reporting to

stakeholders. Although ETA's response downplayed the importance of exiters obtaining training-related employment, WIA, Section 136, requires not only that this information be reported by the SWAs but that the outcomes be compared to those participants who did not receive training services. The problems we found with the completeness and reliability of outcome data indicated that its importance needs to be emphasized.

WIA does not prohibit ETA from collecting cost information at the participant level and WIA, Section 185(g), applies to the reporting of costs on the Federal Financial Report. ETA's response did not address how it is complying with WIA, Section 185(d), which specifically requires it to collect "the specified costs of the programs and activities" in which participants are enrolled. Concerning the cost necessary to require the reporting of training costs, we found the training costs at the participant level were readily available at the LWAs we visited.

## **RESULTS AND FINDINGS**

### **Objective 1 — Was ETA's performance accountability system able to assess the effectiveness of training services provided under the WIA Adult and Dislocated Worker programs?**

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*ETA did not have sufficient information to assess the performance results of training services for which it paid more than an estimated \$307 million.*

### **Finding 1 — ETA's performance accountability system was not able to assess the effectiveness of training services provided under the WIA Adult and Dislocated Worker programs.**

WIA limits ETA's ability to include the results of training services in the WIA performance accountability system. The WIA performance accountability system that ETA developed complied with WIA, Section 136 in that it included performance measures for reporting whether exiters found and retained employment. However, it did not provide sufficient information on the performance results of training services for which ETA paid. WIA does not allow ETA to establish any new performance measures apart from the core employment indicators required in WIA, Section 136. Therefore, ETA could not use data it collected on training-related employment through its Workforce Investment Act Standard Record Data (WIASRD) for performance accountability purposes. Additionally, our review of the training service data in WIASRD found it was incomplete and unreliable. Moreover, ETA did not collect information on training costs and was unable to identify the funding source(s) of training services, which could be paid for by sources other than WIA. ETA claimed that WIA does not allow the agency to collect information on the cost of training activities. However, we believe WIA does not prevent ETA from requesting SWAs to report these costs at the participant level.

As a result, there is limited information available at the national level about the results and costs of training services. Consequently, ETA is unable to report if the training services provided by these programs are achieving intended results or whether taxpayers are receiving a return on investment for the estimated \$307 million investment spent to train participants in demand occupations during the audit period.

**ETA did not have a specific performance measure to report whether exiters got jobs related to the training services they received.**

While ETA did establish performance measures for employment outcomes of WIA Adult and Dislocated Worker exiters, these measures only reported the overall outcomes for WIA exiters regardless of the type of services they received. Therefore, these measures were not sufficient to gauge the effectiveness of the funds ETA spent on training services.

WIA, Section 136 establishes a comprehensive performance accountability system to assess the effectiveness of SWAs in achieving continuous improvement of workforce investment activities in order to optimize the return on investment of federal funds. WIA, Section 136(b)(2)(A)(1), specifies the core indicators of performance as being entry into unsubsidized employment; retention in unsubsidized employment 6 months after entry into the employment; earnings received in unsubsidized employment 6 months after entry into the employment; and attainment of a recognized credential.

After the enactment of WIA, ETA implemented the following performance measures for its job training and employment programs:

- Entered Employment
- Employment Retention
- Average Earnings

DOL reported the results of the above measures in its annual Performance and Accountability Report (PAR).<sup>2</sup>

WIA, Section 136(d)(2), describes additional information that the SWAs are required to include in their annual report to ETA, including entry by participants who have completed training services under the WIA Adult or Dislocated Worker programs into unsubsidized employment related to the training received. However, only one of the six SWAs in our sample reported information on training-related employment in its WIA Annual Report. Employment-related data from the 53 SWAs' WIA Annual Report appeared in a summary Excel spreadsheet on ETA's Performance and Results website. This spreadsheet consisted of 17 worksheets, lacked explanatory notes or descriptions of the data, and was difficult to locate on ETA's website. Using the SWAs' WIA Annual Reports for reporting training-related employment was not only inconsistent but it lacked accountability and transparency. The lack of a performance measure relieved ETA and

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<sup>2</sup> Commencing in FY 2010, DOL reported performance results in its annual PAR.

the SWAs of accountability over the effectiveness of training services paid for under the WIA Adult and Dislocated Worker programs. Additionally, performance results on a national level were not transparently reported in an annual performance report, which could be easily accessed by all interested parties but were instead buried in a confusing Excel spreadsheet that was not easily located.

Since WIA does not allow ETA to implement performance measures beyond the core indicators specified in WIA, Section 136(b)(2)(A)(1), ETA would need to seek legislative authority to add performance measures that will assess the effectiveness of the SWAs' use of WIA funds for training services. Establishing a performance measure for training-related employment would assist ETA, SWAs, and LWAs in their decision-making process regarding the continuous improvement of workforce investment activities in order to optimize the return on investment of federal funds spent on training.

**Data on training-related employment was incomplete and unreliable.**

Although ETA did not use training-related employment data for performance accountability purposes, it did collect such data in WIASRD. However, we found the data to be incomplete and unreliable. ETA developed WIASRD to establish a standardized set of data elements, definitions, and specifications that could be used to describe the characteristics, activities, and outcomes of individuals served by WIA programs. The purpose of WIASRD was to facilitate 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. ETA officials stated that the program performance results from WIASRD can be shared with consumers, taxpayers, Congress and others with an interest in the WIA programs.

ETA instructed the SWAs to report in WIASRD whether or not exiters entered employment in which they used a substantial portion of the skills taught in the training they received (data element 604, Entered Training-Related Employment). While some data elements in WIASRD were considered optional, ETA required that data element 604 be completed for all training exiters in the Adult and Dislocated Worker programs.

Our analysis of data element 604 in the WIASRD file used for the audit found 5 of the 53 SWAs did not report anything for this element. ETA removed all the reported data from an additional 12 SWAs because it found the data they had reported was unreasonably high or abnormally low. Additionally, the record layout for the WIASRD public-use file stated that ETA's data adjustments only screened out the most extreme cases and "extreme care should be taken when using this data." Given that data for 25 percent of the SWAs was removed, such a disclaimer would indicate the data ETA made available to the public should be considered unreliable.

ETA officials explained that the SWAs may not be doing as much follow up as they should, but WIA does not require personal follow up to obtain outcomes. Instead, WIA

requires the SWAs to use Unemployment Insurance (UI) wage records to verify employment. ETA officials stated that the problem with this method for determining if the employment was related to the training received was that the UI wage records only showed industry code, not occupational codes for the job duties being performed. Another issue identified by ETA officials was that it was very subjective for someone to decide if a participant used “a substantial portion of the skills taught in the training received.”

Although WIA does not specifically require personal follow up, WIA, Section 185(d)(1)(c), requires that outcomes of programs and activities for participants be reported, including the occupations of participants.

**ETA did not know what training services it paid for or how much it invested in those services.**

ETA did not collect the cost of training at the participant level.

WIA, Section 185 (d)(1)(B), requires that the programs and activities in which participants are enrolled be reported as prescribed by the Secretary. Additionally, WIA, Section 136(d)(2)(C), requires cost of workforce investment activities relative to the effect of the activities on the performance of participants be reported by SWAs in the WIA Annual Report. Finally, WIA, Section 185(d)(1)(D), requires that the specified costs of WIA programs and activities be reported as prescribed by the Secretary.

ETA used WIASRD to collect data elements related to participant training activities. ETA considered a participant to have received training under the WIA Adult and Dislocated Worker programs if the participant’s record had a valid date in the “Training Entered Date” field (data element 335) and the “Type of Training Service” field (data element 340) indicated a valid training service was provided to the participant. Our analysis of these data elements in the WIASRD file used for the audit found they were unreliable because different funding sources were used to pay for training services. Therefore, ETA did not know whether the WIA Adult and Dislocated Worker programs had funded the training for which it was credited or if another source had funded the training.

In selecting our sample we learned that the training data in WIASRD included training paid for by sources other than WIA. Our adjustments to the training data resulted in determining that the number of participants who were recorded as receiving training services under the Adult and Dislocated Worker programs was overstated by approximately 19 percent.

ETA instructed the SWAs to include a discussion of “the cost of workforce investment activities relative to the effect of the activities on the performance of the participants” in the narrative section of their WIA Annual Reports. To ETA’s credit, since September 2008, the agency has issued several Training and Employment Guidance Letters (TEGL) to SWAs on the costs of workforce investment activities. The TEGLs explained how ETA had a long-term interest in improving program efficiency so that both the

taxpayers and customers can be better served. ETA suggested that the SWAs explain how the mix of core, intensive, and training services provided to participants affected outcomes. The TEGs also provided examples of potential cost measures but left the choice of which measures to use in reporting to the discretion of the SWAs. ETA did not collect any cost information in WIASRD.

For program year (PY) 2009 — the latest WIA Annual Reports available — two of the six SWAs in our sample did not report costs of workforce investment activities relative to the effect on performance in their WIA Annual Reports. The remaining four SWAs reported using different methodologies to determine the effect of cost on performance. Even if all the SWAs had reported this cost information using the same measures and methodologies, ETA would still lack reporting transparency on a national level because the information would have to be analyzed from 53 separate WIA Annual Reports.

ETA officials stated that WIA did not allow the agency to require the reporting of specific cost information on training services. We believe that WIA was referring to costs reported on the standard government-wide Federal Financial Report (FFR).<sup>3</sup> Costs reported on the FFR are generally supported by the SWAs' and LWAs' accounting systems which may not be designed to capture and report detailed costs. Rather than requiring SWAs and LWAs to report training costs on the FFR, ETA could add an additional data element to WIASRD to capture the costs paid for the training services using the invoice payments to training providers (we were able to readily obtain this information from all the LWAs included in the audit). Adding this data element to WIASRD would not require revisions to the SWAs' and LWAs' accounting systems, and having such cost data would allow ETA to share it with consumers, taxpayers, Congress and others who have an interest in the WIA programs. Furthermore, doing so would also facilitate ETA's and the SWAs' compliance with WIA, Section 185, which requires that these costs be reported.

### **Several SWAs and LWAs in our sample showed interest in training costs and outcomes.**

At the state level, three of the six SWAs in our sample were able to provide us information on how much they spent on training services under the WIA Adult and Dislocated Worker programs. Two of the three SWAs were required by their state law to report training expenditures. A fourth SWA planned to start collecting information on WIA training expenditures in July 2011 because it was constantly receiving requests for this information.

The SWAs and LWAs in our sample also tracked — or showed an interest in tracking — whether participants obtained employment related to the training they received. One SWA and 10 LWAs tracked training-related employment, while an additional 2 SWAs and 4 LWAs indicated they were interested in tracking this information. For example, at 1 LWA, the Workforce Investment Board actually set a training-related employment rate

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<sup>3</sup> Formerly called the Financial Status Report

as an internal performance measure to assess how well the training programs were doing. Also, 1 SWA that showed an interest in tracking training-related employment had recently conducted a longitudinal study into the outcomes of training services for participants. A key objective of the study was to ensure that training funds were spent prudently and exhibited measurable outcomes.

We believe there is a need for a performance measure and reliable data on the costs and outcomes of training services so that ETA can put itself in a position to report to stakeholders and Congress how much WIA funding is used for training services and what the outcomes of those services are.

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**Objective 2 — What were the results of the training services provided under the WIA Adult and Dislocated Worker programs, and were the training services linked to demand occupations?**

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*An estimated \$124 million was spent on training Adult and Dislocated Worker exiters who did not obtain training-related employment or there was insufficient information to make the determination.*

**Finding 2 — More than 80 percent of the exiters who received training services under the Adult and Dislocated Worker program obtained employment but not always related to the training they received.**

Our testing of 362 sampled Adult and Dislocated Worker program exiters who received training services showed that in almost every case (98 percent), they received training related to a demand occupation. Although ETA did not have a measure or goal for the rate at which training was completed, we found that 86 percent of the sampled exiters completed their training. Testing for employment outcomes indicated that 85 percent obtained employment after training, and of those who obtained employment, 82 percent were still employed in the second quarter after exiting the programs.

However, our analysis also showed that 37 percent of the sampled exiters either did not obtain employment, or their employment was unrelated to the training received. Specifically, almost 13 percent of the sampled exiters did not obtain employment, and for those who did, almost 24 percent were in jobs that were not related to the training they received. Additionally, for another 10 percent we could not determine if the job was related to the training received because of insufficient case file evidence. We projected to our audit universe of 103,430 exiters that the amount of funds paid for training exiters who did not find employment or employment was not related to the training, and exiters for whom we could not determine if the employment was related to their training, totaled approximately \$124 million.

Because of the lack of reliable information on the costs and outcomes of training services provided under the WIA Adult and Dislocated Worker programs, we tested a random sample of 362 exiters who were reported as being served by either program

and received training services during the 12-month period of April 1, 2008 through March 31, 2009 (see Appendix B for detail on the sampling methodology.) The following are the results of our testing of the 362 sampled exiters. The sample results and projections are summarized in the report exhibit.

### **Cost of Training**

ETA did not track the cost of training services it provided to participants in the WIA Adult and Dislocated Worker programs. In order to estimate the training costs, we obtained the costs of the training services provided to the sampled exiters from case file documentation or accounting records maintained by the LWAs and projected those costs to the audit universe.

Based on the cost of the training provided to the 362 sampled exiters (which totaled \$1.1 million) we estimated that training costs for the 103,430 exiters in our universe to be approximately \$307 million. Since the audit period covered exiters from two program years<sup>4</sup> (PYs 2007 and 2008), we averaged the annual allotments for the 20 SWAs in our universe to put the amount of funding paid for training services in perspective. The 20 SWAs received 78 percent of the average annual allotment of \$2 billion for both programs. ETA allotted an average of \$1.6 billion annually to the 20 SWAs in our universe and these SWA spent 19 percent of the average allotted funds on training services.

### **The extent to which the training was for a demand occupation**

Overall, we found SWAs and LWAs had identified the needs regarding current and projected employment opportunities in the respective states and local areas, and most of the training was related to these occupations or was exempt from the requirement that it be related to these occupations.

WIA requires SWAs and LWAs to provide in their WIA plans information describing the needs of the state and local areas in regard to current and projected employment opportunities, by occupation.<sup>5</sup> WIA, Section 134(d)(4)(G), requires that training services be directly linked to occupations that are in demand in the local area, or in another area to which an adult or dislocated worker receiving such services is willing to relocate, except that a local board may approve training services for occupations determined by the local board to be in sectors of the economy that have a high potential for sustained demand or growth in the local area. Exceptions to this requirement are allowed for on-the-job and customized training.

Every SWA and LWA in our sample had identified demand occupations. We reviewed case file documentation for the sampled exiters to determine if the training provided was

<sup>4</sup> WIA provides funding through allotments to the SWAs based on program year which run from July 1 through June 30.

<sup>5</sup> WIA, Section 112(b)(4) for SWAs and Section 118(b)(1)(B) for LWAs



related to the demand occupations identified by the SWAs and LWAS, or if the training was exempt from the demand occupation requirement.

Of the 362 sampled exiters, 98 percent received training in a demand occupation when required. Forty-eight exiters received on-the-job or customized training; therefore the training did not have to be in a demand occupation and we omitted these exiters from our calculation. Our results showed that of the 314 remaining exiters, 309 received training related to a demand occupation.

Overall, for the population of 103,430 exiters who received training, we estimated 83 percent received training in a demand occupation, 15 percent received training that was exempt from the demand occupation requirement, and 2 percent did not receive training in a demand occupation.

### **The extent to which exiters completed the training**

The rate at which exiters complete training is an indicator of how effective the LWAs assessed the exiters' capability and aptitude for training. ETA does not have, and WIA does not require, a measure or goal for the rate at which training is completed

Of the 357 sampled exiters who did not drop out of training for medical reasons<sup>6</sup>, 312, or 87 percent, completed the training.

Overall, for the population of 103,430 exiters who received training, we estimated 86 percent completed training, 12 percent did not complete the training, and 1 percent dropped out for medical reasons. In addition, for 1 percent, we were unable to make a determination because of insufficient documentation.

### **The extent to which exiters obtained and retained employment**

Two of the performance measures that ETA uses for the WIA Adult and Dislocated Worker programs are the percent of exiters who are employed in the first quarter after the exit quarter and the percent of exiters who are employed in both the second and third quarters after the exit quarter. WIA, Section 136(f)(2), requires SWAs to use UI wage records to document employment outcomes.

We reviewed the sampled exiters' case files for evidence of employment after training. Of the 362 sampled exiters, 305 (84 percent) obtained employment. Overall, we estimated that for population of 103,430 exiters who received training, 85 percent obtained employment.

We also reviewed the sampled exiters' case files for evidence of employment in the second quarter after exit. Of the 362 exiters sampled, 249 (69 percent) retained employment in the second quarter after exiting. Overall, we estimated that for the population of 103,430 exiters who received training, 70 percent retained employment.

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<sup>6</sup> We identified 4 of the 362 sampled exiters dropped out of training for medical reasons.

### **The extent to which exiters obtained employment related to the training received**

Obtaining employment related to the training received is an important measure of the effectiveness and return on investment of WIA funds spent on training services. For each sampled exiter who obtained employment, we reviewed case file documentation to determine the occupation the exiter was being trained for and compared it to documentation that described the job the exiter obtained.

Of the 362 sampled exiters, 305 (84 percent) found employment after completing training. Of these 305 exiters, 73 (24 percent) did not find employment related to the training they received. Additionally, LWAs did not maintain sufficient information for us to make a determination on whether employment was related to the training for an additional 29 exiters (10 percent).

Overall, we estimated that for the population of 103,430 exiters, 51 percent obtained training-related employment, 20 percent did not obtain training-related employment, and 21 percent did not obtain employment, dropped out of training for medical reasons, or received training while employed. For 8 percent, we were unable to determine if employment was training-related because the LWAs did not maintain sufficient documentation.

We estimated that the cost of training provided to exiters in the population who did not obtain training-related employment was \$56,416,119; and of those for whom we could not make a determination the cost was \$26,123,373, for a total of \$82,539,492. We also estimated that the cost of the training provided to the exiters in our population who did not obtain employment totaled \$41,541,222.

### **The results demonstrate the need for information on training services**

The above results demonstrate that the lack of performance and cost information hinders ETA's ability to assess the effectiveness of training services. Approximately \$124 million was spent on training exiters who were unable to find a job, did not obtain training-related employment, or for whom there was insufficient documentation to make any determination. Information on training services is especially important because recent trends show the annual amount of funds allotted to SWAs for the WIA Adult and Dislocated Worker programs are decreasing while the number of participants is increasing. Usable and reliable information on training costs and training-related employment would assist ETA and the SWAs in determining how to best allocate decreasing WIA funds to assist individuals in pursuing viable career paths leading to self-sufficiency, and would improve the accountability and transparency over WIA funds invested in training participants for demand occupations.

## RECOMMENDATIONS

We recommend that the Assistant Secretary for Employment and Training:

1. Pursue legislative authority in the WIA reauthorization to develop performance measures for training outcomes.
2. Require SWAs to report training costs and funding sources at the participant level in WIASRD so stakeholders have adequate information to make return-on-investment decisions for WIA services.
3. Provide guidance to SWAs and LWAs regarding the best methodology for collecting and reporting data for training-related employment.
4. Exercise oversight over SWAs to ensure they develop and/or identify best practices to increase the percentage of exiters who find employment related to the training they receive.

We appreciate the cooperation and courtesies that ETA personnel extended to the OIG during this audit. OIG personnel who made major contributions to this report are listed in Appendix E.



Elliot P. Lewis  
Assistant Inspector General  
for Audit

## Exhibit

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## Exhibit

## Sample Results and Projections

| Attribute   | Number of Occurrences from a Sample of 362 | 95 Percent Confidence Limit Projected to a Universe of 103,430 Exiters Who Received Training Services |               |               |
|---|--|---|---------------|---------------|
|   |  | Point Estimate  | Lower Limit   | Upper Limit   |
| <b>What was the cost of training?</b>   |  |   |               |               |
| Adult   | \$528,736                                  | \$189,957,397   | \$126,036,270 | \$253,878,524 |
| Dislocated Worker   | \$583,019                                  | \$117,190,707   | \$51,810,072  | \$182,571,342 |
| Total   | \$1,111,755                                | \$307,148,197   | \$302,479,304 | \$311,817,091 |
| <b>Did the exiter receive training related to a demand occupation?</b>  |  |   |               |               |
| Yes   | 309  | 83.03%  | 78.9%         | 87.17%        |
| No  | 5  | 1.59%   | 0.18%         | 3.00%         |
| Exiters who received training that was exempt from the demand occupation requirement.   | 48   | 15.38%  | 11.38%        | 19.37%        |
| <b>Did the exiter complete training?</b>  |  |   |               |               |
| Yes   | 312  | 86.02%  | 82.27%        | 89.76%        |
| No  | 44   | 12.36%  | 8.82%         | 15.91%        |
| Cannot Determine (CND)  | 2  | 0.7%  | 0.0%          | 1.66%         |
| Not Applicable (1)  | 4  | 0.92%   | 0.0%          | 1.86%         |
| <b>Did the exiter obtain employment?</b>  |  |   |               |               |
| Yes   | 305  | 85.33%  | 81.65%        | 89.02%        |
| No  | 49   | 12.67%  | 9.2%          | 16.14%        |
| CND   | 4  | 1.08%   | 0.0%          | 2.18%         |
| Not Applicable (1)  | 4  | 0.92%   | 0.0%          | 1.86%         |
| Cost of Training for Nos  | \$156,910                                  | \$41,541,222  | \$40,375,180  | \$42,707,263  |
| <b>Did the exiter retain employment?</b>  |  |   |               |               |
| Yes   | 249  | 70.21%  | 65.37%        | 75.05%        |
| No  | 40   | 10.96%  | 7.61%         | 14.31%        |
| CND   | 20   | 5.24%   | 2.91%         | 7.57%         |
| Exiters who did not obtain employment or medically unable to complete training.   | 53   | 13.59%  | 10.02%        | 17.15%        |
| <b>Did the exiter obtain employment related to the training?</b>  |  |   |               |               |
| Yes   | 185  | 51.16%  | 45.79%        | 56.53%        |
| No  | 73   | 19.57%  | 15.35%        | 23.78%        |
| CND   | 29   | 7.88%   | 5.00%         | 10.76%        |
| Exiters who did not obtain employment (49), medically unable to complete training (4), or were already employed and SWA received an ETA waiver to use funds to train them (22). | 75   | 21.22%  | 16.81%        | 25.63%        |
| Cost of Training for Nos  | \$212,434                                  | \$56,416,119  | \$55,103,456  | \$57,728,782  |
| Cost of Training for CND  | \$102,977                                  | \$26,123,373  | \$24,932,169  | \$27,314,576  |

(1) Exiters who did not complete training for medical reasons.

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# Appendices

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**Appendix A****Background**

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WIA was 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. WIA goals are to:

Increase employment, as measured by entry into unsubsidized employment;

Increase retention in unsubsidized employment six months after entry into employment;

Increased earnings received in unsubsidized employment for dislocated workers; and

Enhance customer satisfaction for participants and employers.

DOL's ETA is responsible for administering WIA programs at the federal level. WIA services are primarily provided through state and local workforce development systems through grants awarded by ETA. Under WIA the Governor designates local workforce investment areas in which workforce activities are to be administered locally. Local workforce investment boards are responsible for planning and overseeing the local program. The local board is appointed by the local elected official and must have a majority of business representatives, and include representatives of education providers, labor organizations, community-based organizations, economic development agencies, and other partners. WIA requires each local area to establish a one-stop delivery system through which employment and training services funded under Title 1 and other Federal programs are provided. The programs providing services through the one-stop system are referred to as one-stop partners. Designated one-stop partners are programs that must provide core services through the one-stop, and include programs authorized under Title I, the Wagner-Peyser Act, the Adult Education and Literacy title of WIA, the Vocational Rehabilitation Act, Title V of the Older Americans Act, postsecondary vocational education under the Perkins Act, Trade Adjustment Assistance, veterans employment services, unemployment compensation laws, Community Service Block Grants, and employment and training activities carried out by the Department of Housing and Urban Development.

The Adult and Dislocated Worker programs are authorized under Title IB of WIA. WIA provides formula-based funding to SWAs to design and operate these 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 the following three tiers, or levels of service:

Core services – include career counseling, job search and placement assistance, labor market information identifying job vacancies, skills necessary for occupations in demand, and relevant employment trends.

Intensive services - include comprehensive assessments, development of individual employment plans, counseling, case management, and short-term prevocational services.

Training Services – include occupational skills training, on-the-job training, entrepreneurial training, skill upgrading, job readiness training, and adult education and literacy activities in conjunction with other training.

Core services funded by the Adult program stream are available on a universal basis with no eligibility requirement. Funds for the Dislocated Workers program are to be used exclusively for services to such workers. However, the amount of funding spent on each of the service tiers is not available because fund allocation is left to the discretion of the SWAs, and ETA does not collect this information. Intensive services can be provided to unemployed workers who are unable to obtain employment through the core services and to employed workers who are determined to need additional assistance to obtain or retain employment.

Training services may be provided to individuals who met the eligibility requirements for intensive services and:

have been unable to obtain or retain employment through such services;

have the skills and qualifications to successfully participate in a selected program;

select programs that are directly linked to employment opportunities in the local area; and

are unable to obtain other grant assistance, including Pell grants, or need assistance above the levels provided by such other grants.

If Adult program funds are limited in a local area, priority for intensive and training services must be given to recipients of public assistance and other low-income individuals. WIA requires (with three exceptions) that training be provided through the use of Individual Training Accounts (ITA), through which a participant chooses among eligible providers. Specifically, the one-stop system is to provide participants with the list of eligible providers and related performance information. The participant then is to choose the program after consultation with a case manager, with payment arranged through the ITAs.

Training may be provided through a contract for services in lieu of an ITA for: on-the-job training and customized training; where there are an insufficient number of providers to

meet the competitive purposes of ITAs; and for programs offered by community-based organizations or other private agencies that serve special participant populations that face multiple barriers to employment.

Funds allocated to local areas under the adult and dislocated worker funding streams are to be used at the local level to provide employment and training services through the one-stop system. The following table provides appropriated funding for the Adult and Dislocated Worker programs for FYs 2008 through 2010 and requested for 2011.

| Table: Funding for Adult and Dislocated Worker Programs for FYs 2008-2011 |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|
| Program   | FY 2008          | FY 2009          | FY 2010          | Recovery Act     | FY 2011          |
| Adult   | \$ 849,101,000   | \$ 861,540,000   | \$ 861,540,000   | \$ 500,000,000   | \$ 770,992,000   |
| Dislocated Worker   | \$ 1,446,189,000 | \$ 1,341,891,000 | \$ 1,413,000,000 | \$ 1,450,000,000 | \$ 1,287,544,000 |
| Total   | \$ 2,295,290,000 | \$ 2,203,431,000 | \$ 2,274,540,000 | \$ 1,950,000,000 | \$ 2,058,466,000 |

Congress intended that Recovery Act funds for employment and training be spent concurrently with regular formula funds to increase the number of workers who could be served and not be used to replace state or local funding currently dedicated to workforce development and summer jobs. ETA expected states and local areas to fully utilize Recovery Act funds to substantially increase the number of customers served, provide more in-depth services, as needed, and to substantially increase the number and proportion of those customers who receive training, especially training in emerging and high demand occupations and industries.

ETA adopted the common measures methodology for calculating the entered employment, employment retention, and earnings measurement in the WIA performance accountability system for WIA Adult and Dislocated Worker programs. The following are the Common Measure for the WIA Adult and Dislocated Worker programs.

- Entered Employment – percentage of exiters who are employed in the first quarter after the exit quarter.
- Employment Retention – percentage of exiters who obtained employment and are employed in both the second and third quarters after the exit quarter.
- Average Earning – for the exiters employed in the first, second, and third quarters, their total earnings for the second and third quarters divided by the number of participant who exit during the quarter. Number of adult participants who exit during the quarter.

SWAs are required to submit performance data no later than October 1 following the end of each program year (July-June) in their Annual Report (9091). The performance data reported in the WIA Annual Report comprises information provided by each SWA from their individual WIASRD files. ETA developed WIASRD to establish a standardized

set of data elements, definitions, and specifications that can be used to describe the characteristics, activities, and outcomes of individuals served by WIA Title IB programs, including services financially assisted by National Emergency Grants. The purpose of WIASRD is to facilitate 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. The program performance results from WIASRD can be shared with consumers, taxpayers, Congress and others with an interest in the WIA programs. The program outcomes are reported in WIASRD about 18 to 24 months after the person exits the programs, depending on the timeframes of the exit as well as the reporting timelines.

















“limited” dataset is neither a fair nor accurate assessment. The audit report appears to define “limited” through a narrow lens based on two facts: 1) state workforce agencies (SWAs) uneven reporting of one data element (training-related employment); and, 2) the lack of cost data.

In addition, in our opinion, the overall tone of the report is very misleading. The report tends to overstate deficiencies and understate positive findings. For example, the report cites that “almost 13 percent of the sampled exiters did not obtain employment....” Although not stated as such, the conclusion is that most (87 percent) of the individuals who received training services actually became employed. This is significant -- especially considering the high unemployment and slow job growth during the period of observation. Another significant finding is that 98 percent of the training received was in demand occupations. One more example is where the report states that “ETA is not in a position to report to stakeholders the outcomes and cost of training services...” As stated above, the current reporting system allows us to report the outcomes of training services and outcomes by type of training, occupation of training, demographics, and a variety of other useful cross-tabulations. This information is available for both the national level as well as by state and/or local area. As a final note, while ETA believes training is certainly a valuable service, training in and of itself is not an outcome; rather training is an output. WIA’s stated purpose is to provide activities that increase employment, retention, and earnings. In accordance with that purpose, and with the provisions of section 136 of the law, ETA implemented the performance accountability system. In other words, the outcome measures for which states are held accountable are the required outcomes in WIA’s purpose.

**Finding 1**—ETA’s performance accountability system was not able to assess the effectiveness of training services provided under the WIA Adult and Dislocated Worker programs.

**ETA Response:** States report annually on the outcomes for individuals who receive core and intensive services, as well as on outcomes for those who receive training services, and ETA makes such information publicly available. This information is reported in the states’ annual performance progress report, required by WIA section 136(d).

**Finding 2**—More than eighty percent of the exiters who received training services under the Adult and Dislocated Worker programs obtained employment but not always related to the training they received.

**ETA Response:** As stated above, that 87 percent of those who received training services became employed is a noteworthy accomplishment, and ETA believes this performance metric should be highlighted.

Further in the finding, the report states that “Approximately \$124 million was spent on training exiters who were unable to find a job, did not obtain training-related employment, or for whom there was insufficient documentation to make a determination on if employment was related to training.” In your letter you state more than \$2 billion is appropriated for WIA adult and dislocated workers. While our goal is to assist all

jobseekers with finding employment, the fact that only six percent of program funds was used to train exiters who were unable to find a job speaks to the efficacy of the programs, and should be highlighted.

**Recommendation 1:** Pursue legislative authority in the WIA reauthorization to develop performance measures for training outcomes.

**ETA Response:** Although we understand that it is nice to have more data, especially data to answer a specific question in mind, we respectfully disagree with this recommendation for the following reasons. While we believe it is valuable to collect outcome data on training participants (as explained in the opening to the memo), continually adding more units of “measurement” to the existing “common performance measures” (i.e., entered employment rate; retention rate; and earnings) may exert a diluting effect on accountability. Regardless of service or intervention (e.g., guided job search, resume writing, skills assessment, training), ETA measures the system on its ability to improve outcomes for all customers, not just the smaller sample of those who have the opportunity to receive training services. Over the past two years, ETA, in concert with the Office of Management and Budget (OMB) and the Domestic Policy Council (DPC), has provided in-depth technical assistance to a Senate subcommittee working on WIA Reauthorization. One of the guiding principles of these reauthorization efforts has been to streamline performance measures and allow better synchronization across the WIA Titles which builds on the work of the “common measures initiative.” As Congress moves forward to reauthorize WIA, it and the Administration may consider additional policy positions such as that contained in this recommendation; however, ETA can not predict whether that is likely, nor can it commit to pursue a law change within the context of this response.

For some time, ETA has been at the forefront in the implementation of the “common performance measures” among Federal government programs that help individuals receive education, job training, and employment services. The use of common measures enables ETA to describe in a similar manner the core purposes and results of the public workforce investment system – how many individuals got a job, how many stayed employed, and what were their earnings. By 2006, ETA’s employment and training programs had fully implemented common measures.

Multiple sets of performance measures have burdened state and local grantees, as they have been required to report performance outcomes based on varying definitions and methodologies. By minimizing the different reporting and performance requirements, the use of common performance measures can facilitate service delivery integration, reduce barriers to cooperation across programs, and enhance our ability to assess the effectiveness and impact of the workforce investment system.

ETA recognizes that the information obtained through these common measures provides a *starting point* for understanding the performance of numerous workforce programs within a single context. ETA’s policy on common measures acknowledges that good management and oversight of programs will necessitate the capture *and* analysis of additional information relevant to each program, such as outcomes of training services.

This is why additional information about participant characteristics, services, and outcomes are collected by states and reported to ETA to supplement the “story” told by the common measures.

**Recommendation 2:** Require SWAs to report training costs and funding sources at the participant level in WIASRD so stakeholders have adequate information to make return-on-investment decisions for WIA services.

**ETA Response:** We respectfully disagree with this recommendation for the following reason. Our understanding of WIA Section 185 prohibits ETA from collecting the level of detailed cost data that has been suggested in the report. The law states that “the Secretary shall require *only* that the costs be categorized as administrative or programmatic costs.” It is the agency’s opinion that requiring recipients to record additional cost categories, such as training, is prohibited by WIA sec. 185(g).

Aside from legal considerations there are practical considerations. The report asserts that the ETA investments necessary to collect cost data would be minimal. However, the report does not acknowledge the costs necessary to modify management information systems at the local, state and federal levels, the costs for training staff, and the “opportunity costs” of spending more staff time on administrative requirements in place of serving the historically high customer volume now seen in One-Stop Career Centers throughout the country.

**Recommendation 3:** Provide guidance to SWAs and LWAs regarding the best methodology for collecting and reporting data for training-related employment.

**ETA Response:** ETA agrees with the OIG report that the agency should continue to pursue methods for collecting and reporting data for training-related employment. The one caveat is that almost any “best practice” to improve reporting of where participants find employment will require One-Stop staff to engage in time-consuming follow-up on participants who have exited services rather than on the high numbers of individuals waiting for training and training- and employment-related services. In recent years, ETA has worked to reduce the time that One-Stop staff needs to conduct time-consuming follow-up of exiters by requiring the use of administrative records (i.e., unemployment insurance wage records) to verify participant outcomes after they leave our programs. This “gold standard” data source allows states to verify employment status of exiters and has been instrumental in ensuring consistency and accuracy of the data across the states. While the administrative records can provide details on whether or not a person is placed in a job, these records do not provide information on whether a participant found employment related to their WIA training. Interestingly, in ETA’s analysis of the audit report data, we found that a very high number (76 percent) of the participants sampled *did* find work in employment related to their WIA training.

As part of our continuing guidance to the system, ETA plans to publish a Training and Employment Guidance Letter (TEGL) which provides information on improving data collection for the “training-related employment” data element. ETA staff also will

continually examine data trends to determine how quickly improvements are made within the system.

**Recommendation 4:** Exercise oversight over SWAs to ensure they develop and/or identify best practices to increase the percentage of exiters who find employment related to the training they receive.

**ETA Response:** ETA agrees with the OIG report recommendation that SWAs develop and/or identify best practices to increase the percentage of exiters who find training-related employment. ETA will begin by canvassing the best performing states for insights into the most practical ways of improving reporting on this data element. This information will be encompassed in the TEGL noted in response to Recommendation 3. ETA will use its Regional Offices to compile information on how states deemed as “under reporting” on this element are tightening their data collection protocols in this area.

Thank you again for the opportunity to comment. If you have any questions, please contact Christine Ollis at (202) 693-3937.



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**Appendix E**

**Acknowledgements**

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Key contributors to this report were Michael Hill, Audit Director, Anthony Grice, Audit Manager, Jen Varvel, Ted Lawson, Steve Sovich, Gloria Collazo-Scotland, Susan Rosenblum, Dave Halstead, Goleda Sutton-Watson, Janet Cucunato, and Ajit Buttar.

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