DOL COULD IMPROVE EXIT REQUIREMENTS AND PARTICIPANT OUTCOMES FOR THE YOUTHBUILD PROGRAM

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March 30, 2018

WHY OIG CONDUCTED THE AUDIT

The OIG’s previous audits of Department of Labor (DOL) job training programs found participants who completed those programs often obtained employment in jobs unrelated to the training they received or in low-paying jobs that required little or no training.

YouthBuild targets at-risk youth that are current or former high school dropouts. It helps these youth by providing education, occupational skills training, and leadership development. In Fiscal Years 2011 – 2016, DOL awarded $477 million to grantees that operated 446 YouthBuild grants across the country.

WHAT OIG DID

Given our concerns, we conducted an audit to answer the following question:

Did YouthBuild grantees provide participants with training and services that resulted in participants receiving a measurable benefit?

To answer this question, we interviewed ETA officials and analyzed YouthBuild data, program requirements, and practices for the period July 1, 2011, to June 30, 2017.

WHAT OIG FOUND

YouthBuild grantees reported 18,750 participants successfully exited their programs during Program Years 2011 to 2015 (July 1, 2011 to June 30, 2016). However, these reported “successful exits” included 1,155 participants who left YouthBuild without having earned a measurable benefit. These participants had not secured an industry credential, had not earned a high school diploma or equivalency degree, nor had they obtained employment or enrolled in another educational program. We estimated grantees spent about $12.6 million in funds that could have been put to better use.

Furthermore, if ETA reclassified the 1,155 participants who left the program without a measurable benefit as unsuccessful exits, its reported successful exit rate would decrease from 82 percent to 77 percent. While ETA had established minimum requirements for “successful exits,” it did not provide sufficient oversight to ensure grantees complied with those requirements.

During our audit, we also noted some grantees had allowed participants to remain in the YouthBuild program longer than the legal limit of 2 years. As a result, we have questioned costs totaling almost $1.4 million related to the number of unallowable days of training these participants received.

WHAT OIG RECOMMENDED

To improve YouthBuild program performance, we recommended the Assistant Secretary for Employment and Training clarify the criteria for “successful exits,” develop a written YouthBuild manual, and distribute the manual to all YouthBuild grantees. We also recommended ETA recover the questioned costs identified by this audit.

The Employment and Training Administration concurred with the OIG’s conclusions and generally agreed with the recommendations.

READ THE FULL REPORT

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This report presents the results of the Office of Inspector General’s (OIG) audit of the YouthBuild program. OIG’s previous audits of other Department of Labor (DOL) job training programs found participants who completed those programs often obtained employment in jobs unrelated to the training they received or in low-paying jobs that required little or no training.

YouthBuild targets at-risk youth that are current or former high school dropouts. It helps these youth by providing education, occupational skills training, and leadership development. In Fiscal Years (FY) 2011 – 2016, DOL awarded $477 million to grantees that operated 446 YouthBuild grants across the country.

We conducted an audit to answer the following question:

Did YouthBuild grantees provide participants with training and services that resulted in participants receiving a measurable benefit?

To answer this question, we interviewed ETA officials and analyzed YouthBuild data, program requirements, and practices for the period July 1, 2011, to June 30, 2017.

We found YouthBuild grantees reported participants who had received no measurable benefit from the program as successful exiters. This occurred because the Employment and Training Administration (ETA) did not ensure its
YouthBuild grantees complied with the minimum criteria it had established for successful exits.

RESULTS

YouthBuild grantees reported 18,750 participants successfully exited their programs during Program Years 2011 to 2015 (July 1, 2011 to June 30, 2016). However, these reported “successful exits” included 1,155 participants who left YouthBuild without having earned a measurable benefit. These participants had not secured an industry credential, had not earned a high school diploma or equivalency degree, nor had they obtained employment or enrolled in another educational program.

We estimated grantees spent about $12.6 million in funds that could have been put to better use. Furthermore, if ETA reclassified the 1,155 participants who left the program without a measurable benefit as unsuccessful exits, its reported successful exit rate would decrease from 82 percent to 77 percent. While ETA had established minimum requirements for “successful exits,” it did not provide sufficient oversight to ensure grantees complied with those requirements.

We also found grantees allowed participants to remain in the program longer than the legal limit of 2 years. We questioned costs totaling almost $1.4 million related to the number of unallowable days of training these participants received.

GRANTEE REQUIREMENTS FOR SUCCESSFUL EXIT DID NOT COMPLY WITH STANDARDS SET BY ETA

ETA set minimal standards to define what constituted a “successful exit” from the YouthBuild program. Specifically, participants must have completed all expected program components (at a minimum, the educational and construction training components), completed all Individual Development Plan requirements, and developed a follow-up plan that included next steps for successful outcomes.

ETA required each grantee to have a written exit policy on file that described how “successful exits” were determined, i.e., when the participant has finished all training, earned a degree or certificate, or been placed in employment. A grantee was to consider an exit unsuccessful if the participant did not fulfill program expectations as stated in the grantee’s exit policy.
ETA stated the following regarding grantee exit requirements:

While grantees are required to create their own exit policies for successful exit, there are several basic requirements that must be met. The participant must have completed all expected program components (at a minimum, the educational component and the construction training, including time on a work site, where appropriate), completion of all Individual Development Plan requirements, and a follow-up plan that includes next steps for successful outcomes, such as a planned placement or credential attainment.

Our review of exit requirements for 18 randomly selected grantees found none of the grantees included all of these minimal standards in their “successful exit” policies (see Exhibit 1). In fact, grantees were confused about the types of possible exits, had only suggested requirements, or had either unclear or no written exit policies. In addition, grantees set exit requirements that ranged from very difficult to exceedingly easy.

We also found that 7 of the 18 grantees’ “successful exit” policies did not mention industry-recognized credentials although ETA has emphasized the importance of job training programs awarding industry-recognized credentials. Federal regulations require that grantees tie skills training to the award of an industry-recognized credential.

YouthBuild program’s core objective is to enable disadvantaged youth to obtain the educational and employment skills necessary to achieve economic self-sufficiency in in-demand occupations, and secondary education and training opportunities. However, exit policies established by 10 of the 18 sampled grantees made no mention of placement in employment or education as a prerequisite for successful completion.

On October 18, 2016, ETA issued a Final Rule under the Workforce Innovation Opportunities Act (WIOA) that updated the requirements for a “successful exit” from the YouthBuild program. The new requirement for a “successful exit” stated that, at a minimum, participants must receive hands-on construction training or hands-on training in another industry or occupation, and meet the exit policies established by the grantee. In addition, exit policies must describe the outcomes and/or individual goals that participants must achieve for a “successful exit.” Grantees also have to apply exit policies consistently among participants to determine when a “successful exit” has occurred.

Our results indicated that implementation and oversight of any new rule must be consistent, as not all the grantees tested had implemented the prior basic
requirements for a “successful exit.” Furthermore, the only new requirement was that participants receive hands-on training in construction or another industry. All of the grantees we sampled had already included some form of job training for participants.

PARTICIPANTS EXITED THE PROGRAM WITHOUT A MEASURABLE BENEFIT

Federal regulations\(^1\) state the purpose of the YouthBuild program is to enable participants to earn both industry-recognized and academic credentials in order to obtain positions in employment or education. We found that 1,155 reportedly “successful exiters” (6.2 percent) did not earn a high school diploma or equivalency degree, did not find a position in employment or education, nor did they earn an industry-recognized credential. Based on the results of our analysis and the annual costs of training participants, we estimated that $12.6 million in program funds could have been put to better use.

For Program Years 2011 to 2015 (July 1, 2011 to June 30, 2016), ETA reported the following:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Total Exits</td>
<td>22,842</td>
</tr>
<tr>
<td>Total Successful Exits</td>
<td>18,750</td>
</tr>
<tr>
<td>% Successful</td>
<td>82</td>
</tr>
</tbody>
</table>

If the 1,155 “successful exits” we identified that did not earn a high school diploma or equivalency degree, did not find a position in employment or education, and did not earn an industry-recognized credential are reclassified as “unsuccessful exits,” YouthBuild performance would have been:

<p>| | |</p>
<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Exits</td>
<td>22,842</td>
</tr>
<tr>
<td>Total Successful Exits</td>
<td>17,595</td>
</tr>
<tr>
<td>% Successful</td>
<td>77</td>
</tr>
</tbody>
</table>

The numbers of participants that did not achieve each of these elements individually was significantly higher. The breakdown was as follows:

- 10,094 (54 percent) did not earn a high school diploma or equivalency degree,
- 4,132 (22 percent) did not find a position in employment or education, and

\(^{1}\text{20 CFR, Part 672, Section 672.105}\)
• 4,642 (25 percent) did not earn an industry-recognized credential.²

On average, the 1,155 “successful exiters” who did not achieve a documented measurable benefit were in the program for 261 days as compared to an average of 273 days for all the participants within our universe.

ETA stated the YouthBuild program met its targeted performance rates for credential attainment and placements; therefore, it did not consider participants exiting the program successfully without measurable benefits to be an issue.

By accepting the low bar for successful exits that some grantees have set, ETA misses an opportunity to set higher standards that would encourage better performance. By contrast, ETA set goals for high school diplomas or equivalency degrees and industry-recognized credentials together, with an average goal of 63 percent for FY 2011 through 2015. ETA reported grantees achieved actual results of 71 percent for that same period.

For placements, ETA established an average goal of 49 percent. Again, ETA reported grantees exceeded that goal by achieving an average placement rate of 58 percent. Similarly, by clarifying its guidance related to the criteria for successful exits, ETA would encourage better performance by YouthBuild grantees.

OTHER MATTER: GRANTEES ALLOWED PARTICIPANTS TO REMAIN IN THE PROGRAM LONGER THAN THE LEGAL LIMIT OF 2 YEARS

Grantees allowed 283 of the 27,117 (1 percent) YouthBuild participants who exited the program from July 1, 2011 to June 30, 2017, to remain in the program for more than the 24 months allowed by federal regulations.

20 CFR, Part 672, Section 672.315, states:

An eligible individual selected for participation in a YouthBuild program shall be offered full-time participation in the program for a period of not less than 6 months and not more than 24 months.

ETA stated that the participants we cited represented one percent of all exiters within our audit period, which it considered an acceptable margin of error. While

²Participants may be included under multiple categories.
ETA may consider this acceptable, regulations governing the program do not provide for exceptions to the 24 months maximum enrollment period. ETA confirmed there are no policies in place that allow a grantee to extend a participant’s time in the program beyond the 24 months enrollment period. ETA’s MIS included these 283 participants and ETA should have been aware that the grantees had allowed the participants to remain enrolled in the program longer than 24 months, yet it failed to take action to enforce program regulations.

Reasons given by some grantees for allowing the violation included they were not aware of the limit or chose to exempt the participant from this requirement. Grantees allowed participants to exceed the limit from as few as 1 day to as long as 728 days, with an average of 117 days. The funds expended on these participants were in violation of federal regulations; therefore, we questioned almost $1.4 million in costs related to the time participants spent in the program in excess of 24 months.  

OIG’S RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training:

1. Clarify the definition of a “successful exit” and require its use by all grantees. At a minimum, this definition should require that the successful exiter earn a high school diploma or equivalency degree or an industry-recognized credential, have a job follow-up plan in place, and receive referrals to either an employer or school.

2. Create an official YouthBuild manual that details the requirements for all aspects of the program and ensure its distribution to all YouthBuild grantees.

3. Recover $1,390,498 in questioned costs from the grantees for participants that remained in the program for more than 24 months.

3To determine the amount expended on unallowable training, we used the standard per participant annual budgeted amount of $15,300, prorated for the number of days in the program over 24 months.
SUMMARY OF ETA’S RESPONSE

The Employment and Training Administration concurred with the OIG’s conclusions and generally agreed with the recommendations. Management’s response to our draft report is included in its entirety in Appendix B.

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

Elliot P. Lewis
Assistant Inspector General for Audit
## EXHIBIT 1: REQUIREMENTS FOR “SUCCESSFUL EXITS”

<table>
<thead>
<tr>
<th>Grantee Name</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
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<tbody>
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<td>Buckeye Community Hope Foundation</td>
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<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
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<td>Sumter County YouthBuild</td>
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<td>Yes</td>
<td>No</td>
<td>No</td>
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<td>No</td>
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<td>Housing Authority of Lakeland</td>
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<td>No</td>
<td>No</td>
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<td>No</td>
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<tr>
<td>Community Action, Inc. of Rock and Walworth Counties</td>
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<td>No</td>
<td>No</td>
<td>No</td>
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<td>No</td>
</tr>
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<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Community Development Corporation of Brownsville</td>
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<td>No</td>
<td>Yes</td>
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<td>No</td>
</tr>
<tr>
<td>Workforce Connections, Inc.</td>
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<td>Yes</td>
<td>No</td>
<td>No</td>
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<td>No</td>
</tr>
<tr>
<td>Bay Consortium Workforce Investment Board</td>
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<td>No</td>
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<td>No</td>
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<tr>
<td>The Metropolitan Area Advisory Committee Project</td>
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</tr>
<tr>
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<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Year One Inc dba Mile High Youth Corps</td>
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<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Venice Community Housing Corporation</td>
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<td>Northwest Michigan Council of Governments</td>
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<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>George Gervin Youth Center</td>
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<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Brevard (Space Coast YouthBuild)</td>
<td>Yes</td>
<td>Yes</td>
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<td>No</td>
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<td>No</td>
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<tr>
<td>Housing Authority of the City of Wilmington</td>
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<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
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<tr>
<td>Trumbull Metropolitan Housing Authority</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Able-Disabled Advocacy, Inc.</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

### Legend:

- A - Educational Component
- B - Construction Training
- C - Work Site
- D - Individual Development Plan Elements
- E - Transition Plan
- F - All Required Elements
APPENDIX A: SCOPE, METHODOLOGY, & CRITERIA

SCOPE

This report reflects the audit work that we conducted at ETA headquarters in Washington, DC, and the regional office in Atlanta, GA, and at 18 randomly selected grantees. Our work covered the period July 1, 2011, through June 30, 2017.

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

METHODOLOGY

To accomplish our objective, we interviewed ETA management and staff and YouthBuild grantees. We reviewed applicable laws, regulations, policies, and YouthBuild processes and controls. We considered the internal control elements of control environment, risk assessment, control activities, information and communication, and monitoring during our planning and substantive audit phases and evaluated relevant controls.

SAMPLING PLAN

We developed a statistical sampling plan to test all reported participants that exited the program from July 1, 2011, to March 31, 2014. ETA provided us an exit database and we used it to create a participant universe.

We performed a stratified cluster sample, with a 95 percent confidence level, to select grantees within a close geographical proximity. We created a cluster universe of 241 grantees. Cluster sampling divides the population into groups or clusters (primary sampling units). We randomly selected a number of clusters to represent the population and then all units (secondary sampling units) within selected clusters were included in the sample. No units from non-selected clusters are included in the sample. The result was 15 different clusters, with an approximate average of 16 grantees in each.
The sample design of the cluster universe identified clusters 1, 4, 7, 9, 10 and 11 for sampling, with 3 grantees selected in each, for a total sample size of 18 grantees. A random number generator randomly selected three grantees for each selected cluster. See table below for details on grantees selected.

<table>
<thead>
<tr>
<th>Grantee</th>
<th>City</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Able-Disabled Advocacy</td>
<td>San Diego</td>
<td>CA</td>
</tr>
<tr>
<td>Atlanta Workforce Development Agency</td>
<td>Atlanta</td>
<td>GA</td>
</tr>
<tr>
<td>Bay Consortium Workforce Investment Board</td>
<td>Warsaw</td>
<td>VA</td>
</tr>
<tr>
<td>Buckeye Community Hope Foundation</td>
<td>Columbus</td>
<td>OH</td>
</tr>
<tr>
<td>Community Action, Inc. of Rock and Walworth Counties</td>
<td>Janesville</td>
<td>WI</td>
</tr>
<tr>
<td>Community Development Corporation of Brownsville</td>
<td>Brownsville</td>
<td>TX</td>
</tr>
<tr>
<td>George Gervin Youth Center</td>
<td>San Antonio</td>
<td>TX</td>
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<tr>
<td>Housing Authority of Kansas City</td>
<td>Kansas City</td>
<td>MO</td>
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<td>Lakeland Housing Authority</td>
<td>Lakeland</td>
<td>FL</td>
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<td>Metropolitan Area Advisory Committee Project</td>
<td>Chula Vista</td>
<td>CA</td>
</tr>
<tr>
<td>Year One Inc dba Mile High Youth Corps</td>
<td>Denver</td>
<td>CO</td>
</tr>
<tr>
<td>Networks Northwest</td>
<td>Traverse City</td>
<td>MI</td>
</tr>
<tr>
<td>Brevard Community College (Space Coast YouthBuild)</td>
<td>Cocoa</td>
<td>FL</td>
</tr>
<tr>
<td>Sumter County</td>
<td>Sumter</td>
<td>SC</td>
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<tr>
<td>Trumbull Metropolitan Housing Authority</td>
<td>Warren</td>
<td>OH</td>
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<td>Venice Community Housing</td>
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<td>Wilmington Housing Authority</td>
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</tr>
<tr>
<td>Workforce Connections, Inc.</td>
<td>La Crosse</td>
<td>WI</td>
</tr>
</tbody>
</table>

**PARTICIPANT OUTCOMES REVIEW**

ETA provided us grantee reported statistical information for participants that grantees exited from the program during the period July 1, 2011, through June 30, 2017. We analyzed the reported outcomes for participants that grantees reported as either “successful exits” or “unsuccessful exits.” We specifically identified participants that grantees reported as “successful exiters” prior to July 1, 2016, but for whom grantees reported no measurable benefit reported as of June 30, 2017. In addition, we used the reported data to identify participants that remained enrolled in the program longer than allowed.
RELIABILITY ASSESSMENT

We obtained a list of all participants that exited during the audit scope from ETA information technology officials. We reviewed published grantee award announcements, published program performance reports, internal ad hoc performance reports and reconciled the results to the lists generated by the ETA. We then performed multiple analytical tests and completeness checks on the management reports and discerned the data was complete and valid for testing. We traced the sampled participant information back to source documents and did not reveal any unsupportable information. We determined that the data were sufficiently reliable for the purposes of this report.

INTERNAL CONTROL

In planning and performing our audit, we considered internal controls relevant to our audit objective. We obtained an understanding of those controls and assessed control risk as necessary to achieve our objective. The objective of our audit was not to provide assurance of the internal controls. Therefore, we did not express an opinion on the YouthBuild program’s internal controls. Our consideration of internal controls for administering the accountability of the program would not necessarily disclose all matters that might be significant deficiencies. Because of the inherent limitations on internal controls, or misstatements, noncompliance may occur and not be detected.

CRITERIA

We used the following criteria to perform this audit:

- Code of Federal Regulations, Title 20, Part 672
- GAO Standards for Internal Control
- U.S. Code, Title 29, §3226
- Workforce Innovation and Opportunity Act, §171
- Workforce Investment Act of 1998, §169
- YouthBuild Policy and Procedures
APPENDIX B: AGENCY’S RESPONSE TO THE REPORT

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210

MAR 3 0 2018

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

FROM: ROSEMARY LAHASKY
Deputy Assistant Secretary

No. 04-18-002-03-001, DOL Could Improve Exit Requirements
and Participant Outcomes for the YouthBuild Program

Thank you for the opportunity to respond to the draft audit report related to the YouthBuild program’s exit policies and practices. The Employment and Training Administration (ETA) provides guidance and technical assistance to grantees to promote continuous improvement of the YouthBuild program model and its performance outcomes and welcomes the opportunity to further strengthen the program.

Since the initiation of this audit in 2014, the YouthBuild program has been reauthorized under the Workforce Innovation and Opportunity Act (WIOA). YouthBuild’s incorporation into the WIOA performance reporting structure and inclusion as a one-stop (American Job Center) partner program have assisted in better alignment and coordination across all WIOA-authorized programs.

YouthBuild grantees were previously held accountable to the three Workforce Investment Act (WIA) youth common performance measures: credential attainment; post-program placement; and basic skills gains. While the rate of successful YouthBuild exitors that the OIG focused on in the draft audit report is a useful programmatic data point, it was not a measure required by statute, nor one for which ETA established a specific performance goal.

Below are the OIG’s recommendations contained in the draft audit report followed by ETA’s responses:

OIG Recommendation 1: Clarify the definition of a “successful exit” and require its use by all grantees. At a minimum, this definition should require that the successful exitor earn a high school diploma or equivalency degree or an industry-recognized credential, have a job follow-up plan in place, and receive referrals to either an employer or school.

ETA Response: ETA agrees that the definitions grantees had in place for “successful” exit were subject to substantial variation in the past, which led to this recommendation by the OIG. However, all WIOA-authorized programs, including YouthBuild, are now required to use the same set of six performance indicators, as part of WIOA’s goal of greater alignment of the workforce system. ETA and the Department of Education are implementing these performance
indicators in a uniform way across programs, including their definitions, context, and calculations. All programs will use the same definition for exit. YouthBuild, which historically was unique in its use of a successful and unsuccessful exit determination, will now use the definition of exit that is used in all other youth employment and training programs and will no longer separately define “successful” and “unsuccessful” exit.

Per Training and Employment Guidance Letter (TEGL) 10-16, Change 1, Performance Accountability Guidance for Workforce Innovation and Opportunity Act (WIOA) Title I, Title II, Title III, and Title IV Core Programs, “exit” is the last date of service and is determined at least 90 days after the participant last received services; services do not include follow-up services. To meet the definition of “exit,” the program must have no plans to provide future services to participants. The guidance developed under WIOA does not define successful or unsuccessful exit. ETA expects WIOA performance indicators to drive programs to successfully connect participants to meaningful outcomes, such as secondary and post-secondary credential attainment, and placement into continuing education, training, or employment.

WIOA requires that programs serving similar populations with similar goals also use the same performance indicators to measure success. Therefore, the YouthBuild program will no longer utilize the successful and unsuccessful determinations of exit, but will align with other youth serving programs in the way services and exit are determined, as well as the way outcomes are measured, for greater accountability.

ETA plans to deliver additional technical assistance and guidance so that all grantees clearly understand the ramifications of not meeting the expected program outcomes, and that all youth served by the program should be gaining meaningful benefits during the course of program services, with clear connections to post-exit services and placements.

**OIG Recommendation 2:** Create an official YouthBuild manual that details the requirements for all aspects of the program and ensure its distribution to all YouthBuild grantees.

**ETA Response:** ETA agrees that all YouthBuild grantees must be aware of the requirements of all aspects of the YouthBuild program. The WIOA Department of Labor-Only Final Rule and the Funding Opportunity Announcement (FOA) that is incorporated into the grantee Statements of Work includes all YouthBuild program requirements. Upon award, ETA will provide all YouthBuild grant recipients with a list of the documents that contain all the requirements for the YouthBuild program, including the Final Rule, FOA, and guidance for these requirements from relevant TEGLs.

**OIG Recommendation 3:** Recover $1,390,498 in questioned costs from the grantees for participants that remained in the program for more than 24 months.

**ETA Response:** ETA agrees with this recommendation and has tasked its Audit Resolution Unit in the Office of Grants Management’s Division of Policy Review and Resolution for appropriate action. Following the issuance of the OIG’s final report, ETA respectfully requests the names of the grantees and the 283 participants the OIG has identified as exceeding the 24 months allowed
by the regulations, so that ETA can follow its audit resolution process. Initial and final
determinations will be issued to the grantees in question according to the process outlined in the
Department of Labor Manual Series (DLMS) 8 Chapter 500 to determine if there are disallowed
costs subject to repayment and, if so, the amounts.

By way of background, there are three possible reasons that could lead to a participant appearing
to have been served for more than 24 months: the grantee did not understand the policy relating
to the allowable period of time to serve participants; the grantee chose to disregard the policy; or
the grantee re-enrolled participants it served previously after a gap in service.

With regard to the last reason, the re-enrollment of previous participants, it is possible that some
of the participants in question were not in the program for more than 24 months. This is because
the web-based case management system used by grantees under WIA was not designed to track
gaps in service that often occur when serving disconnected youth populations. Youth often
become frustrated or face personal circumstances, which cause them to leave the program.
Grantees would then exit the youth only to have the youth reappear later for additional support.
When this situation occurred, grantees would request to have the exit deleted, and the system
would make it appear that the participant had been served continuously, when, in fact, they had
not. This issue was brought to ETA's attention by the OIG audit. This issue will be fixed in the
new case management system currently being developed for WIOA reporting, as it will include a
planned gap function to ensure that the length of service duration calculated by the system only
counts the amount of time that the participant is actually being served by the program.

ETA appreciates the opportunity to respond to your draft audit report and its recommendations.
If you have questions, please contact Amanda Ahlstrand, Administrator, Office of Workforce
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