

**WRITTEN TESTIMONY OF  
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BEFORE THE  
SUBCOMMITTEE ON POSTSECONDARY EDUCATION, TRAINING, AND  
LIFE-LONG LEARNING  
COMMITTEE ON EDUCATION AND THE WORKFORCE  
U.S. HOUSE OF REPRESENTATIVES  
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Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to provide testimony on the issue of ensuring accountability in the Nation's job training system. I welcome this opportunity to provide the views of the Department of Labor, Office of Inspector General on this very important topic. As you are aware Mr. Chairman, since the OIG's inception, we have made accountability in the job training arena -- both from a performance and financial perspective -- a top priority.

**BACKGROUND**

By way of background, the Job Training Partnership Act (JTPA) was enacted in 1982, as the centerpiece of the Nation's job training system. JTPA was enacted to prepare individuals with serious barriers to employment for participation in the workforce, increase their earnings, increase their skills, and decrease welfare dependency. Through passage of the JTPA, Congress created a partnership between the Federal Government and the State Governments. Currently, the preponderance of Titles II and III monies are awarded to the Governors, who in turn pass the funding down to the local subrecipients who actually deliver the program services. The Governors are also responsible for establishing cost principles, procurement standards, and administrative guidelines applicable to their respective states, based on guidelines established by the Secretary of Labor. The Employment and Training Administration (ETA) now approves only the Governor's plan for each state and it is the Governor's responsibility to approve local job training plans.

In its infancy, JTPA was plagued by serious accountability problems. Through a series of audits and investigations, we were able to call attention to many abuses and serious management problems. Through our work, we made numerous recommendations on ways to improve financial and performance accountability, many of which have been accepted and implemented by management. At the center of our recommendations was the need for strong and effective Federal oversight to ensure that the program was meeting its legislative intent. Concurrently, we worked with Congress to effect legislative fixes to JTPA, which were enacted in 1992. As a result of those amendments, many ills of the program were addressed with respect to procurement, contracts, and accounting.

However, much remains to be accomplished, particularly with respect to performance and grant management.

Our major criticisms of the system as it exists today are that these programs generally result in short-term, low wage jobs for program participants and that grants are not always managed effectively by either the Government or the grantees. Of course, these concerns have become even more pertinent in view of the enhanced role the Department's employment and training programs will have in conjunction with the implementation of welfare reform.

## **ELEMENTS IN ENSURING ACCOUNTABILITY**

As Congress considers ways to enhance or reform the way the Government delivers employment and training services, we believe ensuring accountability is essential. Based on our experience, it is our opinion that accountability will only be ensured through effective federal government monitoring, coupled with reliable and comprehensive financial and performance reporting, and supported by an effective mechanism for the recovery of misspent funds.

This is not to say that there cannot be flexibility built in for the establishment of programs that address particular local needs. I know this is a major concern for those involved in this debate. It is our position, however, that such flexibility needs to be tempered with ensuring the integrity of the taxpayers' investment.

### Improving Performance Measurement and Financial Reporting

Paramount to improving performance accountability is the need to measure the long-term impact of employment and training services on job retention and wages of program participants. As we have recommended in the past, the Department needs to establish performance measures for its employment and training programs that measure not just inputs and outputs, but also outcomes and impact on the program participants. These measures must be able to generate clear, relevant data that makes comparison of program performance possible and, thus, allows funds to be allocated to programs that work. In fact, starting in FY 1998, when the Government Performance and Results Act becomes effective, the Department along with other Federal agencies, will be required to do this. It is this information, along with reliable and comprehensive financial reporting, that will provide Congress and the Department with the information they need to determine the programs' return on the taxpayers' major investment.

### Improving Grant Accountability

The Department also needs to ensure that grants are properly administered and that funds are adequately safeguarded. Our grant audits continue to identify instances of poor grant management by grantees and poor oversight by the Department. We also continue to identify improper charges to the Federal Government by grantees. These include the use of Federal funds for personal expenses, first class travel, expensive

hotels, entertainment, lobbying activities, and salaries and fringe benefits for non-DOL activities. Moreover, our investigations continue to disclose instances where employment and training funds are misused or embezzled, or where the Government has been charged for training and placement services that were not provided.

A good example to illustrate our concerns in this area is our audit of the Puerto Rico Seasonal and Farmworker Program which found both poor performance and poor grant management. That audit disclosed that a Federal investment of \$5 million in classroom training resulted in the placement of only 17 individuals in training-related employment that lasted over 90 days, with an average starting wage of \$3.90 per hour. Moreover, we found that an investment of \$1.4 million in on-the-job training (OJT) funds was of virtually no value to participants because they were trained in ordinary agricultural tasks that many had performed before and that did not enhance their employment opportunities. This is contrary to the purpose of OJT which is to improve work skills by providing occupational training in an actual work environment. The Federal Government, in turn, subsidizes the wages of OJT participants as a way of reimbursing employers for the "extraordinary costs" associated with training program participants.

The audit also found that 75% of the participants of the program were receiving some type of welfare benefit. We found that this helped to inhibit the success of the program because it was more economically beneficial to stay on public assistance. For example, we found that in Puerto Rico, a parent with three children would receive about \$978 in monthly welfare benefits (not including health benefits), while the same individual placed in a job by the program would only earn \$676 a month with no additional welfare or health benefits. Clearly, if the one of the goals of these training programs is to reduce dependency on Federal assistance, the jobs would need to result in a living wage.

In addition to program and grant management, another important component of grant accountability is a meaningful audit program. However, we believe a false sense of security is created by audits conducted under the Single Audit Act and OMB Circular A-133. Single audits, which are the types of audits performed for a great many of the Department's grant programs, are notorious for their lack of significant findings. Also, our 1991 audit report on the effectiveness of the Single Audit Act raised serious concerns about the extent of single audit coverage with respect to DOL programs, especially JTPA.

The shortcomings of single audits as applied to JTPA, coupled with the nature of the relationship that exists between the Federal government and its grantees (in which the Governors, in effect, have primary responsibility for administering training funds) have combined to create what the OIG believes is a gap in accountability in the JTPA program. The OIG does its best to fill this gap by conducting the audits and investigations that identify the problems previously cited.

### Ensuring Appropriate Liability for Misexpenditures

Of major importance when considering revisions to the current system, is our belief that where employment and training funds have been found to have been misspent -- regardless of whether the misexpenditure resulted from criminal activity or from waste, abuse, or mismanagement -- reimbursement to the Government must be from non-Federal funds. It is my opinion that to do otherwise, leaves the taxpayers' dollars vulnerable to waste, abuse, and mismanagement. It is the opinion of the OIG that any concessions with respect to liability, outside of what is presently available, will result in little deterrence against misspending already scarce program funds. If some flexibility is needed in this area, authority to offset disallowed costs -- such as that which is currently granted to the Secretary under Sections 164(d) and 164(e)(1) of JTPA -- could be considered.

### Ensuring the Effective Recovery of Funds

Part of ensuring accountability in the job training system is the need to recover funds in a timely manner. While we have not conducted an in-depth review of the audit resolution process, our practical experience often demonstrates that it does not meet its primary objective of recovering misspent funds from grantees. The current process is slow and cumbersome resulting, at best, in delayed recoveries. The system needs to be streamlined to ensure that funds are recovered and utilized to serve those in need of employment and training services.

### **CONCLUSION**

As we have expressed in our Semiannual Reports to the Congress, it is our opinion that employment and training services and accountability will not be maximized, nor costs minimized, without effective Federal oversight, adequate performance measurement and financial reporting, and an effective recovery mechanism.