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REPORT TO THE EMPLOYMENT
AND TRAINING ADMINISTRATION



ADVISORY REPORT

CARES ACT: KEY AREAS OF CONCERN REGARDING IMPLEMENTATION OF DISLOCATED WORKER GRANT PROVISIONS

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INSPECTOR GENERAL'S REPORT

John P. Pallasch
Assistant Secretary
for Employment and Training
U.S. Department of Labor
200 Constitution Ave, NW
Washington, DC 20210

This advisory report presents the Office of Inspector General's (OIG) key areas of concern regarding the Department of Labor's (DOL) Employment and Training Administration's (ETA) implementation of Dislocated Worker Grant (DWG) provisions included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. ETA received \$345 million to prevent, prepare for, and respond to COVID-19 for dislocated workers assistance. The concerns presented in this report represent years of oversight work relating to ETA grant programs, including the use of prior stimulus funds and the Department's response to past natural disasters.

Due to the COVID-19 pandemic, the President declared a national emergency on March 13, 2020. The CARES Act became law on March 27, 2020. As of June 2, 2020, DOL awarded DWGs to 50 recipients for over \$222 million to help address the workforce-related impacts of COVID-19. DWGs are to provide eligible participants with both disaster-relief employment as well as employment and training activities.

Since COVID-19 first infiltrated the United States in early 2020, it has had a major impact on the workforce. As of May 28, 2020, over 40 million U.S. workers have filed applications for unemployment benefits since business closures went into effect to combat the pandemic. One purpose of DWGs is to set up employment-related services for such dislocated workers to transition back to the workforce.

RESULTS

The OIG has published numerous audit reports identifying areas for improvement in ETA's grant programs. Based on these reports, we identified key areas of concern that ETA and the states should consider as they distribute an additional \$345 million of DWG funds included in the CARES Act. These areas to be further discussed in the report include: eligibility, program effectiveness, and program compliance and monitoring.

Our past audit work included recommendations to address deficiencies identified in each of these areas. In most cases, ETA initiated corrective actions, including improvements in its oversight, as well as state operations. However, initiating corrective actions does not assure such actions are effective or will continue to be effective in addressing program risks and weaknesses.

Supported by the Workforce Innovation and Opportunity Act of 2014, Dislocated Worker Grants temporarily expand the service capacity of dislocated worker training and employment programs at the state and local levels by providing funding assistance in response to large, unexpected economic events that cause significant job losses. As ETA and the states implement the relevant CARES Act provisions and in light of the \$345 million available for dislocated workers, ETA and the states need to ensure DWGs are utilized effectively, efficiently, and in compliance with current laws and regulations.

ELIGIBILITY

A principle challenge faced by states is ensuring the program only serves individuals who are eligible to receive disaster-relief employment as well as employment and training activities. Accurate determinations of eligibility are critical to ensure DWGs temporarily expand capacity to serve dislocated workers and to meet the increased demand for employment and training services as a result of COVID-19.

Our audit conducted on Superstorm Sandy's National Emergency Grant¹ (now known as DWG) found ETA's policy to verify participant eligibility did not ensure participants in fact were eligible for the program and were most in need of jobs. OIG found sampled sub-grantees could not provide evidence to support program

¹ DOL OIG, "Superstorm Sandy National Emergency Grants: ETA Awarded Funds Promptly, But Could Improve Grant Modification and Eligibility Verification Processes," (March 26, 2015, Report No. 02-15-204-03-390)

eligibility for more than one-third of their participants. We estimated \$7.8 million went towards assisting participants without evidence they were eligible for the program.

Specifically, grantees did not have evidence for 37 percent of sampled participants to prove eligibility for the program because ETA officials did not require cross-verification of self-certified, pre-program employment status for participants. We found the sampled participants did not meet criteria for long-term unemployment and had no evidence beyond check-offs or case notes to support the participants' self-certification they had met one of the other two qualifying criteria, dislocated worker or out-of-work, due to Superstorm Sandy. For example, participants who self-certified, their only eligibility to qualify for the program was that they were long-term unemployed. However, state wage records reported earnings in the 27 weeks prior to the program for these participants.

On March 18, 2020, ETA issued Training and Employment Guidance Letter (TEGL) 12-19 to inform state and local workforce development officials of the policies and priorities that govern the award and use of DWG funds, pursuant to the Workforce Innovation and Opportunity Act (WIOA). The TEGL requires states collect all documentation necessary to demonstrate that each participant is eligible in accordance with the federal regulations. For DWG funds, ETA must ensure states follow this new guidance and collect documentation to demonstrate participants are eligible for the program.

PROGRAM EFFECTIVENESS

With respect to program effectiveness, prior OIG audits have identified ETA's history of grantees not meeting grant goals and objectives. We are concerned that similar problems could carry over to CARES Act-funded DWGs.

DWGs may provide eligible participants disaster-relief employment to address COVID-19 impacts within their communities, as well as employment and training services. One of the objectives of employment recovery-type DWGs is to offer reemployment services to eligible individuals affected by mass layoffs, such as those occurring due to the COVID-19 pandemic, as businesses are unable to continue operations. ETA describes that DWGs are intended to temporarily expand capacity to serve dislocated workers and meet the increased demand for WIOA employment and training services, with a purpose to reemploy laid off workers and enhance their employability and earnings.

Our work related to past DWG funding to achieve goals of participant employment under the American Recovery and Reinvestment Act of 2009

(Recovery Act) showed that only a fraction of participants obtained employment. The Recovery Act was passed to assist those workers most impacted by the recession by creating and preserving jobs. The Recovery Act provided \$500 million for research, labor exchange, and job training projects to prepare workers for careers in energy efficiency and renewable energy. For example, the Green Jobs training program focused on preparing individuals for jobs in green industry sectors.

Our audit to assess the effectiveness of the Green Jobs training program found that with 88 percent of the grant periods elapsed, the impact of the training program had been limited in terms of reported employment outcomes.² Out of a target of 81,254, grantees collectively reported, 30,857 participants (38 percent) gained employment. While grantees reported that 49 percent of participants who obtained jobs retained employment for at least 6 months, the reported number of 11,613 represents only 16 percent of the planned retention goal of 71,017. Based on this finding, we recommended that ETA improve future discretionary grant programs by ensuring that training, placement, and retention goals contained in grant agreements are sufficiently comparable among grantees to fully contribute to the overall success and cost efficiency of the program.

Another example pertaining to program effectiveness was our audit of the performance evaluation system for ETA's discretionary grants.³ We found there was limited assurance that such grants achieved their intended goals. ETA certified all sampled grantees' performance as acceptable, even though achievement of grant goals, which included employment for participants, ranged from 0 percent to 100 percent. Furthermore, ETA did not follow its own rules requiring the evaluation of grantee performance. This was because ETA had not considered a need to develop and implement a process to ensure capturing information about grantee performance during the closeout phase that could be used towards future grant design and investments. We recommended that ETA develop criteria for determining acceptable performance for discretionary grant programs that lacked such criteria, and implement a process that captures grantee performance results to inform future ETA grant programs. For DWGs, ETA needs to ensure grantees that are awarded grant funding meet the goal of assisting workers displaced by the COVID-19 pandemic to either obtain temporary disaster relief employment until their place of business resumes

² DOL OIG, "Recovery Act: Green Jobs Program Reports Limited Success In Meeting Employment And Retention Goals As Of June 30, 2012," (October 25, 2012, Report No. 18-13-001-03-390)

³ DOL OIG "ETA Needs To Enhance Its Performance Evaluation Process For Discretionary Grantees At Closeout And Use Results For Future Grant Investments," (December 20, 2012, Report No. 02-13-201-03-390)

normal operations or receive new skills training that would translate into employment in a different field.

PROGRAM COMPLIANCE AND MONITORING

ETA must ensure that grants fully meet the objectives of its solicitations and its monitoring over the use of the stimulus funding is sufficiently designed and executed. Without appropriate level of oversight and transparency, ETA cannot ensure whether its management of approximately \$345 million in supplemental DWG program funding will achieve the desired outcome and sufficiently meet the requirements of the CARES Act. Despite the urgency to disburse federal funding as quickly as possible to help dislocated workers during the current crisis, past audit work has shown that with an accelerated timetable for awarding DWGs, ETA needs to be vigilant in program compliance and monitoring.

Compliance

In our audit of ETA's Year-End National Emergency Grants, ETA made awards to grantees whose applications did not fully meet the objectives of its solicitations.⁴ OIG found grant applications, totaling \$55.9 million and serving 13,762 participants that did not: 1) explain how proposed training would lead to industry-recognized credentials; or, 2) contain lower-budgeted costs for training or higher-budgeted costs for administrative activities as indicated by the grant solicitations. At least a year after the grants had been awarded, ETA continued to work with grantees to modify their initial applications, and none of the sampled grants had been modified to meet the solicitation requirements.

As a result, grantees may not have provided participants with the type of training opportunities to obtain industry-recognized credentials that would lead to in-demand jobs. Moreover, available funds may not have been fully leveraged to train and properly serve participants. We recommended ETA to review all Year-End National Emergency Grants awarded to verify whether they had met solicitation requirements. We also recommended ETA to allow its staff sufficient time to review grant applications and only award grants that fully meet the solicitation requirements. Alternatively, ETA issued guidance that allows applicants to submit an abbreviated emergency application to ETA to enable timely delivery of assistance after a disaster. These grant recipients must then modify the grant within 60 days of award by providing a full application for review and approval.

⁴ DOL OIG, "ETA Needs To Improve Awarding Of Year-End National Emergency Grants," (September 30, 2015, Report No. 02-15-205-03-390)

In our audit of On-The-Job (OJT) Training National Emergency Grants, OIG found OJT contracts not consistently designed and implemented.⁵ The sub-grantees and service providers were allowed to develop and implement their own contracts for the grant, which resulted in inconsistencies with the original terms and conditions in the OJT contracts. OIG recommended ETA require grantees to follow agency grant guidance to ensure that OJT contracts are designed in compliance with the terms and conditions of the grant, including documentation requirements.

In terms of grant compliance, ETA needs to ensure DWGs under the CARES Act are awarded to grantees whose applications meet the solicitations' objectives of providing disaster relief employment and career and training services, or are modified within a reasonable timeframe after award.

Monitoring

In a Recovery Act audit, the OIG found ETA could have better monitored the use of reemployment services' funds to adhere to standards of transparency and accountability.⁶ ETA needed to provide additional guidance to direct spending more effectively and to report more meaningful results. ETA did not establish adequate standards for client service, or collect enough information on state activities to demonstrate whether the \$247.5 million were effectively and efficiently spent. In this case, the standards of transparency and accountability established by the Recovery Act were not met because of the lack of results-oriented goals, objectives, and measurable outcomes.

ETA needs to monitor its grantees to ensure DWG funds are used in compliance with the applicable cost principles. The agency also must provide technical assistance to grantees not meeting grant goals.

OIG OVERSIGHT OF PANDEMIC RESPONSE

Phase 1 of the OIG's Pandemic Response Oversight Plan⁷ is to aid DOL by providing advisory reports based on past programmatic issues identified by the

⁵ DOL OIG, "Recovery Act: Outcomes From On-The-Job Training National Emergency Grants," (March 25, 2014, Report No. 18-14-001-03-390)

⁶ DOL OIG, "Recovery Act: DOL Could Have Better Monitored the Use of Re-employment Services Funds to Adhere to Standards for Transparency and Accountability," (March 31, 2011, Report No. 18-11-005-03-315)

⁷ U.S. Department of Labor, Office of Inspector General Pandemic Response Oversight Plan (April 15, 2020)

OIG to help the Department avoid historical pitfalls while implementing its pandemic response. As noted in this advisory report, ETA grant programs face historic challenges in four key areas and the agency needs to be proactive about addressing these challenges.

The OIG will continue to monitor and assess in various phases the actions of ETA related to COVID-19 DWG funding, including future actions in response to any new legislation enacted by Congress. Our Oversight Plan will evolve accordingly, as well as to address areas of risk identified during the completion of our oversight efforts.

CONCLUSION

Federal agencies are tasked with a difficult charge – rapid implementation of programs in a manner that meets the intent of the CARES Act. Strong implementation plans and oversight controls are critical to ensure the use of funds as intended and ultimately achieve desired outcomes.

The rapid deployment of CARES Act funding is critical to help mitigate the adverse economic impact of the COVID-19 pandemic on dislocated workers. However, anticipating and addressing the increased inherent risks that come with expanded funding capacity is essential to meeting the intent of the Act. The OIG's recommendations from prior audit work in this area are indicative of which direction ETA should take with its risk assessment and response to COVID-19.

According to our prior audit work, swift fund deployment under rapidly changing circumstances can result in shortcomings in the effective and efficient management of stimulus funding programs. To meet the requirements of the CARES Act, accurate eligibility determination is critical to ensure DWGs temporarily expand capacity in order to serve dislocated workers in need and meet their increased demand for employment and training services. Keeping past systemic weaknesses in mind, ETA must ensure:

- States collect complete documentation to support participant eligibility;
- States establish clear and achievable program goals; and
- CARES Act funding is sufficiently designed and executed, and costs are accurately tracked and reported.

Our past audit work has included recommendations to assist ETA in addressing deficiencies identified in the areas listed above. In many cases, ETA has already implemented corrective actions that include monitoring and oversight improvements. However, as ETA implements relevant CARES Act provisions,

the agency needs to go further to ensure that DWG funds do assist with regaining our economic momentum as quickly as possible by examining workforce-related impacts of COVID-19. When implementing the stimulus program activities, it is critical for ETA to focus on the areas of concern highlighted in this advisory report as they are intended to guide ETA on how to best serve the surge in dislocated workers by expediting their return to the workforce.



Elliot P. Lewis
Assistant Inspector General for Audit

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U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210