Appendix D

ETA Response to Draft Report

U.S. Department of Labor
Assistant Secretary for
Employment and Training
Washington, D.C. 20210

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

FROM: JANE OATES
Assistant Secretary for
Employment and Training Administration

SUBJECT: Response to Draft Report No. 18-11-001-03-001
"Recovery Act: ETA Needs to Strengthen Management Controls to
Meet YouthBuild Program Objectives"

Thank you for the opportunity to comment on the draft audit report referenced above. As you
know, the Employment and Training Administration (ETA) assumed responsibility for the
administration of the YouthBuild program from U.S. Department of Housing and Urban
Development (HUD) in 2006. Since then, ETA has held three grant competitions and awarded #
grants. The first cohort of ETA YouthBuild grants, which was awarded in 2007, has recently
ended. The 2009 cohort of YouthBuild grants was awarded in July 2009 and is about mid-way
through its period of performance. The 2010 cohort of YouthBuild grants was awarded on
March 15, 2011.

The Office of Inspector General's (OIG) audit report of YouthBuild provides ETA with valuable
information that we will use to continuously improve the YouthBuild program. However, ETA
would like to use this opportunity to provide information and correct some characterizations of
the findings included in the audit report that lead to what we believe is a misrepresentation of
ETA's management of the YouthBuild program.

ETA supports continuous improvement of the stewardship of its discretionary grants with respect
to supervisory reviews and documentation of grantee monitoring activities and our management
of discretionary grants reflect this principle. We continue to build on ETA's quality assurance
procedures, training and guidance to staff through the development of internal agency
management procedures and annual performance expectations. These include the consistent use
of Grants Electronic Management System (GEMS) by all Federal Project Officers and a
quarterly review by management of reports in GEMS that verify the completion of critical steps
in the monitoring process, including completion of Desk Reviews, Risk Assessments, and reports
of on-site visits.

ETA includes the following responses to the recommendations contained in the OIG Audit
Report:

*Recommendation 1: Determine how to best serve youth ages 16 to 17, who are excluded from
the YouthBuild program.*

YouthBuild provides an opportunity for low-income young people ages 16 – 24 to acquire high school diplomas or GEDs, learn construction related occupational skills, and help their communities by building affordable housing. Youth ages 16 and 17 can and are being served by many YouthBuild grantees; the OIG audit report states that among eligible youth ages 17 through 24, about "25 percent of youth served by the sampled grantees were between the ages of 16 and 17". Local grantees have flexibility under the YouthBuild Transfer Act (P.L.109–281) and the Solicitation for Grant Application (SGA) to determine which ages among eligible youth they will serve in the local program. These grantee decisions are based upon locally determined factors, including safety concerns related to National Institute for Occupational Safety and Health (NIOSH) recommendations that restrict the work of youth under the age of 18 on construction sites, and State compulsory education laws which require students to remain in high school until 18 years of age. For these reasons, a grantee may not allow 16 to 17 year olds access to YouthBuild for safety or other considerations; however, these low-income youth may choose to access Workforce Investment Act (WIA) youth formula program services through the One-Stop Career Center network in their local areas.

Recommendation 2: Develop and implement controls to ensure that program eligibility and reporting requirements are met.

ETA agrees. Similar to other grantees, YouthBuild grantees must be thorough in determining whether a youth is eligible to enroll in the program and in collecting and retaining sufficient documentation of eligibility. ETA's grant management process includes a number of components in both the National Office and Regional Offices which provide oversee individual grants, including YouthBuild. Regional grant oversight includes risk assessment at the start of each YouthBuild grant, grant review which is comprised of desk and onsite reviews as well as financial report reviews; and technical assistance to help grantees correct performance or compliance problems. ETA will use the OIG's information and information from its grant reviews to determine what technical assistance may be required to improve YouthBuild grantees' eligibility determination and documentation procedures.

On Site Monitoring

The OIG audit report notes that on-site monitoring is not occurring consistently. There are established criteria for conducting on-site visits to grantees, which includes one onsite visit during the period of performance. (See Attachment A.) The expectation articulated in the Regional Administrator's standards is that each grant receives a desk review every quarter, and that onsite program and performance review takes place during the mid-point of a grant's period of performance based upon the availability of resources. Federal Project Officers review grantee performance outcomes, financial information, and program narratives during quarterly desk reviews. YouthBuild grants are three-year grants with onsite reviews generally scheduled during the second year depending upon such factors as travel funds, workload, and agency priorities. However, grants that are designated "at risk" by the Regional Office – for example, a grantee that has been awarded its first federal grant – may receive an initial onsite visit early in the grant period. Due to increased grant oversight workloads and funding constraints, ETA is developing an enhanced, more in-depth approach to quarterly desk and financial reviews to strengthen regional grant oversight.

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Selective Service

The OIG report noted that some YouthBuild grantees were unaware of the selective service requirement, and that others did not ensure that all program candidates were registered for selective service <u>prior</u> to enrollment. ETA notes that selective service registration for 18 year old males is part of the formal YouthBuild enrollment process. All YouthBuild participants are entered into the Web-based Case Management and Performance Management Information System by grantees. The Web-based Case Management and Performance MIS contains an error message (shown below) that is displayed whenever a grantee attempts to enroll an 18 year-old male and does not check the "yes" box indicating that the program candidate is registered for Selective Service.

Error

Participant cannot continue with assessment [final step of enrollment] until Selective Service registration has been completed.

The assessment screen contains a hyperlink to the Selective Service registration site which allows grantees to check the young man's status and if not registered, to do so immediately.

ETA will issue guidance to remind YouthBuild grantees about this requirement and the type of documentation that is required to positively affirm a participant's Selective Service registration. In addition, ETA also will include this information in the YouthBuild "Book of Knowledge", which includes all YouthBuild MIS and reporting requirements.

Regulations

ETA believes that substantial progress has been made to establish regulations for the YouthBuild program. The OIG audit report states that "DOL has not issued regulations for the program." However, the Notice of Proposed Rulemaking (NPRM) for the YouthBuild program was published for public comment in the <u>Federal Register</u> on August 27, 2010. ETA staff are drafting the Final Rule while continuing to analyze some of the more complex comments received in response to the NPRM. The final rule will be published once the rulemaking process is complete.

Recommendation 3: Recover the $214,124 in questioned cost associated with ineligible participants.

ETA plans to review each grantee's participants identified by the OIG during the audit as "missing eligibility documentation". As part of the standard process, grantees will have an opportunity to provide the missing documentation. Any costs associated with participants who are deemed ineligible after ETA review will be recovered through standard ETA procedures.

Recommendation 4: Develop and implement controls to ensure that grantees are meeting program goals through the oversight of stated goals in grantee agreements.

ETA has a "three tiered approach" for developing and measuring program goals. The first tier is based upon each grantee's Statement of Work which contains the activities and performance

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information for which the grantee is held accountable. If performance outcomes are not specified in the grant application, they are negotiated after the grant award.

The second tier is that of the Government Performance Results Act (GPRA) goals. The GPRA goals for the YouthBuild program, along with the actual results from the 2007 cohort of grantees, are listed in the following chart:

Performance Measure	GPRA Goal	Actual Results for 2007 grantees as of December 31, 2010
Placement in Education & Employment	38 %	42.70 %
Credential Attainment	41 %	60.71 %
Literacy/Numeracy Gains	32 %	50.25 %

The third tier is the program performance goals set for the overall YouthBuild program and represent aggregate performance goals -- not individual grantee goals. The YouthBuild goals since its transfer to DOL to the present are:

- Placement in Education & Employment 70%
- Credential Attainment 50%
- Literacy/Numeracy Gains 50%
- Recidivism 20%
- Retention in Education & Employment 75%

ETA believes that these ambitious aggregate goals have, and will continue, to motivate YouthBuild grantees to strive for greater performance outcomes. ETA staff and the YouthBuild technical assistance contractor provide ongoing technical assistance to grantees to help them achieve these goals.

To track grantee performance, ETA developed and implemented a Case Management Information and Performance System to ensure that reliable performance data are available for the YouthBuild program. ETA also provides technical assistance when performance issues are identified. To that end, ETA has (1) provided 17 MIS training sessions, (2) created a data pilot program which helped grantees focus on the use of the real-time participant data for decision making and program improvement, (3) produced a monthly newsletter focused on how to use program data, and (4) offered several data management Webinars. In addition, through its technical assistance contract, ETA provides a help-desk to answer all data related and MIS questions.

Recommendation 5: Develop and implement controls to ensure performance measures are accurately reported.

ETA agrees with the OIG on the need for strong accountability. However, ETA believes that it has a system in place through its grant management process to determine whether performance is accurately reported. Documentation is examined during on-site monitoring visits and questioned when there is insufficient documentation. See Appendix A. In addition to on-site monitoring visits where case files are examined, quarterly performance reports are routinely monitored by both ETA FPOs and National staff in order to detect data anomalies or data entry errors.

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Recommendation 6: Develop and implement controls to ensure participants receive industry-recognized certificates after completing occupation skills training.

ETA believes that the necessary controls, as outlined in Appendix A, are in place to ensure that participants receive industry-recognized credentials. As a result of these controls, ETA had identified prior to the OIG audit the two grantees cited in the OIG audit report for failing to ensure YouthBuild participants acquired industry-recognized credentials and initiated technical assistance to each grantee to improve participant outcomes. This includes upgrading the skills of YouthBuild construction trainers. For example, since 2008, ETA has provided 16 training opportunities for YouthBuild grantee construction trainers to acquire certification, which enables the trainers to help participants complete training programs and acquire the necessary skills and levels that result in the award of industry recognized credentials.

Recommendation 7: Develop a process to measure the increased number of affordable permanent housing units as a result of the program.

ETA agrees with this recommendation and has modified the YouthBuild quarterly narrative report to include information on the number of affordable houses or apartments built or renovated. To gather baseline data, we are collecting this information for the cohort of 2007 grantees that completed their grant period of performance.

Recommendation 8: Ensure grantees are appropriately meeting the program 25 percent matching fund requirements.

ETA and the OIG agree that meeting matching requirements is an important requirement for grantees; it also brings additional resources and commitment to the local YouthBuild program. ETA specifies matching requirements in each YouthBuild grant agreement; it has provided extensive training to YouthBuild grantees during grantee orientation sessions and webinars and through written materials on match requirements and the proper documentation and valuation of match costs throughout the life of the grant. ETA informed grantees about these training resources in Training and Employment Notice (TEN) 49-08 and 39-09. ETA reviews grantee progress toward meeting the match requirement after the review of the ETA 9130 financial reports and also, during on-site reviews. YouthBuild grantees that are slow to report or are not reporting match receive technical assistance. It is important to point out, that grantee compliance with match requirements is not measured until the period of performance has ended. ETA has standard operating procedures for YouthBuild grantee closeout, and compliance with the match requirements is addressed during closeout. If the grantee has failed to meet the required match, costs are disallowed as specified in the grant agreement. ETA will review current guidance on match and as necessary, issue a new TEN to remind grantees of their responsibility to track and report match on an ongoing basis inform them about the consequences of failure to comply.

Recommendation 9: Make a final determination concerning the $768,626 in questioned costs associated with undocumented matching funding and recover amounts undocumented.

We appreciate the OIG auditors identification of several YouthBuild grantees with potential cost concerns; we reviewed these grants, and note that they do not expire until June 30, 2012.

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Consistent with ETA's policy to review costs when the period of performance has ended, ETA believes that the $768,356 the OIG auditors have stated as unreported or unsupported is an *estimate* of what are *potential* disallowed costs if the grantees do not fully comply with the match requirements. Thus, ETA requests that this recommendation be deleted or restructured to accurately describe the potential issue. ETA plans to review the identified grantees with questioned costs and provide additional technical assistance to help the grantees properly report match and apprise them of the potential for disallowed costs related to match requirements. ETA will determine any costs that are disallowed during closeout should the grantee fail to meet the required match levels.

We believe that this response addresses the OIG audit report findings and responds to the recommendations.

cc: Edward C. Hugler

APPENDIX A – ETA Monitoring Procedures

National Office Activities

In response to a GAO Report (GAO-07-82, dated February 28, 2007) titled "YouthBuild Program: Analysis of Outcome Data Needed to Determine Long-Term Benefits", ETA has, in addition to the established ETA grant oversight structure that exists to monitor all grantees, taken numerous steps to improve the management, oversight, performance, and administration of the YouthBuild program. These steps have included the development of a Web-based Case Management and Performance Management Information System, a multifaceted approach to technical assistance which includes the use of Webinars, conferences, and a Web-based Community of Practice. In addition, since January 2010, ETA has provided each grantee with a contracted technical assistance coach, who provides both phone and on-site technical assistance that. is designed to improve program performance.

The National Office Program staff works closely with the Federal Project Officers (FPOs) in the ETA regional offices to coordinate all technical assistance and grantee support. The National Office hosts a new grantee orientation for each new cohort of grantees, which reinforces expectations, goals and objectives of the grant award. In order to help determine national technical assistance focus areas, ETA developed a YouthBuild Program Assessment Tool that guides national and regional staff in conducting on-site monitoring reviews and in determining individual grantee technical assistance needs. The tool contains guidance and expectations for the YouthBuild participant enrollment processes, including the collection of documentation to support eligibility requirements. Grantees are provided with this guide prior to their on-site monitoring review so that they can complete self-assessment in preparation for their FPO's review.

Regional Office Activities

Regional Federal Project Officers (FPOs) are responsible for conducting both on-site and desk reviews of grantees. Once the grantee has received the grant award package, the FPO makes contact with the grantee to provide an overview/discussion of all the requirements contained in the award package and other YouthBuild specific guidance. The grant requirements are discussed in detail in order to ensure that grantees understand their administrative and programmatic responsibilities. This also provides the opportunity for grantees to ask questions about ETA's expectations.

Employment and Training Order 1-03 (ETO1-03) on grants management and the Uniform Administrative Requirements establish protocols to be followed from award to close out. An established ETA Core Monitoring Guide is used by the FPOs to guide all on-site monitoring of ETA grant programs. The Core Monitoring Guide provides a consistent framework and starting point for all on-site grant monitoring responsibilities by ETA and was developed based on the premise that there are essential core functions that must be in place in order for any grantee to operate an ETA grant within the boundaries of acceptable practices that are established primarily

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by law, regulation, and/or government-wide rule.[1] On a quarterly basis, FPOs in the regional offices conduct a desk review to examine all aspects of the grant award. Grantees determined to be "at risk" are identified in the Grants Electronic Management System (GEMS) and a "visit" is required (on site, phone contact or expanded "desk review/audit".) Before going on site, FPOs monitor the required quarterly progress narrative updates and performance reports and are in contact with grantees as necessary. Documentation requirements are examined during on-site monitoring visits and questioned when they are insufficiently met. In addition, the contracted technical assistance coaches that are assigned to each grantee provide the FPOs with monthly reports that summarize phone and on-site coaching and highlight any grantee issues.

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[1] Page 51 of the Core Monitoring Guide outlines specifics with regard to documentation on participant eligibility and examining participant eligibility and monitor documentation on of the primary responsibilities included in the guide.

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