

**WRITTEN TESTIMONY OF
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Employment and Workplace Safety Subcommittee
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Madam Chair, and Members of the Subcommittee, I appreciate the opportunity to discuss the Office of Inspector General's (OIG) audits of the High Growth Job Training Initiative (HGJTI). As you know, the OIG is an independent entity within the Department of Labor (DOL); therefore, the views expressed in my testimony are based on the findings and recommendations of my office's work and are not intended to reflect the Department's position.

BACKGROUND

Since its inception in 1913, the core mission of the Department of Labor has been "to foster, promote and develop the welfare of working people, to improve their working conditions, and to advance their opportunities for profitable employment." The Department's Employment and Training Administration (ETA) is charged with the latter. As you know Madam Chair, ETA utilizes grants to states, local governments and nonprofit organizations as its primary means to provide the services to accomplish this mission.

Successfully meeting the employment and training needs of citizens in programs funded by Federal grants requires picking the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, evaluating outcomes, and disseminating and replicating those strategies and programs that have been proven to be successful. OIG audits have found that ETA has weaknesses in managing its grants to this end.

HIGH GROWTH JOB TRAINING INITIATIVE

Madam Chair, as requested by the Subcommittee, I will focus my testimony on our two most recent reports that assessed ETA's grant-making procedures and the performance of grants awarded under the High Growth Job Training Initiative. As you know, we conducted these audits at the request of Senator Tom Harkin, Chairman of the Subcommittee on Labor, Health and Human Services, and Education and Related Agencies.

This Presidential initiative was created to prepare workers for employment in high-growth areas such as health care, financial services, and biotechnology. ETA stated that one of the objectives of this initiative was to reach beyond those organizations that

typically receive federal grants in order to “bring new ideas to the table” and to obtain innovative approaches and strategies.

Between July 1, 2001, and March 31, 2007, ETA awarded non-competitively 133 (87 percent) high growth grants totaling \$235 million. We conducted two audits of the HGJTI grants. The objective of the first audit was to determine whether ETA followed proper procedures in awarding these grants without competition. The objective of the second audit was to determine whether grantees accomplished the goals of the grants and whether the grants resulted in expanded system capacity for employment and training.

NON-COMPETITIVE GRANT AWARDS NOT ADEQUATELY JUSTIFIED

Our first audit reviewed the grant making process for a statistical sample of 39 grants, totaling \$70 million, which were awarded from FY 2003 through FY 2007. We concluded that ETA could not demonstrate that it followed proper grant-making procedures for 90 percent of its grants in our sample which ETA awarded non-competitively. These grants totaled \$57 million. Specifically, we found that decisions to award 10 non-competitive grants in our sample were not adequately justified; reviews of grant proposals were not consistently documented; required conflict of interest certifications were not documented; and matching requirements of \$34 million were not carried forward in grant modifications.

Our specific findings follow.

FINDINGS

Decisions to Award 10 of the 39 Grants Non-Competitively Were Not Adequately Justified

We found that ETA could not demonstrate that its decisions to award 10 grants non-competitively were adequately justified. Moreover, they could not demonstrate that they met the Department’s own policy governing sole source awards. This policy states that, with limited exceptions, competition is the appropriate method for awarding discretionary grants. We also found that ETA awarded 6 grants without obtaining the required prior approval from the Procurement Review Board, an independent board within the Department whose primary function is to review non-competitive acquisitions.

ETA developed their own procedures to review grants awarded non-competitively. ETA indicated that they did not compare proposals, but instead evaluated each proposal on its own merits. However, ETA could not provide documentation to justify why proposals that were funded were selected to receive awards.

Required Conflict of Interest Certifications Were Not Documented

We found that ETA did not maintain required conflict of interest certifications. DOL policy requires that ETA maintain conflict of interest certifications for all non-

competitive awards to reduce the bias, or appearance of bias, in selecting applicants for awards. The certification indicates independence from personal, external, or organization impairments to independence. Program officials responsible for requesting that a grant be awarded under “other than full and open competition” are required to sign the conflict of interest certification. ETA did not have this documentation for 19 of the 39 grants in our sample.

Matching Requirements of \$34 Million Were Not Carried Forward in Grant Modifications

We found that \$34 million in required matching funds were not carried forward when ETA did grant modifications. Commitments by grantees to provide matching funds were part of the justification for the sole source procurement in the first place. Therefore, it was critical for ETA to carry forward these requirements. As a result, the programs and levels of services actually provided under the grant may have been significantly reduced from those intended in the original grant agreements.

RECOMMENDATIONS

In this audit, we made eight recommendations to ETA to improve management controls over its process for awarding grants.

We recommended that ETA review all high growth initiative grants with matching requirements to ensure that these requirements are maintained. ETA’s response stated that it would limit its review to active grants and grants in the close-out phase. We disagreed with ETA’s response to this recommendation. The OIG believes that ETA should review all high growth initiative grants, including grants that have already been closed out to ensure that grantees provided all required matching funds as promised and as required as conditions for being awarded the grant. The close-out of an award does not end the Department’s right to disallow costs and to recover funds if it later determines that grantees did not meet their grant requirements. Therefore, it is important for ETA to review grants that have already been closed out.

We also recommended that ETA ensure that:

- Policy is established for documenting all decision and discussions that lead to actions by DOL officials that affect how and to whom grant funds are distributed.
- Any future grants awarded non-competitively be properly justified and based on appropriate Department of Labor Manual Series (DLMS) exceptions.
- Decisions to exempt proposals from Procurement Review Board review are properly researched, valid, and documented.

- Agency officials are fully trained and aware of the procurement procedures for non-competitive awards, including documenting the decision-making process.

In its response, ETA stated that it has implemented new processes for documenting decisions related to grant making and for documenting the basis for a grant meeting a DLMS exception for a non-competitive award. In addition, ETA reported that it has developed a process for documenting its recommendation to exempt proposals from a review by the Procurement Review Board.

We are currently awaiting supporting documentation from ETA regarding these actions. Once the OIG receives this documentation, we will determine whether ETA has sufficiently addressed our recommendations.

Finally, we recommended that ETA ensure that:

- Competition is encouraged when awarding discretionary grants.
- A separate document for conflict of interest certifications is completed and maintained.
- Matching requirements of \$34 million are carried forward in future grant modifications for those grants in our audit sample.

In its response to our audit report, ETA has implemented new policies to address these three recommendations, and we consider these three recommendations closed.

VALUE OF HIGH GROWTH JOB TRAINING INITIATIVE GRANTS NOT DEMONSTRATED

Madam Chair, phase two of our audit effort regarding this initiative was a performance audit of 10 grants from our original 39 grant audit sample. Specifically, we designed our audit to answer three questions:

1. Did grantees accomplish their grant objectives?
2. Were additional matching funds or leveraged resources provided by grantees as required?
3. Did HGJTI grants result in expanded system capacity for skills training and competency development?

We concluded that grantees failed to achieve major performance goals or that it was impossible to determine success because the goals were not clear. We also concluded that matching funds were not always provided by grantees as required and that ETA disseminated unproven training and employment strategies and products.

A discussion of our specific findings follows.

FINDINGS

Grant objectives were often not clear

We found that 7 grantees either did not meet all of their objectives or we could not determine whether their objectives were met. Specifically, we found that objectives in 6 of the 10 grants in our sample were so unclear that we could not determine whether the grantee delivered the performance they were funded to produce.

The grantees' failure to accomplish their grant objectives, and the lack of clarity of the grant objectives in some cases, calls into question the rigor of ETA's review and assessment of the proposals, and the merit of ETA's decision to award the grants. This is of particular concern because ETA decided to award these grants non-competitively.

We determined that grantees did not meet objectives with respect to: training and placement goals; product completion; product delivery and required tracking of outcomes. Examples of these shortcomings follow:

- Three grantees did not meet their training and placement goals. For example, one grantee was required to place at least 2,500 job seekers, but could only demonstrate that it placed 1,443 or 58 percent of the required number.
- Two grantees did not complete products required by their grant agreements. In one instance, the grantee did not provide a bilingual web portal that was to assist Hispanic job seekers train for employment as skilled automotive technicians.
- One grantee never provided ETA its finished product, a training process to upgrade worker skills for advanced manufacturing jobs. This occurred despite the fact that ETA conducted on-site monitoring of the grantee and had completed the close out process.
- Two grantees did not track the outcomes of the participants as required by the grants. For example, one of these grantees was required to track student completion rates in pre-LPN classes designed to better participants' chances of success in the LPN program. However, since the grantee did not track outcomes, ETA did not obtain potentially useful information about how to improve student outcomes for the LPN program.

In addition, ETA did not adequately monitor 6 of the 10 grants we reviewed, and 3 of the grants did not perform well. It is important to note the 4 grants that did receive oversight by ETA also had performance issues. In addition, of the 8 grants that completed ETA's close out process, 5 had performance issues.

Grantees did not provide \$20.5 million in required matching funds and leveraged resources

We also found problems with grantees not fulfilling requirements to provide additional matching or leveraged resources. Specifically, the justification for non-competitively awarding 9 of the 10 grants that had matching or leveraged requirements was based, in part, on the grantees' commitment to provide additional resources of \$42.1 million. However, we found that grantees did not provide \$20.5 million of those funds partly because they could not provide documentation that they had done so. Therefore, the level of services provided by the grantees was significantly reduced from the levels indicated in the original grants.

ETA did not evaluate the usefulness of grant products before disseminating them

We found that ETA did not evaluate high growth initiative grants to determine the usefulness of the grants' products and activities before it decided to continue or disseminate them. With one exception this occurred because the grant agreements did not require an evaluation to determine the success of grant strategies and because ETA's policy was to disseminate grant results without first assessing their effectiveness. As a result, ETA disseminated unproven strategies for expanding system capacity for skills training and competency development.

RECOMMENDATIONS

We recommended that ETA:

- Improve the grant writing, solicitation and award process by developing a process that ensures that grant agreements delineate clear, concise, and measurable objectives that can be used to measure the success of grant performance.
- Improve grant monitoring and close out by adhering to its policy that each grant be monitored on an ongoing basis so that problems are identified and corrective action implemented, and providing ETA grant monitors with the training and tools, such as access to the Grant e-management system, that will assist them in fulfilling their responsibilities.
- Enhance the effectiveness of HGJTI by evaluating grant results prior to dissemination to the workforce investment system, and using the results of those evaluations to ensure that the most successful strategies are replicated.

In its response to our report, ETA generally disagreed with how we evaluated grant performance. ETA strongly disagreed with our finding that they did not provide sufficient oversight. They took exception with our position that it was inappropriate to share knowledge gained and products developed without a formal evaluation of the quality of the products. Moreover, ETA stated that it does not have the expertise or resources to evaluate every product. ETA further stated that it was not "necessary or valuable to evaluate every High Growth deliverable" before sharing it with the workforce

system. ETA cited that its approach was to let key constituents such as “business and industry,” determine the value of the products it disseminated.

In its response, ETA pointed out that the OIG examined only 10 grantees in its audit as part of their disagreement with our overall findings. However, it is important to note that ETA has contracted for a study to evaluate the effectiveness of this initiative that would be limited to reviewing only 6 grantees.

On September 12, ETA provided a comprehensive action plan in response to our final report. From our cursory review of this response, it appears that ETA intends to implement a number of our recommendations. We are reviewing and analyzing ETA’s plan to determine which recommendations can be considered resolved and which will remain open. From our initial reading of this plan, it appears that ETA continues to maintain that strategies and products developed under these grants should be disseminated without first assessing their effectiveness. We believe this undermines the objectives of this initiative and is in conflict with the President’s Management Agenda mandate that agencies be “citizen-centered” and “result-oriented.”

CONCLUSION

Much can be learned from this initiative that can be carried forward to improve ETA’s discretionary grant program. In order to meet the employment and training needs of workers in the 21st century, it is critical that ETA ensure that it selects the best service providers, makes goals and expectations clear to grantees, ensures that success can be measured, provides active oversight of its grantees, evaluates outcomes, and disseminates and replicates only those strategies and programs that have been proven to be successful.

This concludes my statement. I would be pleased to answer any questions you or the other Subcommittee Members may have.