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Welfare-to-Work Competitive Grant Program Performance Audit

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ACRONYMS

BBA	Balanced Budget Act of 1997
DHHS	U.S. Department of Health and Human Services
DOL	U.S. Department of Labor
ETA	Employment and Training Administration
FSR	Financial Status Report
FY	Fiscal Year
GPRA	Government Performance and Results Act
GOTR	Grant Officer's Technical Representative
OIG	Office of Inspector General
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996
TANF	Temporary Assistance for Needy Families
UI	Unemployment Insurance
WtW	Welfare-to-Work

EXECUTIVE SUMMARY

The purpose of the Welfare-to-Work (WtW) program, which was authorized by the Balanced Budget Act of 1997 (BBA), is to prepare hard-to-employ long-term welfare recipients and other eligible individuals for, and place them into, lasting unsubsidized employment. WtW activities should be grounded in the “work-first” philosophy of the Temporary Assistance for Needy Families (TANF) program established under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), the legislative centerpiece of welfare reform. The BBA authorized \$3 billion for WtW grants in Fiscal Years (FYs) 1998 and 1999. Of this amount, approximately \$700 million was awarded to grantees selected through a competitive grant process carried out in three separate rounds, with the remainder distributed by formula to the states. Competitive grants were intended to develop innovative approaches to serve the targeted population. The U.S. Department of Labor’s (DOL) Employment and Training Administration (ETA) is responsible for administering the WtW program at the Federal level.

The Office of Inspector General (OIG) performed an audit to assess the effectiveness of the WtW competitive grant program. Our audit scope included performance data reported by 19 randomly selected, first- and second-round competitive grantees as of September 30, 2000. In addition, we analyzed employment and earnings outcomes obtained for a random sample of 765 participants served by the 19 grantees we audited.

Program Outcomes

The purpose of WtW is to place individuals in lasting unsubsidized employment. Yet, we found only 191, or one-quarter, of the 765 participants in our sample were documented as continuously employed more than 6 months, whether in one or more jobs. Overall 59 percent (451 of 765) of the sample participants worked in unsubsidized employment at some point during or after their participation, and 31 percent (241 of 765) of the total, were still employed at the time of our audit. The case files for 418 of the 451 employed participants noted hourly wage rates, which we did not confirm, that averaged \$7.36. Three quarters of the employed participants worked 30 hours or more per week. It should be noted that, at the time of our audit, the grantees did not know the current employment status of 110, or one out of four, of the 451 employed participants in our sample.

Performance Data and Evaluation

We concluded that the reported program data was not reliable. We found significant errors in data that contributed to ETA’s computed WtW performance measures. Specifically, we project that the number of competitive grant participants reported as placed in unsubsidized employment by the 122 competitive grantees in our universe was overstated by 43 percent. We also project that the number of participants reported as retained 6 months in unsubsidized employment was overstated by 86 percent.

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We further found that 13 of the 17 sample grantees that reported earnings gains to ETA used improper and unsupported methodologies to compute the measure, and that 11 grantees reported earnings gains on a cumulative, rather than quarter-by-quarter, basis, contrary to reporting instructions.

Most grantees in our sample did not report consistent and accurate performance data because they did not maintain accurate records and/or they did not understand, or did not adhere to, the definitions of individual data elements included in ETA's reporting instructions. We also found that, while ETA had made numerous efforts to train grantees concerning the reporting requirements, ETA's monitoring visits did not include attempts to verify the accuracy and completeness of reported performance data. The monitoring guide used by ETA staff does not require grantee records to be reviewed to determine the accuracy or completeness of performance data reported on the grantees' Financial Status Reports, which include both financial and performance information.

Finally, we found that WtW evaluation studies, current and planned, will not provide ETA with the information necessary to determine which innovative approaches or interventions worked and which did not. New and innovative approaches for moving welfare recipients into lasting employment was one of the underlying purposes of the competitive grant program. The evaluations only measure specific grantee operations that may not necessarily reflect the WtW competitive grant program as a whole.

Recommendations

To improve services to those participants served by WtW grantees and provide a solid foundation for evaluating the WtW competitive grant program, we recommend that the Assistant Secretary for

Employment and Training:

1. require grantees to follow up with participants in unsubsidized employment to determine if additional services are needed to assure employment retention;
2. conduct data validation reviews at the grantee level to ensure that the performance data being reported are accurate and complete; and
3. work with the U.S. Department of Health and Human Services to reexamine the current approach being used to evaluate the WtW competitive grant program. We recommend that a national evaluation be designed to assess the innovative approaches being used to move welfare recipients from welfare dependency to economic self-sufficiency.

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Agency's Response

In the response to our draft report, the Assistant Secretary for Employment and Training agreed with each of the reported recommendations and will act upon them. Specifically, ETA will:

1. work with competitive grantees to assure that they do a better job of following up with participants in unsubsidized employment to determine if additional services are needed to assure employment retention;
2. carry out their previously planned second stage of monitoring by conducting data validation reviews at the grantee level to ensure that the performance data being reported are accurate and complete; and
3. work with the U.S. Department of Health and Human Services to re-examine the current approach being used to evaluate the WtW competitive grant program in order to assure that innovative approaches being used to move welfare recipients from welfare dependency to economic self-sufficiency are identified and assessed.

The response also included a number of issues discussed at our exit conference that ETA believed needed to appear in the body of the report to provide a full and fair context of the findings. ETA's entire response is included as Appendix C in the report.

Auditor's Conclusion

The actions ETA proposed to take generally satisfy the report's recommendations. The recommendations can be resolved when ETA provides an action plan detailing the specific steps to be taken along with proposed completion dates. We concluded that the additional comments provided in ETA's response did not change the report's findings and recommendations.

BACKGROUND

PRWORA, enacted August 22, 1996, is a comprehensive welfare reform bill under which the Temporary Assistance for Needy Families (TANF) program was established to supersede the Aid to Families with Dependent Children program, the Job Opportunities and Basic Skills Training program, and the Emergency Assistance program. The TANF provisions substantially changed the Nation's welfare system from one in which cash assistance was provided on an entitlement basis to a system in which the primary focus is moving welfare recipients to work and promoting family responsibility.

On August 5, 1997, the President signed the BBA. This legislation amended certain TANF provisions and authorized the Secretary of Labor to provide WtW grants to states and local communities for transitional employment assistance to move hard-to-employ TANF recipients into lasting unsubsidized jobs and economic self-sufficiency. WtW activities should be grounded in the "work-first" philosophy of TANF. The BBA authorized \$3 billion for WtW grants in FYs 1998 and 1999. After certain set-asides, 25 percent, or approximately \$700 million, was distributed through a competitive grant process and 75 percent by formula grants to the states.

Competitive grants were intended to develop innovative approaches to serve WtW's targeted population. Specifically, ETA's solicitation for competitive grants stated that the projects were expected to achieve the purpose of all WtW grants — *to provide transitional assistance which moves welfare recipients into unsubsidized employment providing good career potential for achieving economic self-sufficiency*. The solicitation also stated that in the review and selection of applications for grant award, one of the criteria would be innovation, and it would comprise 20 of 100 assigned points. The solicitation defined innovation as the extent to which the project incorporates new and better strategies for moving welfare recipients into lasting unsubsidized employment leading to economic self-sufficiency. These strategies can include, but are not limited to, new and better ways that services can be accessed by participants in the local community, new and better ways for local organizations to work together, or the replication of effective strategies in a new setting.

ETA published an Interim Final Rule in the *Federal Register* on November 18, 1997, implementing the WtW grant provisions of Title IV, Part A, of the Social Security Act as amended by the enactment of the BBA. In late 1999, technical and other amendments were enacted to the WtW statute. On December 21, 2000, the President signed into law the Consolidated Appropriations Act of 2001, which included, with DOL's FY 2001 appropriations, a 2-year extension to the WtW program. All grantees, both competitive and formula, are eligible for the extension of their grants. On January 11, 2001, ETA published the Final Rule in the *Federal Register*, effective April 2001, with an Interim Final Rule implementing the 1999 Amendments.

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WtW grantees are required to report financial and performance data to ETA quarterly. The data is transmitted over the internet and reported on the Quarterly Financial Status Report (FSR) - form ETA 9068-1.

The WtW legislation established the following outcome measures:

1. placements in unsubsidized employment, and placements in unsubsidized employment that last at least 6 months,
2. placements in the private and public sectors,
3. earnings of individuals who obtain employment, and
4. average expenditures per placement.

ETA's Annual Performance Plan, required under the Government Performance and Results Act (GPRA), includes two performance goals for the WtW program. These performance goals and measures for FY 2000 are:

1. sixty percent of the WtW participants placed in unsubsidized employment will remain in the workforce for two consecutive quarters following the date of placement, and
2. these WtW participants will have a 5 percent average earnings increase by the second consecutive quarter following the placement.

In the DOL 2000 Annual Report on Performance and Accountability, ETA reported that of those WtW participants placed in unsubsidized employment by competitive and formula grantees, 84 percent remained in the workforce for at least 6 months or more with a 59 percent average increase in earnings by the second consecutive quarter following the placement quarter. The report acknowledged that the 59 percent earnings gain appears to be inflated due to inconsistent grantee reporting.

The U.S. Department of Health and Human Services (DHHS) is responsible for conducting a national evaluation of the WtW program. ETA has transferred approximately \$18 million to DHHS to conduct this evaluation.

FINDINGS AND RECOMMENDATIONS

I. Competitive Grantees Need to Improve Services to WtW Participants to Ensure Long-Term Employment

The purpose of WtW is to place individuals in lasting unsubsidized employment. Yet, based on documentation available from the grantees, we found only 191, or one-quarter, of the 765 participants in our sample were documented as continuously employed more than 6 months, whether in one or more jobs. Overall, 59 percent (451 of 765) of the sample participants worked in unsubsidized employment at some point during or after their participation, and 31 percent (241 of 765) of the total were still employed at the time of our audit. We attribute this to the limited efforts by grantees to follow up on participants in unsubsidized employment to determine if they need job retention services. Specifically, at the time of our audit, we found that grantees had not contacted or provided services in at least 3 months to 56 percent of the participants in our sample. Additionally, the grantees did not know the current employment status at the time of our audit field work for 110, or one out of four, of the 451 participants in unsubsidized employment. We believe that maintaining contact with participants who are employed will help increase the percentage of participants in lasting employment.

We also found that the case files for 418 of the 451 employed participants noted hourly wage rates, which we did not confirm, that averaged \$7.36. Additionally, three quarters of the employed participants worked 30 hours or more per week. Details follow.

One-Quarter of the Sample Participants Worked 6 or More Months in Unsubsidized Employment

We found that 25 percent (191 of 765) of the participants in our sample were documented as working in one or more unsubsidized jobs for 6 or more months.

Of the 765 participants in our sample, 59 percent (451 of 765) were documented as having worked in unsubsidized employment at some point during or after their participation in WtW. We performed an analysis of the number of days worked in unsubsidized employment for these 451 participants. Our analysis was based on documentation available at the grantees for the participants' work histories since their initial placement in unsubsidized employment. We did not confirm the participants' work histories with the employers or any other outside sources. The results of our analysis revealed that 185 participants worked in at least one unsubsidized job for 180 days or more. We also analyzed those participants who worked in multiple jobs less than 180

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days. If the combined lapsed days for the multiple jobs was 180 days or more, we added them to our list. There were six participants who fit this criteria. Together the two groups totaled 42 percent (191 of 451) of the employed participants or 25 percent (191 of 765) of the total participants served.

Participants' Current Work Status Varied

Documentation showed that 59 percent (451 of 765¹) of the participants in our sample found, either on their own or through direct and indirect efforts by grantees, jobs in unsubsidized employment at some point during or after their participation in the WtW competitive grant program. However, our determination of the 765 participants' current employment status (either subsidized or unsubsidized) at the time of our audit found that 31 percent (241 of 765) were working. For those 451 participants who were working in unsubsidized employment at some point in time during their participation in the WtW program, grantees did not know the current employment status for 24 percent (110 of 451).

We reviewed the available documentation at the grantees to determine the current employment status of the 765 participants in our sample who received WtW services. The following table summarizes the results of the current status for the 765 participants.

Current Status of 765 Participants Who Received WtW Services	Number	Percent to Total
Employed, still receiving WtW services	179	
Employed, no longer receiving WtW services	62	
Sub-total Employed (Subsidized and Unsubsidized Employment)	241	31%
Unemployed, still receiving WtW services	155	20%
Unemployed, no longer receiving WtW services	82	11%
Unknown, no longer receiving WtW services	287	38%
Total	765	100%

¹ The 314 participants in our sample who were not working in unsubsidized employment were enrolled in the WtW program for more than 120 days, which, in our opinion, was sufficient time for the grantees to place them in unsubsidized employment.

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In our review of the services provided to WtW participants, we concluded that grantees were not maintaining ongoing contact with participants to determine their current status and whether further services were needed. As noted in the above table, 56 percent (431 of 765) of the participants in our sample were no longer receiving services. We classified participants as no longer receiving services if it had been more than 3 months since the last time a service was provided or a contact made by the grantees. Additionally, grantees did not know the current status at the time of our field work for 38 percent (287 of 765) of the sample participants served.

We also performed a separate analysis of the current employment status for those 451 participants whom we found that has worked in unsubsidized employment at some point during or after their participation in the WtW competitive grant program. This is an important group since the underlying purpose of WtW is to find participants unsubsidized employment. The results showed that grantees did not know the current employment status for 24 percent (110 of 451) of the 451 participants who were in unsubsidized employment.

The following table summarizes the results of the current employment status for the 451 participants.

Current Status of 451 Participants Who Worked in Unsubsidized Employment	Number	Percent to Total
Employed, still receiving WtW services	174	
Employed, no longer receiving WtW services	50	
Sub-total Employed (Subsidized and Unsubsidized Employment)	224	50%
Unemployed, still receiving WtW services	77	17%
Unemployed, no longer receiving WtW services	40	9%
Unknown, no longer receiving WtW services	110	24%
Total	451	100%

We believe that the percentage of participants who remain in lasting employment will increase if grantees maintain contact with them once they are working in unsubsidized employment to determine if and what additional services are needed.

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Participants in Unsubsidized Employment Earned Average Hourly Wages of \$7.36

For the employed participants in our sample, there was insufficient wage information to determine the average earnings increase by the second consecutive quarter following placement into employment, one of WtW's performance measures. However, our analysis found that the average hourly wage documented in the case files for employed participants was \$7.36. Further, our analysis determined that 35 percent of the employed participants earned between \$7.36 and \$9.99 per hour. Additionally, a majority of the employed participants worked 30 or more hours per week.

Of the 451 employed participants, we found wage information in the case files for 418. To be conservative for our analysis, we used the highest recorded wage for any of the jobs that were documented for these 418 participants. We computed that these participants earned an average wage of \$7.36 per hour. We then performed an analysis of the frequency of participants with wages in various ranges starting at the \$5.15 per hour minimum wage.

Range (per hour)	Number of Participants	Percent of Total
\$5.15	17	4%
\$5.16 to \$7.36	222	53%
\$7.37 to \$9.99	147	35%
\$10.00 and over	32	8%
Total	418	100%

We also determined the number of employed participants who worked 30 or more hours per week. Grantees are required to report separately those participants working 30 or more hours per week (full time) and those participants working less than 30 hours per week (part time). For our analysis, we counted a participant as working full time if any of the recorded employment history documented 30 hours or more. For example, a participant initially had a job in which she worked 30-35 hours per week from September 18 to October 5, 2000. Then she obtained a subsequent job on November 9, 2000, in which she only worked 7-11 hours per week. To be conservative, we counted her as a placement in unsubsidized full-time employment.

Our analysis showed that 74 percent (334 of 451) of the participants in unsubsidized employment worked 30 or more hours per week. However, there was no documentation of hours worked for 12 percent (56 of 451) of the participants who were working in unsubsidized employment.

Recommendation

We recommend that the Assistant Secretary for Employment and Training direct the Office of Welfare-to-Work to require grantees to follow up on participants in unsubsidized employment to determine if additional services are needed to promote employment retention.

Agency's Response

In the response to our draft report, the Assistant Secretary for Employment and Training stated that ETA will work with competitive grantees to assure that they do a better job of following up with participants in unsubsidized employment to determine if additional services are needed to assure employment retention.

Auditor's Conclusion

The action that ETA proposes to take generally satisfies the recommendation. The recommendation can be resolved when ETA provides an action plan detailing the specific steps to be taken along with proposed completion dates.

II. WtW Competitive Grant Program Performance Data Are Not Reliable and the Current Evaluation Approach May Not Be Sufficient to Assess the Program as a Whole

We found that the reported performance data are not reliable. Specifically, we found that competitive grantees did not report consistent and accurate performance data because they did not maintain accurate records and/or they did not understand, or did not adhere to, the definitions of individual data elements included in ETA's reporting instructions. While ETA had made numerous efforts to train grantees concerning their financial reporting requirements, ETA monitoring visits did not include any attempt to verify the accuracy and completeness of reported performance data. We also found that the current approach to evaluating the WtW competitive grant program may not be sufficient to determine which innovative approaches or interventions worked in placing participants in lasting unsubsidized employment. Without consistent and accurate performance data, and an effective program-wide evaluation process, ETA will not be able to provide a useful measurement of competitive grantees' efforts to move WtW participants into self-sustaining employment.

Because we examined only competitive grant performance reporting, it was not within our audit scope to draw a conclusion on the accuracy of the overall (competitive and formula) WtW statistics included in the DOL Annual Report on Performance and Accountability. However, because the competitive grant program represents roughly a quarter of the total WtW program, the inaccurate competitive grant performance data we identified through audit could be significant to the overall WtW reported measures.

Competitive Grantees Did Not Report Accurate Performance Data

The performance data for the WtW competitive grant program are overstated, incomplete, and inconsistent with ETA reporting requirements. This occurred because grantees did not maintain accurate records and/or they did not understand, or did not adhere to, ETA's definitions for the individual data elements.

At each of the grantees, we audited the FSR line items containing data used by ETA to report WtW performance in the DOL Annual Report on Performance and Accountability required under GPRA. Except for the earnings gained in the 6 months following initial placement in unsubsidized employment (Line 25), a sample of participants for each of the FSR lines was reviewed to determine the accuracy of the data reported on the September 30, 2000, FSR. (See table below.)

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For the reported earnings gained in 6 months following initial placement in unsubsidized employment, we reviewed the supporting documentation available at the grantees. The FSR line items and sample sizes audited were:

Line Item	Sample Size
Total Participants Served ² (Line 19)	810
Placed in Unsubsidized Employment (Line 21)	
Working 30 or More Hours Per Week	957
Working Under 30 Hours Per Week	156
Retained 6 Months (two quarters) Following Placement in Unsubsidized Employment (Line 24)	210

Additionally, as part of our review of a sample of participants reported as served, we determined whether these participants should have been reported as a termination on FSR Line 20. (See discussion under Total Participants Terminated on page 13.)

For each FSR line audited, we used the results of our sample to project the percentage of errors found to our universe of 122 first- and second-round grantees. The following findings first provide the percentage of errors found in the number of samples reviewed and then provide the point estimate projections to the universe. There were two grantees that had significantly overstated the number of participants served and placed in unsubsidized employment when compared to the reported number in their supporting list of participants. We provide details of the problems found at these two grantees in our discussion of the applicable line items, but we did not use the results in our projections. The high error rates for these two grantees would have increased our sampling error. Thus, by omitting these two grantees, our point estimates are understated. (See the Objectives, Scope, and Methodology section of this report for details of the sampling methodology and precision.)

The following sections present the results of our audit of the accuracy of the reported performance data.

Participants Served

The number of participants who received WtW services is overstated. We found that 17 percent (139 of 810) of the reported participants served in our sample did not receive WtW services while

² Line Item 19a reports the number of participants that are determined to be the hardest-to-serve, long-term TANF recipients, and Line Item 19b reports the number of participants that are TANF recipients with characteristics of long-term welfare dependence.

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enrolled in the program. This occurred because of inaccurate record keeping, inadequate documentation, and failure of grantees to distinguish between enrollment and services provided to participants. Using the point estimate obtained from our sample results, we project that the 53,035 participants reported served by the 122 competitive grantees in our universe is overstated by 16 percent.

Grantees are required to maintain accurate and supportable records of data reported. Additionally, the FSR instructions for reporting participants served make a clear distinction between the intake, initial assessment and eligibility determination process, and the actual provision of WtW services. ETA encourages grantees to enroll individuals once they are determined eligible, but not to report them as a participant served until they actually receive WtW services.

Grantees did not always maintain an accurate list of names for reported participants served which was used to support the number reported on their FSRs for September 30, 2000. We found differences between the list of names and the reported totals. Additionally, we found instances in which some grantees could not locate a case file or documentation to support what services they provided to the participants in our sample.

We also found that some of the reported participants in our sample were counted as served, even though they had completed only the intake process and declined any WtW services offered. For example, one grantee required each applicant to take and pass a drug test and to obtain a police clearance. Many applicants did not return and the grantee had no procedures in place to locate the applicants. The result was that the grantee reported each applicant as a participant served when, in fact, the grantee had no real opportunity to provide WtW services to the applicant. In another example, a grantee, whose principal client group were individuals with substance abuse problems, referred applicants to a contractor for a drug evaluation and treatment plan, if appropriate. Some applicants refused to accept the treatment plan and others were referred to a drug treatment facility. In both instances, the applicant was counted as a participant served even though he or she never completed the grantee's intake process and was not available to receive WtW services.

There were two grantees that had significant differences between the total number of participant names on their list and the number reported on the September 30, 2000 FSR. As previously stated, we excluded the results of these two grantees from our projections because of their high error rates. The first grantee reported serving 2,929 participants but could only provide a list with 990 participant names, an overstatement of 1,939 participants, or 196 percent. The second grantee reported serving 1,745 participants but could only provide a list with 886 participants, an overstatement of 859 participants, or 97 percent.

Total Participants Terminated

We found that 65 percent (527 of 810) of the reported participants served in our sample should have been reported as a termination on FSR Line 20 - Total Participants Terminated. Grantees were not always reporting terminations because ETA encouraged grantees not to abandon participants who still needed additional WtW services. As a result, the status of participants receiving WtW services is misstated. Using the point estimate obtained from our sample results of the 810 reported participants served, we project that 67 percent of the 53,035 participants reported served by the 122 competitive grantees in our universe had not received a service in 3 months since the last contact by the grantee and should have been terminated. However, only 12 percent of the 810 participants in our sample were reported as a termination.

ETA's reporting instructions state that once a participant ceases to be served, he or she should be reported as a termination. The instructions also state that if the participant returns for additional services, he or she should be counted again as a participant served. ETA's instructions did not provide a specific time period when grantees should consider a participant as no longer receiving services. Therefore, for purposes of our audit, we determined that a participant should be considered terminated if more than 3 months had elapsed since the last documented service or contact by the grantee.

We found that in many instances grantees had either lost contact with individuals, ceased providing WtW services, or had no mechanism in place to locate participants. There were 7 grantees in our sample of 19 that reported no terminations at all on their FSRs. Grantee officials told us that they did not report terminations because ETA verbally requested that they not do so. ETA's intent was to encourage grantees not to abandon participants who might still need services, but rather to remain in periodic contact with the participants to determine whether additional WtW services could be provided. However, our analysis and interviews conclude that grantees simply applied the informal non-termination policy across the board and did not set up followup systems to contact participants.

The net effect of not reporting terminations is the misstatement of the status of participants receiving WtW services. Specifically, if terminations are not reported, it must be assumed that all participants being reported as served are receiving WtW services on a current or ongoing basis.

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Placed in Unsubsidized Employment

Grantees report participants placed in unsubsidized employment by the number who work 30 or more hours per week and those who work under 30 hours per week. Our sample of 957 participants reported as working 30 hours or more per week in unsubsidized employment was overstated by 27 percent and our sample of 156 participants reported as working less than 30 hours per week in unsubsidized employment was overstated by 49 percent. This occurred because grantees did not have documentation to support the placement, they misclassified the type of employment which should have been reported on another FSR line, and/or the participants never received a WtW service. Using the point estimate obtained from our sample results, for the 122 competitive grantees in our universe, we project that the 19,243 participants reported working 30 hours or more per week in unsubsidized employment is overstated by 27 percent, and the 3,932 reported as working less than 30 hours per week in unsubsidized employment is overstated by 43 percent.

In reviewing documentation, if the participant's file contained any information that supported the unsubsidized employment consistent with ETA's reporting instructions, we accepted it as a bona fide placement. We provided grantees the opportunity to obtain additional documentation for any unsubsidized placement questioned. In reviewing employment classification, if the placement did not meet the definition for this line item but did meet the definition for another type of placement, e.g., employed in unsubsidized employment upon entering WtW, we recommended that the grantee transfer the placement to the appropriate line item.

The results of our review found that 260 of the 957 participants in our sample should not have been reported by the grantee as working 30 hours or more per week in unsubsidized employment and that 76 of the 156 participants in our sample should not have been reported as working less than 30 hours per week in unsubsidized employment. The following table lists the number of occurrences for each type of error and its percentage to the total for both parts of participants placed in unsubsidized employment.

Type of Error	More Than 30 Hours per Week	Percent to Total	Less Than 30 Hours per Week	Percent to Total
No Documentation	156	60%	48	63%
Should be Reported on Line Item 22 - Employed When Entering WtW	54	21%	6	8%
Worked Less than 30 Hours Per Week	50	19%		
Worked 30 Hours or More Per Week			22	29%
Total Errors	260		76	

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In addition to the errors presented in the above table, there were two grantees at which we found significant differences between the grantees' list of participants and the numbers reported. One grantee reported 1,477 participants placed in unsubsidized employment greater than or equal to 30 hours per week while the actual number placed was only 296 participants, an overstatement of 1,181 placements, or 399 percent. The second grantee reported 503 participants placed in unsubsidized employment greater than or equal to 30 hours per week while the actual number placed was only 325 participants, an overstatement of 178 placements, or 55 percent.

Retained 6 Months (Two Quarters) Following Placement in Unsubsidized Employment

The number of participants retained 6 months (two quarters) following the quarter of placement in unsubsidized employment (Line 24) is grossly overstated. We found that 82 percent (172 of 210) of the participants in our sample were either not working in unsubsidized employment, did not remain employed for 6 months with earnings in the two consecutive quarters following placement, or the grantees were reporting data on a cumulative basis, rather than on a quarterly basis required by ETA reporting instructions. As a result, using the point estimate obtained from our sample results of the 210 reported participants, we project that the 6,479 participants reported as retained 6 months in unsubsidized employment by the 122 competitive grantees in our universe is overstated by 86 percent.

ETA reporting instructions in effect for the period ending September 30, 2000, require grantees to report the number of participants retained 6 months in unsubsidized employment on a quarterly basis. Therefore, all participants reported as retained 6 months following placement in unsubsidized employment should have been placed in unsubsidized employment during the first quarter of calendar year 2000 and should have remained in the workforce for 6 months with earnings in two consecutive quarters. Also, any participant who was employed in unsubsidized employment upon entering WtW and remained in the workforce for 6 months with earnings in two consecutive quarters following the receipt of WtW services should have been reported as retained 6 months following placement in unsubsidized employment.

We found that 3 of the 19 grantees in our sample did not report performance data for participants retained 6 months following placement in unsubsidized employment. For the remaining 16 grantees, 11 reported the number of participants retained 6 months following placement in unsubsidized employment on a cumulative, rather than quarterly, basis. These 11 grantees accounted for 93 percent of the data reported by the 16 grantees that completed this line item. Cumulative reporting results in an overstatement of retention placements when data from another reporting period is added to the current reporting period and used to measure performance. To illustrate, one grantee reported 498 participants retained 6 months in unsubsidized employment when, in fact, the actual number for this reporting period was zero. Another example is a grantee which reported 386 participants retained 6 months in unsubsidized employment while the actual number for this reporting period was 35 participants.

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We also concluded that grantees did not understand the significance of taking credit for WtW participants who were employed in unsubsidized employment upon entering WtW, and, therefore, did not report these participants as employed in unsubsidized employment upon entering WtW or as remaining in the workforce for 6 months with earnings in two consecutive quarters following the receipt of WtW services on the FSR. Therefore, we believe that placement data reported for participants who were employed upon entering WtW is understated.

The following table contains the number of occurrences for each type of error and its percentage to the total for the number of participants retained 6 months following placement in unsubsidized employment.

Type of Error	Occurrences	Percent to Total
Incorrect Time Period - Participant Was Not Employed in the First Quarter of 2000	85	50%
No Documentation to Support Participant Was Employed Two Full Quarters	50	29%
Unable to Determine Dates of Employment	21	12%
No Documentation of Employment	16	9%
Total Errors	172	

It should be noted that ETA changed the reporting requirements for participants retained 6 months following placement in unsubsidized employment effective for the period ending June 30, 2001. This was communicated to grantees as part of the ETA Field Memorandum No. 38-98, Change 2, dated April 5, 2001. These revised instructions direct all grantees that have not been reporting on a cumulative basis to accumulate all previously submitted data and include that data as part of all cumulative data required for the period ending June 30, 2001.

Earnings Gained in 6 Months (Two Quarters) Following Placement in Unsubsidized Employment

The reported earnings gained in 6 months following placement in unsubsidized employment is overstated. We found that the reported data was either not supported, incomplete, inaccurate, or misstated. This occurred because the grantees in our sample could not provide documentation to support the reported wage gains, used an improper reporting methodology, misinterpreted ETA reporting instructions, or did not report any wage data at all.

The reported earnings gained in 6 months following placement in unsubsidized employment (Line 25) consists of two parts. The first part (Line 25a) is the sum of earnings of WtW participants

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who remained in the workforce in the second subsequent quarter following their placement in unsubsidized employment in the base quarter. The second part (Line 25b) is the sum of earnings for these same WtW participants in the base quarter. Both parts are based upon reported earnings for WtW participants retained 6 months following placement in unsubsidized employment. ETA reporting instructions require grantees to use Unemployment Insurance (UI) wage records or, alternatively, to collect information related to participant retention and earnings gained.

We found that only 3 of the 19 grantees (16 percent) in our sample had access to UI wage data. The grantees that did not have access to UI wage data developed formulas to compute potential wages earned during the appropriate period. Grantees also applied varying interpretations about what constituted 6 months in the workforce with earnings in two consecutive quarters following placement in unsubsidized employment.

There were two grantees in our sample that did not report earnings gains on their FSRs. Neither grantee had access to UI wage data nor had developed a followup system to track participants and their wages once they were placed in unsubsidized employment.

For the 17 grantees that reported earnings gains data, 14 were unable to provide complete and adequate documentation to support the wage data reported on their FSRs. Additionally, 13 grantees used improper and unsupported methodologies to calculate the earnings gain, and several of these based their data on assumptions rather than actual wages. For example, one grantee took the hourly wage at placement and calculated the earnings for the requisite periods, assuming that the participant actually worked. However, the grantee did not confirm wages earned or the period actually worked.

We also found that grantees did not follow ETA reporting instructions requiring earning gains data to be reported on a quarterly basis. Instead, we found that 11 grantees were improperly reporting such data on a cumulative basis. Overall, \$1,198,875 of \$1,739,695 (69 percent) of the sum of the earnings for those retained in the second subsequent quarter (Line 25a) on the September 30, 2000, FSR was presented on a cumulative basis. In addition, \$1,031,372 of \$1,217,209 (85 percent) of the sum of earnings for the same group in the base quarter (Line 25b) was reported on a cumulative basis. Cumulative reporting results in an overstatement of earnings gains when data from another reporting period is added to the current reporting period and used to measure performance.

* * * * *

We conclude that inadequate documentation and failure to adhere to ETA reporting instructions are major contributors to the problems found during this audit concerning the quality of the performance data. Unless performance data is reviewed at the grantee level, there is no assurance that it is accurate and complete.

ETA's Grantee Monitoring Visits Did Not Include a Detailed Review of the Reported Performance Data

ETA needs to improve its monitoring of reported performance data at the grantee level to ensure that the reporting system conforms with ETA reporting instructions and provides accurate and supportable data. We found that the monitoring visits performed by the Grant Officer's Technical Representatives (GOTRs) did not include an in-depth review of the performance data reported on the FSR. This occurred because the monitoring guide used by GOTRs did not include verifying the accuracy of reported performance data.

We found that 15 of 19 grantees in our sample had been monitored by a GOTR. Our review of the monitoring reports found that they addressed eligibility, financial management, program design, program performance, policies and procedures, and program management. However, none of the monitoring visits focused specifically on the reported performance data. For example, we found that the two grantees that had significant discrepancies in the data reported were monitored by their GOTRs, but the accuracy of the performance data was never reviewed. One of these grantees reported serving 2,929 participants, but could only provide us a list of names for 990 participants. This grantee also reported 1,477 participants placed in unsubsidized employment greater than or equal to 30 hours per week, but could only provide us a list of names for 296 participants.

We did find that five of the monitoring visits by GOTRs raised issues concerning performance data. For example, the GOTRs were concerned with the grantee's ability to obtain UI wage data. We found that one GOTR was concerned that a grantee was under-reporting unsubsidized placements. However, there was no evidence that the GOTRs attempted to validate the accuracy of the data.

We attribute the above conditions to the lack of appropriate procedures for reviewing performance data in the ETA monitoring guide. Although the monitoring guide used by the GOTRs contains comprehensive procedures for reviewing the reported financial data, it does not require the GOTR to review grantee records to determine either the accuracy or completeness of the performance data reported on the FSR. ETA officials told us that they acknowledge that monitoring of performance data needs to be improved but their priorities were to focus on the problems reported in previous audit reports.

Unreliable Competitive Grant Data May Affect the Overall WtW GPRA Performance Measure Results

As previously discussed, our audit determined that performance data reported by the WtW competitive grantees are overstated, not supportable, and inconsistent with ETA instructions. Such data were used to report against program measures included in DOL's FY 2000 Annual Performance Plan, which included two performance goals for the WtW program. These goals, which are consistent with the outcome measures included in the WtW legislation, were to increase the retention rate and average earnings for WtW participants. DOL's FY 2000 Annual Report on Performance and Accountability provided the results attained against these goals for the WtW program as a whole, including both competitive and formula grants. The retention rate was reported as 84 percent, compared to a goal of 60 percent, and the reported earnings increase was 59 percent, compared to a goal of 5 percent.

Because we examined only competitive grant performance reporting, it was not within our audit scope to draw a conclusion on the accuracy of the overall (competitive and formula) WtW statistics included in the DOL Annual Report on Performance and Accountability. However, as the competitive grant program represents roughly a quarter of the total WtW program, the inaccurate competitive grant performance data we identified through audit could be significant to the overall WtW reported measures.

Evaluation Studies Will Not Provide the Information Necessary to Determine Which Innovative Approaches Worked

The WtW evaluation studies, current and planned, are not designed to provide ETA with the information necessary to determine which innovative approaches or interventions worked and which did not, the underlying purpose of the competitive grant program. The evaluations only measure specific grantee operations that may not necessarily reflect the program as a whole. As a result, ETA will not have sufficient information on the WtW competitive grant program to expand the base of knowledge about programs aimed at moving the least job-ready welfare recipients into unsubsidized employment.

The WtW legislation states that DHHS, in consultation with DOL and the U.S. Department of Housing and Urban Development, is responsible for developing a plan to evaluate the WtW grants program. In August 1998, DHHS awarded a contract to Mathematica Policy Research, Inc. (Mathematica), and its subcontractor, the Urban Institute and Support Services International, Inc., to conduct the evaluation. The original evaluation plan included three main components:

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1. A Descriptive Assessment of All WtW Grantees
2. In-Depth Process and Implementation Study
3. Impact and Cost-Effectiveness Study

The Impact and Cost-Effectiveness study was eliminated due to serious low enrollment and expenditure problems experienced during the early stages of the WtW program. In addition, several applicants' WtW services could not be readily distinguished from, or appeared to duplicate, local TANF services. Mathematica has issued a number of reports from the evaluation since March 1999. However, these reports provided information on design, operations, and findings on the early implementation of the WtW program.

The In-Depth Process and Implementation Study came closest to meeting ETA's objective to expand the base of knowledge about programs aimed at moving the least job-ready welfare recipients into unsubsidized employment. However, this study cannot be used to draw program-wide conclusions because the results pertain only to the 11 grantees selected to participate in it. Additionally, only 2 of the 11 grantees were competitive grantees; another 6 grantees received formula funds only; and the remaining three received both formula and competitive grants. We were told that the 11 grantees were judgmentally selected using a diverse set of criteria established by the Office of Management and Budget and that the results cannot be projected across the WtW program. In January 2001, Mathematica issued a report from this study based on a first round of site visits conducted in 1999 and 2000. The report, entitled "Program Structure and Service Delivery in Eleven Welfare-to-Work Grant Programs," contains a statement that the descriptions included therein are based on visits to these 11 local programs, and that, while a few general observations are possible, it is important to note that they are based upon experiences of these sites only and cannot be extrapolated to all WtW programs nationwide.

Since the competitive grant performance data reported to ETA on the FSRs is highly questionable and the utility of the Mathematica evaluation limited, ETA is left without a solid basis to fully judge the performance of the WtW competitive grants program. An evaluation methodology should be developed to assess the effectiveness of the innovations that the competitive grants were funded to provide.

* * * * *

Because of the hundreds of millions of dollars awarded to competitive grantees for the purpose of finding non-traditional methods of keeping long-term welfare recipients in lasting employment, ETA needs to ensure that there is a solid foundation for evaluating the WtW competitive grant program. To achieve this, ETA needs to have accurate and complete performance data and an evaluation process that addresses the effectiveness of the various innovative approaches and interventions used by competitive grantees to determine which approaches worked and why they worked.

Recommendations

We recommend that the Assistant Secretary for Employment and Training:

1. Direct the Office of Welfare-to-Work to conduct data validation reviews at the grantee level to ensure that the performance data being reported are accurate and complete. We also recommend that all performance data previously reported to ETA be reviewed for accuracy and completeness.
2. Consult with DHHS officials to reexamine the current approach being used to evaluate the WtW grants program. We also recommend that any national evaluation be designed to assess the innovative approaches used to move welfare recipients from welfare dependency to economic self-sufficiency.

Agency's Response

In the response to our draft report, the Assistant Secretary for Employment and Training stated that ETA will:

1. carry out their previously planned second stage of monitoring by conducting data validation reviews at the grantee level to ensure that the performance data being reported are accurate and complete; and
2. work with the U.S. Department of Health and Human Services to re-examine the current approach being used to evaluate the WtW competitive grant program in order to assure that innovative approaches being used to move welfare recipients from welfare dependency to economic self-sufficiency are identified and assessed.

Auditor's Conclusion

The action that ETA proposes to take generally satisfies the recommendation. The recommendation can be resolved when ETA provides an action plan detailing the specific steps to be taken along with proposed completion dates.

OBJECTIVES, SCOPE, METHODOLOGY, AND CRITERIA

Objectives

The primary audit objective was to evaluate the WtW competitive grant program's effectiveness based upon the criteria established in the BBA and the WtW regulations, and the performance data reported by first- and second-round competitive grantees as of September 30, 2000. Our secondary objectives were to determine:

1. the rate at which participants served in the WtW competitive grant program, found long-term unsubsidized employment, and the amount of earnings gained 6 months following their initial entry into unsubsidized employment;
2. whether ETA has reliable performance data to adequately evaluate the WtW competitive grant program;
3. whether competitive grantees are meeting the individual performance goals established in the grant agreement; and
4. if ETA established an effective evaluation process of the WtW competitive grant program objective to expand the knowledge base of effective and innovative strategies for moving WtW participants into unsubsidized employment.

Scope

To accomplish our objectives, we performed audit work at 19 randomly selected WtW competitive grantees. These grantees were selected from a universe of 122 grantees that were active as of September 30, 2000, providing services to WtW participants with the intent of placing them in unsubsidized employment,³ and were awarded grants in the first and second rounds. We restricted the scope to grantees in the first and second rounds, which were awarded in July 1998 and January 1999 respectively, because there should have been a sufficient period of time (19-26 months) for the grantees to provide services to participants and attempt to place them in unsubsidized employment. The third round was awarded in September 1999.

³ We did not include in our universe two grantees that only provided transportation assistance.

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The following table contains details on the grant funds awarded and performance data as of September 30, 2000, for all competitive grantees, the 122 first and second round competitive grantees from which our sample was selected, and 19 competitive grantees that were audited.

FSR Data Element	All Competitive Grantees 189 Grantees	Audit Universe of First- and Second-Round Grantees 122 Grantees	Percent of Audit Universe to All Competitive Grantees	Data for 19 Grantees Selected for Audit
Grant Award Amount	\$708,309,238	\$459,334,812	65%	\$75,172,161
Grant Expenditures	\$239,228,261	\$200,342,085	84%	\$36,945,994
Total Participants Served	81,469	53,035	65%	13,689
Participants Placed in Unsubsidized Employment				
30 or More Hours per Week	23,795	19,243	81%	5,952
Less Than 30 Hours per Week	4,144	3,932	95%	643
Retained 6 Months in Unsubsidized Employment	7,078	6,479	92%	1,680
Earnings of Those Retained in 2nd Subsequent Quarter	17,196,144	15,722,389	91%	\$1,741,993
Sum of Earnings as Same Group in Base Quarter	11,550,993	10,289,259	89%	\$1,170,582

See Appendix A for a list of the 19 grantees selected for audit.

The sampling methodology used was a stratified, two-stage, cluster sampling design. The grantees were separated into four strata. The first stratum consisted of grantees identified as outliers by a regression analysis of the reported number of participants served, those placed in unsubsidized employment, and those working in unsubsidized employment for 6 months following entry into employment. The remaining three strata were based on the number of participants served. The following table describes the strata and the number of grantees in each.

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Strata	Description	Total Number of Grantees	Number of Sampled Grantee
1	Outliers	5	5
2	0-299 Participants Served	49	5
3	300-599 Participants Served	47	5
4	More Than 600 Participants Served	21	4
Total		122	19

Next, a random sample size was determined for each FSR Line Item tested. The FSR Line Items tested and sample size were:

Line Item	Description	Sample
19	Total Participants Served (Line Items 19a and 19b) ⁴	810
21a	Total Placed in Unsubsidized Employment 30 Hours or More per Week	957
21b	Total Placed in Unsubsidized Employment Less than 30 Hours per Week	156
24	Total Retained 6 Months Following Initial Placement in Unsubsidized Employment	210
Total Sample		2,133

Using random numbers, a sample of participants for each line item was selected for audit. The sample design was selected to yield a plus or minus 10 percent sampling precision at a 90 percent confidence level.

The population parameters with their standard errors were estimated using Taylor's linearization methodology. The survey data analysis (SUDAAN) software was selected for this purpose using a stratified, two-stage cluster design and sampling without replacement methodology. The statistical weights were determined and used to compensate for unequal probability of selection of the grantees and final sampling units within the sample selected grantees. Appendix B provides the results of our sampling results.

Our audit scope did not include participant eligibility.

⁴ Line Item 19a reports the number of participants that are determined to be the hardest-to-serve, long-term Temporary Assistance for Needy Families (TANF) recipients, and Line Item 19b reports the number of participants that are TANF recipients with characteristics of long-term welfare dependence.

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Methodology

We interviewed WtW officials at ETA's National Office to gain an understanding of how WtW performance data is collected, analyzed, and reported in DOL's Annual Report on Performance and Accountability. We interviewed officials at the contractor responsible for the WtW program national evaluation. At the grantees, we interviewed officials responsible for administering the grant and obtained an understanding of the methodology used to document, compile, and report WtW performance data.

To determine the accuracy of performance data reported by the grantees in our sample, we reviewed a random sample of participant case files and other documentation available to support the reported data. We concluded that the reported data was an error, if there was insufficient supporting documentation. We provided grantees the opportunity to obtain additional documentation to support any data we initially concluded was an error.

To determine the outcomes of participants served by the grantees, we used the sample of 765 participants who received a WtW service. We determined the participants' current status based on the available information in the participants' casefiles and other supporting documentation that the grantee could provide.

At the end of the field work, we provided to each grantee a statement of facts documenting the audit results and requesting a response and additional documentation to refute any reported item.

We designed our audit to project the results found to the audit universe of the 122 competitive grantees from which we selected the sampled 19 grantees. This was accomplished for our objective to determine the accuracy of the reported performance data. However, we could not project the results of the outcomes found for the 765 sampled participants who received services because of sampling problems at one grantee. This was our initial site visit and we did not collect a sufficient number of samples that met the required attributes. However, we believe the results are an indication of the outcomes of participants served by competitive grantees.

The audit was conducted from November 2000 through July 2001, and was performed in accordance with *Government Auditing Standards* for performance audits issued by the Comptroller General of the United States.

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Criteria

The following criteria were used in performing our audit:

- Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)
- Balanced Budget Act of 1997
- Title 20 of the Code of Federal Regulations, Part 645, WtW Grants, Interim Rule dated November 18, 1997
- DOL ETA Training and Employment Guidance Letters on WtW

WtW COMPETITIVE GRANTEES AUDITED

Strata	Number of Grantees	Grantee Name
1	5	Institute for Responsible Fatherhood and Revitalization
		Hispanic Association of Colleges and Universities
		DePaul University
		Houston Works
		Goodwill Industries of San Antonio
2	5	The Latin Chamber of Commerce of U.S.A
		The Access Agency, Inc.
		Community Action Council
		Alexandria Redevelopment and Housing Authority
		Washington State Labor Council, AFL-CIO
3	5	City of Long Beach
		Buffalo and Erie County PIC
		Private Industry Council of Milwaukee County
		Prince Georges PIC
		Charo Community Development Corporation
4	4	Private Industry Council of Philadelphia, Inc.
		Coalition for the Homeless
		Marriott International, Inc.
		United Way of Central Alabama
Total	19	

RESULTS OF STATISTICAL SAMPLES

Attribute Projected	Universe Size	Point Estimate	Sampling Error	Confidence Limits 90%	
				Lower	Upper
Total Participants Served	53,035	16%	5%	8%	24%
Placed in Unsubsidized Employment					
Greater Than or Equal to 30 Hours Per Week	19,243	27%	3%	22%	32%
Less Than 30 Hours Per Week	3,932	43%	8%	30%	56%
Retained 6 Months in Unsubsidized Employment	6,479	86%	5%	78%	94%

AGENCY'S RESPONSE TO DRAFT REPORT