Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY...

Highlights of Report Number: 04-03-022-03-390, a report to the Assistant Secretary, Employment and Training Administration. March 31, 2003.

WHY READ THE REPORT

There has been recent debate about whether allotments to the states under the Workforce Investment Act (WIA) of 1998 should be based on obligations or actual expenditures. With authorization for WIA funding set to expire on September 30, 2003, Congress is considering various proposals to revise the Act and improve the way that states and local areas administer federal job training funds. Financial reporting is among the key issues that Congress will consider in WIA reauthorization.

WHY OIG CONDUCTED THE EVALUATION

The Department of Labor reduced WIA Title I funding to the states for Program Year (PY) 2001 (July 1, 2000 – June 30, 2001) based on low rates of reported expenditures the previous year. Some states argued that cuts did not consider the large amount of funding that they had legally obligated but not yet spent. A General Accounting Office (GAO) report in November 2002 found that reliance on expenditure rates understated the real program cost. OIG did an evaluation to determine whether obligations or expenditures provide a more reliable measure of using WIA funds. OIG looked at the status of WIA funding in Puerto Rico and nine states (California, Louisiana, Maryland, Michigan, North Carolina, Ohio, Pennsylvania, South Carolina, and Tennessee).

READ THE FULL REPORT

http://www.oig.dol.gov/public/reports/oa/2003/04-03-022-390.pdf

To view the report, including the scope, methodology, and full agency response, click on the link above.

MARCH 2003

STATE AND LOCAL REPORTING OF WIA OBLIGATIONS AND EXPENDITURES COULD BE IMPROVED

WHAT OIG FOUND

We looked at WIA obligations and expenditures as of December 31, 2001. We found that the nine states and Puerto Rico:

- Reported enough unspent WIA funds that would allow them to operate for about 19 months even without new funding.
- Reported unobligated balances that would allow only about five more months of operation.
- Generally overstated reported obligations and understated expenditures.

WHAT OIG RECOMMENDED

OIG observed that reported obligations, rather than expenditures, provide a more realistic picture of states' WIA needs for WIA funding, *if states consistently report obligations that accurately reflect legally committed funds.*

OIG recommended that the Employment and Training Administration (ETA) consider working with the states to improve the accuracy, consistency and completeness of WIA financial reporting. Improved reporting would help ETA to measure and manage WIA resource consumption more effectively.

Although ETA issued revised instructions to clarify WIA financial reporting requirements in November 2002, OIG recommended that the agency provide more guidance and technical assistance to states and local areas to ensure proper accounting and reporting.