

U.S. Department of Labor

Office of Inspector General—Office of Audit

EMPLOYMENT AND TRAINING
ADMINISTRATION



ETA NEEDS TO ENSURE GRANTEES ARE AWARE OF THEIR RESPONSIBILITIES FOR REPORTING THE LOSS OF PERSONALLY IDENTIFIABLE INFORMATION

Date Issued: September 30, 2008
Report Number: 02-08-205-03-360

Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY...

Highlights of Report Number: 02-08-205-03-360,
to the Deputy Assistant Secretary for
Employment and Training

WHY READ THE REPORT

We conducted a performance audit of the Senior Community Service Employment Program (SCSEP) operated by National Able Network (Able) in response to a hotline complaint alleging that Able reported inflated performance results. During our audit, we found that Able had lost SCSEP records containing personally identifiable information (PII).

WHY OIG DID THE AUDIT

Our audit objective was to determine whether Able accurately reported placements in unsubsidized employment for the period July 1, 2005 through September 30, 2006.

READ THE FULL REPORT

To view the report, including the scope, methodology and agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2008/02-08-205-03-360.pdf>

SEPTEMBER 2008

ETA NEEDS TO ENSURE GRANTEES ARE AWARE OF THEIR RESPONSIBILITIES FOR REPORTING THE LOSS OF PERSONALLY IDENTIFIABLE INFORMATION

WHAT OIG FOUND

The allegation in the hotline complaint that Able reported inflated performance results was not substantiated. However, in retrieving documentation for the auditors, Able discovered that it could not locate SCSEP participant records containing personally identifiable information (PII) for 78 individuals served in California. We advised Able that it needed to alert ETA of this PII breach and seek guidance on how to appropriately respond. The Department of Labor's PII Breach Notification Policy requires appropriate and prompt notification to individuals in the event of a breach of PII commensurate with the risk of harm. ETA and Able officials then took appropriate action to notify the affected participants.

Nevertheless, we noted that ETA had not informed grantees of their responsibilities for reporting the loss of PII records. As a result, other grantees may fail to report incidents where security over PII was compromised to the appropriate authorities and affected individuals.

WHAT OIG RECOMMENDED

We recommended that the Deputy Assistant Secretary for Employment and Training:

1. Ensure that grantees are aware of their responsibilities for safeguarding PII records and for reporting incidents when PII security has been compromised.
2. Provide training to ETA staff on handling PII security incident reports from grantees.

In response to the draft report, the Deputy Assistant Secretary for Employment and Training agreed with the recommendations and has taken or plans to take actions to address the recommendations.

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Executive Summary

The Office of Inspector General, Office of Audit, conducted a performance audit of the Senior Community Service Employment Program (SCSEP) operated by the National Able Network, Inc. (Able) for the period July 1, 2005 through September 30, 2006. Under Employment and Training Administration (ETA) grant number AD-14143-04-60, Able received \$6.8 million to provide community service and work-based training program for older workers.

We conducted the audit in response to a hotline complaint alleging that Able reported inflated performance results. Our audit objective was to determine whether Able accurately reported placements in unsubsidized employment for the period July 1, 2005 through September 30, 2006.

The allegation in the hotline complaint was not substantiated. We found that Able accurately reported unsubsidized placements. However, in retrieving documentation for the auditors, Able discovered that it could not locate SCSEP participant records containing personally identifiable information (PII) for 78 individuals served in California between July 1, 2003 and September 30, 2006. We advised Able that it needed to alert ETA of this PII breach and seek guidance on how to appropriately respond. The Department of Labor's (DOL) PII Breach Notification Policy requires appropriate and prompt notification to individuals in the event of a breach of PII commensurate with the risk of harm. ETA and Able officials then took appropriate action to notify the affected participants. Nevertheless, we noted that ETA had not informed grantees of their responsibilities for reporting the loss of PII records. As a result, other grantees may fail to report incidents where security over PII was compromised to the appropriate authorities and affected individuals.

Prompt PII security reporting would allow ETA to more effectively fulfill its responsibilities under the Privacy Act of 1974¹ and Paperwork Reduction Act,² which require Federal agencies to establish safeguards ensuring the security and confidentiality of records they collect.

We recommend the Deputy Assistant Secretary for Employment and Training:

1. Ensure that grantees are aware of their responsibilities for safeguarding PII records and for reporting incidents when PII security has been compromised.
2. Provide training to ETA staff on handling PII security incident reports from grantees.

¹ Title 5, Chapter 5, Section 552a(e)(10) of the United States Code (U.S.C.), *Records Maintained on Individuals*

² 44 U.S.C. 3506(g), *Federal Agency Responsibilities*

ETA Response

In his response to the draft report, the Deputy Assistant Secretary for Employment and Training outlined actions that ETA has taken or will take to address the report's recommendations.

The Deputy Assistant Secretary's response is included in its entirety as Appendix D.

OIG Conclusion

Based on ETA's actions taken and planned, both recommendations are resolved and will be closed when we verify that corrective actions have been implemented.

U.S. Department of Labor

Office of Inspector General
Washington, DC 20210



September 30, 2008

Assistant Inspector General's Report

Mr. Brent Orrell
Deputy Assistant Secretary for Employment
and Training
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

The Office of Inspector General, Office of Audit, conducted a performance audit of the SCSEP operated by Able for the period July 1, 2005 through September 30, 2006. Under ETA grant number AD-14143-04-60, Able received \$6.8 million to provide community service and work-based training program for older workers. We conducted the audit in response to a hotline complaint alleging that Able reported inflated performance results.

Our audit objective was to determine whether Able accurately reported placements in unsubsidized employment for the period July 1, 2005 through September 30, 2006. For that period, Able reported that 181 participants were placed into unsubsidized employment.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards for performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective. Our objective, scope, methodology, and criteria are detailed in Appendix B.

Objective – Did Able Accurately Report Placements in Unsubsidized Employment for the Period July 1, 2005 through September 30, 2006?

Results and Findings – Reported placements were accurate, but follow-up on missing records disclosed that the grantee was not aware of its responsibilities for reporting the loss of PII.

The allegation in the hotline complaint was not substantiated. Based on confirmations and wage history documents, reported unsubsidized placements were accurate for the

period July 1, 2005 through September 30, 2006. Under its SCSEP grant, Able provided subsidized, part-time, community service work based training for low-income persons age 55 or older who had poor employment prospects. The goal of the program was to place participants into full- or part-time work for at least 30 days within a 90-day period without subsidies from any Federal or State employment program. For the audit period, Able's placement goal was 23 percent and it reported 31 percent of participants were placed in unsubsidized employment.

When retrieving documentation for the auditors, Able discovered that it could not locate records for 78 participants served in California between July 1, 2003, and September 30, 2006. SCSEP participant records contain PII that is used to establish eligibility for the program, including names, social security numbers, addresses, telephone numbers, medical histories, and financial resources.

The Department of Labor's (DOL) PII Breach Notification Policy, Part 2, issued by the Office of the Chief Information Officer in September 2007, states:

. . . DOL will ensure appropriate and prompt notification in the event of a breach of Protected PII commensurate with the risk of harm to the individual(s) and consistent with Federal and Departmental standards and requirements.

Part 1.3 of DOL's PII Breach Notification Policy, titled "Scope and Applicability" states:

The provision of this policy pertains to all DOL information in paper and electronic form. Agency senior management shall insure that information managed by or on behalf of the Department receive adequate security protections as required by Federal and Departmental policies and regulations. . . .

The auditors advised Able officials that they needed to alert ETA of this PII breach and seek guidance on how to appropriately respond. Able then promptly informed ETA and together with DOL information security officials, took appropriate action to notify the affected participants. Nevertheless, we noted that ETA had not informed grantees of their responsibilities for reporting the loss of PII records. As a result, other grantees may fail to report incidents where security over PII was compromised to the appropriate authorities, and consequently may fail to notify the affected individuals.

As of July 10, 2008, ETA had not instructed grantees to promptly notify agency officials when security over grantee-held PII was compromised. Furthermore, grantee officials and ETA grant monitors had not received training on their respective responsibilities for reporting incidents when security over grantee-held PII was compromised. To ensure that any future losses of PII records by grantees are appropriately handled, ETA needs to provide grantees with clear guidance on safeguarding PII and reporting incidents when PII security breaches occur. ETA also needs to provide training to grant monitors

and grantee officials regarding their responsibilities relating ensuring the security of PII records at grantees.

Prompt notification would also allow ETA to more effectively fulfill its responsibilities under the Privacy Act of 1974 and the Paperwork Reduction Act. The Privacy Act of 1974, 5 U.S.C. 552a(e)(10), *Records Maintained on Individuals*, requires agencies with respect to information collected on individuals to:

. . . establish appropriate administrative, technical and physical safeguards to insure the security and confidentiality of records and to protect against any anticipated threats or hazards to their security or integrity which could result in substantial harm, embarrassment, inconvenience, or unfairness to any individual on whom the information is maintained.

The Paperwork Reduction Act, 44 U.S.C. 3506(g), *Federal Agency Responsibilities*, requires agencies to:

. . . implement and enforce applicable policies, procedures, standards, and guidelines on privacy, confidentiality, security, disclosure and sharing of information collected or maintained by or for the agency . . .

Recommendations

We recommend the Deputy Assistant Secretary for Employment and Training:

1. Ensure that grantees are aware of their responsibilities for safeguarding PII records and for reporting incidents when PII security has been compromised.
2. Provide training to ETA staff on handling PII security incident reports from grantees.

ETA Response

In his response to the draft report, the Deputy Assistant Secretary for Employment and Training outlined actions that ETA has taken or will take to address the recommendations.

1. A Training and Employment Guidance Letter (TEGL) will be sent to grantees to communicate PII requirements. This TEGL is expected to be issued by December 31, 2008. Further, The Office of Workforce Investment's Older Worker Unit has notified SCSEP grantees of their obligation to immediately report any possible breach of PII, and national office staff were informed of this requirement and their responsibility to report the potential breach to the DOL Security Department. For 2009 grants, the Older Worker Unit will add an affirmation obligation to report potential breaches in PII to the list of legally-binding assurances that all grantees make before the grants are awarded.

2. On January 28, 2008, ETA posted a training presentation on “Use of Personally Owned Information Systems” which contained information on safeguarding PII data. On September 17, 2008, the DOL announced mandatory training for all DOL employees on “Safeguarding All PII.” These actions are expected to be fully implemented by December 5, 2008.

The agency's response is included in its entirety as Appendix D.

OIG Conclusion

Based on ETA's actions taken and planned, both recommendations are resolved and will be closed when we verify that the corrective actions were implemented.



Elliot P. Lewis

Appendices

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BACKGROUND

The Senior Community Service Employment Program (SCSEP) is a community service and employment training program for older workers. Authorized by the Older Americans Act of 1965, SCSEP provides subsidized, part-time community service work based training for low-income persons age 55 or older who have poor employment prospects. SCSEP has a network of service providers in states across the country, as well as the District of Columbia, Puerto Rico, the U.S. Virgin Islands and several U.S. territories. For PY 2005, Congress appropriated \$436,678,000 for SCSEP. ETA reported that 92,000 SCSEP participants were served, and 33 percent placed in unsubsidized employment in PY 2005.

National Able Network is a publicly and privately funded organization offering services from multiple locations across the U.S. Since 1977, Able has provided programs to individuals and businesses. Able serves over 40,000 job seekers and hundreds of employers annually. For PY 2005, Able reported serving 983 participants and placing 181 in unsubsidized employment.

On June 28, 2004, Able was awarded \$5.5 million under grant number AD-14143-04-60 to provide SCSEP services in California, Maine, Massachusetts, and Vermont during PY 2004. On June 27, 2005, the grant was extended to cover PY 2005 operations and was increased by \$5.4 million. On July 1, 2006, the grant was extended again through September 30, 2006 and increased by \$1.4 million, for total PY 2005 funding of \$6.8 million. Pursuant to grant competition for PY 2006, Able closed out operations in California and Vermont, and established operations in New Hampshire.

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OBJECTIVE, SCOPE, METHODOLOGY, AND CRITERIA

Objective

The audit objective was to determine whether Able accurately reported placements in unsubsidized employment for the period July 1, 2005 through September 30, 2006.

Scope

We conducted this audit in accordance with Generally Accepted Government Auditing Standards for performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective.

A performance audit includes an understanding of internal controls considered significant to the audit objectives and testing compliance with significant laws, regulations, and other compliance requirements. In order to plan our performance audit, we considered whether internal controls significant to the audit were properly designed and placed in operation. However, we did not assess overall internal controls.

The audit was limited to performance results. We did not seek to validate financial results, as the objectives did not include a review of reported financial data. Accordingly, we do not express any assurance that reported costs were allowable, allocable, and reasonable.

Fieldwork was conducted at Able's headquarters office located in Chicago, IL, and at ETA's SCSEP office in Washington, DC. For the period July 1, 2005 through September 30, 2006, Able reported 181 participants were placed into unsubsidized employment. We tested 100 percent of participant placements.

Methodology

In planning and performing our audit, we considered internal controls of Able's SCSEP grant by obtaining an understanding of the program's internal controls, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of achieving our objective. Therefore, we evaluated the internal controls that pertained to grant participants' employment outcomes.

Our consideration of internal controls would not necessarily disclose all matters that might be reportable conditions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and may not be detected.

We reviewed Able's grant agreement, grant modifications, and Federal Project Officer's monitoring report. We interviewed the complainant, ETA SCSEP officials, Able managers and staff. We conducted limited financial testing consisting of (1) reconciling Able's Federal Financial Status Report with general ledger transaction detail reports and the Single Audit report; and (2) tracing judgmentally selected payroll transactions to other supporting documents.

We obtained extracts of Able's reported performance data from ETA's SCSEP Performance and Results Quarterly Progress Report system. The data extracts were compared to performance data maintained by Able on its database. To test for data errors, we traced data for 54 Vermont placed participants to manual SCSEP records archived at Able's Chicago headquarters. There were no data errors that materially impacted reported performance. Data errors were primarily minor differences in dates, addresses, and contact phone numbers.

We obtained unemployment insurance wage histories from California, Maine, Massachusetts, and Vermont for all participants. For participants without wage histories or where the histories were inconsistent with reported placements, we used telephone contact with participants, and confirmation letters to participants and employers to verify placement. In total, we verified 93 percent of reported placements.

With regard to the missing PII records, we obtained an inventory of participant files from Able and verified its completeness and accuracy through comparison with participant database and physical records found at Able. We conducted additional interviews with Able and ETA managers regarding policies and responsibilities for safeguarding PII records. In attempts to either locate the records or determine when the records went missing, we received assistance from OIG investigators in conducting formal interviews of Able staff and managers, and following up on shipping records. We referred the loss of PII records to DOL information security officials for follow-up.

Criteria

We used the following criteria to perform this audit:

- Executed grant agreement, as modified (AD-14143-04-60)
- 42 U.S.C. 3056, Title V, Older American Community Service Employment Act
- 5 U.S.C. 552a, *Records Maintained on Individuals*, the Privacy Act
- 44 U.S.C. 3506, *Federal Agencies Responsibilities*, the Paperwork Reduction Act
- *DOL PII Breach Notification Policy*

ACRONYMS AND ABBREVIATIONS

Able	National Able Network
DOL	Department of Labor
ETA	Employment and Training Administration
OIG	Office of Inspector General
PII	Personal Identifying Information
SCSEP	Senior Community Service Employment Program
TEGL	Training and Employment Guidance Letter
U.S.C.	United States Code

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ETA RESPONSE TO DRAFT REPORT

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



SEP 30 2008

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General
For Audit

FROM: BRENT R. ORRELL *Brent R. Orrell*
Deputy Assistant Secretary for
Employment and Training

SUBJECT: ETA Needs to Ensure Grantees are Aware of Their
Responsibilities for Reporting the Loss of Personally
Identifiable Information (PII)
Draft Report No. 02-08-205-03-360

Thank you for the opportunity to review and respond to the subject draft report. The following outlines actions ETA has taken or will take in response to the two recommendations identified in the draft report:

1. OIG's Recommendation: Ensure that grantees are aware of their responsibilities for safeguarding PII records and for reporting incidents when PII security has been compromised.

ETA's Response: A Training and Employment Guidance Letter (TEGL) will be sent to grantees to communicate PII requirements. In addition, the Department of Labor's (DOL) PII Notification Policy and Plan will be attached to the TEGL to serve as a reference to the grantees. This TEGL is expected to be issued by December 31, 2008. Further, this subject will be included in all new grantee orientation training conferences.

Because this finding was discovered during the Office of Inspector General's audit of the Senior Community Service Employment Program (SCSEP) operated by the National Able Network, Inc., the Office of Workforce Investment's Older Worker Unit has immediately taken the following actions to address this finding:

- SCSEP grantees were informed on an all-grantee conference call on September 10, 2008, of their affirmative obligation to immediately report any possible breach of PII to the Older Worker National Office. A transcript of that portion of the all-grantee call is attached. There were 92 SCSEP grantees, sub-grantees and Federal Project Officers (FPOs) participating in the conference call.

- SCSEP FPOs and national office staff were informed of this requirement and their responsibility to report the potential breach to the DOL Security Department as part of a regional office/national office staff conference call on September 9, 2008.
- Complete notes of the all-grantee conference call, including the attached PII statement, will be e-mailed to all grantees and FPOs by September 26. Special note will be made of the PII responsibilities.
- For 2009 grants, the Older Worker Unit will add an affirmative obligation to report potential breaches in PII to the list of legally-binding assurances that all grantees make before grants are awarded. Grantees' obligation to protect PII is already a part of those assurances, but the obligation to report any possible breach has not previously been stipulated.

2. OIG's Recommendation: Provide training to ETA staff on handling PII security incident reports from grantees.

ETA's Response: On January 28, 2008, ETA posted a training presentation on "Use of Personally Owned Information Systems" which contained information on safeguarding PII data (training material attached). On September 17, 2008, the DOL announced mandatory training for all DOL employees on "Safeguarding All PII." All DOL personnel are required to complete the training which will be provided through LearningLink, the DOL's learning management system. ETA will ensure all its employees complete this training and will leverage it to address this recommendation. These actions are expected to be fully implemented by December 5, 2008.

If you have any questions concerning this response, please contact me (202) 693-3368.

Attachments