

U.S. Department of Labor

Office of Inspector General—Office of Audit



RECOVERY ACT: PERFORMANCE REPORTING CREATES CHALLENGES FOR THE DEPARTMENT OF LABOR

**Date: September 29, 2009
Report Number: 18-09-002-01-001**

BRIEFLY...

Highlights of Report Number: 18-09-002-01-001, Recovery Act: Performance Reporting Creates Challenges for the Department Of Labor, to the Senior Accountable Official for the American Recovery and Reinvestment Act of 2009.

WHY READ THE REPORT

The Recovery Act, signed into law on February 17, 2009, provided an estimated \$45 billion to the Department to increase employment and training opportunities, expand unemployment benefits, enforce worker protection laws, coordinate activities related to the infrastructure and unemployment insurance investments, and construct, rehabilitate, acquire, and operate Job Corps Centers.

The stated purposes of the Recovery Act are to 1) preserve and create jobs and promote economic recovery; 2) assist those most impacted by the recession; 3) provide investments needed to increase economic efficiency by spurring technological advances in science and health; 4) invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and 5) stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The Recovery Act will require agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how their tax dollars are being spent.

WHY OIG CONDUCTED THE AUDIT

The audit was to determine whether the Department implemented, or had plans to implement, Office of Management and Budget (OMB) performance reporting requirements under the Recovery Act.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to: <http://www.oig.dol.gov/publicreports/oa/2009/18-09-002-01-001.pdf>.

September 2009

RECOVERY ACT: PERFORMANCE REPORTING CREATES CHALLENGES FOR THE DEPARTMENT OF LABOR

WHAT OIG FOUND

Overall, the Department has implemented three of the five performance reporting areas required by OMB; however, some challenges remain. We identified three actions the Department needs to take to increase transparency and accountability: 1) ETA should report whether participants in the WIA Adult and Dislocated Worker programs were connected to “jobs in demand;” 2) the Department needs to develop and implement controls relating to recipient reporting; and 3) the Department needs to update its Program-specific Recovery Act Plans to fully reflect program-specific risks. These issues occurred because ETA limited Recovery Act performance reporting for the WIA programs to the existing common measures for job training; the Department had been waiting for more instructions from OMB concerning recipient data reporting; the Department prioritized its efforts to meet OMB deadlines; and OMB did not require submission of the Risk Management Plans or provide a deadline for their completion.

As a result, the Department had not planned to report if recipients are using Recovery Act funds as Congress intended; unreliable recipient data could be published that may mislead or confuse the public; and agencies may have developed ineffective performance measures that increase the Department’s risk of not meeting the accountability and transparency objectives of the Recovery Act.

WHAT OIG RECOMMENDED

We made four recommendations to the Senior Accountable Official for the American Recovery and Reinvestment Act to improve performance reporting.

The Senior Accountable Official for the American Recovery and Reinvestment Act agreed with the findings and has taken actions to address the findings and recommendations. However, it is not clear how the Department plans to report what industry-specific training and related job placements WIA Adult and Dislocated Worker program participants received.

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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



September 29, 2009

Assistant Inspector General's Report

Edward C. Hugler
Senior Accountable Official
for the American Recovery and Reinvestment Act of 2009
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, D.C. 20210

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act (Recovery Act), which appropriated \$44.9 billion to the Department of Labor. The Department's key roles in this recovery effort are to provide worker training and to ease the burden of the recession on workers and employers by extending unemployment benefits and assisting and educating them regarding expanded access to continued health benefits.

Both the President and Congress have emphasized the need for accountability, efficiency, and transparency in the allocation and expenditure of Recovery Act funds. Accordingly, the Office of Management and Budget (OMB) has issued guidance to Federal agencies requiring performance reporting in five areas — (1) Major Communications, such as news items and major press events; (2) Weekly Financial and Activity Reports, which include major actions taken and planned; (3) Agency-wide Recovery Act Plans, to identify how the Department will apply and manage Recovery Act funds; (4) Program-specific Recovery Act Plans, which include performance measures; and (5) Recipient reporting, for non-Federal recipients of Recovery Act funds.

The audit objective was to determine whether the Department implemented, or had plans to implement, OMB performance reporting requirements under the Recovery Act.

The audit covered the Department's practices, policies and procedures for reporting performance under the Recovery Act, as of June 25, 2009. We conducted interviews with management and staff from the Employment and Training Administration (ETA), Employee Benefits Security Administration (EBSA), Office of the Assistant Secretary for Administration and Management (OASAM), Office of Job Corps (OJC), and Occupational Safety and Health Administration (OSHA) to gain an understanding of the Department's process for reporting performance under the Recovery Act. We reviewed Recovery Act plans, assessments and reports related to risks, activities, milestones and progress toward achieving the Department's Recovery Act goals and targets.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Our objective, scope, methodology, and criteria are detailed in Appendix B.

RESULTS IN BRIEF

The Department is in the process of implementing the five required OMB performance reporting areas and has taken effective actions in three of these areas; however, we found some challenges remain. We identified three actions the Department needs to take to increase the transparency and accountability of its Recovery Act programs — 1) ETA should report whether participants in the WIA Adult and Dislocated Worker programs were connected to “jobs in demand;” 2) the Department needs to develop and implement controls relating to recipient reporting; and 3) the Department needs to update its Program-specific Recovery Act Plans to fully reflect program-specific risks.

These issues occurred because ETA limited Recovery Act performance reporting for the WIA programs to the existing common measures for job training; and the Department had been waiting for more detailed instructions from OMB concerning recipient data reporting. Finally, in light of the tight time frames for implementing the Recovery Act, the Department prioritized its efforts to meet OMB deadlines. OMB did not require submission of the Risk Management Plans or provide a deadline for their completion.

As a result, the Department does not plan to report if recipients are using Recovery Act funds as Congress intended; unreliable recipient data could be published that may mislead or confuse the public; and agencies may have developed ineffective performance measures that increase the Department’s risk of not meeting the accountability and transparency objectives of the Recovery Act.

As illustrated by the issues discussed above, the Department faces continued challenges in its efforts to ensure the Department’s use of, and benefits derived from, Recovery Act funds are transparent to the public. Recipient reporting controls and complete risk assessments should be in place to ensure that reporting of relevant program activities or pertinent issues are timely and accurate.

In response to the draft report, the Senior Accountable Official for the American Recovery and Reinvestment Act of 2009 agreed with the findings and has taken actions to address the findings and recommendations to ensure compliance with OMB requirements under the Recovery Act. However, it is not clear how the Department plans to report what industry-specific training and related job placements WIA Adult and Dislocated Worker program participants received. This information is needed to demonstrate the Department is achieving Recovery Act goals. The Department’s response is included in its entirety as Appendix D.

RESULTS AND FINDINGS

Objective — Has the Department implemented, or does it have plans to implement, OMB performance reporting requirements under the Recovery Act?

Overall, the Department has implemented three of the five performance reporting areas required by OMB under the Recovery Act; however, we found some challenges remain. We identified three actions the Department needs to take to increase the transparency and accountability of its Recovery Act programs — 1) ETA should report whether participants in the WIA Adult and Dislocated Worker programs were connected to “jobs in demand;” 2) the Department needs to develop and implement controls relating to recipient reporting; and 3) the Department needs to update its Program-specific Recovery Act Plans to fully reflect program-specific risks.

OMB Memorandum, dated April 3, 2009, required the Department to report the following pertaining to performance:

Table: OMB Recovery Act Reporting Requirements

OMB Reporting Area	OMB Reporting Requirements	Implemented
Major Communications	News items determined to be appropriate for posting on Recovery.gov , as well as major press events and videos produced for the implementation of the Recovery Act, must be cleared by the senior accountable official.	Yes
Weekly Financial and Activity Report	A weekly report that includes a short bulleted list of the major actions taken to date and major planned actions must be submitted to OMB for publication on Recovery.gov .	Yes
Agency-wide Recovery Act Plans	A formal documented plan for how the Recovery Act funds will be applied and managed must be developed and submitted to OMB no later than May 1, 2009, and finalized no later than May 15, 2009.	Yes
Program-specific Recovery Act Plans	Separate plans for each program funded by the Recovery Act must be developed and submitted to OMB no later than May 1, 2009, and finalized no later than May 15, 2009. These plans are required to include performance measures for each program consistent with agencies’ Risk Management Plans.	In Progress (Findings 1 & 3)
Recipient Reporting	Beginning October 10, 2009, non-Federal recipients of Recovery Act funds will be required to submit a quarterly report containing performance data such as the status of Recovery Act projects and estimates on the numbers of jobs created or retained by the projects.	In Progress (Finding 2)

Finding 1 – ETA should report whether participants in the WIA Adult and Dislocated Worker programs were connected to “jobs in demand.”

ETA does not plan to report or measure if recipients used Recovery Act funds to train and place participants in high-demand occupations or industries. OMB requires Federal agencies to develop Program-specific Recovery Act Plans that included measures for each program receiving Recovery Act funds. However, ETA limited WIA reporting under the Recovery Act to the existing common performance measures — entered employment rate, employment retention rate, and average earnings. Without linking training and employment to high-growth sectors, the Department cannot provide assurance it is achieving the purposes of the Recovery Act by reporting if participants were trained for and placed in high-growth sectors.

ETA Recovery Act Plans Cited Connecting Participants to “Jobs in Demand” as an Objective, but Contained No Related Measures

OMB guidance required Federal agencies to develop Program-specific Recovery Act Plans that included measures for each program receiving Recovery Act funds. These measures were defined as “expected quantifiable outcomes consistent with the intent and requirements of the legislation and the risk management requirements ... with each outcome supported by a corresponding quantifiable output(s).”

OMB approved ETA’s Program-specific Recovery Act Plans, including those for the WIA Adult and Dislocated Worker programs.¹ The purposes of both programs, as identified in their plans, include assisting individuals by “increasing work readiness, educational attainment, occupational skills, and connecting them to jobs in demand.” (Underscoring added.)

However, Section 6 of the Program-specific Recovery Act plans — Measures — did not include any “quantifiable” outcomes to show Recovery Act recipients connected participants in the WIA Adult and Dislocated Worker programs to “jobs in demand.” ETA used existing common performance measures — entered employment rate, employment retention rate, and average earnings — and added selected “Monthly Performance Report Indicators.” Among the indicators are the following:

- Number of participants served
- Number of individual training accounts
- Number of participants in training
 - Number in on-the-job training
 - Number in skill upgrading and retraining
 - Number in customized training

¹ Copies of the OMB-approved Recovery Act plans are available on the Internet at:

<http://www.dol.gov/recovery/plans.htm#prgm>

None of these measures provide information to show if Recovery Act recipients used additional WIA funds to train for and place participants in “jobs in demand” or jobs in growing industry sectors.

ETA Guidance to States Emphasized the Importance of High-Growth Industry Sectors

ETA issued guidance to the states which stressed the importance of developing and refining innovative service delivery strategies in the context of regional economies. ETA’s Training and Employment Guidance Letter (TEGL) 14-08 states that, “The One-Stop system’s success in implementing the Recovery Act will be gauged in part by the progress it achieves in using annual appropriations along with Recovery Act funds to help unemployed, underemployed, and dislocated workers find new, good jobs and to access and remain in the middle class; to help low-skill or low-income workers acquire 21st century skills, find family-supporting jobs in healthy industries....”

TEGL 14-08 required states to submit modified WIA plans to ETA by June 30, 2009. As part of the modified plan, each state was required to provide an analysis that included “current and anticipated impacts on employment by sector, current and projected demographics of the available labor pool including income levels as appropriate, and describe any skills gaps the state faces, based on the skills held by current and expected dislocated workers and the skills demanded by industries and occupations expected to grow through economic recovery.”

ETA’s plan for performance reporting under the Recovery Act has no provisions to report if WIA participants received training and obtained employment in these high-demand sectors. Without this information, ETA will be unable gauge the One-Stop system’s success in implementing the Recovery Act.

ETA Does Not Report On High-Demand Occupational Training or Employment

ETA limited Recovery Act performance reporting for the WIA Adult and Dislocated Worker programs to the existing WIA common measures for job training — entered employment, job retention, and average earnings. ETA’s standardized WIA reporting system does not report on high-demand occupational training provided or the resulting employment within the related sectors or industry-specific areas. Without this information, the Department cannot provide assurance recipients used Recovery Act funds to train and place participants in high-growth industries or high-demand occupations.

The Recovery Act requires Federal agencies to use Recovery Act funds to achieve the purposes of the Act. The purposes of the Act include the following:

- (1) To preserve and create jobs and promote economic recovery.
- (2) To assist those most impacted by the recession.
- (3) To provide investments needed to increase economic efficiency by spurring technological advances in science and

health.

- (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.

While additional Recovery Act resources to the Department included WIA funds, which by law must be used to train participants for high demand occupations, Congress added another layer of accountability — to achieve the purposes of the Recovery Act. Without reporting participants trained for and placed in high-growth sectors, the Department cannot provide assurance it is achieving the purposes of the Recovery Act.

ETA Does Not Plan to Track Occupation of Training and Employment to Sector

ETA officials said the agency does not intend to track the occupations in which individuals were trained and placed to industries and occupations in demand. ETA is depending on local Workforce Investment Boards to make sure participants are receiving occupational skill training relevant to local and regional employers, and placed in training-related jobs.

TEGL 24-08 required state workforce agencies to continue using the Workforce Investment Act Standardized Record Data (WIASRD) to report monthly on the number of participants served, including those who receive training services. The current WIASRD individual record includes fields for the recipient to report occupation of training and employment, using an eight-digit O*Net code.² Each O*Net code can be linked to related sectors or industry clusters like construction, energy, and health care.

However, ETA currently only aggregates data on occupation of training and employment in the annual WIA Summary Report which shows the number and percent of participants trained in one of the following five general categories:

1. Managerial, Professional, and Technical
2. Service Occupations
3. Sales and Clerical
4. Farming, Fishing, Forestry, Construction and Extraction
5. Installation, Maintenance, Repair, Production, Transportation, and Material Moving

This limited level of reporting in WIASRD is not adequate for showing how the Department is achieving its goals for the Recovery Act because these categories do not show if participants were trained and placed in a high-demand occupation or high-growth industry. Additional reporting on industry-specific training and employment can increase transparency and accountability for the Department and show that recipients are using Recovery Act funds as Congress intended.

² O*Net is an online occupational information database containing more than 1100 occupational titles and 17 in-demand industry clusters, developed under the sponsorship of an ETA grant.

In response to this audit, the Department stated ETA will prepare a report of quantitative information of the type of occupational training provided with Recovery Act funds for the WIA Adult and Dislocated Worker programs, but it is not clear how that report will differ from the general occupational training currently reported. The Department needs to clarify how it plans to report what industry-specific training and related job placements WIA Adult and Dislocated Worker participants received. This data is needed to demonstrate the Department is achieving the goals of the Recovery Act.

Finding 2 – The Department needs to develop and implement controls relating to recipient reporting.

The Department needs to develop policies and procedures to perform data quality reviews on quarterly recipient reports. These reports are required by Section 1512 of the Recovery Act and will be published on Recovery.gov beginning October 2009. OMB issued guidance on April 3, 2009, requiring agencies to “initiate oversight mechanisms for quality, completeness and timeliness of data submissions.” The Department had not developed such policies because it had been waiting for more detailed instructions from OMB concerning recipient reporting. OMB issued this guidance on June 22, 2009. If the Department does not develop and implement controls to address recipient reporting, this could result in unreliable recipient data being published that may mislead or confuse the public.

Section 1512 of the Recovery Act, also known as the “Jobs Accountability Act,” requires that recipients of Recovery Act funds submit quarterly reports regarding the use of those funds, as well as their impact on the Recovery Act’s goal of creating or preserving jobs. In an effort to provide an unprecedented level of transparency and accountability, these reports will be made available to the public on the Recovery.gov website.

A recipient is defined as any entity, other than an individual, including States that receives recovery funds directly from the Federal government through contracts, grants, loans or agreements. Recipients are also responsible for reporting detailed information on any subcontracts or subgrants awarded with recovery funds.

OMB’s Implementing Guidance, issued April 3, 2009, required the first of these quarterly recipient reports be submitted by October 10, 2009. It also required Federal agencies “initiate oversight mechanisms for quality, completeness, and timeliness of data submissions.” However, the guidance did not include detailed reporting instructions but stated this information would be made available no less than 45 days prior to the reporting deadline.

OMB finally issued guidance on June 22, 2009, to clarify the recipient reporting process. This guidance also required Federal agencies to perform data quality reviews on recipient data.

The data quality reviews required by OMB emphasize the avoidance of material omissions and significant reporting errors. Material omissions result in significant risk

that the public is not fully informed as to the status of a Recovery Act project. Significant reporting errors result in significant risk that the public will be misled or confused by the reported data.

Recipients are required to submit their reports using a centralized web portal at FederalReporting.gov within ten days of the end of the quarter. The Federal agency review period starts the 22nd day following the end of the quarter. Federal agencies' data quality reviews and recipient data corrections must both be completed by the 29th day following the end of the quarter. No later than 30 days after the end of the quarter, the recipient reports will be made available to the public on the Recovery.gov website.

Due to the Department's lack of a specific methodology for conducting data quality reviews on recipient reports, there is an increased risk that the recipient data reported on Recovery.gov may mislead or confuse the public. ETA is a significantly high-risk agency because it expects to award hundreds of grants to recipients using Recovery Act funds but the Department will only have a short amount of time to complete its data quality reviews. On July 24, 2009, ETA submitted a Risk Management Plan specifically for Section 1512 recipient reporting which identified review and reporting risks; however, ETA's mitigation strategies have not yet been implemented.

In response to this audit, the Department has issued guidance to establish and implement controls related to Section 1512 recipient reporting.

Finding 3 – The Department needs to update its Program-specific Recovery Act Plans to fully reflect program-specific risks.

The Department could not demonstrate that the performance measures included in its Program-specific Recovery Act Plans were developed with full consideration of program-specific risks. OMB required that these plans include performance measures consistent with agency Risk Management Plans. However, four of seven agencies submitted their Program-specific Recovery Act plans prior to completing their Risk Management Plans. This occurred because, in light of the tight time frames for implementing the Recovery Act, the Department prioritized its efforts to meet OMB deadlines. OMB did not require submission of the Risk Management Plans or provide a deadline for their completion. In response to our audit, ETA is in the process of developing Risk Management Plans for its 14 programs, which accounted for \$44.5 billion of The Department's \$44.9 billion in Recovery Act funds. In addition, OJC has updated its Risk Management Plan to include program-specific risks related to performance.

The Department needs to continue its commitment to complete and correct its Risk Management Plans. Without full consideration of program-specific risks, agencies may have developed ineffective performance measures that increase the Department's risk of not meeting the accountability and transparency objectives of the Recovery Act. The Department's overall risk mitigation plan may also be ineffective because it is dependent on the program-specific Risk Management Plans.

OMB Memorandum dated April 3, 2009, Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009, Section 2.8, requires each Program-specific Recovery Act Plan to include measures that are “expected quantifiable outcomes consistent with the intent and requirements of the legislation and [OMB’s] risk management requirements.”

In addition, the Department will be required to report on their risk management efforts to OMB. The Department’s risk assessments, mitigation plans, and reporting for risks will initially be for internal Department use and include details for achieving recovery program goals.

OMB approved Program-specific Recovery Act Plans did not identify and address program-specific risks

OMB required the Department to develop a formal plan for how Recovery Act funds will be applied and managed. This Agency-wide Recovery Act Plan describes both broad Recovery Act goals and how different parts of the agency are coordinating efforts toward successful implementation and monitoring. In addition, OMB required the Department to develop Program-specific Recovery Act Plans for each program funded by the Recovery Act to summarize the Recovery Act projects and planned activities.

All final Recovery Act Plans were submitted to OMB by the due date on May 15, 2009, and subsequently approved by OMB. However, the final Recovery Act Plans may not have included Risk Management Plan details as required by OMB.

On April 14, 2009, OASAM’s Center for Program Planning and Results (CPPR) advised all agencies to prepare the Risk Management Plans and asked agencies to provide feedback to the risk plan template that was sent on April 8, 2009. The template provided detailed information needed in the Risk Management Plan. ETA officials acknowledged that the agency did not prepare the Program-specific Recovery Act Plans in conjunction with the Risk Management Plans. According to ETA officials, ETA had received a risk plan template and copies of the risk plans other agencies submitted. Nevertheless, ETA failed to follow CPPR guidance to prepare the risk assessment plans. As a result, the performance measures in the OMB-approved Recovery Act plans for ETA may not fully address program-specific risks essential to the success of ETA’s Recovery Act funded programs.

On July 24, 2009, subsequent to our fieldwork, ETA submitted to CPPR updated Risk Management Plans that included program-specific recovery risks and mitigation strategies. According to an ETA official, the plans may need to be further updated to incorporate risks identified as part of the State Readiness consultations.

The Department depends on program-specific Risk Management Plans in its overall risk mitigation

Consistent with sound program management principles, OMB requires each Department receiving recovery funds to develop formal plans for how the recovery funds will be applied and managed. The Department's Agency-wide Recovery Act Plan should describe both broad Recovery Act goals and how different parts of the Department are coordinating efforts toward successful implementation and monitoring. The Department must describe processes in place for senior managers to regularly review the progress and performance of major programs, including identifying areas of risk and completing corrective actions.

An essential part of the Department's Agency-wide Recovery Act Plan under description of Department accountability mechanisms is risk mitigation. According to this plan, the Department will use Risk Management Plans as a baseline to regularly review performance. Specifically, it states:

Accountability for risk mitigation will be maintained through the careful monitoring of agency risk management performance measures and mitigation strategy triggers. Using Risk Management Plans as a baseline, senior [Department] leadership will regularly review findings and results from performance reviews, with emphasis placed on programs with highest risk.

Since ETA had not completed the Risk Management Plans for its 14 programs, which accounted for \$44.5 billion of the Department's \$44.9 billion in Recovery Act funds, and the Department relies heavily on the Risk Management Plans in its risk mitigation process, the Department's role to mitigate risks may be compromised.

In response to this audit, the Senior Accountable Official stated the Department will ensure that all final Recovery Act risk plans include program-specific risks.

Recommendations

We recommend that the Senior Accountable Official for the American Recovery and Reinvestment Act of 2009:

1. Report quantitative information on the number and percent of participants who receive selected industry-specific training and employment under the WIA Adult and Dislocated Worker programs. The information should reflect high-growth industries or high-demand occupations.
2. Ensure that internal controls and procedures have been established and implemented for conducting data quality reviews of recipient reporting in advance of the October 2009 statutory reporting deadline.

3. Ensure all agencies submit final Risk Management Plans that include program-specific risks.
4. Update the Department's Program-specific Recovery Act Plans to reflect risks identified in the final Risk Management Plans, and coordinate any changes made to the Program-specific Recovery Act Plans with OMB.



Elliot P. Lewis
Assistant Inspector General for Audit

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Appendices

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Appendix A

Background

The Recovery Act, signed into law on February 17, 2009, provided an estimated \$45 billion to the Department to increase employment and training opportunities, expand unemployment benefits, enforce worker protection laws, coordinate activities related to the infrastructure and unemployment insurance investments, and construct, rehabilitate, acquire, and operate Job Corps Centers.

The stated purposes of the Recovery Act are to:

- preserve and create jobs and promote economic recovery;
- assist those most impacted by the recession;
- provide investments needed to increase economic efficiency by spurring technological advances in science and health;
- invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and
- stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The Recovery Act will require agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how their tax dollars are being spent. To assist federal agencies with carrying out programs and activities enacted in the Recovery Act, OMB issued the following guidance:

- M-09-10 Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009, dated February 18, 2009;
- M-09-15 Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009, dated April 3, 2009; and
- M-09-21, Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009, dated June 22, 2009.

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Appendix B**Objective, Scope, Methodology, and Criteria**

OBJECTIVE

We conducted an audit to determine whether the Department implemented, or had plans to implement, OMB performance reporting requirements under the Recovery Act.

SCOPE

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We audited Department Recovery Act practices, policies, and procedures through June 25, 2009. We audited the Department for compliance with the Act and OMB guidance, specific to performance reporting. Fieldwork was conducted at Department Headquarters located in Washington, D.C. We did not test controls or financial activity. The audit scope did not include \$6 million received by the Office of Inspector General.

METHODOLOGY

We reviewed the Department's plans to carry out its Recovery Act activities. Specifically, we focused our attention on ETA, OSHA, EBSA and OJC because they have the most impact on the Recovery Act initiative to assist those most affected by the recession. ETA received the largest amounts of Recovery Act funds to increase employment and training opportunities and expand unemployment benefits. OSHA will protect workers' safety and health at projects funded under the Recovery Act through targeted enforcement. EBSA will assist with the Recovery Act Consolidated Omnibus Budget Reconciliation Act's (COBRA) premium assistance provisions that expand COBRA eligibility and provide eligible individuals with a 65 percent reduction of their COBRA premiums for up to 9 months. OJC will create jobs and stimulate economic activity across the nation through construction and rehabilitation of Job Corps centers. These 4 agencies account for 17 of the Department's 22 Recovery Act programs, and approximately \$44.8 billion out of \$44.9 billion.

We met with officials from ETA, OSHA, EBSA, OJC, and OASAM. Our activities focused on reviewing the Department and programs' Recovery Act Plans, Risk Management Plans, and determining what systems the agencies had in place to track and report program performance under the Recovery Act.

We relied on interviews with agencies and reviewed the Department's policies and procedures. We assessed the design and implementation of internal controls but did not

test their effectiveness. Furthermore, financial reporting was performed as a separate assignment.

CRITERIA

We used the following to perform this audit:

- OMB Guidance M-09-10 *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, February 18, 2009.
- OMB Guidance M-09-15 *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, April 3, 2009.
- OMB Guidance M-09-21 *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, June 22, 2009.
- The American Recovery and Reinvestment Act, February 17, 2009.

Appendix C

Acronyms and Abbreviations

COBRA	Consolidated Omnibus Budget Reconciliation Act
CPPR	Center for Program Planning and Results
Department	Department of Labor
EBSA	Employee Benefits Security Administration
ETA	Employment and Training Administration
OJC	Office of Job Corps
O*NET	Occupational Information Network
OMB	Office of Management and Budget
OSHA	Occupational Safety and Health Administration
OASAM	Office of the Assistant Secretary for Administration and Management
Recovery Act	American Recovery and Reinvestment Act of 2009
TEGL	Training and Employment Guidance Letter
WIA	Workforce Investment Act
WIASRD	Workforce Investment Act Standardized Record Data

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Appendix D

Department's Response to Draft Report

U.S. Department of Labor

Office of the Assistant Secretary
for Administration and Management
Washington, D.C. 20210

SEP 25 2009

MEMORANDUM FOR ELLIOT P. LEWIS

Assistant Inspector General

FROM:

EDWARD C. HUGLER

Deputy Assistant Secretary for Operations

SUBJECT:

Recovery Act Draft Report: *Performance Reporting Creates Challenges for the Department of Labor* (18-09-002-01-001)

As the Department's Senior Accountable Official for implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act), this responds to the Office of Inspector General (OIG) September 11, 2009, draft audit report of the Department's performance reporting under the Recovery Act.

As noted in the draft report, the unprecedented level of transparency and accountability required by the Recovery Act and the implementing guidance issued by the Office of Management and Budget (OMB) has created challenging new performance reporting requirements. As also acknowledged in the draft report, the Department was properly prepared to respond to the performance reporting requirements. As further delineated below, since the OIG completed its audit work on June 25, 2009, the Department has continued to effectively implement the Recovery Act performance reporting requirements and OMB guidance.

We concur with the recommendations in the draft report and respond to each as follows:

Recommendation 1

Report quantitative information on the number and percent of participants who receive selected industry-specific training and employment under the WIA Adult and Dislocated Worker programs. The information should reflect high-growth industries or high-demand occupations.

We appreciate the OIG's recognition of the importance of reporting on the public workforce system's role in connecting job seekers to occupations in demand through Recovery Act-funded Workforce Investment Act (WIA) programs. In addition, it is important to acknowledge that the Recovery Act provided additional funds to support job training under the WIA Adult and Dislocated Worker programs. The WIA statute requires that "[t]raining services provided...be directly linked to occupations that are in demand in the local area, or in another area to which an adult or dislocated worker receiving such services is willing to relocate..." (WIA 134(d)(G)(iii), emphasis added). It is important to also note that there is no provision in the WIA or the Recovery Act that requires training for Adults and Dislocated Workers be in industry sector or high demand occupations.

In response to this recommendation, the Employment and Training Administration (ETA) will

prepare a report of quantitative information of the type of occupational training provided with Recovery Act funds for the WIA Adult and Dislocated Worker programs. The report will be completed in the fourth quarter of Fiscal Year 2010, and will include the number and percent of participants by occupation of training. This report will be updated during the third quarter of FY 2011 to include the number who entered employment and the rate. Given the emphasis on longer-term training, coupled with existing performance reporting policies, the first outcomes of Recovery Act-funded participants will be available in 2011.

Recommendation 2

Ensure that internal controls and procedures have been established and implemented for conducting data quality reviews of recipient reporting in advance of the October 2009 statutory reporting deadline.

Since the OIG completed its audit work on June 25, 2009, the Department issued guidance to establish and implement the internal controls necessary to meet the requirements of the June 22, 2009, OMB Recovery Act recipient reporting guidance. The Department issued specific ARRA Contract Recipient Reporting guidance to the Department's ARRA acquisition community on August 27, 2009, September 9, 2009, September 18, 2009, and September 21, 2009. As required in Section 1512 of the Recovery Act and the Federal Acquisition Regulation, the Department's recipient reporting guidance was provided to contracting officers, contracting officer technical representatives, and appropriate members of our management team detailing responsibilities, procedures, and associated timelines. In addition, on August 14, 2009, ETA issued Training and Employment Guidance Letter (TEGL) No. 1-09, *Reporting Requirements under Section 1512 of the American Recovery and Reinvestment Act of 2009* – which details how training grant recipients are to abide by the requirements of both Section 1512 of the Recovery Act and the June 22 OMB guidance.

We consider this recommendation ready to be closed.

Recommendations 3 and 4

Ensure all agencies submit final Risk Management Plans that include program-specific risks.

Update the Department's Program-specific Recovery Act Plans to reflect risks identified in the final Risk Management Plans, and coordinate any changes made to the Program-specific Recovery Act Plans with OMB.

In response to these two recommendations, the Department will ensure that all final Recovery Act risk plans include program-specific risks. The Department will also ensure that the measures included in the program-specific Recovery Act plans are consistent with the risk management requirements of Section 3 of the April 3, 2009, Recovery Act updated implementing guidance. Any resulting changes to program-specific Recovery Act plans will be coordinated with OMB.

The Department uses the risk management plans to inform its analyses of the findings and results from the agencies' quarterly Budget and Performance Management Reviews – as required in the OMB April 3, 2009 guidance. These reviews identify and describe any risks triggered in the reporting quarter, the date the risk was identified, and the actions taken by the agency to address the risk or the current status. The reviews also include the agencies' progress toward achieving the milestones listed in their program-specific Recovery Act plans.

Thank you for the time you and your staff invested on this performance audit – and we look forward to working with you to close the recommendations.

cc: T. Michael Kerr, Assistant Secretary for Administration and Management
Jane Oates, Assistant Secretary for Employment and Training

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