

ETA's Response to Draft Report

U.S. Department of Labor

Assistant Secretary for  
Employment and Training  
Washington, D.C. 20210



SEP 28 2012

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

FROM: JANE OATES *Jane Oates*  
Assistant Secretary of Labor  
Employment and Training Administration

SUBJECT: Audit of ETA Discretionary Grants  
Draft Report No. 02-12-203-03-390

Thank you for the opportunity to comment on your final draft report on the Employment and Training Administration's (ETA) closeout of discretionary grants. We appreciate that the Office of the Inspector General (OIG) incorporated several of ETA's suggested changes to prior drafts of the report, but remain concerned that the report reflects a negative and less than accurate analysis of ETA's grant performance and associated expenditure of grant dollars.

The OIG report concludes that, "Overall, ETA complied with Federal and agency administrative guidelines such as timeliness and financial reconciliations at closeout." However, the title of the report does not reflect that critical finding, giving the public an inaccurate "headline" impression of our grants management work. We ask that the OIG make an appropriate change to the title of the report so that a more accurate tone is reflected.

Of primary concern with regard to the substance of the report is the OIG's determination to describe the overall success of the discretionary grant program by limiting the definition of "success" in grant implementation to the number of grants and dollars that met *all* of their individual goals. Based on this narrow definition of successful implementation, the report states "[b]ased on our sample results, we projected that at least 208 of the total 560 discretionary grants did not meet all of their goals, representing over \$229 million in grant awards." A projection requiring 100% goal attainment of each goal as the measurement benchmark and completely discounting the impact of all goals that were partially met (e.g. 95%, 90%, 85%, etc.) does not accurately reflect overall programmatic performance and effective expenditure of grant funds. Further, by referring to "\$229 million in grant awards" the OIG report incorrectly assumes that all 208 ETA discretionary grants expended all their grant funds. This incorrect assumption makes this statement inaccurate, as well as misleading. Given these significant concerns we ask that the OIG remove this statement from the report, and more accurately reflect the overall percentage of goal attainment and amount of funds actually expended for those grants that did not meet all performance goals.

**Technical Comments**

- We cannot replicate the point estimates of 2.97% of Non-Personnel Service (NPS) transactions with errors and 3.13% of Administrative Staff and Technical (AS&T) transactions with errors. Also it is not clear how the estimated number of transactions with errors in the universe or how the estimated amounts in error (financial impact) were calculated. We recommend including an appendix showing all the calculations and the information supporting all the calculations.
- Footnote 5 on page 3 explains that the IG omitted “Other Operational Costs” because no exceptions were found. This approach definitely skews the states’ performance and affects any weighted rate estimates thereby unnecessarily painting a more negative picture.
- No explanation was provided as to why the average amounts of the questioned costs are so much higher than the average amounts of the financial items they sampled. For example, in Exhibit 1, the NPS universe size is given as 975, and the footnote states that the NPS universe included \$5,667,389. This is an average of \$5,813 per item. However, the OIG identified 4 transactions with errors totaling \$108,676.97 (Exhibit 2), an average of \$27,169.
- On tables 2 and 3 (pages 7 and 9) there are asterisks at the top of the columns indicating that certain types of performance goals were required in CBJT and HGJTI SGAs – began training, completed training, etc. The SGAs that funded these grants did not *require* performance goals in these categories. ETA asks that these asterisks and the accompanying footnote be removed. Consequently, most grantees did not establish performance goals for retention. ETA also asks that this column be deleted from the tables.
- In reviewing the CBJT and HGJTI grant results, ETA determined that a number of grantee-specific results in the OIG’s report do not match the results that ETA provided to the OIG for these grants. ETA has noted these discrepancies in the attachment to this draft response, by creating a column called “OIG report” and shading rows in that column in yellow where discrepancies exist. For those areas where it identified discrepancies, ETA asks the OIG to review and consider updating its data. There are a few areas that ETA calls particular attention to:
  - The Junior College District of Kansas City-MO: Not clear where deliverables 15 - 20 in the OIG report came from
  - Midlands Technical College: It is not clear where deliverables 9 – 17 in the OIG report came from
  - Rochester Institute of Technology: OIG’s data source is not clear

Please refer to the attachment provided for a detailed breakout of variances by grantee.

Thank you again for the opportunity to provide these comments.