

U.S. Department of Labor

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



SEP 30 2016

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

FROM: PORTIA WU *Portia Wu*
Assistant Secretary

SUBJECT: Response to the Draft Interim Report on the Office of Inspector
General's (OIG's) Audit of Experience Works' Senior Community
Service Employment Program (SCSEP) Grant - Draft Interim Report
No. 26-16-001-03-360

Thank you for the opportunity to respond to the draft interim report cited above. The Employment and Training Administration (ETA) is committed to carefully following the established standard operating procedures for the review and selection of all grant awards to ensure fair and open competitions. ETA appreciates the acknowledgement on page 2 of the report that incorporates our feedback that competitive grant awards are often decided by as little as one point, or a fraction thereof, and that the loss of even a few points can be the difference between an applicant receiving or not receiving an award.

ETA's response to each of the recommendations in the draft interim report is as follows:

OIG Recommendation #1: Specifically consider the issues identified in ETA's monitoring report and the current status of Experience Works' financial stability when assessing the risks involved in any Experience Works' grant proposal, or proposals from any prime grantee who may make a subaward to Experience Works.

ETA Response: ETA understands the OIG's underlying concern that has led to the OIG making a recommendation that addresses three distinct issues: (1) ETA's Experience Works monitoring report; (2) Experience Works' financial stability; and (3) applicants/grantees that may make sub awards to Experience Works.

With regard to the first issue, ETA understands the seriousness of some of the issues contained in the monitoring report and shares the OIG concerns. Nonetheless, it is premature for ETA to consider the specific items identified in ETA's monitoring report when assessing the risks involved in Experience Works' grant application prior to a final resolution under applicable rules. ETA is currently following its established collaborative resolution process outlined in 2 CFR 2900.20 to resolve the findings and issues identified in ETA's monitoring report. Per 2 CFR 2900.20(a), "...The process of audit resolution includes at a minimum an initial determination, an informal resolution period, and a final determination." At this time, ETA is moving forward with the resolution process, but a final determination has not been issued to document the conclusions of the resolution process and the required corrective actions. 2 CFR 2900.5 indicates that "In the DOL, audits and monitoring reports containing findings, issues of

non-compliance or questioned costs are in addition to reports and findings from audits...” Thus, any findings or compliance issues contained in the final determination on the monitoring report would be considered in any evaluation of risk ETA conducts, per 2 CFR 200.205(c), on Experience Works post the issuance of the final determination.

It is unlikely that the resolution process will be concluded prior to ETA’s award selections under the current SCSEP grant competition, but any findings present in the final determination can be considered in future funding decisions even if Experience Works receives an award in the current competition based on technical merit. Even though a grant competition for SCSEP is only performed every four years, the allocations that grantees receive under SCSEP awards are appropriated annually and allocated each Fiscal Year, thus any grantee findings, issues of non-compliance, and questioned costs can impact the size of future allocations under their award.

With respect to the second issue, ETA will consider the current status of Experience Works’ financial stability when assessing the risk involved in Experience Works’ application for an award under the current SCSEP grant competition. ETA already considers the financial stability of every applicant prior to making a Federal award. Specifically, as required by 2 CFR 200.205, ETA has a standard pre-award risk review process in place that evaluates the financial stability of all applicants. For SCSEP competitions, ETA also performs the SCSEP responsibility review for all applicants, as required under the Older Americans Act (OAA) Sec. 514(d).

Regarding the third issue, ETA appreciates the intent behind considering the issues identified in ETA’s monitoring report and the current status of Experience Works’ financial stability when assessing the risks involved with any prime grantee that may make a sub award to Experience Works. Nonetheless, ETA does not view this particular recommendation as feasible because, in many instances, applicants’ subrecipients are not identified or known at the time of application. However, 2 CFR 200.331(b) assigns this responsibility to the recipient: all pass-through entities must evaluate each subrecipient’s risk, prior experience with similar sub awards, and the results of previous audits. Thus, the prime grantee is ultimately responsible for evaluating their subrecipient’s risk, not ETA. We note that Experience Works has made the monitoring report publicly available on its website, which prime grantees can use to facilitate their evaluation.

Finally, ETA notes that in the event of an award to Experience Works, or any other grantee where there may be some concerns regarding their performance or compliance, ETA as the grantor, has other methods it can avail itself of to mitigate risk, other than not making an award. ETA can require more frequent reporting; provide higher levels of technical assistance and monitoring; and put the grantee on restricted drawdowns and require documentation for the release of funds. These are steps ETA has already taken with Experience Works on its current grant.

OIG Recommendation #2: Ensure future grant solicitations’ award criteria provide for appropriate assessment of financial stability, quality of management systems, and history of performance.

ETA Response: ETA notes that current award criteria for ETA grant solicitations already provide for the appropriate assessment of financial stability, quality of management systems, and history of performance. The concerns noted in the OIG draft interim report focused on the fact

that the SCSEP "...solicitation allocated 6 points for 'Financial stability and ability to adjust to changes in funding', and 5 points for 'Reporting and audits'." The draft interim report also stated that "...even if an applicant received no points in either of these areas, it could still score a 94 or 95."

SCSEP and other ETA discretionary funding opportunities are usually very close competitions and the allocation of a full 11 points for those two evaluation criteria is truly significant. Ultimately, if an applicant loses even a few of those 11 points, it could be the difference between the applicant receiving or not receiving an award. In fact, grant award competitions are often determined by as little as one point, or a fraction thereof. As such, ETA maintains that the points currently assigned for financial stability, quality of management systems, and history of performance evaluation criteria in ETA's Funding Opportunity Announcements already ensure effective evaluation of all applications. Additionally, the SCSEP program is complex and requires grantees to assume a large number of intricate responsibilities. Weighing the factors above too heavily in favor of risk avoidance could skew the evaluation criteria to the point where it no longer effectively measures whether a grantee is otherwise capable of administering the SCSEP program.

Again, we appreciate the opportunity to respond to your draft interim report. If you have questions, please contact Laura P. Watson, Administrator, Office of Grants Management, at (202) 693-3333.