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Office of Inspector General—Office of Audit

**REPORT TO THE EMPLOYMENT
AND TRAINING ADMINISTRATION**



**COVID-19: THE EMPLOYMENT AND
TRAINING ADMINISTRATION NEEDS
TO IMPROVE OVERSIGHT OF GRANTS
AWARDED IN NEW JERSEY**

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BRIEFLY...

COVID-19: THE EMPLOYMENT AND TRAINING ADMINISTRATION NEEDS TO IMPROVE GRANT OVERSIGHT IN NEW JERSEY

September 28, 2023

WHY OIG CONDUCTED THE AUDIT

The Employment and Training Administration (ETA) awards grants to states, local governments, and other entities to provide opportunities to individuals with significant barriers to employment to enter into high-quality jobs and careers, as well as to help employers hire and retain skilled workers.

From October 2018 through September 2021, ETA awarded 2,093 grants, totaling approximately \$16 billion, to grantees in all 50 states, the District of Columbia, and the U.S. territories. During this time, the COVID-19 pandemic created many challenges for ETA job training programs across the nation, such as stay-at-home orders, which impacted its ability to provide services to the public. We focused our audit efforts on grant recipients and sub-recipients located in the state of New Jersey.

WHAT OIG DID

We conducted this performance audit to answer the following question regarding employment and training grant funds awarded within New Jersey:

Did ETA grantees and sub-recipients utilize grant funds for the intended purposes during the COVID-19 pandemic?

To answer this question, we analyzed ETA and grant recipient data; reviewed ETA guidance, policies and procedures; and interviewed personnel from ETA as well as the grantees and sub-recipients.

WHAT OIG FOUND

We found ETA grantees in New Jersey received statutory and discretionary grant funds to provide training and supportive services; however, ETA did not ensure grantees and sub-recipients utilized grant funds for the intended purposes during the COVID-19 pandemic.

Specifically, ETA did not ensure recipients effectively: (1) used over \$100 million to serve the intended population; (2) enrolled eligible individuals in the grant programs, costing \$96,580 in training services; and (3) complied with federal requirements when paying for \$168,460 in services. In addition, Workforce Innovation and Opportunity Act formula grant sub-recipients did not have a system in place to account for the \$6.9 million in grant funding, to include how it was spent. Therefore, we questioned this entire award amount.

Given these grant funds did not serve their intended purpose, potential eligible job seekers were not provided the services to succeed in the labor market and potential employers were not matched with the skilled workers needed before, during, and subsequent to the COVID-19 pandemic.

WHAT OIG RECOMMENDED

We made seven recommendations to ETA to resolve questioned costs and unspent funds, update guidance to better identify and account for risks associated with grant fund use, and improve assistance to and monitoring of grant recipients to ensure they can account for and report on federal awards, as well as understand how to properly award contracts. ETA did not fully agree with our recommendations but indicated it would take appropriate actions for six of the seven recommendations. ETA disagreed with one recommendation.

READ THE FULL REPORT

<https://www.oig.dol.gov/public/reports/oa/2023/19-23-016-03-391.pdf>

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INSPECTOR GENERAL'S REPORT

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This report presents the results of the U.S. Department of Labor (DOL) Office of Inspector General's (OIG) audit of the Employment and Training Administration's (ETA) employment and training funds awarded to grantees and sub-recipients located in the State of New Jersey before and during the COVID-19 pandemic. Our work is part of a series of audits being conducted across selected states.

ETA awards employment and training grants to states, local governments, and other entities to provide opportunities to individuals with significant barriers to employment to enter into high-quality jobs and careers, as well as to help employers hire and retain skilled workers. The grants are either (1) statutory grants, which are noncompetitive grants required by law to be given to the state or outlying area based on statistical criteria, or (2) discretionary grants awarded based on competitive selection and eligibility. Recipients of ETA's grant awards, such as states, can allocate some or all these funds to other entities known as sub-recipients.¹

In March 2020, the COVID-19 pandemic created many challenges for ETA job training programs across the nation. Grantees and sub-recipients were met with barriers, which included stay-at-home orders and mandated safety protocols to reduce the spread of the virus. This impacted the ability of grantees and

¹ A sub-recipient is a non-federal entity that receives a sub-award from a pass-through entity to carry out part of a federal program. It does not include an individual who is a beneficiary of the program. A sub-recipient may also be a recipient of other federal awards directly from a federal awarding agency.

sub-recipients to provide services to eligible participants until alternative methods, such as online and virtual services, were established. ETA also used enhanced desk monitoring reviews when on-site reviews were not feasible or cost effective. Despite the alternative policy, these challenges still existed. For this audit, we focused on New Jersey because it fell in the midrange of all recipients of federal grant funds, and conducted work to determine the following:

Did ETA grantees and sub-recipients utilize grant funds for the intended purposes during the COVID-19 pandemic?

To answer this question, we focused on grantee and sub-recipient funding and grant eligibility requirements from October 1, 2018, through September 30, 2021. Our scope covered select grants issued prior to and during the COVID-19 pandemic. During this timeframe, ETA awarded approximately \$16 billion across 2,093 grants in all 50 states, the District of Columbia, and U.S. territories. Approximately 20 employment and training grants amounting to over \$298 million (see Exhibit 1) were awarded to organizations within New Jersey. Our audit examined three statutory grants and one discretionary grant, totaling more than \$248 million (83 percent of awards made within New Jersey). Based on the results of our audit work, we determined ETA did not ensure these grantees and sub-recipients effectively used these funds during the COVID-19 pandemic.²

GRANT AWARDS SELECTED FOR REVIEW

We obtained a list of employment and training grants from ETA and performed a risk assessment identifying the highest value grants awarded, highest discretionary grants awarded, total grants awarded by state, and entities within the state receiving the most awards. We selected New Jersey because it fell in the midrange of all recipients of federal grant funds, receiving 20 employment and training grants totaling over \$298 million.

Next, we judgmentally³ selected three Workforce Innovation and Opportunity Act (WIOA) formula grants awarded to the New Jersey Department of Labor and Workforce Development (NJ DOL) and one discretionary Scaling Apprenticeship Through Sector-Based Strategies (Scaling Apprenticeship) grant to Bergen Community College (BCC),⁴ totaling over \$248 million (83 percent) from this universe to review (see Table 1).

² The U.S. government declared the COVID-19 pandemic a national emergency beginning on March 1, 2020, and ending on April 10, 2023.

³ Judgmental sampling is a non-probability sampling technique in which the sample members are chosen on the basis of the auditor's knowledge and judgment.

⁴ BCC is a public institution located in New Jersey.

Table 1: Grant Awards Selected to Test

Project Title	Grant Type	Grantee	Period	Award Amount
WIOA Formula Grants	Statutory	NJ DOL	4/1/2019– 6/30/2022	\$79,052,067
WIOA Formula Grants	Statutory	NJ DOL	4/1/2020– 6/30/2023	\$73,595,245
WIOA Formula Grants	Statutory	NJ DOL	4/1/2021– 6/30/2024	\$83,445,889
Scaling Apprenticeship	Discretionary	BCC	7/15/2019– 7/14/2023	\$12,000,000
			Total	\$248,093,201

Source: Grant data provided by ETA

The purpose of the WIOA Formula Grants to NJ DOL was to provide employment, education, training, and support services to individuals and to match them with employers offering high-quality positions. These services included assistance in improving literacy skills, skill upgrading and retraining, childcare, transportation, mental health services, and career planning. Statutory grants like these are distributed to states based on a formula that considers state size and population, and these grants can be used for up to 3 years.

The Scaling Apprenticeship grant awarded to BCC was intended to help participants obtain apprenticeship training in various high-demand occupations, such as medical assistants and Certified Nursing Assistants. ETA competitively awards discretionary grants to applicants based on factors described in the funding opportunity announcements. Each discretionary grant has its own set of guidelines and performance criteria that are specifically stipulated, and/or referenced in the Funding Opportunity Announcement or grant agreement. This BCC discretionary grant was awarded for 4 years, and the grantee can request to extend the period of performance one time.

GRANT RECIPIENT AND SUB-RECIPIENT OVERSIGHT

As the federal awarding agency, ETA was responsible for ensuring the \$248 million in grant funds it disbursed to NJ DOL and BCC were used as intended. In turn, both NJ DOL and BCC—the prime recipients—were required to meet grant, program, and government-wide requirements, as well as have systems, policies, and procedures in place for the sub-recipients of these funds

to similarly meet these requirements.⁵ While ETA stated that it is not responsible for monitoring sub-recipients and relied on the prime recipient to do this, ETA was not precluded from monitoring and reviewing how its funds were spent. The Office of Management and Budget’s (OMB) Circular No. A-123 guidance states that agencies are ultimately responsible for the services and processes provided by third party service organizations and “...must monitor the process as a whole to make sure it is effective.”

RESULTS

ETA grant recipients and their sub-recipients received grant funds to provide career, training, and supportive services (e.g., transportation, childcare); however, ETA did not ensure recipients effectively used these funds. Specifically, ETA did not ensure recipients effectively: (1) used over \$100 million to serve the intended population; (2) enrolled eligible individuals in the grant programs, costing \$96,580 in training services; and (3) complied with federal requirements when paying \$168,460 in services. In addition, New Jersey WIOA formula grant sub-recipients did not have a system in place to account for the \$6.9 million in grant funding received, including how it was spent.

As a result, potential eligible job seekers were not provided the services to succeed in the labor market and potential employers were not matched with the skilled workers needed before, during, and subsequent to the COVID-19 pandemic. In total, we identified over \$100 million in funds put to better use and approximately \$7.2 million in questioned costs (see Exhibit 2). ETA agreed or partially agreed to the recommendations.

ETA DID NOT ENSURE GRANTEES AND SUB-RECIPIENTS EFFECTIVELY SERVED THE INTENDED POPULATION

Our review of four grants (three statutory and one discretionary) totaling over \$248 million found low enrollment levels in relation to the amount of funds spent and the time elapsed. We also determined over \$100 million in statutory grants could have been possibly put to better use by serving more individuals and matching them to employers offering high quality positions (see Exhibit 2).

⁵ 2 Code of Federal Regulations (C.F.R.) § 200.332

STATUTORY GRANTS

WIOA requires ETA to provide allotments to the states each fiscal year to fund the Adult, Youth, and Dislocated Worker programs. ETA awarded NJ DOL \$236 million to be spent from April 1, 2019, through June 30, 2024. NJ DOL reported that it spent over \$154 million⁶ in grant funds and served 20,897 participants from July 1, 2019, through June 30, 2022.

As part of the notification of the funds awarded, ETA provided NJ DOL with the federal award terms. Federal agencies are required to efficiently deliver services to the public⁷ and effectively prioritize resource allocations to ensure successful mission delivery.⁸ While ETA had a number of metrics to hold its grant recipients accountable for performance outcomes, we found no measure pertaining to the minimum number of participants served with the grant funds awarded.

One method of instituting that measure would be adding a cost per participant or similar budget metric, which if established, could help better ensure grant funds are used to serve a minimum number of people. For example, on May 3, 2019, ETA issued guidance⁹ for the State Apprenticeship Programs, stipulating a minimum of 1,550 participants should be served for every \$4 million awarded. The cost per participant amounted to \$2,581 (\$4 million divided by 1,550 participants). By ETA establishing a similar metric for the Adult, Youth, and Dislocated Worker programs, NJ DOL could have developed a wider reaching strategy to help an estimated 59,680 participants (\$154 million in total grant funds divided by \$2,581 in cost per participant) instead of just 20,897 participants—a difference of 38,783 individuals.

Without implementing such a metric, the cost per participant was much higher for NJ DOL, \$7,371 per participant (\$154 million in total grant funds divided by 20,897 participants) and served a smaller population—when compared to \$2,581 per participant spent in the Scaling Apprenticeship Program. While ETA can pursue other options to ensure better use of its funds, using this method, we estimated that NJ DOL could have better used approximately \$100 million in funding (38,783 additional participants times \$2,581 in cost per participant) to serve more participants.

⁶ The total amount spent by NJ DOL is \$154,033,457. This amount is used for the calculation of the suggested metric throughout this finding.

⁷ OMB Circular No. A-123, Management of Reporting and Data Integrity Risk

⁸ Appendix A to OMB Circular No. A-123, Management of Reporting and Data Integrity Risk

⁹ Training and Employment Guidance Letter 17-18, Availability of Program Year 18 Funding for State Apprenticeship Expansion

Regarding the agency’s responsibility to establish standards for performance, OMB Circular No. A-11, Section 200.2, states:

[P]rograms must be designed with clear goals and objectives that facilitate the delivery of meaningful results and be aligned with the strategic goals and objectives within the Federal awarding agency's strategic and performance plans in order to support the Federal awarding agency’s performance measurement, management, and reporting activities.

ETA officials stated that individual participants may need a wide variety of services (e.g., job search assistance, short-term training, long-term training, and supportive services, such as childcare, which range widely in cost). Even so, ETA has a responsibility to implement management practices including establishing its risk tolerance¹⁰ through assessing risks associated with its programs and adopting practices to improve the efficiency and effectiveness of its government operations. Having a measure that establishes an acceptable level of participants to be served based on key state demographics (i.e., unemployed individuals, disadvantaged youth, and disadvantaged adults) could help ETA more effectively use its limited resources, such as serve a wider portion of its target population.

Although the COVID-19 pandemic negatively impacted the operation of businesses and services, ETA did not request that grant recipients provide an analysis showing how funds would be effectively utilized under the grants. For example, ETA did not establish a metric identifying the minimum number of participants to ensure grant funds were used to serve as many people in the targeted population as possible. As a result, we determined over \$100 million awarded to NJ DOL could have been put to better use.



DISCRETIONARY GRANTS

Under the American Competitiveness and Workforce Improvement Act of 1998, ETA is authorized to award grants for projects that provide technical skills training to workers, including both employed and unemployed workers. BCC was awarded a \$12 million Scaling Apprenticeship grant to serve 5,001 participants from July 15, 2019, through July 14, 2023. As of March 2023, BCC reported that it spent approximately \$4.8 million in grant funds and served 2,927 participants.

¹⁰ The acceptable level of variance in performance relative to the achievement of objectives.

For 44 months (92 percent of the original allotted time), BCC reported low enrollment numbers for its grant programs. The reported 2,927 participants were just 59 percent of its participant goal. Based on the amount of time lapsed and the low number of participants served, the grantee did not demonstrate it could meet the goals of the grant by July 2023.

ETA’s monitoring policy requires the agency to hold grant recipients accountable for maintaining fiscal integrity, delivering products and services on time and within budget, and meeting performance goals. The policy requires ETA to analyze grant activity information through quarterly financial and performance reports. In addition, as part of the grant terms, ETA required BCC to regularly report its project activities, employment outcomes, and other results via quarterly progress reports. In the quarterly reports submitted between August 2020 and March 2023, BCC reported underserving participants (see Table 2).

Table 2: BCC Reported Participants Served by Year

Year	Proposed Participants	Total Participants Served	Difference
1	400	4	396
2	1250	883	367
3	1612	1165	447
4	1739	875	864
Total	5001	2927¹¹	2074

Source: Quarterly reports submitted by BCC

During these same timeframes, ETA assessed BCC’s reported performance as a “medium” risk and noted that the grantee was “moderately off pace.” In September 2022, ETA expressed concern about BCC’s low performance outcomes and stated “COVID-19 related challenges, which included state and local prohibitions on travel and engaging in program activities during a significant stage in the grant period of performance hindered BCC’s ability to achieve its performance outcomes.” ETA required BCC to provide a written plan detailing how BCC would appropriately expend grant funds and improve performance outcomes by the end of the period of performance. BCC submitted a corrective action plan projecting to serve the remaining participants by the end of the grant period. However, BCC had only served 59 percent of the participants (2,927 of the proposed 5,001) with 4 months remaining on the grant. ETA should have monitored BCC’s performance more closely and frequently.

¹¹ Total participants served as of March 31, 2023.

In May 2023, ETA granted BCC a one-year extension with the expectation that BCC's overall performance would increase substantially and serve the remaining 2,074 proposed participants¹² (41 percent) with additional time. As BCC took more than 3 years to serve a similar number of participants (2,927) and was unable to show it had the partnership network in place to train the remaining number of participants,¹³ it is critical that ETA monitor BCC's performance more closely during the extension year to ensure the remaining \$7.2 million (\$12 million award minus the \$4.8 million spent) in discretionary grant funds are used as intended.

ETA DID NOT ENSURE GRANTEES AND
SUB-RECIPIENTS IN NEW JERSEY SERVED
ELIGIBLE INDIVIDUALS

ETA administers federal government job training and worker dislocation programs through the awarding of grants. Each grant program identifies the purpose of the program and the population of individuals who are eligible to receive services. During the intake process of the grant, grantees and sub-recipients must ensure individuals meet the specific eligibility requirements and maintain the proper documents to support eligibility.

Of the four grants (three statutory and one discretionary) we judgmentally selected two grantees and six sub-recipients to review. Collectively, they reported serving 1,953 participants. We judgmentally sampled and tested 547 of the 1,953 participants (28 percent) and found grantees and sub-recipients did not demonstrate that 159 participants were eligible for the program. In addition, one grantee overstated the number of participants served by 238 individuals and charged \$96,580 in costs spent on ineligible participants. As a result, we questioned these costs (see Exhibit 2).

These issues occurred because ETA did not provide sufficient oversight to ensure grantees assessed and enrolled eligible individuals. ETA officials stated they performed limited testing of participants' records; however, ETA's testing was not sufficient to identify these eligibility issues.

¹² The OIG noted an overstatement in these numbers. See pages 12 and 13 of this report.

¹³ For example, some employer partners have pulled out because of COVID-19 restrictions regarding health care professionals.

STATUTORY GRANTS

During the audit period, ETA awarded three grants to NJ DOL to fund Adult, Youth, and Dislocated Worker programs. The intent of these programs was to serve individuals with significant barriers to either enter or reenter the workforce with the goal of obtaining high-quality jobs and careers.

NJ DOL does not enroll participants directly and requires sub-recipients to perform enrollment activities. The sampled sub-recipients reported serving 1,819 participants. We reviewed 429 sampled participants and found the sub-recipients did not demonstrate that 83 participants (19 percent) were eligible to receive services. Specifically, we found the following issues with participant case files:

- *61 participant case files were missing documentation demonstrating eligibility requirements were met.* For example, one sub-recipient enrolled 26 participants into the out-of-school youth program. One of the eligibility factors stated that the individual must not attend any school. However, the case files showed these individuals were enrolled into the local county school the day before being enrolled into the program.
- *22 participant case files were missing.* According to the sub-recipients, staff could not locate files, participants were not enrolled in the program, or participants were enrolled at another sub-recipient site, among other reasons.

According to 20 C.F.R. § 677.150, a participant is defined as an individual that must reportedly be eligible for program services and satisfy all applicable program requirements. The sub-recipient's lack of documentation for participants disregards 2 C.F.R. § 200.334, which requires "financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report."

As a result, these grant programs may not be serving qualified participants with significant barriers to employment to enter high-quality jobs and careers.

DISCRETIONARY GRANTS

ETA awarded BCC a grant to develop, expand, and scale apprenticeships nationally in H-1B¹⁴ health care industry occupations. In the process, BCC committed to serving 5,001 apprentices over the 4-year grant period. To receive services, the individual must be 17 years or older and not be enrolled in high school. In addition, the individual must be unemployed, underemployed, or an incumbent worker.

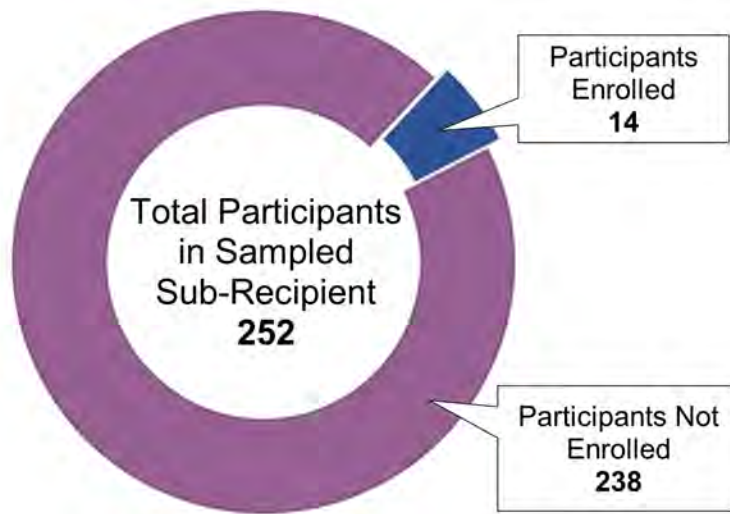
BCC could not demonstrate 314 of the 1,441 participants we reviewed were eligible for the grant program, which resulted in a lack of compliance with 2 C.F.R. § 200.334. Specifically, we found two issues with the participants' enrollment statuses.

First, the grantee overstated the number of participants enrolled in the program by 238 individuals. On April 12, 2022, BCC provided a listing of 1,441 participants that received services by BCC and its sub-recipients. Of the 1,441 participants reported, 252 were attributed to one of the sampled sub-recipients and were identified as being enrolled. However, the sub-recipient only claimed to have enrolled 14 of these participants in the program. We also determined that 238 individuals (more than 94 percent) were listed as participants but had only completed inquiry forms¹⁵ and, therefore, were not officially enrolled in the program to receive services (see Figure 1).

¹⁴ The H-1B visa program is intended to help employers who cannot otherwise obtain needed business skills and abilities from the U.S. workforce by authorizing the temporary employment of qualified individuals who are not otherwise authorized to work in the United States.

¹⁵ Inquiry form information included having conversations with potential students about the programs and the apprenticeship model. The grantee agreed that completing an inquiry form and/or application alone does not deem the student a "participant served."

Figure 1: Enrollment Status of BCC Sub-Recipient Program Participants



Source: OIG analysis of sample data

BCC officials stated they were informed that these individuals could be reported as participants if, at a minimum, an inquiry form was completed. Further, the officials stated this reporting method could include an individual who may have only attended an information session or hiring event. However, BCC officials could not provide documentation to support this instruction.

The second issue we found was that 76 participants did not have eligibility documentation demonstrating they were either unemployed or underemployed, or were incumbent workers as per the grant terms. We sampled 118 participant case files and reviewed 128 invoices for BCC, and we found 76 participants were ineligible for the program. Of the 76 participants, 31 had costs charged to the grant even though they were ineligible. BCC claimed approximately \$96,580 in training costs and student support services for these ineligible participants.

As a result, we determined \$96,580 in grant funds were not used to train eligible participants to reach middle- to high-skilled jobs along a career pathway, or to create a rich pool of talent in the health care industry (see Exhibit 2).



ETA DID NOT ENSURE GRANTEES AND
SUB-RECIPIENTS COMPLIED WITH FEDERAL
GUIDELINES WHEN PAYING FOR SERVICES

Grantees and sub-recipients reviewed did not utilize a total of \$168,460 for services in accordance with federal guidelines. This occurred because ETA did not provide sufficient oversight to ensure grantees complied with the requirements for awarding contracts and reimbursing on-the-job training costs.

Recipients of federal awards are required to adhere to applicable federal statutes. These statutes provide instructions on how funds can be used, including how to enter contracts and partnerships with other entities. Contractual costs could include sub-agreements for providing training and other services. Typically, the name of the vendor will not be known at the time the grant is awarded. Partnership costs are often those of entities identified in the scope of work section in the grant proposal.

During the period of performance for the four sampled grants, ETA conducted on-site reviews to determine whether grant programs were operating in compliance with all federal laws, regulations, policies, and other grant management requirements. This included reviewing procurement and contract administration policies and performing applicable testing. ETA made the following statement regarding its monitoring activities:

We utilize the monitoring of a sample of the subrecipients of our grantees to ensure that our grantees are conducting effective, thorough monitoring. These monitoring activities are always done as part of the state grantee triennial review, never independently. All findings at the subrecipients level appear as a finding against our grantee and the required action is directed toward our grantees. ETA also includes monitors from the grantee organizations to join us as we monitor their subrecipients as a technical assistance strategy.

Despite ETA's monitoring strategy, ETA did not identify issues with the sub-recipient contracts or the discretionary grantee partnership costs when performing the review of the sampled recipients.

We found \$81,960 in contractual services may not have been spent to provide the best service due to the method one sub-recipient used to procure accounting,



legal, cleaning, and training services (see Exhibit 2). Title 2 C.F.R. Part 200.319 stipulates all procurement transactions for the acquisition of property or services required under a federal award must be conducted in a manner providing full and open competition. However, the sub-recipient did not provide supporting documentation that demonstrated these services were procured in full and open competition. As a result, we questioned the \$81,960 spent on contractual services.

Further, a review of the discretionary grant revealed BCC paid \$70,000 for ineligible on-the-job training (see Exhibit 2). The grant agreement identified a national chain pharmacy¹⁶ as a principal employer partner to the grant program. The grant allowed for the payment of on-the-job training costs to the established grant partners. However, the grant limited the reimbursement for on-the-job training to small employers (those with 50 or fewer employees). The grantee reimbursed \$70,000 to this national chain pharmacy even though it is not a small employer. Therefore, we questioned these costs. ETA also did not monitor the reimbursement of on-the-job training costs incurred by BCC to ensure compliance with small employer requirements set by the grant.



In addition, BCC paid \$16,500 in contractual services to a vendor. However, BCC did not provide evidence to show they received services from the vendor. As a result, we questioned these costs.



ETA DID NOT ENSURE STATUTORY GRANT SUB-RECIPIENTS HAD A SYSTEM TO ACCOUNT FOR FEDERAL AWARDS

Two NJ DOL sub-recipients received awards of over \$6.9 million through WIOA formula grants to provide opportunities to individuals with significant barriers to employment to enter high-quality jobs and careers, as well as to help employers hire and retain skilled workers. Despite numerous requests, these statutory grant sub-recipients did not provide an accounting of how much of the \$6.9 million grant award they spent nor how the funds were spent. This occurred because ETA did not ensure NJ DOL assisted its sub-recipients in implementing corrective actions based on ETA monitoring review findings in a timely manner.

¹⁶ The national chain pharmacy is a health solutions company, engaging in various provisions of health care services such as pharmacy, retail or long-term care, and health care benefits. In 2022, this national chain pharmacy had an estimated 300,000 employees.

Over one year later, ETA found this corrective action unresolved as the sub-recipient still did not have an accounting system in place.

One of the two sub-recipients, which received \$670,973 in grant funds, provided limited details for just 26 transactions totaling \$223,316. Beginning as early as June 2022, we requested supporting documentation for all 26 transactions and made numerous requests for the invoices and payment information. Ultimately, the sub-recipient did not provide support to demonstrate these transactions were allowable or to explain how the funds were used.

The second of the two sub-recipients, which received over \$6.3 million in grant funds, did not have an accounting system in place with which they could readily account for how grant funds were spent. Beginning as early as June 2022, we made numerous requests for the invoices and payment information related to this sub-recipient. As of May 5, 2023, the sub-recipient had not provided the support to show how the funds were used and how much was spent.

As awardees of federal grant funds, these sub-recipients have a responsibility to track and document transactions, as well as be able to support how funds are used. According to 2 C.F.R. § 200.400, non-federal entities must apply sound management applications and must efficiently and effectively administer federal awards. These entities must also administer the funds “...in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.”

Further, 2 C.F.R. § 200.302(a) states that, in addition to expending and accounting for federal awards per state laws and procedures, recipients of these awards must document their compliance—and that the funds have been used in accordance—with federal statutes, regulations, and the specific terms and conditions of the federal award.

In addition, 2 C.F.R. § 200.337(a) states:

The Federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the non-Federal entity's personnel for the purpose of interview and discussion related to such documents.

Despite the requirements, the two sub-recipients did not provide support for their use of the funds. Between February 22, 2021, and June 2, 2021, ETA conducted a monitoring review of the second sub-recipient and found the sub-recipient did not have an accounting and financial management system in place to maintain an accurate and complete disclosure of financial results. As of December 21, 2022 (approximately 17 months later), NJ DOL had not resolved this finding. ETA stated that NJ DOL had taken steps to resolve ETA’s finding by assuming control over the first sub-recipient and hiring a new fiscal officer. However, grant funds were still being spent without the sub-recipient having a proper accounting and financial management system in place. Subsequent to our audit, ETA indicated the NJ DOL restricted the sub-recipient’s ability to draw down funds and is reviewing expenditure documentation.

As a result, there is a risk the \$6.9 million awarded to these two sub-recipients may not have been spent to provide opportunities to individuals with significant barriers to employment to enter into high-quality jobs and careers or help employers hire and retain skilled workers. Therefore, we questioned the entire award amount (see Exhibit 2).



CONCLUSION

In our review of these grant funds—awarded before and during the pandemic—we found areas where ETA should have strengthened its controls over how grantees and sub-recipients spent and used grant funds. In total, we identified over \$100 million in funds put to better use and approximately \$7.2 million¹⁷ in questioned costs.

OIG'S RECOMMENDATIONS

To address the issues identified and improve the effectiveness of future statutory and discretionary grants, we recommend the Principal Deputy Assistant Secretary for Employment and Training:

1. Develop and implement risk tolerance for the amount of participants being served under the WIOA Adult, Youth, and Dislocated Workers program.

¹⁷ We derive \$7.2 million from: \$96,580 in training costs, \$168,460 in service costs, and \$6.9 million in unaccounted costs (see Exhibit 2).

2. Regularly monitor Bergen Community College's performance and provide the necessary assistance to ensure \$7.2 million in remaining funds are used as intended by the completion of the one-year extension period.
3. Develop and implement guidance to specifically identify the high risk associated with low enrollment levels in combination with the high burn rate of grant funds.
4. Resolve the \$265,040 in questioned costs associated with ineligible participants and ineligible payments.
5. Establish and implement a plan to improve monitoring activities to ensure grantees and sub-recipients are properly documenting eligibility.
6. Establish and implement a plan to increase the level of technical assistance and monitoring for grantees and sub-recipients to ensure they properly administer contracts and reimburse on-the-job training costs.
7. Resolve the \$6.9 million in questioned costs associated with unaccounted expenditures and assist the New Jersey Department of Labor and Workforce Development in expediting the closure of corrective action related to its accounting system.

OIG ANALYSIS OF MANAGEMENT'S COMMENTS

In ETA's response to the draft audit report, the agency did not fully agree with our conclusions and recommendations. ETA maintained that monitoring sub-recipient actions is the grant recipient's responsibility and disagreed with establishing and implementing plans to improve or increase monitoring. We stand by our assertion that ETA was not precluded from monitoring and reviewing how its funds were spent. As previously cited in this report, OMB Circular No. A-123 guidance states that agencies are ultimately responsible for the services and processes provided by third party service organizations and "...must monitor the process as a whole to make sure it is effective." ETA's response did not change the report conclusions and recommendations.

For six of the seven recommendations, ETA indicated it would, among other possible actions:

- review enrollment patterns to identify potential program mismanagement to address Recommendation 1;

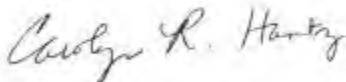
- continue to monitor BCC's performance and provide assistance to ensure the \$7.2 million in remaining funds are used as intended to address Recommendation 2;
- provide instruction to consider spending patterns versus enrollments to address Recommendation 3;
- follow its process for determining disallowed costs and any repayment to address Recommendation 4;
- provide procurement standards and methods training, as well as revise its policies to emphasize more training assistance with regular grant monitoring to address Recommendation 6; and
- determine disallowed costs and provide evidence of any repayment to address Recommendation 7.

ETA disagreed with Recommendation 5 and stated that it already reviews participant eligibility during its monitoring reviews and does not have the staff resources to verify 100 percent of eligibility determinations. We understand ETA's concern and did not recommend verifying all eligibility determinations. However, under 2 C.F.R. § 200.300, "[t]he Federal awarding agency must manage and administer the Federal award in a manner so as to ensure that Federal funding is expended and associated programs are implemented in full accordance with the U.S. Constitution, Federal Law, and public policy requirements..." Given the issues we found with specific grants, including questioned costs, we affirm our recommendation for ETA to improve its current monitoring activities to ensure grantees and sub-recipients are properly documenting eligibility.

We will work with ETA to ensure corrective actions taken meet the intent of these seven open recommendations.

ETA's response is included in its entirety in Appendix B.

We appreciate the cooperation and courtesies ETA extended us during this audit. OIG personnel who made major contributions to this report are listed in Appendix C.



Carolyn R. Hantz
Assistant Inspector General for Audit

EXHIBIT 1: EMPLOYMENT AND TRAINING GRANTS AWARDED TO ENTITIES IN NEW JERSEY

Table 3: ETA Grants Awarded to New Jersey Grantees and Sub-Recipients

Award Number	Grant Project Type¹⁸	Amount
AA-33245-19-55-A-34	WIOA Formula Grants*	\$79,052,067
AA-34783-20-55-A-34	WIOA Formula Grants*	\$73,595,245
AA-36334-21-55-A-34	WIOA Formula Grants*	\$83,445,889
AD-35185-20-60-A-34	2020 Allotments for Senior Community Service Employment Program	\$2,258,021
AD-36244-21-60-A-34	2021 Allotments for Senior Community Service Employment Program	\$2,266,310
AP-33527-19-60-A-34	Apprenticeship State Expansion	\$1,693,758
AP-35107-20-60-A-34	Building State Capacity to Expand Apprenticeship through Innovation	\$450,000
DW-34793-20-60-A-34	Disaster Recovery National Dislocated Worker Grants to Address the Opioid Crisis	\$6,000,000
DW-34901-20-60-A-34	COVID-19-NJ-Disaster Recovery	\$8,487,304
HG-33026-19-60-A-34	Scaling Apprenticeship Through Sector-Based Strategies*	\$12,000,000
HG-33031-19-60-A-34	Scaling Apprenticeship Through Sector-Based Strategies	\$3,999,823
PE-36212-21-60-A-34	Fidelity Bonding Demonstration Grants	\$100,000
TA-32666-19-55-A-34	Trade Adjustment Assistance	\$8,147,697
TA-34458-20-55-A-34	Trade Adjustment Assistance	\$6,788,031
TA-36064-21-55-A-34	Trade Adjustment Assistance	\$4,932,741
YB-27720-15-60-A-34	YouthBuild	\$1,062,502
YB-32962-18-60-A-34	YouthBuild	\$784,508
YB-34320-19-60-A-34	YouthBuild	\$1,500,000
YB-34324-19-60-A-34	YouthBuild	\$1,500,000
YB-36465-21-60-A-34	YouthBuild	\$771,800
Total Funds Awarded		\$298,835,696

Source: OIG-generated based on information collected during the audit

¹⁸ Grant Project Type with an asterisk (*) denotes sampled grants.

EXHIBIT 2: FUNDS PUT TO BETTER USE AND QUESTIONED COSTS

Table 4: Funds Put to Better Use¹⁹

Description	Amount
WIOA Formula Grants (NJ DOL)	\$100,098,923
Total Funds Put to Better Use	\$100,098,923

Source: OIG-generated based on information collected during the audit

Table 5: Questioned Costs²⁰

Description	Amount
Ineligible Participants Costs	\$96,580
Contractual Services Costs	\$81,960
On-the-Job Training Costs	\$70,000
Unsupported Contractual Costs	\$16,500
Unaccounted Costs	\$6,900,000
Total Questioned Costs	\$7,165,040

Source: OIG-generated based on information collected during the audit

¹⁹ As defined by the Inspector General Act of 1978, as amended, "...funds be put to better use" means funds that could be used more efficiently or achieve greater program effectiveness if management took certain actions. These actions include reduction in future outlays and deobligation of funds from programs or operations.

²⁰ As defined by the Inspector General Act of 1978, as amended, "questioned costs" include alleged violations of law, regulations, contracts, grants, or agreements; costs not supported by adequate documentation; or the expenditure of funds for an intended purpose that was unnecessary or unreasonable.

APPENDIX A: SCOPE AND METHODOLOGY

SCOPE

The audit scope covers grantee and sub-recipient funding and grant eligibility requirements from October 1, 2018, through September 30, 2021. Our scope included select grants issued prior to the COVID-19 pandemic (2019) and during the period of the COVID-19 pandemic (2021). We obtained a list of employment and training grants from ETA and performed a risk assessment identifying the highest value grants awarded, highest discretionary awards, total grants awarded by state, and entities within the state receiving the most awards. We selected the State of New Jersey because it fell in the midrange of all recipients of federal grant funds, receiving 20 employment and training grants totaling over \$298 million. We judgmentally selected three WIOA formula grants to NJ DOL and one discretionary grant to BCC totaling over \$248 million (83 percent) from this universe to review.

- Statutory: NJ DOL received three WIOA grants for the period of April 1, 2019, to June 30, 2024, totaling \$236,093,201 (95 percent of grants reviewed).
- Discretionary: BCC received a \$12,000,000 grant (5 percent of grants reviewed) for the Scaling Apprenticeship through Sector-Based Strategies for the grant period of July 15, 2019, to July 14, 2023. The goal of the grant was to serve 5,001 participants in obtaining apprenticeship training in various high-demand occupations. Examples of the types of apprenticeship activities included medical assistants and Certified Nursing Assistants.

We interviewed personnel within ETA headquarters, Office of Workforce Investment, Office of Grants Management, and other ETA officials.

We interviewed the New Jersey State Auditor and personnel within the eight grantee and sub-recipient offices including: NJ DOL and its sampled sub-recipients, and Bergen Community College and its sampled sub-recipients. We also reviewed supporting documentation for the grantees and sub-recipients as well as information provided by ETA.

METHODOLOGY

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.

To answer our audit objective, we did the following:

- reviewed public laws, United States Code, and ETA guidance related to grants;
- interviewed ETA headquarters and regional office personnel to learn about the formula grant program and the Scaling Apprenticeship grant program;
- obtained the listing of ETA employment and training grants and analyzed the subject matter to obtain the number of grants that were let during the audit period;
- interviewed NJ DOL formula and discretionary grantees and sub-recipients regarding their positions within each entity and their experiences during the COVID-19 pandemic pertaining to serving the participants;
- analyzed data in the grantee reporting systems to determine the financial and performance activities of the selected grants; and
- analyzed requirements for enrolling participants and entering in partnerships as specified in the Scaling Apprenticeship through Sector-Based Technologies grants.

NJ DOL provided a listing of the state's financial transactions for the WIOA Formula grants. In total, NJ DOL spent approximately \$39,864,437 (17 percent) of the \$236,093,201 at the state level and functions as the administrative oversight of the WIOA formula grant programs. NJ DOL does not enroll participants. This is done at the local sub-recipient level.

We judgmentally selected two sub-recipients in Newark and Hudson counties. Newark expenditures were reported by one entity. During the audit period, Hudson County expenditures were reported by three entities. These 4 entities were awarded approximately \$27 million (11 percent) in WIOA funds. Despite

numerous requests, we did not obtain financial information for one sub-recipient that we could test. We, therefore, questioned the entire amount charged for the grants.

RELIABILITY ASSESSMENT

We assessed the reliability of both the statutory and discretionary grantees' and sub-recipients' financial and participant data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing agency officials knowledgeable about the data. We determined that the data was sufficiently reliable for the purposes of this report.

INTERNAL CONTROLS AND RISK ASSESSMENT

In planning and performing our audit, we considered ETA's internal controls relevant to our audit objective by obtaining an understanding of those controls and assessing control risks relevant to our objective. We considered the internal control elements of control environment, risk assessment, control activities, information and communication, and monitoring during our planning and substantive phases and evaluated relevant controls.

The objective of our audit was not to provide assurance of the internal controls; therefore, we did not express an opinion on ETA's internal controls. Our consideration of internal controls for administering the accountability of the program would not necessarily disclose all matters that might be significant deficiencies. Because of the inherent limitations on internal controls, or misstatements, noncompliance may occur and not be detected.

CRITERIA

- Coronavirus Aid, Relief, and Economic Security Act, March 27, 2020
- Title 2, C.F.R. Part 200, amended 10/18/2021
- 20 C.F.R. Chapter V, Parts 678, 679, 681 and 683 (4–1–17 Edition)
- U.S.C. Title 5 – Government Organization and Employees, Inspector General Act of 1978, October 12, 1978
- OMB Circular A-11, Revised, Preparing, Submitting, and Executing the Budget, Section 200.2, August 15, 2022
- OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, M-16-17, July 15, 2016
- Appendix A to OMB Circular No. A-123, Management of Reporting and Data Integrity Risk, M-18-16, June 6, 2018

- GAO, Standards for Internal Control in the Federal Government, September 2014
- Workforce Innovation and Opportunity Act, January 3, 2014
- U.S. DOL ETA, Core Monitoring Guide, August 2018
- U.S. DOL ETA, Effectively Managing Competitive Grants, Grantee Handbook, June 2020
- ETA Training and Employment Guidance Letter 2-21, Grants Management Policies and Responsibilities, November 3, 2020
- ETA Advisory: Training and Employment Guidance Letter 17-18, Availability of Program Year 18 Funding for State Apprenticeship Expansion, May 3, 2019
- ETA Employment and Training Order No. 3-21, Enhanced Desk Monitoring Review Guidance, November 3, 2020
- Scaling Apprenticeship through Sector-Based Strategies, Funding Opportunity Announcement, FOA-ETA-18-08, Amendment One, dated August 26, 2019, and Amendment Two dated May 5, 2023

PRIOR RELEVANT COVERAGE

During the last 8 years, the OIG has issued 2 reports of significant relevance to the subject of this report. Those reports are the following:

1. ETA's Management of Workforce Development Grants: Key Concerns, Report No. 09-22- 001-03-001 (March 31, 2022), available at: <https://www.oig.dol.gov/public/reports/oa/2022/09-22-001-03-001.pdf>
2. ETA Needs to Improve Awarding of Year-End National Emergency Grants Report No. 02-15-205-03-390, (September 30, 2015), available at: <https://www.oig.dol.gov/public/reports/oa/2015/02-15-205-03-390.pdf>

APPENDIX B: AGENCY'S RESPONSE TO THE REPORT


U.S. Department of Labor

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



September 26, 2023

MEMORANDUM FOR: CAROLYN R. HANTZ
Assistant Inspector General for Audit

FROM: BRENT PARTON 
Principal Deputy Assistant Secretary

SUBJECT: Response to Draft Report: *COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in New Jersey*, Report No. 19-23-XXX-03-391

The Department of Labor's (Department) Employment and Training Administration (ETA) appreciates the opportunity to respond to the above-referenced draft report from the Office of Inspector General (OIG).

ETA greatly appreciates that the OIG afforded ETA the opportunity to review two prior versions of the OIG's draft report. As a result of these reviews, ETA provided significant feedback and technical comments to the OIG regarding the grantor/grant recipient relationship, the intent behind and how the Workforce Innovation and Opportunity Act (WIOA) formula programs are operationalized, and also expressed concerns on the OIG generalizing its review findings of grants in New Jersey to ETA's entire grant universe. While ETA recognizes and appreciates that the OIG made some revisions to the draft report, some of ETA's significant input and concerns were not adequately addressed. As a result, ETA notes the following concerns regarding the draft report.

Areas of Concern with the OIG's Draft Report

The draft report continues to ascribe ETA a larger role responsibility for grant activities than is appropriate. ETA takes its responsibility for monitoring and providing oversight to its grant recipients seriously, and dedicates significant resources to doing so, including providing guidance and appropriately engaging with state grant recipients to ensure that they are able to carry out their responsibility to conduct oversight of their subrecipients. However, as ETA raised in comments on prior versions of this draft report in May 2023 and June 2023, the OIG is assigning ETA a more expansive role in the grantor/grant recipient relationship than provided in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR part 200). ETA is responsible for monitoring its grant recipient, New Jersey or Bergen Community College (BCC), as it carries out grant activity. Monitoring subrecipient actions is the grant recipient's responsibility.

As a Federal grant-making agency, ETA enters into grant agreements to achieve a public purpose (i.e., providing employment and training services). Per 2 CFR 200.1, a grant agreement is a legal instrument of financial assistance between a Federal awarding agency, or grantor (i.e., ETA) and a non-Federal entity, or grant recipient (in this draft report, New Jersey or BCC). A grant agreement is distinguished from a cooperative agreement in that it does **not** provide for substantial involvement of the Federal awarding agency in carrying out the activity contemplated by the Federal award.

Further, 2 CFR 200.300(b) states that the “non-Federal entity is responsible for complying with all requirements of the Federal award” and 2 CFR 200.329(a) states that “The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved.” Finally, 2 CFR 200.332(d) indicates that non-Federal entities/pass-through entities must “Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”

Unfortunately, the section headings in the Results section of the OIG’s draft report continue to indicate that ETA did not ensure subrecipients performed grant activities, which is primarily the responsibility of the grant recipient according to 2 CFR part 200, and instead the draft report tries to place these responsibilities with ETA by making a reference to Office of Management and Budget Circular No. A-123. In a similar manner, on page 9, the OIG states that potentially ineligible individuals were served because “ETA did not provide sufficient oversight to ensure grantees assessed and enrolled eligible individuals.” However, for three of the four grants discussed in this section, enrollment of individuals occurs at the project operator/subrecipient level, not the grant recipient level, as the OIG discusses later on this same page. Similarly, on page 12, the OIG indicates that “ETA did not identify issues with the sub-recipient contracts,” when monitoring subrecipient actions is a grant recipient responsibility per 2 CFR part 200. These examples seem to ascribe to ETA the level of responsibility for monitoring subrecipients that belongs to the grant recipient.

ETA fulfills its grant monitoring responsibilities by working with its direct grant recipients to ensure they are able to carry out their monitoring and oversight responsibilities of their subrecipients. This is shown on page 15 of the draft report regarding ETA’s involvement with New Jersey’s monitoring of the subrecipient that did not have a sufficient accounting and financial management system in place. However, on this same page, the OIG states “Subsequent to the audit, ETA indicated that it has restricted the grantee’s ability to draw down funds and that expenditure documentation is being reviewed by NJ DOL.” This is an inaccurate statement. ETA did not restrict New Jersey’s ability to draw down grant funds. Rather, as part of its responsibility to manage its subrecipients, New Jersey restricted the ability of the subrecipient in question to draw down funds until the State could review expenditure documentation and validate that these expenditures were allowable, allocable, and reasonable to be paid for with

grant funds. ETA has been collaborating with the State and providing technical and compliance assistance as the State closes out this corrective action against its subrecipient.

The overbroad generalizations made in the “What OIG Found” section of the draft report. ETA agrees that the OIG found some potential issues with specific New Jersey grants, including questioned costs, and ETA is committed to looking into these issues and recovering any costs that are based on New Jersey and its subrecipients providing services to ineligible participants, incurring unallowable costs, etc.

However, the OIG’s review of four grants in New Jersey and the relatively small amount of questioned costs when compared to the total grant award amounts do not rise to the level to support the OIG’s sweeping statements in the Briefly section that “ETA did not ensure grantees and sub-recipients utilized grant funds for the intended purposes during the COVID-19 pandemic” and “Given these grant funds did not serve their intended purpose, potential eligible job seekers were not provided the services to succeed in the labor market and potential employers were not matched with the skilled workers needed before, during, and subsequent to the COVID-19 pandemic” (also repeated in the Results section).

First, the intended purposes of the WIOA formula program funds (referred to as “statutory” in the draft report) are well defined in statute, regulations and associated guidance, and the Scaling Apprenticeship Through Sector-Based Strategies purpose is defined in the Funding Opportunity Announcement that was used to solicit applications for this competitive funding opportunity. Second, the OIG’s conclusion about effectiveness appears to be largely drawn from comparisons between the cost per participant between the WIOA formula programs and the Scaling Apprenticeship program – a different grant with different services and different intended participants.

WIOA formula programs/Statutory Grants. ETA disagrees with the OIG’s suggestion on page 5 of the draft report to adopt a cost-per-participant measure or similar budget metric. WIOA reporting is extensive, as the OIG acknowledges, and appropriately focuses on the outcomes of the grants rather than the outputs. More importantly, a generalized metric such as a cost-per-participant measure often results in grant recipients instituting one-size-fits-all caps on supportive service and training costs that limit what actually works for participants, and particularly undercuts grant recipients’ abilities to provide comprehensive services to participants from historically underserved communities. Evidence shows that supportive services, which increase cost-per-participant, can improve program completion and credential attainment. Likewise, the cost of training is one of several factors used to determine a training program’s worth, and cost-per-participant measures can drive a focus on inexpensive training rather than the training program’s employment outcomes, which are most important, and which WIOA performance measures already assess.

The OIG continues to assert that ETA should have been more responsive to the COVID-19 pandemic’s impact on the health care industry. ETA is disappointed that page 8 of the OIG’s draft report continues to state that “ETA could have been more responsive to the COVID-19 pandemic’s impact on the health care industry and the grantee’s inability to achieve agreed upon goals.” For example, the OIG asserted that “ETA could have assisted BCC in determining

alternative methods to satisfying the training requirements in order to continue the program” even though ETA previously indicated to the OIG that it could not change the scope of work to support an alternate method of training. BCC’s grant was competitively awarded to focus on apprenticeship, under the Scaling Apprenticeship Through Sector-Based Strategies grant program. ETA does not change the sector focus of competitive grants after award when the sector is a fundamental part of the grant application. BCC competed against other applicants and was selected to receive an award based on creating apprenticeship opportunities in the health care industry, thus ETA could not change the sector focus post-award without undermining the grant competition. Further, apprenticeship training requirements are designed to meet industry standards and are not set by either BCC or ETA. Consequently, there was no scenario where ETA and BCC could have agreed on new training requirements that still prepared participants for the targeted health care occupations.

Responses to the OIG Recommendations

Below, please find each of the OIG’s recommendations contained in the draft report, followed by ETA’s proposed corrective actions to address each of the OIG’s recommendations.

Recommendation 1: Develop and implement risk tolerance for the amount of participants being served under the WIOA Adult, Youth and Dislocated Workers program.

ETA Response: ETA partially agrees with this recommendation. By statute, state and local workforce development boards determine the combination of education and training services to prepare individuals for work and to help them improve their prospects within their state and local labor markets. ETA provided guidance to states and local areas on strengthening policies and procedures to maximize the use of their resources serving those with barriers to employment in Training and Employment Guidance Letter (TEGL) No. 7-20¹. ETA’s grant relationship is with the states in the WIOA formula program, and by statute does not directly hold local areas accountable, where most direct services to participants takes place.

As discussed above, ETA does not agree with, and has not established, a maximum cost per participant or similar metric for the WIOA Adult and Dislocated Worker programs because doing so would run counter to the priorities of serving low-income individuals with multiple barriers to employment who need individualized services that meet their specific needs.

ETA agrees with the concept of reviewing enrollment patterns as part of its monitoring of state grant recipients. However, ETA does not agree with establishing any cost limitation that could result in serving more individuals with less comprehensive services and not yield positive employment outcomes or retention in the short and long term.

As an alternative to this recommendation, ETA will incorporate the review of enrollment patterns as part of its grant management technical assistance (TA) to states to identify extreme cases of potential program mismanagement. To guard against blunt cost-per-participant

¹ TEGL 7-20: Effective Implementation of Priority of Service Provisions for Most in Need Individuals in the Workforce Innovation and Opportunity Act (WIOA) Adult Program (<https://www.dol.gov/agencies/eta/advisories/training-and-employment-guidance-letter-no-07-20>)

limitations which hinder economic mobility, ETA will also provide TA to grant recipients on the need to provide participants with supportive services and to adapt the total cost of services to meet participant needs.

Recommendation 2: Regularly monitor Bergen Community College’s performance and provide the necessary assistance to ensure \$7.2 million in remaining funds are used as intended by the completion of the one-year extension period.

ETA Response: ETA concurs with this recommendation. ETA will continue to monitor BCC’s quarterly performance through the period of performance extension and will provide necessary TA to ensure the \$7.2 million in remaining funds are used as intended.

Recommendation 3: Update the ETA’s Core Monitoring Guide to specifically identify the high risk associated with low enrollment levels in combination with the high burn rate of grant funds.

ETA Response: ETA agrees with the spirit of this recommendation but does not agree that this should be included in ETA’s Core Monitoring Guide (CMG). The CMG is used to conduct formal monitoring reviews, which normally occur in the second half of a grant’s period of performance, which is not the appropriate point in the grant’s lifecycle to identify such issues. As an alternative, ETA will provide instruction, through the upcoming revision/replacement of Employment and Training Order (ETO) No. 2-21, to consider spending patterns versus enrollments, as ETA staff perform quarter-end analysis of fiscal and programmatic performance.

Recommendation 4: Resolve the \$265,040 in questioned costs associated with ineligible participants and ineligible payments.

ETA Response: ETA concurs with this recommendation. Following the issuance of the OIG’s final report, ETA respectfully requests that the OIG provide ETA specific information related to these questioned costs, so that ETA can follow its audit resolution process. Initial and final determinations will be issued to the grant recipient(s) in question as per the process outlined in the Department of Labor Manual Series (DLMS) 8 Chapter 300 to determine if there are disallowed costs subject to repayment and, if so, the amounts. Once the audit resolution process is complete, ETA will provide the OIG with a copy of the final determination and evidence of any repayment of disallowed costs, if any.

Recommendation 5: Establish and implement a plan to improve monitoring activities to ensure grantees and sub-recipients are properly documenting eligibility.

ETA Response: ETA disagrees with this recommendation. ETA’s CMG already contains tools to facilitate participant eligibility reviews and ETA staff already review participant eligibility during ETA monitoring reviews. As discussed with the OIG during the course of this audit, ETA samples case files to review eligibility determinations in the same manner that the OIG does. Additionally, ETA does not have the staff resources to conduct 100 percent verification of eligibility determinations during monitoring reviews, as discussed with the OIG previously. As an alternative, ETA will emphasize TA and/or training around subrecipient enrollment practices and participant eligibility with states through the TA cooperative agreement that is available to

the public workforce system and partners². ETA will also provide TA on eligibility determinations, as needed, throughout the grants management lifecycle.

Recommendation 6: Establish and implement a plan to increase the level of technical assistance and monitoring for grantees and sub-recipients to ensure they properly administer contracts and reimburse on-the-job training costs.

ETA Response: ETA partially agrees with this recommendation. ETA does not agree with the portion of the recommendation that suggests that ETA increase its level of monitoring. As indicated in the response to Recommendation 5 above, ETA does not have the staff resources to significantly increase the level of monitoring beyond its current levels.

However, ETA does agree with the part of the recommendation that discusses ensuring proper administration of contracts and reimbursement of on-the-job training costs. ETA already has a Procurement Standards and Methods training module as well as a Procurement and Contract Administration training module available for grant recipients that is recorded and available for viewing³. ETA's regional offices will provide training on these and other modules contained in ETA's SMART (Strategies, Monitoring, Accountability, Risk Mitigation and Transparency) training series to grant recipients, on an as needed basis, as part of their TA and oversight efforts.

Additionally, in Fiscal Year 2023, ETA made available to all regional staff a TA cooperative agreement where TA is made available to the public workforce system and partners, assisting them at the state and local level to improve services. Further, as discussed in the response to Recommendation 3, ETA is currently in the process of revising ETO No. 2-21, which will emphasize providing more TA in the regular grant monitoring process.

Recommendation 7: Resolve the \$6.9 million in questioned costs associated with unaccounted expenditures and assist the New Jersey Department of Labor in expediting the closure of corrective action related to its accounting system.

ETA Response: ETA concurs with the portion of this recommendation regarding resolving questioned costs. Following the issuance of the OIG's final report, ETA respectfully requests that the OIG provide ETA specific information related to these questioned costs, so that ETA can follow its audit resolution process. Initial and final determinations will be issued to the grant recipient(s) in question as per the process outlined in DLMS 8 Chapter 300 to determine if there are disallowed costs subject to repayment and, if so, the amounts. Once the audit resolution process is complete, ETA will provide the OIG with a copy of the final determination and evidence of any repayment of disallowed costs, if any.

Regarding closing the corrective action related to the accounting system, ETA, in collaboration with the New Jersey Department of Labor, has been working through a multi-step corrective action plan through monthly technical and compliance assistance calls. New Jersey has taken over operational control of the subrecipient and recently hired a fiscal agent to oversee the subrecipient's finances, including the development and implementation of a financial

² Technical Agreement to Public Workforce System and Partners - <https://nextlevelnow.workforcegps.org/>

³ <https://grantsapplicationandmanagement.workforcegps.org/resources/2022/11/16/16/59/SMART-4-0-Conference>

management system. This represents the penultimate step within the corrective action plan. ETA will continue to work with its grant recipient (i.e., New Jersey Department of Labor) to ensure resolution of this finding through already established compliance assistance calls.

APPENDIX C: ACKNOWLEDGMENTS

Key contributors to this report were:

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