

U.S. Department of Labor

Office of Inspector General—Office of Audit

**REPORT TO THE
EMPLOYMENT AND TRAINING
ADMINISTRATION**



**ETA NEEDS TO IMPROVE OVERSIGHT
OF DISASTER DISLOCATED WORKER
GRANTS**

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BRIEFLY...

ETA NEEDS TO IMPROVE OVERSIGHT OF DISASTER DISLOCATED WORKER GRANTS

WHY WE DID THE AUDIT

Public Law 116-20, Additional Supplemental Appropriations for Disaster Relief Act, 2019 (Act), provided the Employment and Training Administration (ETA) with \$50 million for the dislocated workers assistance national reserve for necessary expenses directly related to the consequences of multiple natural disasters occurring in 2018 and 2019. Of the \$50 million, \$500,000 was transferred to the OIG for oversight of activities responding to covered disasters or emergencies. ETA awarded the remaining \$49.5 million in Disaster National Dislocated Worker Grants (DWG) to 6 grant recipients.

Based on our concerns from prior DWG audits, and in accordance with the Act, we performed an audit to answer the following question:

To what extent did ETA properly administer Public Law 116-20, Additional Supplemental Appropriations for Disaster Relief Act, 2019, to provide dislocated worker assistance?

We judgmentally selected a sample of three grant recipients—Florida, Ohio, and North Carolina—and two sub-recipients from each grant recipient for review.

WHAT WE FOUND

We found ETA needs to improve its oversight of the DWG program. First,

DWG recipients generally did not coordinate with Federal Emergency Management Agency (FEMA), and ETA's failure to facilitate such coordination may have decreased the effectiveness and timeliness of DWG disaster recovery assistance. Specifically, ETA did not establish written interagency agreements with FEMA that defined how ETA and grant recipients were to coordinate with FEMA for disaster recovery.

Second, after awarding the DWG in March 2020, ETA issued guidance to update the documents grant recipients need to collect and maintain to support eligibility for DWG participants. We found, despite ETA updating its guidance, Ohio, a grant recipient, still failed to collect the required documentation to demonstrate participant eligibility. This occurred because: (1) sub-recipients relied on participant self-certifications for determining eligibility and did not have a system in place to eventually collect additional documentation necessary to demonstrate each participant's eligibility, and (2) ETA performed limited monitoring of participant eligibility. As a result, a grant recipient and its sub-recipients did not demonstrate they served eligible participants. We questioned costs of \$909,240 associated with 30 participants served in Ohio for whom the recipient lacked adequate documentation of eligibility.

Third, a two-week work stoppage at a Florida sub-recipient impacted disaster recovery efforts. The sub-recipient experienced funding delays due to a 41-day grant modification approval process, which was not in compliance with the Office of Management and Budget's 30-day requirement to approve or inform the recipient when they may expect the decision. Lastly, we questioned financial transactions of another Florida sub-recipient totaling \$17,273 charged to the DWG that did not comply with federal requirements.

These issues occurred, in part, because of ETA's lack of written interagency agreements with FEMA and lengthy DWG administration processes. Further, ETA had weak controls over DWG recipients': (1) coordination with FEMA, (2) documentation of participant eligibility, and (3) use of grant funds. As a result, we questioned \$926,513 in costs. Ensuring the effectiveness and efficiency of the DWG program is crucial to helping local areas recover from the aftermath of a disaster.

WHAT WE RECOMMENDED

We made eight recommendations to ETA to improve its DWG oversight. Specifically, we recommended ETA develop written interagency agreements with FEMA, enhance monitoring of and strengthen guidance for DWG recipients, recover \$926,513 in questioned costs, and improve DWG administration processes to prevent funding delays. ETA agreed or partially agreed with three recommendations. ETA disagreed with five of the eight recommendations but will take alternative action to address them.

READ THE FULL REPORT

For more information, go to:

<https://www.oig.dol.gov/public/reports/oa/2025/02-25-001-03-391.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 (Department or DOL) Office of Inspector General's (OIG) audit of the Employment and Training Administration (ETA) Disaster National Dislocated Worker Grants (DWG) awarded under Public Law 116-20, Additional Supplemental Appropriations for Disaster Relief Act, 2019 (Act). The Act provided ETA with \$50 million for the dislocated workers assistance national reserve¹ for necessary expenses directly related to the consequences of multiple natural disasters. Specifically, Hurricanes Florence and Michael, Typhoon Mangkhut, Super Typhoon Yuto, wildfires, and earthquakes occurring in calendar year 2018, and tornadoes and floods occurring in calendar year 2019. Of the \$50 million, \$500,000 was transferred to the OIG for oversight of activities responding to the covered disasters or emergencies.

DWG provide resources to states to respond to large, unexpected layoff events that result from disasters and cause significant job losses. Additionally, DWGs fund temporary employment opportunities related to clean-up and recovery efforts, as well as employment and training services to eligible participants. This audit builds upon prior OIG audits that raised concerns about ETA's oversight of its DWG program.

Given these past concerns, we conducted a performance audit to answer the following question:

To what extent did ETA properly administer Public Law 116-20, Additional Supplemental Appropriations for Disaster Relief Act, 2019, to provide dislocated worker assistance?

¹ Approximately 80 percent of the Workforce Innovation and Opportunity Act Dislocated Worker funding is allotted to states by formula and the remaining 20 percent is for a national reserve to address specific dislocation events.

To answer our objective, we judgmentally selected a sample of 3 grant recipients—Florida, Ohio, and North Carolina—from our audit scope encompassing the 8 DWG totaling \$49.5 million that ETA awarded to 6 grant recipients under Public Law 116-20. These 3 grant recipients received a total of \$26.6 million (or 54 percent) of the total DWG funding appropriated, with the grants expiring between September 2020 and September 2022 (see Exhibit 1). In addition, we selected two sub-recipients from each of the three grant recipients as follows:

- Florida: Career Source Chipola and Gulf Coast,
- Ohio: Area 7 Greater Ohio Workforce Board and Area 14 Workforce Development Board, and
- North Carolina: Lumber River and Cape Fear Workforce Development Boards.

During our audit, we discussed with ETA and the grant recipients their coordination efforts in regard to clean up activities with other federal agencies, reviewed ETA’s and grant recipients’ monitoring of the DWG, and evaluated documents in participant files to support eligibility and sub-recipient financial costs. See Appendix A for additional details on scope and methodology.

RESULTS

We found ETA needs to improve its oversight of the DWG program, specifically:

- DWG recipients generally did not coordinate with Federal Emergency Management Agency (FEMA), and ETA’s failure to facilitate such coordination may have decreased the effectiveness and timeliness of DWG disaster recovery assistance.
- In March 2020, ETA issued Training and Employment Guidance Letter (TEGL) 12-19, replacing TEGL 2-15 issued in July 2015. TEGL 12-19 updated the documentation grant recipients were required to collect and maintain to support eligibility for DWG participants. Despite ETA updating its guidance, a grant recipient did not collect required eligibility documentation and ETA performed limited monitoring of participant eligibility, resulting in \$909,240 in questioned costs.
- A 41-day approval process for a grant modification caused a two-week work stoppage at a Florida sub-recipient.

- A Florida sub-recipient spent \$17,273 that did not benefit disaster recovery efforts or was not allocable under the terms of the grant.

Ensuring the effectiveness and efficiency of the DWG program is crucial to helping local areas recover from the aftermath of a disaster.

Lack of Coordination Between ETA and FEMA May Have Decreased Effectiveness and Timeliness of Disaster Recovery Assistance

ETA's lack of coordination with FEMA may have decreased the effectiveness and timeliness of DWG disaster recovery. This occurred because ETA did not have written interagency agreements with FEMA, such as a Memorandum of Understanding or Memorandum of Agreement, to formalize coordination efforts in disaster recovery. In addition, ETA did not properly monitor grant recipients' coordination efforts and grant recipients generally did not coordinate with FEMA.

Despite being required under the terms of the grants, we found that two of the three grant recipients reviewed, and four of the six sub-recipients, did not coordinate with FEMA on the administration of the DWG under Public Law 116-20. The remaining DWG recipients and sub-recipients advised that they coordinated with FEMA; however, they provided no evidence to support their coordination efforts. Coordination with FEMA is critical to ensure effective and timely disaster recovery assistance and to avoid duplication of services provided by FEMA.

ETA provides technical guidance to grant recipients through TEGs and uses its Core Monitoring Guide dated August 2018 as a tool for their on-site review of a grant recipient. According to the requirements of the Workforce Innovation and Opportunity Act program that facilitated the funding for DWG (Section 170(d)(1)(A)), along with TEG 12-19, dated March 18, 2020, and TEG 2-15, dated July 1, 2015, grant recipients must coordinate with FEMA prior to the start of disaster relief efforts. However, neither the Workforce Innovation and Opportunity Act nor the relevant TEGs issued by ETA provide specific guidance on what "coordinate" means or how a recipient is to provide evidence of this coordination.

A precedent of coordination exists between other federal agencies and FEMA for improving disaster recovery assistance. This coordination can serve as a model

for ETA. Establishing a written agreement with FEMA is crucial for ETA to set a strong example of effective interagency coordination.

Grant Recipient Coordination with FEMA

Grant recipients generally did not coordinate with FEMA to provide disaster relief employment or other humanitarian assistance. Of the three sampled grant recipients—Florida, Ohio, and North Carolina—only Florida stated they coordinated with FEMA to avoid duplication of services. However, Florida provided no evidence of such coordination.

While Ohio did not coordinate with FEMA, Ohio officials stated they worked with the Ohio Emergency Management Agency to coordinate efforts. Further, North Carolina officials stated local areas coordinated with: (1) local Emergency Management Agency officials regarding hurricane disaster clean-up efforts in impacted communities, and (2) the North Carolina Voluntary Organizations Active in Disaster to form local level groups for services on a county level. Neither Ohio nor North Carolina had a Memorandum of Understanding or Memorandum of Agreement with FEMA or other federal agencies. North Carolina officials indicated FEMA worked with disaster recovery groups and other agencies that received federal funds. Although FEMA may have coordinated with these local disaster recovery groups, there is no indication the grant recipient worked directly with FEMA, as required in ETA guidance.

Sub-Recipient Coordination with FEMA

Of the six sub-recipients we reviewed, four indicated they did not coordinate with FEMA—Florida Gulf Coast, Ohio Area 14, North Carolina Cape Fear, and North Carolina Lumber River. Two of the four provided no explanation for why they did not work with FEMA, and the remaining two provided the following explanations, respectively:

- A Florida Gulf Coast official stated they tried to co-locate with FEMA to more easily serve disaster victims in a one-stop setting. They said in some cases they were refused a site due to the late notice and inability to connect with the site organizer. The official also indicated FEMA seemed disjointed and provided little notice of their locations.
- A North Carolina Lumber River official stated coordination with FEMA was challenging because FEMA provided conflicting information due to staffing changes.

For the remaining two sub-recipients, Florida Chipola and Ohio Area 7, officials stated they coordinated with FEMA but did not provide evidence to support these efforts.

According to ETA officials, they used the National Dislocated Worker Grant (DWG) Supplement to the Core Monitoring Guide, dated April 2021, to evaluate the degree and impact of grant recipients' required coordination efforts. While ETA did not find any issue in its monitoring reports for Florida and Ohio, it is unclear how Federal Project Officers would have ensured grant recipients coordinated with FEMA because ETA officials did not require grant recipients to retain specific evidence or documentation to support such coordination.

Coordination Between Other Federal Agencies and FEMA Can Serve as a Model for ETA

The Government Accountability Office (GAO) raised concerns in a recent audit report² about fragmented disaster recovery efforts across more than 30 federal entities and proposed 11 options that could improve federal disaster recovery. These options included developing new efforts to clearly and consistently communicate about recovery programs and provide coordinated technical assistance throughout disaster recovery.³ In addition, in October 2019, GAO created the Disaster Resilience Framework: Principles for Analyzing Federal Efforts to Facilitate and Promote Resilience to Natural Disasters to guide analysis of federal actions during natural disasters. The GAO framework encourages federal efforts such as promoting coordination across missions and sectors and recognizing relationships among infrastructure and ecosystems.

Furthermore, a precedent of coordination exists between other federal agencies and FEMA for improving disaster recovery assistance. This coordination can serve as a model for ETA. For instance, in 2023, the Environmental Protection Agency and FEMA entered into interagency agreements to formalize coordination in disaster recovery. They “updated a Memorandum of Agreement (MOA) that promotes collaboration between the two agencies to help communities become safer, healthier, and more resilient... In addition, the agencies partner with communities impacted by disasters to rebuild in ways that

² GAO, Disaster Recovery: Actions Needed to Improve the Federal Approach, GAO-23-104956 (November 2022), available at: <https://www.gao.gov/assets/gao-23-104956.pdf>

³ In their response to the audit report, FEMA, Department of Housing and Urban Development, and Department of Transportation all agreed with GAO's recommendations.

protect the environment, create long-term economic prosperity, and enhance neighborhoods.”⁴

Another example of disaster recovery coordination occurred in 2016 when a Memorandum of Agreement was entered into by FEMA and the U.S. Department of Transportation’s Federal Transit Administration. The two entities established a communication and joint tracking system to coordinate funding for public transportation recovery projects. These efforts aimed to prevent duplication of benefits.

Establishing a written agreement with FEMA is crucial for ETA to set a strong example of effective interagency coordination. Without similar FEMA coordination, ETA is missing an opportunity to facilitate efforts on the part of its DWG recipients and help ensure effective, timely, and non-duplicative disaster recovery assistance under its DWG program.

A Grant Recipient Did Not Collect Required Eligibility Documentation and ETA Performed Limited Monitoring of Participant Eligibility

In a 2015 DWG audit,⁵ the OIG recommended ETA ensure future awards reinstate the policy requiring DWG recipients to have systems in place to review eligibility determinations once needed documentation becomes available. After awarding the DWG, on March 18, 2020, ETA issued TEGGL No. 12-19, which replaced TEGGL 2-15 issued July 2015 and updated the required documentation grant recipients need to collect and maintain to support eligibility for DWG participants. This included a requirement for grant recipients to verify participants who were enrolled using self-certification by eventually collecting all documents necessary to demonstrate each participants’ eligibility. In turn, ETA is responsible for monitoring grant recipients’ compliance with these requirements.

⁴ U.S. Environmental Protection Agency’s website, Smart Growth webpage, “Memorandum of Agreement between EPA and the Department of Homeland Security/Federal Emergency Management Agency (DHS/FEMA),” last accessed August 20, 2024, available at: <https://www.epa.gov/smartgrowth/memorandum-agreement-between-epa-and-department-homeland-security-federal-emergency>

⁵ Superstorm Sandy National Emergency Grants: ETA Awarded Funds Promptly, But Could Improve Grant Modifications and Verification Process, Report No. 02-15-204-03-390 (March 26, 2015), available at: <https://www.oig.dol.gov/public/reports/oa/2015/02-15-204-03-390.pdf>

We found, despite ETA updating its guidance, Ohio still failed to collect the required documentation to demonstrate eligibility after participants self-certified, and no system was in place to ensure such documentation was collected. As a result, Ohio and its sub-recipients did not demonstrate they served eligible participants. We questioned \$909,240 of costs associated with 30 participants served in Ohio for whom adequate documentation to support eligibility was not provided (see Exhibit 2).

A Grant Recipient Failed to Collect Required Documentation to Demonstrate Participant Eligibility

According to ETA, the DWG awarded under Public Law 116-20 served 4,766 participants (see Exhibit 3). Based on a judgmental sample of approximately 11 percent⁶ of Ohio's DWG participants, we found no evidence Ohio and its sub-recipients verified eligibility beyond participant self-certification, as required by ETA's guidance. In addition, there was no system in place to verify participants' eligibility after self-certification.

Specifically, in Ohio, based on a universe of 282 participants, a sample of 30 was judgmentally selected. A test of the entire sample found none of the 30 participants had provided adequate documentation to support eligibility beyond self-certification. In North Carolina, based on a universe of 427 participants, a sample of 45 was judgmentally selected. We found no exceptions for all 45 participants as TEGL 2-15, which was in effect during the grant period, is silent on requiring documentation beyond self-certification. In Florida, all 133 sampled participant case files contained evidence to confirm the eligibility of those participants who self-certified as having been long-term unemployed or dislocated as a direct result of the disaster.

We identified 30 Ohio sampled participants that either: (1) lacked documentation to meet the eligibility requirements, or (2) had no evidence that sub-recipients re-determined participants' eligibility after self-certification because they did not have a system in place to ensure the collection of such documentation. Accordingly, the costs are being questioned. Using the average cost per participant, we question \$909,240⁷ of costs associated with the 30 participants served in Ohio for not adhering to eligibility requirements as follows.

⁶ We tested 30 of the 282 (10.6 percent) participants served in Ohio.

⁷ Per Ohio officials, the average cost per participant was \$30,308. Using the average cost per participant, we questioned \$909,240 for Ohio.

DWG Grantee⁸ Notice of Award, Section 14 Program Requirements, Paragraph 2 – Eligibility states:

Self-certification – The participant file must document participants' eligibility. Because of the circumstances surrounding the disaster, documentation of eligibility may be difficult to obtain during the initial stages. The Department is prepared to accept an individual's signed certification that they meet the eligibility criteria. The grantee should have a system in place to verify eligibility for individuals once better data is available. If the grantee has such a system in place, and if a participant is later found to be ineligible, the costs incurred prior to the discovery of ineligibility will not be disallowed.

In addition, TEGL No. 12-19, which applied to the Ohio and Florida grants, includes specific language with respect to the need to demonstrate eligibility. It states:

Grantees are responsible for setting appropriate policies and procedures for determining participant eligibility. The state has the authority to provide exceptions to its policies regarding the acceptable documentation local areas must collect to document participant eligibility, such as during a disaster. Such exceptions may rely on self-attestation. States eventually must collect all documentation necessary to demonstrate that each participant is eligible under 20 CFR 687.170(b).

ETA and Grant Recipients Performed Limited Monitoring of Participant Eligibility

ETA monitors grant recipients to ensure effective stewardship of federal funds. ETA monitoring efforts include tracking performance, holding award recipients accountable, reviewing grant operations, assessing compliance, and identifying compliance assistance and technical assistance needs. To this end, ETA regions referenced regional monitoring plans and Employment and Training Order No. 2-21 (Grant Management Policies and Responsibilities) to ensure grant recipient compliance. Further, during their monitoring visits for the DWG selected for review, ETA used the National Dislocated Worker Grant (DWG) Supplement to the Core Monitoring Guide, dated April 2021. The Core Monitoring Guide represents the official oversight and monitoring guide for evaluating programs funded with grant funds administered by ETA.

⁸ The terms "grantee" and "grant recipient" are used interchangeably throughout this report.

We found ETA monitored Florida and Ohio but did not monitor North Carolina. ETA stated they did not monitor the North Carolina grant due to: (1) a significant shortage of staffing resources, (2) other agency priorities, (3) prioritization of staff workloads, and (4) the COVID-19 pandemic.

With regard to its monitoring of Ohio, ETA provided us with their enhanced desk monitoring review. This monitoring report included the number of participants served as well as funding information, such as initial award, accrued expenditures, and expenditure rate. However, ETA's review did not result in any findings or areas of concern.⁹ In contrast, we found all sampled participants in Ohio lacked additional documentation beyond self-certification to support their eligibility and there was no system in place to verify participants' eligibility after self-certification.

Grant recipients are also required to monitor their sub-recipients. According to the DWG agreements, the grant recipient is responsible for ensuring: (1) terms and conditions are in all sub-award packages, (2) sub-recipients comply with all applicable regulations and terms and conditions of the award, and (3) sub-recipients are monitored. In turn, ETA has a fiduciary responsibility for oversight of the grant recipient.

Our testing found that grant recipients monitored the sub-recipients, but the monitoring reports did not include testing on eligibility and financial expenditures. Specifically, Florida and Ohio performed sub-recipient monitoring, but Florida did not test for eligibility and Ohio did not test for eligibility and financial expenditures. In contrast, North Carolina performed sub-recipient monitoring and tested for both financial expenditures and eligibility.

Overall, in our assessment of ETA's monitoring efforts, we found ETA did not effectively implement the OIG's prior recommendation to ensure evidence is provided to substantiate participants' eligibility for the DWG program after they self-certified as eligible¹⁰. In addition, ETA did not provide effective oversight of grant recipients to ensure its sub-recipients verified if proper documentation was maintained to support participant eligibility. As a result, grant recipients may have served individuals who were not eligible for the program.

⁹ Per ETA officials, their monitoring reports are exception-based; therefore, only the issues found are documented.

¹⁰ Superstorm Sandy National Emergency Grants: ETA Awarded Funds Promptly, But Could Improve Grant Modification and Eligibility Verification Processes, Report No. 02-15-204-03-390 (March 26, 2015), <https://www.oig.dol.gov/public/reports/oa/2015/02-15-204-03-390.pdf>.

Delayed Approval Process For Grant Modification Caused a Two-Week Work Stoppage at a Sub-Recipient

Our audit found the Florida Region 4-Gulf Coast sub-recipient was forced to stop clean-up work for two weeks (from August 3, 2020, through August 16, 2020). The sub-recipient had to shut down and layoff participants due to depleted funds, resulting from a delayed ETA grant modification approval process. Per Region 4-Gulf Coast officials, the situation occurred because the grant recipient, Florida, had to wait for ETA to process the grant modification.

As shown in Table 1 below, grant modification number 8 to increase funding took more than 2.5 months from initial request to release of funds.

Table 1: Approval Timeline for Florida Grant Modification Number 8

Action	Date	Days Elapsed
Initial modification request to ETA from Florida	6/03/2020	N/A
Revision request from ETA to Florida	6/22/2020	19
Application resubmitted to ETA	7/06/2020	14
ETA modification approval	8/16/2020	41
Funds released	8/19/2020	3
Days from initial modification request to release of funds		77

Source: OIG table developed from information provided by Florida and ETA on grant modification approval dates

According to ETA, DWG applications and requests for supplemental funding must be approved by the Secretary within 45 days of receipt of a fundable application. Based on the above timeline, per ETA, the Secretary approved the request for additional funding in 41 days after the additional information requested was received. However, according to 2 CFR 200.308(j):

Within 30 calendar days from the date of receipt of the request for budget revisions, the Federal awarding agency must review the request and notify the recipient whether the budget revisions have been approved. If the revision is still under consideration at the end of 30 calendar days, the Federal awarding agency must inform the

recipient in writing of the date when the recipient may expect the decision.

Based on 2 CFR 200.308(j), Florida's request for supplemental funding should have been processed as a request for modification and approved, or the recipient should have been informed as to when they may expect the decision, within 30 days from the date of receipt of the request for budget revision. ETA's position is not supported that applications and requests for supplemental funding must be approved by the Secretary within 45 days of the receipt of a fundable application. The Grant Modification/Notice of Award for Florida, which included supplemental funding and an extension of the performance period, directly responds to a modification request matching the date of additional information provided to ETA. Additionally, the document itself explicitly refers to it as "Grant Modification No. 8."

The delay of DWG funds to a grant sub-recipient caused a two-week work stoppage that severely impacted those in need of assistance. The 138 participants who had lost their previous employment were left without jobs again and uncertain about if and when they would return to work. Further, essential clean-up and recovery efforts were stalled. ETA should enhance its support for grant recipients to expedite the process, especially when ETA is aware of the dire nature of the circumstances and grant recipients' pressing funding needs.

A Florida Sub-Recipient Spent \$17,273 That Did Not Benefit Recovery Efforts or Was Not Allocable Under the Terms of the Grant

We reviewed a judgmental sample totaling \$1,397,969 from the general ledger transactions of the six sub-recipients. At the Career Source Gulf Coast (CSGC), a sub-recipient under Florida, we identified \$17,273 in questioned costs that either did not benefit the disaster recovery efforts or were not allocable under the terms of the grant (see Exhibit 2). This was mainly due to the sub-recipient not ensuring all costs charged to the DWG benefitted the program. The questioned costs pertained to: (1) outreach costs not related to the DWG, (2) purchase of software, (3) training costs for a staff member, and (4) marketing costs.

Costs charged to the DWG are subject to Uniform Guidance, which is outlined in TEGL 12-19 Section 5, 2 CFR Part 200 Subpart E § 200.405, and TEGL 2-15 Section 2:

TEGL 12-19 Section 5

All proposed project costs must be necessary, reasonable, and in accordance with Federal guidelines. ETA will determine allowable costs in accordance with the Cost Principles, now found in the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), codified at 2 CFR Part 200 and at 2 CFR Part 2900 (Uniform Guidance-DOL specific). Disallowed costs are those charges to a grant that the grantor agency or its representative determines not to be allowed in accordance with the Cost Principles or other conditions contained in the grant. Applicants, whether successful or not, will not be entitled to reimbursement of pre-award costs.

2 CFR Part 200 Subpart E § 200.405 Allocable costs

- (a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:
- (1) Is incurred specifically for the Federal award;
 - (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and

TEGL 2-15 Section 2

Reasonable Costs – DWG are subject to the Uniform Guidance: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR Part 200 and OMB's [Office of Management and Budget] approved exceptions for DOL at 2 CFR Part 2900, which require that costs must be reasonable, necessary, and allocable.

Questioned Costs

CSGC Employer Outreach and Job Activities Not Grant Specific

The expenditure primarily benefited general employer outreach efforts or job activities that were not explicitly tied to the DWG's objectives. The charge of \$10,242 was for membership dues to a local economic development organization allowing CSGC to participate in various networking functions related to workforce needs. Since the membership dues did not directly contribute to the goals of the grant's objectives as outlined in the grant program, the expenditure disregards the regulatory requirements outlined in 2 CFR § 200.405 about allocability and the direct benefit principle related to the grant's intended outcomes.

Software Transaction Lacked Sufficient Documentation

The expenditure was for computer software, which was related to CSGC's backup power supply and protected against data loss from power outages and surges. According to CSGC officials, they "sought and received written prior approval from the state for this project and expense."

The allocability of this transaction is questioned based on the insufficient supporting documentation provided to justify the \$3,162 charged to the grant. The regulatory requirements outlined in 2 CFR § 200.403(g) states costs must be "adequately documented." CSGC stated, "Costs are distributed based on the month's FTE [Full-Time Equivalent] percentages of the indirect and direct board staff. FTE percentages are used to allocate all costs accumulated in the Board Shared Cost Pool." However, CSGC did not provide the support for the monthly Full-Time Equivalent percentage pertaining to this expenditure.

Professional Development for CSGC Staff Member's Higher Education Business Degree Courses Not Allocable to Grant

The expenditure was charged as a professional development expense of \$3,048 for books and tuition costs incurred during one semester for a CSGC employee enrolled in a higher education degree. We received supporting documentation for other semesters including transcripts, tuition costs, orders placed for textbooks, and reimbursement checks made to the CSGC employee. The documentation revealed the employee was enrolled in courses such as data mining for business intelligence and finance.

The regulatory requirements outlined in 2 CFR § 200.430(h) state costs incurred for the education of employees must be directly related to the performance of their job duties. A CSGC official stated, "The grant benefited when grant oversight and services came from well-educated staff." We determined a CSGC

staff member's higher education courses were not necessary to meet the specific needs of the grant and were not essential in contributing to the grant program. As a result, we questioned the use of disaster grant funds for these costs.

CSGC Allocated Cost of Marketing Materials Not Directly Related to DWG

CSGC charged \$821 to the DWG for marketing materials that were general to various grant programs and were not specifically designed to support the Hurricane Michael DWG Program. According to 2 CFR § 200.405(a), costs must be allocable to the specific objectives of the federal award or program under which they were incurred. Instead of attracting the intended population—eligible disaster-related dislocated workers—the materials served a promotional purpose to target and recruit a broader market unrelated to disaster relief efforts.

CONCLUSION

In our audit of these DWG, we found areas where ETA needs to strengthen its controls over how grant recipients and sub-recipients: (1) coordinate with FEMA, (2) document participant eligibility, and (3) use grant funds. Further, ETA needs to improve timeliness of DWG administrative processes to prevent future work stoppages. In total, we identified questioned costs of \$926,513 consisting of \$909,240 for participants lacking adequate documentation to support grant eligibility and \$17,273 in costs not allocable to the grant.

OIG'S RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training:

1. Coordinate with FEMA to develop a written disaster outreach plan, such as a Memorandum of Understanding or Memorandum of Agreement, to be activated during large-scale disasters that defines how ETA and grant recipients will coordinate and document their efforts with FEMA for disaster recovery.
2. Update Dislocated Worker Grant program guidance to clarify how recipients should coordinate with FEMA, state emergency management agencies, and other relevant federal agencies, including instructions on fulfilling and documenting these coordination efforts.

3. Reinforce the use of the indicator specified in the National Dislocated Worker Grant (DWG) Supplement to the Core Monitoring Guide, April 2021, to test for FEMA coordination during monitoring reviews.
4. Adjust language to ensure consistency between Training and Employment Guidance Letters and the grant agreement on requirements for grant recipients to follow-up when self-certification is used for eligibility.
5. Reinforce the use of the indicator specified in ETA's National Dislocated Worker Grant (DWG) Supplement to the Core Monitoring Guide, April 2021, to test for participant eligibility when self-certification is used for eligibility.
6. Provide training to Federal Project Officers to expedite urgent DWG modification requests.
7. Recover costs of \$909,240 for participants served that lacked adequate documentation to support eligibility.
8. Recover \$17,273 in costs not allocable to the grant.

Analysis of Agency's Comments

In response to a draft of this report, ETA agreed or partially agreed with three of our eight recommendations. However, ETA did not agree with five recommendations. After reviewing ETA's response, the OIG agreed with ETA that the North Carolina DWG was allowed to accept self-certification and followed the requirements outlined in TEGM No. 02-15. Accordingly, we removed the appropriate associated language from this report. In its response, ETA also provided corrective actions it intends to take to improve its DWG oversight. Synopses of ETA's comments and our corresponding responses are detailed as follows:

- ETA did not agree with Recommendation 1 and stated that a written agreement between ETA and FEMA would only outline actions between the two federal agencies and is unlikely to influence how a state (or local areas) and FEMA or state emergency agencies would interact. In addition, decisions regarding how states, tribal, or outlying areas coordinate with FEMA should be made by entities within the affected communities. ETA cannot commit to state or other grant recipient actions in an ETA Memorandum of Agreement with FEMA. However, ETA did offer an alternative to this recommendation, ETA agreed to take a more assertive

approach to help facilitate a grant recipient's collaboration with FEMA. ETA will notify FEMA when a large-scale disaster DWG is awarded, to support the rapid connection of the right officials at the state level, and to ensure coordination and collaboration of response efforts occurs at the state level. This change will be added to future program guidance.

- The OIG disagrees with ETA. While the OIG acknowledges that ETA notifying FEMA when a large-scale disaster DWG is awarded will support rapid connection at the state level, simply notifying FEMA post-award does not adequately address the need for pre-defined coordination during large-scale disasters. Our recommendation addresses a gap in disaster response efforts. A Memorandum of Understanding or Memorandum of Agreement between ETA and FEMA would ensure structured collaboration and potentially improve the efficiency of disaster response—as demonstrated by similar agreements between FEMA and the Environmental Protection Agency and the U.S. Department of Transportation's Federal Transit Administration. Relying on grant recipients to establish their own coordination without clear, formalized interagency agreements risks inconsistent approaches and delays in disaster recovery.
- ETA did not agree with Recommendation 2 and stated that, ETA does not want to be prescriptive or proscriptive about grant recipients' coordination efforts. ETA is in the process of updating its program guidance, and as an alternative to address the intent of this recommendation, will require applicants to identify a point of contact within the state emergency management structure and describe any coordination that has occurred by the time of the application, or any plans for coordination post-award, between the grant recipient and the relevant emergency management agency or individuals.
 - The OIG agrees with ETA's alternative to address the recommendation. Specifically, we agree with program guidance updates to clarify grant recipients' responsibilities to identify: (1) any coordination with relevant emergency management agencies or individuals that has occurred by the time of application, and (2) any plans for coordination with these agencies or individuals post-award.
- ETA did not agree with Recommendation 3 and stated that, ETA already provides training to FPOs [Federal Project Officers] on existing DWG guidance and grant administrative requirements (Uniform Guidance), and the CMG [Core Monitoring Guide] supplement for DWGs already notes that FEMA is a required partner. As an alternative to address the intent of this recommendation, ETA will provide internal training to Federal Project

- Officers and external training to grant recipients on the forthcoming guidance, including underscoring the importance of coordination between federal, state and local agencies on disaster responses.
- The OIG agrees with ETA’s intent to provide training to Federal Project Officers and grant recipients covering the importance of disaster response coordination between federal, state, and local agencies.
 - ETA partially agreed with Recommendation 4 and stated that there should be consistency between the current guidance in effect and the grant agreements. ETA will ensure that future DWG agreements are updated to align with guidance revisions.
 - The OIG disagrees with ETA’s intent to update its program guidance to state that self-certification does not require further documentation. If ETA relies solely on self-certification, it risks serving ineligible participants and consequently leading to potential program abuse. By requiring grant recipients to verify participant eligibility, ETA can ensure resources are used as intended.
 - ETA did not agree with Recommendation 5 and stated that, self-certification, especially in a disaster situation, is a complete response and an allowable mechanism for an eligibility determination. ETA is updating program guidance to clarify that self-certification does not require further documentation. Therefore, ETA does not plan to reinforce indicators on participant eligibility solely because self-certification is used.
 - The OIG disagrees with ETA’s response. ETA needs to have controls in place to ensure only eligible participants receive services funded by federal resources. ETA should reconsider how to verify eligibility and support participant self-certification when better data becomes available.
 - ETA did not agree with Recommendation 6 and stated that, the authorizing statute, Workforce Innovation and Opportunity Act Section 170(b)(2) and 20 CFR 687.160 provide the Department 45 days from the complete application to approve a DWG funding request. In addition, the “authorizing statute (which specifies 45 days) supersedes the Uniform Guidance regulations.”
 - The OIG does not agree with ETA’s position; the statute does not “supersede” the Uniform Guidance regulations as it relates to modifications. The 45-day allowable timeframe set forth in the Workforce Innovation and Opportunity Act is for new grant

applications. The 30-day requirement in Office of Management and Budget's Uniform Guidance regulations applies to requests for modifications, including requests for additional funding. Delays in granting the modification requests impact participants who rely on these funds for their livelihoods. It is crucial that ETA work with states to ensure timely processing of modifications to help local areas swiftly recover from the aftermath of a disaster. Timely modification processing can prevent future disruptions and better support the participants the program is intended to serve.

- ETA agreed with Recommendation 7 and stated that ETA will follow its audit resolution process to determine if these costs are associated with ineligible participants.
- ETA agreed with Recommendation 8 and stated that ETA will follow its audit resolution process. Initial and final determinations will be issued to the grant recipient in question.

We look forward to working with ETA personnel to ensure the intent of the recommendations is addressed. The agency's response to the draft report is included in its entirety in Appendix C. We appreciate the cooperation and courtesies ETA extended to us during this audit.



Carolyn R. Hantz
Assistant Inspector General for Audit

EXHIBIT 1: SCHEDULE OF AWARDS AND EXPENDITURES OF PUBLIC LAW 116-20 FUNDS

Grant Number	Grant Recipient	Project Title	Period of Performance	Grant Awarded	Total Expenditures
EM-33976-19-60-A-5	Arkansas	Severe Storms and Flooding	7/1/2019-12/31/2020	\$1,803,765	\$552,106
DW-34834-20-60-A-5	Arkansas	Severe Storms and Flooding	3/1/2020-3/31/2022	\$467,540	\$456,885
EM-32533-18-60-A-6	California	Carr Fire	8/20/2018-12/31/2021	\$2,000,000	\$1,611,481
EM-32929-19-60-A-19	California	2018 Wildfires	11/26/2018-12/31/2022	\$14,666,667	\$12,692,914
EM-33742-19-60-A-6	California	Severe Weather	5/1/2019-6/30/2022	\$2,935,100	\$2,935,100
DW-32746-19-60-A-12	Florida	Hurricane Michael	10/7/2018-9/30/2022	\$10,668,122	\$10,528,936
EM-33367-19-60-A-19	Iowa	Severe Storms and Flooding	5/1/2019-6/30/2021	\$1,000,000	\$513,077
EM-32575-18-60-A-37	North Carolina	Hurricane Florence	9/14/2018-9/30/2020	\$7,130,273	\$2,339,013
EM-33375-19-60-A-39	Ohio	Storms	4/1/2019-6/30/2021	\$8,828,533	\$8,547,061
Totals				\$49,500,000	\$40,176,573

Source: OIG prepared using information from grants and expenditures reported on DOL, ETA Financial Report Form 9130

EXHIBIT 2: SUMMARY OF QUESTIONED COSTS

Description	Questioned Costs
30 participants served in Ohio that lacked adequate documentation of eligibility	\$909,240
Costs that either did not benefit or were not allocable to the DWG, consisting of:	\$17,273
<ul style="list-style-type: none"> ▪ CSGC employer outreach and job activities not grant specific = \$10,242 ▪ Software transaction lacked sufficient documentation = \$3,162 ▪ Professional development for CSGC staff member’s higher education not allocable to grant = \$3,048 ▪ CSGC allocated cost of marketing materials not directly related to DWG = \$821 	
Total	\$926,513

Source: OIG prepared based on analysis of sub-recipient data

EXHIBIT 3: NUMBER OF PARTICIPANTS SERVED BY GRANT

Grant	Planned Participants	Actual Number Served	Percent of Planned Participants	Grant End Date
Florida Hurricane Michael	250	530	212.0%	9/30/2022
North Carolina Hurricane Florence	925	427	46.2%	9/30/2020
Ohio 2019 Storms	280	282	100.7%	6/30/2021
Arkansas Severe Storms and Flooding	294	48	16.3%	12/31/2020
Arkansas Severe Storms and Flooding	18	21	116.7%	3/31/2022
2018 California Carr Fire	260	200	76.9%	12/31/2021
California November 2018 Wildfires	2,970	2,956	99.5%	12/31/2022
California 2019 Severe Winter Storms	420	278	66.2%	6/30/2022
Iowa Spring 2019 Severe Storms and Flooding	150	24	16.0%	6/30/2021
Total	5,567	4,766	85.6%	

Source: OIG prepared based on data reported by ETA and grant recipients

APPENDIX A: SCOPE AND METHODOLOGY

Scope

On June 6, 2019, Congress enacted Public Law 116-20, Additional Supplemental Appropriations for Disaster Relief Act, 2019. Title VIII of Public Law 116-20 provided ETA with \$50 million for the dislocated workers assistance national reserve for necessary expenses directly related to the consequences of multiple natural disasters. Specifically, Hurricanes Florence and Michael, Typhoon Mangkhut, Super Typhoon Yuto, wildfires, and earthquakes occurring in calendar year 2018, and tornadoes and floods occurring in calendar year 2019. Of the \$50 million, \$500,000 was transferred to the OIG for oversight of activities responding to such covered disaster or emergency.

The audit scope encompassed the 9 grants totaling \$49.5 million awarded by ETA to 6 grant recipients. We judgmentally selected a sample of three grant recipients—Florida, Ohio, and North Carolina. The following 3 grant recipients received a total of \$26.6 million, or 54 percent, of the total DWG funding appropriated under Public Law 116-20:

- *Florida (Hurricane Michael)* -- On October 10, 2018, Hurricane Michael made landfall as a Category 5 near Mexico Beach, Florida. It is estimated to have caused 74 deaths and \$25 billion in damages in the United States.
- *Ohio (Severe Storms 2019)* -- The severe storms occurred from February 5 to February 13, 2019, impacting nearly one third of Ohio. The storm's 5 to 8 inches of record-breaking rainfall caused extreme flooding and embankment failures, along with extensive damage to critical roads. Ohio received a major disaster declaration from FEMA for severe storms, flooding, and landslides.
- *North Carolina (Hurricane Florence)* -- On September 14, 2018, Hurricane Florence made landfall in the United States as a Category 1 just south of Wrightsville Beach, North Carolina. It is estimated to have caused 52 deaths and \$22 billion in damages.

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 objectives.

To answer our audit objective, we did the following:

- reviewed public laws and ETA guidance related to Public Law 116-20,
- interviewed ETA headquarters personnel to learn about DWG,
- obtained a list of DWG awarded by ETA and analyzed the list to obtain the number of DWG awarded and amounts awarded to grant recipients,
- of the nine DWG, we judgmentally selected a sample of three—Florida, Ohio, and North Carolina,
- interviewed state officials in Florida, Ohio, and North Carolina regarding their monitoring of the grant, guidance provided to local areas on eligibility and expenditure of funds, and coordination with other federal agencies to avoid duplication of duties,
- selected a statistical, random sample of participants for Florida (133) and non-statistical, judgmental samples of participants for North Carolina (45) and Ohio (30). For these samples, checked documents to support participant eligibility for the DWG, and
- selected a judgmental sample of expenditures and determined if the expenditures were reasonable, allowable, and allocable to the DWG.

This report does not project the audit results of the sampled participants to the total population of participants enrolled and does not project the audit results of the sampled expenditures to the total population of expenditures in the DWG.

Internal Controls

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 audit 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 limitation on internal controls, or misstatement, noncompliance may occur and not be detected.

Data Reliability

We assessed the reliability of sub-recipients' financial and participant data by: (1) performing electronic testing, and (2) interviewing ETA and state officials knowledgeable about the data. We determined that the data was sufficiently reliable for the purposes of this report.

Criteria

- 20 CFR, Part 687 National Dislocated Worker Grants
- 2 CFR, Part 200, Subpart E-Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards
- Public Law 116-20, Title VIII, Additional Supplemental Appropriations for Disaster Relief Act, 2019, June 6, 2019
- Workforce Innovation and Opportunity Act, Section 170, January 3, 2014
- ETA Training and Employment Guidance Letter 2-15, Operational Guidance for National Dislocated Worker Grants, pursuant to the Workforce Innovation and Opportunity Act (WIOA or Opportunity Act), July 1, 2015
- ETA Training and Employment Guidance Letter 12-19, National Dislocated Worker Grant Program Guidance, March 18, 2020
- ETA Training and Employment Guidance Letter 12-19 Change 1, National Dislocated Worker Grant Program Guidance, November 2, 2020

Prior Relevant Coverage

During the last 9 years, the OIG has issued 3 reports of significant relevance to the subject of this report, as follows:

1. COVID-19: Delays in Providing Disaster Relief Jeopardize \$366 Million Disaster Worker Grant Program, Report No. 19-22-002-03-391 (January 28, 2022), available at: <https://www.oig.dol.gov/public/reports/oa/2022/19-22-002-03-391.pdf>;
2. ETA Needs to Improve its Disaster National Dislocated Worker Program, Report No. 02-21-002-03-391 (January 29, 2021), available at: <https://www.oig.dol.gov/public/reports/oa/2021/02-21-002-03-391.pdf>; and
3. Superstorm Sandy National Emergency Grants: ETA Awarded Funds Promptly, But Could Improve Grant Modification and Eligibility Verification Processes, Report No. 02-15-204-03-390 (March 26, 2015), available at: <https://www.oig.dol.gov/public/reports/oa/2015/02-15-204-03-390.pdf>.

The following is a list of third-party audit reports, a webpage, and a memorandum of agreement reviewed for this audit:

1. Government Accountability Office, Disaster Recovery: Actions Needed to Improve the Federal Approach, GAO-23-104956 (November 2022), available at: <https://www.gao.gov/assets/gao-23-104956.pdf>
2. Government Accountability Office, Disaster Resilience Framework: Principles for Analyzing Federal Efforts to Facilitate and Promote Resilience to Natural Disasters, GAO-20-100sp (October 2019), available at: <https://www.gao.gov/assets/gao-20-100sp.pdf>
3. U.S. Environmental Protection Agency’s website, Smart Growth webpage, “Memorandum of Agreement between EPA and the Department of Homeland Security /Federal Emergency Management Agency (DHS/FEMA),” last accessed August 20, 2024, available at: <https://www.epa.gov/smartgrowth/memorandum-agreement-between-epa-and-department-homeland-security-federal-emergency>
4. Memorandum of Agreement Between the Department of Homeland Security/Federal Emergency Management Agency and the U.S. Environmental Protection Agency (2023), available at: [DHS FEMA-EPA MOA 2023 Update FINAL 08.01.2023.pdf](#)

APPENDIX B: ACKNOWLEDGMENTS

Staff contributors to this report were:

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APPENDIX C: AGENCY'S RESPONSE TO THE REPORT

The agency's response to our draft report follows.



September 23, 2024

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

FROM: JOSÉ JAVIER RODRÍGUEZ 

SUBJECT: Response to Draft Report – *ETA Needs to Improve Oversight of Disaster Dislocated Workers Grants*, Report No. 02-24-XXX-03-390

The U.S. 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). Below are ETA's observations on the draft report, followed by responses to the draft report's recommendations.

Lack of Coordination Between ETA and [Federal Emergency Management Agency] FEMA May Have Decreased Effectiveness and Timeliness of Disaster Recovery Assistance

ETA recognizes the importance of coordination with FEMA in disaster recovery and does coordinate with FEMA, including through long-standing interagency working groups on disaster response. ETA's guidance published in Training and Employment Guidance Letters (TEGL) under the Workforce Innovation and Opportunity Act (WIOA) specifically states that grant recipients should coordinate with "emergency management agencies" broadly, not just with FEMA. Coordination at the state and local level helps avoid duplication of activities and costs. For example, state emergency management agencies work with state workforce agencies to coordinate services and avoid duplication.

The OIG has presented no evidence or basis to state "ETA's failure to facilitate such coordination may have decreased the effectiveness and timeliness of [Dislocated Worker Grants] DWG disaster recovery assistance" or that any issue occurred "because of ETA's lack of written interagency agreements with FEMA." A written agreement between ETA and FEMA would only outline actions between the two federal agencies and is unlikely to influence how a state (or local areas) and FEMA or state emergency agencies would interact.

Grant recipients and their subrecipients are the entities carrying out the workforce services and are best positioned to coordinate with emergency management activities taking place in their area. Generally, grant recipients work with their state counterparts in emergency management to ensure that alignment of activities occurs. Further, this coordination is critically important because not all Disaster Recovery DWGs are awarded in response to a FEMA-declared disaster

and state agencies charged with emergency management would be involved regardless of which federal agency made the declaration.

ETA has more appropriately focused its activities on preparing states to coordinate disaster response. For instance, over the past three years, ETA's Atlanta Region has hosted a joint technical assistance summit, including subject matter experts from ETA on Unemployment Insurance and Workforce Investment, as well as experts from FEMA, the Small Business Administration (SBA), and the National Oceanic and Atmospheric Administration. The purpose of the summit is to provide pre-hurricane season technical assistance to existing and potential grant recipients. During the summit, the topics discussed include, but are not limited to, eligibility, disaster application processes, resource availability, and coordinating costs (e.g., aligning and braiding funding). The Region has also hosted two business engagement summits that focus on the importance of business services involvement, rapid response initiatives, and partnership with federal agencies to proactively prepare for disasters that may occur in the future. Similar coordination activities also take place in other ETA regions that experience frequent natural disasters.

Grant Recipients Did Not Collect Required Eligibility Documentation and ETA Performed Limited Monitoring of Participant Eligibility

In a disaster, Disaster DWG recipients should be working to deliver workforce services. Grant recipients already produce a large amount of documentation regarding services provided, participants served, as well as for financial reporting. Efforts to understand disaster survivors' experience show how a focus on paperwork and eligibility documentation traps disaster victims in an endless cycle of paperwork that delays their ability to receive help. ETA is concerned that the OIG's focus on this issue will further impact individuals getting the assistance they need, as often the documentation the OIG is seeking is either lost or destroyed in the disaster event itself.

Further, the OIG's draft report attempts to place additional requirements related to participant eligibility on a disaster DWG that is not appropriate or supportable, which has led to the OIG questioning a significant amount of costs that should not be questioned. Specifically, for the North Carolina DWG described in the draft report, the entirety of the funding was issued under TEGL No. 02-15 and guidance on eligibility documentation for states under the requirements of this TEGL were provided in the DWG grant agreements, which stated:

“Self-certification – The participant file must document participants' eligibility. Because of the circumstances surrounding the disaster, documentation of eligibility may be difficult to obtain during the initial stages. The Department is prepared to accept an individual's signed certification that they meet the eligibility criteria. The Grantee should have a system in place to verify eligibility for individuals once better data are available. If the Grantee has such a system in place, and if a participant is later found to be ineligible, the costs incurred prior to the discovery of ineligibility will not be disallowed.”

For this DWG award, the State was allowed to accept self-certification and followed the requirements outlined in TEGL No. 02-15.

The logic behind the OIG’s language on page 9 of the draft report is perplexing:

“All three states were required to follow TEGL 12-19...For North Carolina, its grant modification states “[e]xcept as modified, all terms and conditions of said grant/agreement remain unchanged and in full effect.” Because TEGL 12-19 was issued before this modification and changed the terms and conditions of the grant as it relates to verifying eligibility of participants, the language in TEGL 12-19 is binding on North Carolina as well.”

This is an inaccurate statement; the last modification for this DWG was January 21, 2020, which was nearly two months **before** TEGL No. 12-19 was issued on March 18, 2020. North Carolina’s DWG operated entirely under the requirements outlined in TEGL No. 2-15.

Finally, the OIG’s characterization that ETA performs limited monitoring of participant eligibility is inaccurate. ETA’s regional offices perform monitoring reviews and check participant program eligibility based on the grant terms and conditions. Regional offices select a sample of participant files for review as a standard practice. As explained to the OIG previously, ETA’s monitoring reports are written on an exception basis, meaning the monitoring report will note deficiencies found, but will not list every compliance requirement that the grant recipient met. Since there was no requirement for a state to collect documentation if the grant recipient had obtained an individual's signed certification, eligibility issues would not be included in the monitoring report, because the scope of the review did not find any issues in this area.

Delayed Approval Process for Grant Modification Caused a Two-Week Work Stoppage at a Sub-Recipient

ETA strongly disagrees with the OIG’s conclusion that the approval process for providing a grant recipient additional funding was delayed and that “ETA’s position is not supported that applications and requests for supplemental funding must be approved by the Secretary within 45 days of the receipt of a fundable application.” WIOA Section 170(b)(2) and 20 CFR 687.160 provide the Department 45 days from the receipt of a complete application to approve a DWG funding request. As the OIG notes in Table 1 of its draft report, the timeline from receipt of the complete application to approval was 41 days, and therefore ETA has complied with the 45-day statutory requirement. The authorizing statute (which specifies 45 days) supersedes the Uniform Guidance regulations.

ETA also conveyed during the exit conference, and afterwards through supporting data, the average approval times for DWG funding requests during the last two fiscal years was approximately 19 and 20 days, respectively, reinforcing that there is no need to further streamline a process that is already well within compliance of the program’s statutory requirements.

While there are other factors outside of ETA’s control that can lead to a delayed application submission, including when a state decided to submit an application, and how long it took for them to submit a complete and actionable application, ETA has taken actions to assist grant recipients with submission of incremental funding requests that have exponentially improved the approval process.

To ensure requests are submitted in a timely manner, Federal Project Officers (FPO) review the Payment Management System (PMS) frequently to compare expenditures versus the incremental funding awarded. Additionally, FPOs frequently discuss with grant recipients project implementation challenges, programmatic and fiscal needs, as well as subrecipient technical assistance needs. Through these monitoring activities, FPOs can anticipate how soon grant recipients may require additional funding, generally after 70 percent of the funds awarded have been expended. FPOs also take a proactive approach in notifying the grant recipient when 60 percent of the funds have been expended and provide instructions on how to request funds should the grant recipient need additional funds.

Responses to the Recommendations

Please find below each of the recommendations contained in the OIG's draft report, followed by ETA's response.

Recommendation 1: Coordinate with FEMA to develop a written disaster outreach plan, such as a Memorandum of Understanding or Memorandum of Agreement, to be activated during large-scale disasters that defines how ETA and grant recipients will coordinate and document their efforts with FEMA for disaster recovery.

ETA Response: ETA disagrees with this recommendation. Decisions regarding how states, tribal, or outlying areas coordinate with FEMA should be made by entities within the affected communities. ETA cannot commit to state or other grant recipient actions in an ETA Memorandum of Agreement with FEMA.

While ETA declines to be prescriptive or proscriptive about grant recipients' coordination with FEMA, ETA expects grant recipients to establish appropriate policies and procedures to meet this coordination requirement. ETA supports and strongly encourages grant recipients' coordination with state emergency management agencies and other entities participating in the recovery process.

As an alternative to this recommendation, ETA agrees to take a more assertive approach to help facilitate a grant recipient's collaboration with FEMA. ETA will notify FEMA when a large-scale disaster DWG is awarded, to support the rapid connection of the right officials at the state level, and to ensure coordination and collaboration of response efforts occurs at the state level. This change will be added to future program guidance.

In addition to directly notifying FEMA and continuing to work with state partners to ensure they can coordinate with emergency management agencies; ETA currently participates in two interagency working groups with FEMA. ETA and the Department participate in the Recovery Support Function Leadership Group, coordinated by FEMA, which focuses on federal recovery responsibilities, including operational, resource, and policy issues related to interagency recovery actions at the national level. Additionally, ETA also participates in the interagency Economic Recovery Support Function (ERSF) working group, which convenes an array of federal agencies with programs supporting disaster response and recovery. ERSF agencies include ETA, FEMA, the U.S. Economic Development Administration, SBA, the Environmental Protection Agency,

the U.S. Department of the Treasury, the U.S. Department of the Interior, the Bureau of Indian Affairs, and others. As part of the notification process described above, ETA will share information on each awarded Disaster Recovery DWG with this group, taking advantage of the ERSF's networking platform to help grant recipients better leverage all available resources in a time of need. Coordination with the ERSF will also enable other federal disaster relief stakeholders to become more aware of available ETA disaster investments within the targeted areas.

Recommendation 2: Update Dislocated Worker Grant program guidance to clarify how recipients should coordinate with FEMA, state emergency management agencies, and other relevant federal agencies, including instructions on fulfilling and documenting these coordination efforts.

ETA Response: ETA disagrees with this recommendation, as ETA does not want to be prescriptive or proscriptive about grant recipients' coordination efforts.

However, TEGL No. 12-19, Change 1 already requires grant recipients to coordinate with the appropriate emergency management agencies in their state. ETA is in the process of updating its program guidance, and as an alternative to address the intent of this recommendation, will require applicants to identify a point of contact within the state emergency management structure and describe any coordination that has occurred by the time of the application, or any plans for coordination post-award, between the grant recipient and the relevant emergency management agency or individuals.

Recommendation 3: Reinforce the use of the indicator specified in the National Dislocated Worker Grant (DWG) Supplement to the Core Monitoring Guide, April 2021, to test for FEMA coordination during monitoring reviews.

ETA Response: ETA disagrees with this recommendation to reinforce the use of the existing indicator for FEMA coordination in the Core Monitoring Guide (CMG) supplement. ETA already provides training to FPOs on existing DWG guidance and grant administrative requirements (Uniform Guidance), and the CMG supplement for DWGs already notes that FEMA is a required partner. As an alternative to address the intent of this recommendation, ETA will provide internal training to FPOs and external training to grant recipients on the forthcoming guidance, including underscoring the importance of coordination between federal, state and local agencies on disaster responses. ETA will not require the use of this indicator in every monitoring review, in keeping with the Agency's flexible and risk-based approach to monitoring.

Recommendation 4: Adjust language to ensure consistency between Training and Employment Guidance Letters and the grant agreement on requirements for grant recipients to follow-up when self-certification is used for eligibility.

ETA Response: ETA partially agrees with this recommendation. While the grant agreements reviewed under this audit were in alignment with TEGL Nos. 2-15 and 12-19, ETA agrees that

there should be consistency between the current guidance in effect and the grant agreements. ETA will ensure that future DWG agreements are updated to align with guidance revisions.

However, it should be noted that under virtually all programs under WIOA, save DWGs, a participant eligibility determination is a one-time activity. Eligibility is determined at the time of program enrollment, and once a participant is enrolled through a process in alignment with WIOA requirements and existing state or local policy and procedure, there is no additional eligibility determination or follow-up required under statute or regulations. Self-certification is an allowable procedure for determining participant eligibility under WIOA. Revisions to ETA's program guidance will further clarify the use of self-certification as a participant eligibility determinant and clearly align the process for DWGs with the requirements that apply to all WIOA-funded programs.

Recommendation 5: Reinforce the use of the indicator specified in their National Dislocated Worker Grant (DWG) Supplement to the Core Monitoring Guide, April 2021, to test for participant eligibility when self-certification is used for eligibility.

ETA Response: ETA does not agree with this recommendation. Self-certification, especially in a disaster situation, is a complete response and an allowable mechanism for an eligibility determination.

ETA is updating program guidance to clarify that self-attestation does not require further documentation. Therefore, ETA does not plan to reinforce indicators on participant eligibility solely because self-certification is used.

Recommendation 6: Provide training to Federal Project Officers to expedite urgent DWG modification requests.

ETA Response: ETA disagrees with this recommendation. As noted in ETA's comments on the topic area of **Delayed Approval Process for Grant Modification Caused a Two-Week Work Stoppage at a Sub-Recipient** above, ETA promptly processes requests for funding within the timelines required by the statute.

In addition, it should be noted that ETA already trains FPOs to support states in submitting DWG requests. As part of FPO training, FPOs are encouraged to review quarterly grant recipient financial report data and are shown how to evaluate the expenditures compared to the award amount. Further, new tools such as Tableau have been implemented for FPOs to use to aid with monitoring fiscal burn rates. Finally, FPOs generally meet with grant recipients to provide programmatic and fiscal insight, which allows the FPO to be proactive when addressing the grant recipient's funding and technical assistance needs.

Recommendation 7: Recover costs of \$1,592,760 for participants served that lacked adequate documentation to support eligibility.

ETA Response: ETA agrees with this recommendation, notwithstanding the fact that ETA believes the amount being questioned by the OIG is inflated, due to the OIG's misapplication of TEGGL No. 12-19, and its associated standards, to the North Carolina DWG.

ETA respectfully requests that the OIG provide ETA specific information related to the participants in question and the associated costs, so that ETA can follow its audit resolution process to determine if these costs are associated with ineligible participants. Initial and final determinations will be issued, per the process outlined in the Department of Labor Manual Series (DLMS) 8, Chapter 300. 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 8: Recover \$17,273 in costs not allocable to the grant.

ETA Response: ETA concurs with this recommendation. 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 in question, per the process outlined in DLMS 8, Chapter 300, to determine if these costs are in fact not allocable to the grant, and, if so, the disallowed 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.

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