August 25, 2025

MEMORANDUM FOR: LAURA B. NICOLOSI
                                   Assistant Inspector General for Audit

FROM: LORI FRAZIER BEARDEN
                                   Acting Assistant Secretary for Employment and Training

SUBJECT: Response to Draft Report – *ETA Did Not Ensure ARPA Grants Demonstrated Improvements in Access to Unemployment Benefits*, Report No. 19-25-XXX-03-315

The U.S. Department of Labor's (Department) Employment and Training Administration (ETA) appreciates the opportunity to respond to the above-referenced draft report regarding grants to promote equitable access in the Unemployment Insurance (UI) program.

The report focuses on the extent to which ETA administered these grants in accordance with the American Rescue Plan Act (ARPA) and the Department's objectives for UI access. As a technical clarification, ETA notes that the original appropriation under ARPA was for $2 billion and this was the context within which these awards were announced. The amount was later reduced to $1 billion with enactment of the Fiscal Responsibility Act on June 3, 2023.

Responses to the Recommendations

ETA has an overarching comment about the recommendations in the draft report.

The scope of this audit and the work performance by the audit team focused only on the ARPA-funded UI Equity Grants and was limited to the scope of activities occurring under Departmental leadership between March 2021 and September 2024. More specifically, the Department established the Office of UI Modernization (OUIM) within the Office of the Secretary in 2021 and this office was responsible for the strategic direction of all activity occurring under the ARPA appropriation, including the overall direction of the design of the UI Equity Grants offering and the timing of the roll out. The more expansive application of the recommendations to ETA's grant governance practices agencywide is not based on any review of other ETA grants and is not founded on the work conducted under this audit.

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

Recommendation 1: Establish a policy that requires evaluation criteria or standards to be used to ensure grant applications include evidence of a specific issue prior to awarding a grant intended to address said issue.

ETA Response: ETA agrees with this recommendation. ETA updated its template language for issuing funding opportunity announcements in February 2025 to include details about including evidence of specific issues. As appropriate with future funding opportunities, ETA will incorporate this language into its grant solicitations and subsequent reviews of grant applications.

ETA respectfully requests the Office of Inspector General (OIG) resolve and close this recommendation based on the corrective actions taken.

Recommendation 2: Develop additional guidance and staff training to improve monitoring of grant recipients, including a focus on reviewing progress reports to ensure reporting complies with requirements and grant recipients are on target to achieve grant goals as identified in the grant agreement.

ETA Response: ETA agrees with this recommendation. ETA guidance already includes a focus on reviewing progress reports; as such, this is something that is best emphasized in training. ETA regularly provides tools and training on performance report reviews and monitoring of grant performance and goals to all grant management staff through the Federal Project Officer (FPO) Academy. These trainings are provided monthly and address the entire set of grant management responsibilities. ETA will incorporate the recommendations of this report into the curriculum of the FPO Academy that will be developed for future trainings and consider any feedback from this training to determine if additional guidance is needed.

The Director of the Office of Regional Management is responsible for the implementation of this recommendation. The anticipated completion date for this recommendation is the end of Fiscal Year (FY) 2027.

Recommendation 3: Recover $2,827,736 in costs for grant projects that did not achieve project goals in accordance with the grant agreements.

ETA Response: ETA agrees with this recommendation but suggests that the recommendation be reworded to read: "Review $2,827,736 in costs for grant projects identified in this report and recover funds where appropriate." As part of ETA's audit resolution process, ETA will review the information provided by the OIG. Initial and final determinations will be issued to the grant recipient in question, in accordance with the process outlined in the Department of Labor Manual Series 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 determinations and evidence of repayment of disallowed costs, if any.

The Administrator for the Office of Grants Management is responsible for the implementation of this recommendation. The anticipated completion date for this recommendation is the end of FY 2028.

Recommendation 4: Develop guidance for planning new discretionary grant programs to ensure better coordination, minimize duplication of effort, and promote efficient use of grant funds.

ETA Response: ETA agrees with this recommendation. ETA's discretionary grant programs are designed based on the policy priorities and at the direction of Departmental leadership. As such, ETA updated its template language when issuing funding opportunity announcements, including new discretionary grant programs, in February 2025, to improve efficiency and coordination while reducing the potential for any duplication of effort. As appropriate with future funding opportunities, ETA will incorporate this language and proactive approach into its grant solicitations and subsequent reviews of grant applications.

ETA respectfully requests the OIG resolve and close this recommendation based on the corrective actions taken.