



January 22, 2026

MEMORANDUM FOR: HENRY MACK
Assistant Secretary
for Employment and Training

A handwritten signature in blue ink that reads "Laura B. Nicolosi".

FROM: LAURA B. NICOLOSI
Assistant Inspector General
for Audit

SUBJECT: Agency Comments to Draft Audit Report
Number 19-25-008-03-391, "The Employment and
Training Administration Needs to Improve Oversight of
Grants Awarded in New York"

On November 17, 2025, the Acting Assistant Secretary for the Employment and Training Administration (ETA) provided the agency's response to the subject draft report. ETA agreed with the intent of our first recommendation and fully agreed with the remaining recommendations to improve oversight of grants awarded. ETA's responses, including its technical comments, did not result in any changes to the report.

In its response, ETA stated that, although ETA funds flow to subrecipients, oversight of their activities does not rest directly with ETA, but instead with grant recipients per Title 2 C.F.R. Part 200 of the Office of Management and Budget's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." ETA also maintained that it dedicates significant resources to monitoring activities, including providing guidance and engaging with grant recipients to ensure they fulfill their oversight responsibilities.

We stand by our assertion that ETA remained responsible for monitoring and reviewing how the grant funds were spent; this responsibility cannot fall solely on grant recipients. As previously cited in this report, Office of Management and Budget 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's conclusions and

recommendations.

ETA's response included corrective actions to be taken by ETA to address the six recommendations in the subject draft report.

For Recommendation 1, ETA's alternate plan addresses the intent of the recommendation by including data validation into its case file review process. During the review, ETA needs to ensure that verification checks confirm reported participants are unique individuals who actually obtained services, and that controls are strengthened to properly exit participants after 90 days without services.

For three of the recommendations (Recommendations 2, 5, and 6), ETA indicated it would, among other possible actions:

- test the strength of New York's own data validation processes and the accuracy of the data reported to ETA,
- prioritize technical assistance on procurement standards in Fiscal Year 2026, and
- evaluate grant recipients for compliance with the conflict-of-interest policy and document issues for corrective action.

For the remaining two recommendations (Recommendations 3 and 4), the details of the questioned costs were previously provided to ETA. We will continue to work with ETA to ensure the corrective actions taken meet the intent of the six recommendations.

Attachment – Agency Response to the Report

cc: Chantel Sollers
Audit Liaison, Employment and Training Administration

Greg Hitchcock
Audit Liaison, Employment and Training Administration

ATTACHMENT: AGENCY'S RESPONSE TO THE REPORT

The agency's response to our draft report follows.

U.S. Department of Labor

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



November 17, 2025

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

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

SUBJECT: Response to Draft Report: *COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in New York*, Report No. 19-25-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).

In the draft report, the OIG reviewed the extent to which ETA's grant recipients and subrecipients utilized grant funds for their intended purposes during the COVID-19 pandemic. ETA would like to provide clarification on ETA's relationship with subrecipients, as well as note two technical corrections for the OIG's consideration.

ETA agrees with the OIG that a significant portion of ETA's grant funds flow to subrecipients and ETA has a role regarding those subrecipients. However, ETA believes the draft report conveys a misconception to the reader that ETA has a direct relationship with subrecipients and is responsible for subrecipients' activities. This impression begins with the section headings in the draft report that state "ETA Did Not Ensure Grant Recipients and Sub-Recipients" did specific things or took specific operational actions. The OIG's presentation of the issues runs counter to the Uniform Guidance's description of how grants are monitored. The Uniform Guidance states at 2 CFR 200.329(a), "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."

As discussed during the exit conference for this audit, ETA takes its responsibility seriously for monitoring and providing oversight to its grant recipients and overseeing how grant recipients are monitoring their subrecipients. ETA dedicates significant resources to its monitoring activities to include providing guidance and appropriately engaging with grant recipients to ensure that they can carry out their responsibility to conduct oversight of their subrecipients. During monitoring reviews of its grant recipients, ETA will also review some of the subrecipients to ensure subrecipient monitoring is being conducted and is effective.

ETA appreciates the OIG's acknowledgement on page 10 of the draft report that monitoring and oversight of subrecipients is primarily a grant recipient responsibility and that ETA monitors at

the recipient and subrecipient levels. However, ETA believes this additional context is necessary for readers of this report, as language throughout much of the draft report implies that ETA should be held accountable for subrecipients' day-to-day operational decisions. As noted in the responses to several of the recommendations below, ETA is committed to continuous improvement of its monitoring processes to make them even more effective.

Additionally, ETA would like to highlight technical corrections that are necessary to two of the tables in the draft report for them to be accurate. The information contained in these tables is based on a data extract that ETA provided to the OIG in December of 2021. Additional grant actions occurred on two of the grants after the date of the extract, which necessitates the following revisions:

- Table 1 (page 3) – The Scaling Apprenticeship grant received a period of performance extension; the correct period of performance end date is 7/14/24, rather than 7/14/23.
- Exhibit 1/Table 4 (page 20) – Count #28 received additional incremental funding of \$1,863,816, so the total obligation amount for this grant should be \$5,591,446, which also changes the overall total on page 22 to \$741,883,329.86.

Responses to the OIG Recommendations

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

Recommendation 1: Establish and implement data verification checks to ensure participants reported are unique individuals who obtained services through Workforce Innovation and Opportunity Act programs while strengthening controls to properly exit participants after 90 days without services.

ETA Response: ETA agrees with the intent of this recommendation. ETA agrees that Workforce Innovation and Opportunity Act (WIOA) performance data should include accurate accounting of the number of participants, and that only individuals who receive services should be counted as participants. ETA's current data verification checks are designed to do this validation.

The WIOA performance reporting requirements are established to ensure performance accountability and are based on the definitions in WIOA final rule 20 CFR 677.150 and 677.155, as further described in Training and Employment Guidance Letter No. 10-16, Change 3.¹ These provisions require states to submit a performance record for each period of participation, separated by at least 90 days without a qualifying service. Participant outcomes are required for each period of participation and are used to assess grant recipient performance each time they provide services to an individual. This means a single unique individual served may result in multiple performance records. This reporting structure is expected and required. ETA's Workforce Integrated Performance System (WIPS), which processes and receives performance records submitted by grant recipients, already includes data quality checks.² to ensure records for

¹ Training and Employment Guidance Letter No. 10-16, Change 3, *Performance Accountability Guidance for Workforce Innovation and Opportunity Act (WIOA) Core Programs*, issued June 11, 2024, <https://www.dol.gov/agencies/eta/advisories/tegl-10-16-change-3>.

² WIPS duplicate rules, [Duplicate Rules WIPS 23.19.0 February 10 2025.xlsx](#).

the same individual that are not separated by at least 90 days are rejected and required to be corrected before the entire file is accepted. At the time of this draft report, there is no evidence that these data quality checks are not performing as expected.

Additionally, ETA notes that the acceptable practice of a participant's future planned services is included in the exit definition of 20 CFR 677.150(c)(1)(i). Grant recipients can schedule services greater than 90 days into the future to accommodate participant needs, training availability, etc. Ensuring that *grant recipients* have the appropriate controls in place to properly exit participants after 90 days without services *and* with no future planned services is already a standard monitoring activity described in the ETA's Core Monitoring Guide.

As written, it would be unrealistic for ETA to comply with this recommendation because it would require issuing new WIOA regulations to accommodate a complete restructuring of the workforce performance accountability system and would run counter to the Agency's goals of increased data transparency, accountability, and effective management of federal funds.

However, as an alternative, ETA plans to enhance future planned services practice by including a data validation review as part of the case file review process. If the OIG finds this alternative acceptable, ETA will increase the number of case files with co-enrollment within its sample and pilot this action during the Fiscal Year (FY) 2026 Consolidated Compliance Review of New York.

The Administrator for the Office of Workforce Investment would be responsible for the implementation of this alternative recommendation.

Recommendation 2: Establish and implement a plan to improve monitoring activities to ensure grant recipients and sub-recipients are properly documenting eligibility and ensuring participant-level services are delivered by each program in which the participant is co-enrolled.

ETA Response: ETA agrees with this recommendation. As indicated in ETA's response to Recommendation 1, ETA will include a data validation review as part of the case file review process. This review will test the strength of the state's own data validation processes, and the relative accuracy of the data reported to ETA. Additionally, ETA will increase technical assistance to all grant recipients for both eligibility and participant service documentation and will train Federal Project Officers (FPO) on data validation through a FPO Academy session.

The Director for the Office of Regional Management is responsible for the implementation of this recommendation.

Recommendation 3: Remedy the \$19,639,718 in questioned costs associated with the contractual service contracts awarded in non-compliance with federal requirements.

ETA Response: ETA agrees with this recommendation, although ETA notes that the OIG did not question whether these costs were necessary and allowable to operate the grants in question in the draft report, but rather whether these services were procured properly. As the contracts in question provided services to participants, leased space, and provided cleaning services, ETA respectfully requests that the OIG provide ETA specific information related to the allowability of 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 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.

The Administrator for the Office of Grants Management is responsible for the implementation of this recommendation.

Recommendation 4: Remedy the \$5,751,502 in questioned costs associated with payroll and non-payroll costs.

ETA Response: ETA agrees 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 recipients in question, 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.

The Administrator for the Office of Grants Management is responsible for the implementation of this recommendation.

Recommendation 5: Establish and implement a plan to increase the level of technical assistance and monitoring for grant recipients and sub-recipients to ensure they comply with the general procurement standards.

ETA Response: ETA agrees with this recommendation. ETA has already provided several technical assistance interventions to grant recipients on procurement standards. For example, training was provided in November and December of 2024, and remains available on WorkforceGPS.³ ETA also published technical assistance on subrecipient monitoring within the Grants Application and Management Community of Practice (CoP) on WorkforceGPS,⁴ including this specific monitoring resource.⁵ Lastly, ETA published SMART training that includes resources on subrecipient monitoring, available on WorkforceGPS⁶ as well as within the learning modules developed by ETA and hosted by the National Association of State Workforce Agencies.⁷ ETA will continue to prioritize technical assistance on procurement standards in FY 2026.

³ Webinar, *Priorities and Systems for Fiscal Management and Working with Sub-awardees*, <https://www.workforcegps.org/events/2024/11/21/15/15/Priorities-and-Systems-for-Fiscal-Management-and-Working-with-Sub-awardees>.

⁴ Grants Application and Management CoP, <https://grantsapplicationandmanagement.workforcegps.org/>.

⁵ Grants Application and Management CoP, https://grantsapplicationandmanagement.workforcegps.org/resources/2019/05/22/03/19/State_Monitoring_Oversight

⁶ Grants Application and Management CoP, <https://grantsapplicationandmanagement.workforcegps.org/resources/2022/11/16/16/59/SMART>.

⁷ <https://learning.naswa.org/public/contentdetails/12624/grants-management-training>

The Administrator for the Office of Workforce Investment is responsible for the implementation of this recommendation.

Recommendation 6: Develop and implement a formal comprehensive Conflict of Interest Policy to ensure staff are actively monitoring, identifying and resolving conflict of interest issues.

ETA Response: ETA agrees with this recommendation. In June 2025, ETA issued a bulk grant notice to all discretionary grant recipients that added the following language as a new term and condition for their grant awards.

Conflict of Interest

Recipients and subrecipients of federal assistance must have a written policy in place on conflicts of interest, including organizational conflicts of interest. The policy must include the process the recipient or subrecipient will take to identify, avoid, remove, and remedy conflicts of interest.

Federal assistance recipients must disclose in writing any real or potential conflict of interest to [the Department of Labor]DOL. The disclosure must notify the Grant Officer through written letter or email and contain the appropriate grant number.

A conflict of interest occurs when an entity or individual's objectivity becomes impaired because there is a conflict between personal or self-serving interests and professional duties or responsibilities. Such a conflict occurs when an organization or individual has a vested interest, such as financial, status, knowledge, relationships, or reputation, which puts into question whether their actions, judgment, or decision-making can be unbiased. A conflict of interest can also arise when actions are taken or may appear to be taken by any entity involved in more than one role, such that the performance of that entity in one role affects its interest in its other role, thereby making it difficult for the entity to perform a grant process objectively and impartially.

A potential conflict of interest occurs when it is reasonably foreseeable that an entity or individual's objectivity could become impaired in the future due to a conflict between personal or self-serving interests and professional duties or responsibilities.

An organizational conflict of interest occurs when, because of relationships with a parent company, affiliate, or subsidiary organization, the recipient or subrecipient is unable or appears to be unable to be impartial in conducting a grant action involving a related organization. Such conflicts may be actual or potential.

DOL requires that recipients of Federal funds use them in the best interest of the award program and therefore grant decisions must be free of undisclosed conflicts of interest including those that are real or potential conflicts, whether individual or organizational. When there are disclosed conflicts of interest in grant decisions, the recipient must notify DOL and take remedial action to resolve or mitigate the conflict.

The signatory authority or authorized official identified on the SF-424 application further certifies through their signature on the SF-424 application that any potential conflict of interest has been identified to the appropriate Grant Officer.

ETA will include the evaluation of grant recipients to ensure adherence to the new Conflict of Interest policy in all future grant monitoring activities. ETA will identify and document any conflict of interest issues in monitoring reports as either findings or observations for resolution by grant recipients through their Corrective Action Plans.

The Director for the Office of Regional Management is responsible for the implementation of this recommendation.