



May 28, 2026

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

FROM: HENRY MACK, ED.D. *HM*  
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 Texas*, Report No. 19-26-XXX-03-391

---

The Department of Labor’s (Department) Employment and Training Administration (ETA) appreciates the opportunity to respond to the above-referenced draft report from the Office of Inspector General (OIG). ETA shares the OIG’s goal of ensuring states use Workforce Innovation and Opportunity Act (WIOA) funding effectively and that they maximize the amount of services provided and individuals served under these programs. ETA also appreciates many of the changes the OIG made from a prior version of this report in response to ETA’s comments. However, ETA believes further context is necessary regarding some of the OIG’s conclusions in the draft report that informed the OIG’s recommendations.

Specifically, while ETA appreciates the OIG’s concerns raised in its “cost per participant” discussion, and agrees that the public workforce system should, in general, reach more participants and deliver better outcomes for the amount of funding received, the resulting narrative does not fully consider and discuss the devolved nature of the public workforce system set forth in the statute. It also does not acknowledge other key aspects, such as extensive partnerships with various local entities. These factors can, and do, impact the calculation of participant costs.

In addition, ETA appreciates the intent behind the OIG wanting more detailed and granular reporting associated with career services and administrative costs, which is aligned with ETA’s need to capture adequate detail on administrative costs. However, ETA wants to assess if requiring grant recipients to report at the level of granularity contemplated by the OIG would increase the administrative burden and associated costs on grant recipients and may have the unintended consequence of limiting participant services as state and local areas operationalize this reporting. This would run counter to ETA and the OIG’s shared goal of states using WIOA funds to provide more services to a greater number of participants, rather than more funds spent on administrative costs. This broad concern has informed ETA’s approach to addressing the OIG’s recommendations below.

Further, during the course of this audit, ETA advised the OIG that from the “construction-related” costs shown to the Agency by the OIG, ETA could not conclude that the related costs materially increased the capital assets’ value or useful life. In fact, many of the costs appear to be customizing the space with the furniture/equipment/supplies to support the specific function for which it was

being used. In the draft report, the OIG indicates it “determined this project included capital expenditures that required ETA approval” as “Adding offices and restrooms to a building **should** materially increase the value or useful life of the building.” and “...spending hundreds of thousands of dollars to remodel a single location **could** materially increase the value or useful life of the building.” While ETA understands and appreciates the OIG’s viewpoint, the only definitive way to determine if the changes materially increased the value or useful life of the building in question is through an independent third-party appraisal.

Finally, ETA notes the following for the OIG’s consideration prior to issuing the final report:

- On page 34, the *COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in New York* report was issued on September 26, 2025, not September 28, 2025.

### **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: Develop and implement controls to ensure more efficient use of statutory grant funds, which should include performing data analytics on grant spending and performance data.**

ETA Response: ETA concurs with this recommendation. ETA has recently developed a beta version of a Grantee Health tool for Federal Project Officers (FPO) to use in assessing overall grant expenditures and program enrollments. Results are based on a rolling four-quarter view and include a rating to help FPOs identify when a grant recipient’s results are inside a typical operating range (“in range”) or outside that range. ETA is currently refining the beta version to provide an online tool for use by all FPOs to ensure more efficient use of WIOA formula grant funds. ETA anticipates finalizing the tool and sharing it with all FPOs by September 2026. This tool will complement the existing controls on statutory grant funds, such as regular grant risk assessments, reviews of expenditure requests, and monitoring.

#### **Recommendation 2: Establish and implement procedures to collect and analyze detailed financial data on career services expenditures, which should include identifying the reason for the growth in career services.**

ETA Response: ETA concurs with this recommendation. The current ETA-9130 financial reporting forms do not collect information on career services expenditures, only training expenditures, which is required by statute. Because any new data collection creates reporting burden for respondents, ETA plans to seek public comment on ways to capture information on career services expenditures, and based on that input, may also pilot data collection on career services expenditures before changing reporting requirements for all grant recipients. ETA also notes that while this potential data collection may produce useful data, it will not document a causal relationship between career services and a particular reason for career services growth.

**Recommendation 3: Develop and implement controls to ensure ETA leadership and other stakeholders are aware of the complete administrative costs—including those of workforce entities currently exempt from reporting administrative costs—incurred by the WIOA statutory grant programs.**

ETA Response: ETA concurs with this recommendation. Entities described in WIOA sec. 3(1) and 20 CFR 683.215 can incur administrative costs when performing administrative functions when carrying out activities under WIOA title I and therefore are required to report administrative costs on the applicable ETA-9130 financial reporting form. ETA will provide technical assistance to grant stakeholders to ensure they are aware which workforce entities may incur administrative expenses, as identified in the WIOA administrative provisions, and to ensure that financial reports are complete and accurate. It is noted that subrecipients are an entity that may incur administrative costs, as prescribed in the WIOA administrative provisions, and that these subawards may include costs that are programmatic and administrative.

To ensure that ETA and its leadership are aware of the administrative costs incurred at not only the state level but also the local level, ETA will analyze current financial and programmatic data to ensure that any administrative costs reported are within the administrative threshold as prescribed by WIOA statute, and produce internal summaries of administrative costs at the state and local level for ETA and its leadership. ETA's regional offices will alert states of instances where administrative costs exceed the prescribed threshold.

**Recommendation 4: Develop guidance for grant recipients and subrecipients to clarify how to determine if an expenditure materially increases the value or useful life of a capital asset.**

ETA Response: ETA concurs with this recommendation. As prescribed in 20 CFR 683.235, WIOA title I funding must not be spent on construction, purchase of facilities or buildings, or other capital expenditures for improvements to land or buildings, except with the prior written approval of the Secretary.

ETA will clarify technical assistance materials to demonstrate how grant recipients are to determine and evaluate if an expenditure for construction would result in capital improvement to a real property. ETA notes that the requirement for prior approval for capital improvements is described in [Training and Employment Guidance Letter \(TEGL\) No. 03-19, Real Property Under Employment and Training Administration-Funded Grants](#).

In addition, ETA will ensure that the state and local areas review TEGL No. 03-19 and ETA will update its Strategies for sound grant management that is built around four cornerstones: **Monitoring, Accountability, Risk mitigation, and Transparency (SMART)** training materials on [WorkforceGPS](#) related to this subject.

**Recommendation 5: Establish a dollar threshold for construction projects over which grant recipients need to obtain approval from ETA.**

ETA Response: ETA concurs with this recommendation. The Uniform Guidance, at 2 CFR 200.439(b)(1) and (3), identifies that capital expenditures for buildings and land, or for improvements to land or buildings which materially increase their value or useful life are unallowable as direct charges, except with prior written approval of the Federal awarding agency or pass-through entity.

The responsibility of evaluating all construction costs, using ETA funds, lies with the grant recipient. Before any construction costs can be incurred, the grant recipient is responsible for alerting its FPO and providing evidence or demonstrating to ETA that any proposed construction costs would either result in a material increase in the value or useful life of any real property or not. ETA proposes to address this recommendation by creating a grant term and condition that grant recipients are responsible to contact their FPO before incurring any construction costs. The grant recipient's evidence should come from a third party, such as an appraiser, and should demonstrate if these costs would result in a capital improvement and therefore would need Grant Officer approval. It should also be noted that all grant agreements are accompanied by ETA's grant terms and conditions.

ETA will provide technical assistance to grant stakeholders to ensure they are aware when an expenditure results in the capital improvement of a capital asset. ETA notes that the requirement for prior approval for capital improvements is described in TEGE No. 03-19. In addition, ETA will ensure that the state and local areas review TEGE No. 03-19 and access training materials on real property, such as those contained in ETA's SMART training on [WorkforceGPS](#).

**Recommendation 6: Remedy the \$998,253 in questioned costs associated with construction.**

ETA Response: ETA concurs with this recommendation. ETA respectfully requests that the OIG provide ETA with 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 the Department of Labor Manual Series (DLMS) 8 Chapter 300, to determine if there are disallowed costs subject to repayment and, if so, the amounts. Once the audit resolution process is complete, ETA will provide the OIG with a copy of the final determination and evidence of any repayment of disallowed costs, if any.

**Recommendation 7: Remedy the \$23,718 in questioned costs due to not reconciling the provisional rate with the final indirect cost rate.**

ETA Response: ETA concurs with this recommendation. ETA respectfully requests that the OIG provide ETA with 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 there are disallowed costs subject to repayment and, if so, the amounts. Once the audit resolution process is complete, ETA will provide the OIG with a copy of the final determination and evidence of any repayment of disallowed costs, if any.

**Recommendation 8: Remedy the \$14,581 in questioned costs associated with the Texas State Board director's salary expense charged directly to the statutory grant programs.**

ETA Response: ETA concurs with this recommendation. ETA respectfully requests that the OIG provide ETA with 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 there are disallowed costs subject to repayment and, if so, the amounts. Once the audit resolution process is complete, ETA will provide the OIG with a copy of the final determination and evidence of any repayment of disallowed costs, if any.

**Recommendation 9: Develop guidance that clarifies what documentation is required to support individualized career services provided to participants by grant recipients and subrecipients.**

ETA Response: ETA agrees with the spirit of this recommendation. ETA wants to validate whether grant recipients reporting the delivery of individualized career services in the Workforce Integrated Performance System are actually delivering individualized career services. However, ETA's Core Monitoring Guide (CMG) already contains tools to facilitate reviews of the services delivered and ETA staff already review case files during ETA monitoring reviews. ETA samples case files in the same manner that the OIG does. ETA also has published guidance that specifies data validation procedures for multiple data fields, including fields describing delivery of individualized career services (see Section C.03 of Attachment II of [TEGL No. 23-19, Change 3, Guidance for Validating Required Performance Data Submitted by Grant Recipients of U.S. Department of Labor \(DOL\) Workforce Programs](#)).

As an alternative to this recommendation, ETA will emphasize subrecipient service delivery practices in technical assistance and/or training to states and local areas, including providing examples of appropriate source documentation and common errors, especially where such practices can support integrated service delivery across partner programs.

**Recommendation 10: Ensure ETA officials responsible for monitoring grant recipients enforce the documentation requirements in their grant agreements.**

ETA Response: ETA concurs with this recommendation. ETA's monitoring policies and procedures are provided in Employment and Training Order (ETO) No. 01-24, Change 1 and the CMG, which provide the documentation sampling and reviewing requirements when monitoring grant recipients and subrecipients. ETA monitoring officials ensure that recipients and subrecipients adhere to the award's documentation requirements as listed in the program guidance and grant agreement. ETA will continue to provide extensive training on the policies and procedures for reviewing grant documentation requirements in accordance with ETO No. 01-24, Change 1 and the CMG to ETA monitoring officials through its intensive Basic Training for FPOs and ETA Academy sessions.