

**U.S. Department of Labor Office of Inspector General
RISK ALERT**

- Date:** October 20, 2005
- Agencies:** U.S. Department of Labor - Employment and Training Administration (ETA)
- Issues:** **ETA Hurricane Recovery Assistance for Income Support and Jobs**
- Sources:** U.S. Department of Labor web site (<http://www.dol.gov>)
ETA web site http://www.doleta.gov/Katrina/eta_default.cfm
- Summary:** ETA is assisting workers, jobseekers, and employers affected by the recent Gulf Coast hurricanes. ETA is providing:
- More than \$203 million in National Emergency Grants and job training funds to 4 states,
 - \$15 million to fund and deploy career counselors to affected states,
 - Help to affected workers in applying for unemployment insurance (UI),
 - Disaster unemployment assistance (DUA) to eligible individuals, and
 - Guidance to states in the disaster area on applying for waivers allowable under the Workforce Investment Act (WIA) so they can provide maximum and timely assistance to hurricane evacuees.
- On September 23, President Bush signed legislation that included a provision to extend the Work Opportunity Tax Credit (WOTC) to employers for 2 years if they hire individuals who lived in the disaster area before Katrina. ETA administers this program.
- The President has also proposed the creation of \$5,000 worker recovery accounts to help residents displaced by Katrina obtain job training and related support services. If Congress approves the accounts, ETA will provide oversight for the states that will administer them.

DOL OIG

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DOL-OIG Hotline: <http://www.oig.dol.gov/hotlinemain.htm>
(See page 7 for a copy of the poster.)

Potential Risks:

Note: For more detailed information on risks discussed below, please address inquiries to DOL-OIG's point of contact, John Riggs (see above).

National Emergency Grants (NEGs) and Job Training Grants (President's High Growth Job Training Initiative)

ETA has issued \$203 million dollars in emergency grants (\$191) and job training grants (\$12) to Alabama, Mississippi, Texas, and Louisiana. Major vulnerabilities in awarding these grants include ensuring that: worksites and temporary jobs supported by the funds are not inconsistent with state or local plans; temporary workers augment the work or services that a worksite's regular employees provide; states obtain waivers for departure from statutory or regulatory requirements (i.e., exceeding the \$12,000 limit for wages or limiting temporary jobs to 6 months). Also, the *Flexibility for Displaced Workers Act* (P.L. 109-72): allows residents from the disaster area who relocated to other states to receive NEG services; expands the NEG temporary jobs program to also be used for temporary jobs in the public sector that are not directly related to the disaster; permits the Secretary of Labor to extend temporary jobs for 6 or 12 months under certain circumstances; and makes individuals who were unemployed before the hurricane or who have no prior work history eligible for temporary jobs. As with other grant programs, potential risks include grantees or subgrantees using funds for unallowable activities or enrolling ineligible participants.

Subawarding grant funds to service providers and worksite employers may pose special risks, including noncompliance with procurement requirements, and funds being provided to subgrantees that lack prior experience in administering a Federally funded grant program. Also, prior DOL-OIG audit work has found the potential for circumventing Federal procurement rules in making sole source or noncompetitive subawards related to emergency grants. If used, sole source procurements must be properly justified.

Unemployment Insurance (UI)

The Department of Labor has awarded \$30.8 million in grants to Louisiana, Mississippi, Alabama and Texas to expand their capacity to process claims and expedite unemployment insurance (UI) payments

for those left unemployed as a result of Hurricane Katrina. The destruction of businesses and records for employer and employee identification increases the risk that states will be unable to confirm the nonmonetary eligibility of new claimants. Examples of other vulnerabilities include uncertainty about how change of address for benefits checks will be handled and whether states may hire temporary workers, unfamiliar with the UI system, to help process claims. Also, some unaffected states are assisting the disaster states by processing UI claims.

Possible risks include evacuees who relocate out-of-state, file for UI in the disaster state, and then obtain jobs without reporting their new employment. We encourage states to reduce potential fraud and overpayments by using the state and National Directories of New Hires to identify claimants who have obtained employment.

Disaster Unemployment Assistance (DUA)

Gulf Coast residents affected by the Gulf Coast hurricanes may be eligible for Disaster Unemployment Assistance (DUA) if they can show they became unemployed due to the hurricane and are not eligible for benefits under the regular unemployment insurance program of any state. The vulnerabilities in the DUA program mirror those discussed above under UI.

The Department of Labor is working with the IRS to implement procedures that will allow the IRS to electronically transmit income tax information to the affected states directly upon request by the individual claimant. Individuals have up to 90 days to provide the necessary paperwork to show they qualify for DUA. A possible risk is that the 90-day deadline is not effectively monitored to assure the eligibility of DUA recipients. Also, similar to UI risks (see above), the destruction of businesses and records impairs states' ability to verify the status of DUA applicants.

Additionally, DOL-OIG has previously reported the potential for states making improper charges to DUA grants as a result of failure to assure the eligibility of DUA recipients.

Up-to-Date Information on DOL-ETA Hurricane Recovery Assistance

The following section contains a listing of online press releases, guidance, and articles related to DOL-ETA's role in Federal hurricane assistance efforts. For updates on these efforts, please see http://www.doleta.gov/Katrina/eta_default.cfm

Procurement

OMB Issues Guidance for Katrina Relief Contracts (OMB release, September 13, 2005)

<http://www.whitehouse.gov/omb/pubpress/2005/2005-24.pdf>

DOL Assistance (General)

Statement of U.S. Labor Secretary Elaine L. Chao On Jobs and Income Support for Hurricane Katrina Evacuees (DOL press release 9-6-05)

<http://www.dol.gov/opa/media/press/eta/ETA20051680.htm>

U.S. Labor Secretary Elaine L. Chao Visits Hurricane-Ravaged Gulf Coast Region With President's Economic Team- *Chao Encourages All Displaced Workers to Call 1-866-4-USA-DOL*

<http://www.dol.gov/opa/media/press/eta/ETA20051700.htm>

ETA Hurricane Disaster Assistance

Workforce Investment Act (WIA) Waiver Flexibility for States

ETA Training and Employment Guidance Letter (TEGL) 5-05 (September 15, 2005)

http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2151

Job Search Assistance

One-Stop Center Assistance- America's Service Locator -Hurricane Katrina Disaster Information

http://www.servicelocator.org/hurricane_katrina_info.htm

U.S. Department of Labor Moves to Assist Job Seekers and Employers on Employee Identification Needs (ETA Press Release, September 15, 2005)

<http://www.dol.gov/opa/media/press/eta/ETA20051743.htm>

Katrina Recovery Job Connection (For employers and jobseekers)

<http://www.jobsearch.org/katrinajobs/>

U.S. Labor Department Announces Job Bank to Assist Workers and Employers Affected by Hurricane Katrina (DOL news release 9-12-05)

<http://www.dol.gov/opa/media/press/eta/ETA20051694.htm>

National Emergency Grants

Labor Secretary Elaine L. Chao Announces \$62.1 Million in Aid to Assist Louisiana's Hurricane Katrina Recovery Efforts- *Grant Will Provide Approximately 10,000 Temporary Jobs* (ETA news release 9/3/05)

<http://www.dol.gov/opa/media/press/eta/ETA20051678.htm>

U.S. Labor Department Announces \$50 Million National Emergency Grant to Create Approximately 10,000 Temporary Jobs to Assist Mississippi's Hurricane Katrina Recovery Efforts (ETA news release 9/2/05)

<http://www.dol.gov/opa/media/press/eta/ETA20051670.htm>

U.S. Secretary of Labor Elaine L. Chao Announces \$4 Million to Aid Alabama's Hurricane Katrina Recovery Efforts (ETA News release 8/31/05)

<http://www.dol.gov/opa/media/press/eta/ETA20051653.htm>

U.S. Labor Department Announces \$75 Million National Emergency Grant to Assist Over 37, 500 Louisiana and Mississippi Evacuees Displaced by Hurricane Katrina (ETA news release 9-6-05)

<http://www.dol.gov/opa/media/press/eta/ETA20051679.htm>

National Emergency Grants

<http://www.doleta.gov/NEG/>

Job Training Grants

U.S. Labor Department Announces \$12 Million in Training Grants To Alabama, Louisiana, Mississippi and Texas - *Funds Will Train Workers for Jobs in Repair and Recovery Efforts* (ETA news release, 9-14-05)

<http://www.dol.gov/opa/media/press/eta/ETA20051702.htm>

Note: These funds are coming from the President's High Growth Training Initiative

<http://www.doleta.gov/BRG/JobTrainInitiative/>

Unemployment Insurance

U.S. Department of Labor to Coordinate States Volunteering to Handle UI Claims of Katrina-Affected Workers

<http://www.dol.gov/opa/media/press/eta/ETA20051749.htm>

U.S. Labor Department Announces \$30.8 Million to Help Four States Quickly Distribute Unemployment Insurance Following Hurricane Katrina (ETA Press release 9-8-05)

<http://www.dol.gov/opa/media/press/eta/ETA20051695.htm>

<http://workforcesecurity.doleta.gov/unemploy/uifactsheet.asp>

Unemployment Insurance claims can be filed in:

Texas (current or former residents), 1-800-939-6631

Louisiana (current or former residents), 1-800-818-7811; 1-800-430-8076

Mississippi (current or former residents), 1-888-844-3577

Alabama (current or former residents), 1-866-234-5382 (TTY: 1-800-449-2035)

Disaster Unemployment Assistance (DUA)

<http://www.doleta.gov/Katrina/LNKDetails.cfm?lnkid=4>

Self-employed and newly employed persons affected by the Gulf Coast hurricanes who are ineligible for UI can file claims for DUA.

Disaster Unemployment Assistance claims can be filed in:

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Louisiana (current or former residents), 1-800-818-7811

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Alabama (current or former residents), 1-866-234-5382 (TTY: 1-800-449-2035)

United States Department of Labor
Office of Inspector General

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