

**AUDIT OF
WORKFORCE INVESTMENT BOARD OF
SOUTHEAST LOS ANGELES COUNTY
H-1B TECHNICAL SKILLS TRAINING
GRANT NUMBER AH-11086-01-60
NOVEMBER 15, 2000 THROUGH
DECEMBER 31, 2001**

U.S. DEPARTMENT OF LABOR
OFFICE OF INSPECTOR GENERAL

REPORT NO: 02-02-215-03-390
DATE: September 30, 2002

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ACRONYMS

ACWIA	American Competitiveness and Workforce Improvement Act
CFR	Code of Federal Regulations
CNC	Computer Numerical Control
FSR	Financial Status Report
NIMS	National Institute for Machine and Measurement Standards
OMB	Office of Management and Budget
SELACO	Workforce Investment Board of Southeast Los Angeles County
USC	University of Southern California, Center for Economic Development
USDOL	U.S. Department of Labor
WIA	Workforce Investment Act

EXECUTIVE SUMMARY

The U.S. Department of Labor (USDOL), Office of Inspector General, conducted an audit of the Workforce Investment Board of Southeast Los Angeles County's (SELACO) H-1B technical skills training grant for the period November 15, 2000 through December 31, 2001. The overall audit objective was to evaluate if SELACO was meeting the intent of the H-1B Technical Skills Training Program and the requirements of its grant. The subobjectives were to determine if:

- The project had been implemented as stated in the grant.
- Program outcomes were measured, achieved, and reported.
- Reported outlays were reasonable, allocable, and allowable in accordance with applicable Federal regulations, and Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*.

The H-1B Technical Skills Training Program was designed to help U.S. workers acquire the technical skills for occupations that are in demand and being filled by foreign workers holding H-1B visas. USDOL awarded SELACO \$2,800,000 to operate an H-1B Technical Skills Training Program for the period November 15, 2000 to November 14, 2002. The training program was designed to provide high-tech machinist/CNC (computer numerical control) training in four modes: Conventional Classroom Instruction, PC-Web Hybrid, Web-Based, and PC-Based Application.

AUDIT RESULTS

As of December 31, 2001, SELACO recruited and referred targeted participants to training at local community colleges with established curricula. Participants paid for their own training. Thus, sustainability is not an issue with regard to Conventional Classroom Instruction. Additionally, SELACO reported outlays in accordance with applicable Federal regulations and cost principles. However, SELACO did not implement other modes of training, measure and report all outcomes, or report matching funds.

- PC-Web Hybrid, Web-Based, and PC-Based Application training modes, which were the unique aspects of the grant, were not fully developed and offered at participant worksites, as originally envisioned in the grant. As of April 11, 2002,¹ only 58 of the 180 modules proposed in the grant to be used in these modes of training were developed.
- SELACO did not fully accomplish, measure, or report proposed program outcomes. As of December 31, 2001, 1,106 participants were being trained, working towards certification or associate degrees. This exceeds the training enrollment goal of 500.

¹ Audit fieldwork at SELACO ended on April 11, 2002.

However, training completions, placements, and employment upgrades were not known, as SELACO did not track this data.

- The grant established a matching requirement of 25 percent of Federal outlays. However, the third party in-kind contribution had not been reported as of December 31, 2001.

SELACO's RESPONSE TO DRAFT REPORT

On September 13, 2002, the Executive Director of SELACO responded to the draft report. He stated that (1) 3 modes of training curriculum were developed and 175 training modules were completed over the summer of 2002, (2) reporting measures would be implemented in the Fall of 2002, and (3) a revision was made to the June 30, 2002, Financial Status Report (FSR) to include the match contribution.

OIG COMMENTS

SELACO's response indicates that it has made additional progress towards implementing its program in accordance with the grant requirements. ETA needs to follow up with SELACO to verify the progress reported since the end of our audit fieldwork.

RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training ensures that SELACO:

- completes the remaining modules to be used for training and continues to implement the three remaining modes of training curriculum (PC-Web Hybrid, Web-Based, PC-Based Application);
- achieves, measures, and properly reports training completions, placements, and upgrades; and
- continues to obtain and report the required matching funds.

INTRODUCTION

BACKGROUND

The American Competitiveness and Workforce Improvement Act of 1998 (ACWIA) was enacted to help employed and unemployed U.S. workers acquire the technical skills for occupations that are in demand and being filled by H-1B visa holders. The H-1B program allows employers to temporarily employ foreign workers on a nonimmigrant basis to work in specialized jobs not filled by U.S. workers (8 U.S.C. 1101(a)(15)(H)(i)(b)). A \$1,000 user fee is imposed on employers for H-1B applications. ACWIA provides that over half of that fee is used to finance the H-1B Technical Skills Training Program administered by USDOL.

H-1B technical skills training grants are demonstration grants awarded under the authority of Title IV-D of the Job Training Partnership Act and Title I-D of the Workforce Investment Act (WIA). As of March 31, 2002, USDOL had conducted 4 rounds of grant competition and awarded 60 grants totaling approximately \$143 million.

Grant Round	Solicitation Date	Number of Grants	Award Amount
1	August 16, 1999	9	\$12,383,995
2	March 29, 2000	12	\$29,166,757
3	August 1, 2000	22	\$54,000,000
4	April 13, 2001	17	\$47,559,761 ²
	Total	60	\$143,110,513

In the third round, SELACO was awarded \$2,800,000 under Grant Number AH-11086-01-60, for the period November 15, 2000 through November 14, 2002. SELACO proposed and agreed to train high-tech machinist/computer numerical control (CNC) professionals. This training was to fill critical skills gaps in the H-1B occupational category that encompasses the metalworking professions, specifically mechanical engineering occupations. As stated in the grant, the training, upgrading, and placement of over 500 highly skilled workers was to have a positive effect on the manufacturing industry in Southeast Los Angeles County.

The grant proposed a training curriculum for delivery in four different modes: PC-Web Hybrid, Web-Based, PC-Based Application, and Conventional Classroom Instruction. One hundred eighty training modules were proposed to be used in these modes of training.

Created in 1983, SELACO is a not-for-profit public benefit corporation under the Non-Profit Corporation Law of the State of California. SELACO had been designated by the city councils of the cities of Artesia, Bellflower, Cerritos, Downey, Hawaiian Gardens, Lakewood, and Norwalk to administer funds and programs under the Federal Workforce Investment Act, for the state-approved local Workforce Investment Area comprised of those seven cities.

² As of March 31, 2002, Round 4 was still an open solicitation with an additional \$87 million available for award.

**AUDIT
OBJECTIVES**

The overall audit objective was to evaluate if SELACO was meeting the intent of the H-1B Technical Skills Training Program and the requirements of its grant. The subobjectives were to determine if:

- The project had been implemented as stated in the grant.
- Program outcomes were measured, achieved, and reported.
- Reported outlays were reasonable, allocable, and allowable in accordance with applicable Federal regulations, and OMB Circular A-122, *Cost Principles for Non-Profit Organizations*.

**AUDIT SCOPE
AND
METHODOLOGY**

The audit period was November 15, 2000 through December 31, 2001. In performing this audit, we reviewed the Solicitation for Grant Applications and the grant agreement to determine the requirements and performance measures of the grant. We interviewed staff at SELACO, University of Southern California (USC)

Center for Economic Development, and Cerritos Community College. We examined participant records and reviewed other materials related to project implementation.

We audited cumulative net outlays of \$606,897, consisting solely of the Federal share, on the Financial Status Report (FSR) for the period November 15, 2000 through December 31, 2001. The required third party in-kind contributions were not reported during this period. We traced expenditures to general ledgers and examined supporting documentation including vouchers and invoices. Judgmental sampling was used to test individual account transactions and balances. We tested outlays of \$276,117 or 45 percent of reported Federal outlays.

We considered SELACO's internal controls over the H-1B grant project by obtaining an understanding of the grantee's internal controls, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. Our purpose was to determine the nature and extent of testing needed to satisfy our audit objectives, not to provide assurances on the internal controls; therefore, we do not provide any such assurances.

Compliance with laws, regulations, and grant agreement provisions is the responsibility of SELACO. We performed tests of compliance with certain provisions of laws, regulations, and the grant to evaluate if SELACO was meeting the requirements of the grant and that reported costs were reasonable, allocable and allowable in accordance with applicable provisions of Federal regulations and OMB circulars. However, our objective was not to provide an opinion on overall compliance with Federal regulations and OMB circulars, and, accordingly, we do not express such an opinion. We evaluated allowability of claimed costs using relevant criteria including: ACWIA; 29 CFR 95, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*; OMB Circular A-122, *Cost Principles for Non-Profit Organizations*; and the requirements of the grant. We examined compliance with grant requirements and program outcomes goals using the Solicitation for Grant Applications and the grant agreement.

We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, and included such tests as we considered necessary to satisfy the objectives of the audit. We conducted fieldwork from April 1, 2002 to April 11, 2002, at SELACO, located in Cerritos, California. We held an exit conference with SELACO on August 22, 2002.

FINDINGS AND RECOMMENDATIONS

I. PROGRAM IMPLEMENTATION

The Solicitation for Grant Applications states:

The primary emphasis of the ACWIA technical skills training will be to focus on employed and unemployed workers who can be trained and placed directly in the highly skilled H-1B occupations. . . .

Although the primary focus of these awards is technical skill training, ETA intends that regional partnerships sustain themselves over the long term – well after the federal resources from this initiative have been exhausted.

SELACO recruited and referred targeted participants to training at local community colleges with established curricula. Participants paid for their own training. Thus, sustainability is not an issue with regard to Conventional Classroom Instruction. However, three other training modes, which were the unique aspect of the grant, were not fully developed and offered at participant worksites, as originally envisioned in the grant.

TRAINING PROVIDED

The grant proposed a training curriculum for delivery in four different modes: PC-Web Hybrid, Web-Based, PC-Based Application, and Conventional Classroom Instruction. However, only Conventional Classroom Instruction had been implemented. The other modes of training were in development.

Conventional Classroom Instruction

The grant agreement states that:

. . . Training will be offered . . . at the participants' worksites or either of two partner sites: Cerritos College or Long Beach City College. . . . All training will be compliant with NIMS standards (covering machine tooling, machining, and CNC).

SELACO and its partners offered high-tech machinist/CNC professional training in three areas: General Machinist, CNC Machinist, and CNC Programmer. SELACO recruited and referred participants to courses utilizing already established curricula at local community colleges. Participants paid tuition for training at Cerritos Community College, Compton Community College, and Long Beach City College. Though these colleges had not agreed to follow National Institute for Machine and Measurement Standards (NIMS), each college had its own curriculum for certification.

PC and Web Training

PC-Web Hybrid, Web-Based, and PC-Based Application are the three remaining modes of training that were proposed in the grant, but had not yet been implemented. One hundred eighty training modules were proposed to be used in these modes of training. These modules are stored on a CD or DVD and accessed through a home computer or via Internet. As of April 11, 2002,³ only 58 of the 180 modules had been produced and were being tested by Cerritos Community College. Almost 100 modules should have been produced, as shown by the below module goals:

<u>Due Date</u>	<u>Module Production Goals</u>	<u>Cumulative Module Production Goals</u>
February 14, 2001	1	1
November 14, 2001	19	20
February 14, 2002	40	60
May 14, 2002	40	100
August 14, 2002	40	140
November 14, 2002	<u>40</u>	180
Total	<u>180</u>	<u>180</u>

The grant agreement states that small virtual training centers “. . . will take the form of a cluster of computers connected to the WWW and able to access and use the new training materials developed.” A goal by November 14, 2001, was to develop pilot virtual training centers at 2-4 companies. As of April 11, 2002,³ three companies have volunteered to pilot small virtual training centers to test the new training modules. As a result, training was not offered at participant worksites as originally envisioned in the grant.

TARGET POPULATION

SELACO was meeting the requirement of the grant to target employed individuals requiring skill upgrades, unemployed, and underemployed individuals. SELACO’s marketing and outreach efforts included linking SELACO’s web page to participating institutions; preparing and distributing brochures; attending local conventions; using radio and other media, especially for Spanish speaking communities; and utilizing mail lists.

SUSTAINABILITY

SELACO’s H-1B training project utilizes existing capacities and resources. Local community colleges were already providing machinist training and certification for students. Students paid their own nominal tuition (usually \$12 a credit) and do not depend on H-1B funding. Therefore, the sustainability of conventional classroom training was ensured. The sustainability of PC and Web-based training modes was not established.

³ Audit fieldwork at SELACO ended on April 11, 2002.

EVALUATION

The grant agreement states:

. . . This project will be evaluated by users, instructors, and by our partners. . . .
Survey instruments will be developed to include:

Survey of users to determine the effectiveness of the material as an instructional aide.

Survey those contacted during project marketing to determine effectiveness of advertising and outreach.

Develop and implement an on-line response questionnaire to determine user satisfaction.

Develop and implement mail-back survey for participants. . . .

Surveys had been performed but the results were not yet compiled. Only students had been surveyed but SELACO indicated it planned to survey instructors and partners before the end of the grant.

An on-line response questionnaire was implemented on CNCtechlabs.com and a mail-back survey had also been developed and implemented but the outcomes will not be available until the Fall of 2002. Once the modules are completed, SELACO staff indicated that they will survey the users to determine the effectiveness of the material as an instructional aid.

SELACO's RESPONSE TO OUR DRAFT REPORT

In his September 13, 2002, response to the draft report, the Executive Director of SELACO stated that 175 training modules had been completed, with an additional 24 modules to be completed by November 15, 2002, giving a completion total of 199. Additionally, he stated that SELACO may have the opportunity to complete up to 17 more modules if work continues to progress smoothly at its current pace - giving an estimated new total of 216.

He further stated that the three modes of training curriculum (PC Web Hybrid, Web-Based, PC-Based Application) were developed over the summer months in tandem with the completion of 175 training modules.

OIG's COMMENTS

SELACO did not address progress in developing virtual training centers at participant worksites.

RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training ensures that SELACO:

- Completes the remaining modules to be used for training.
- Continues to implement the three remaining modes of training curriculum (PC-Web Hybrid, Web-Based, PC-Based Application).

II. PROGRAM OUTCOMES

SELACO did not fully accomplish, measure, or report proposed program outcomes. Only training enrollments were reported as being achieved. The expected performance outcomes as stated in the grant agreement were:

The training/placement/upgrade of at least 500 potential and incumbent workers . . .

. . . a complete curriculum of modular technical training programs designed to meet job skilled needs in the region from entry level through highly skilled practitioners and management personnel. . . .

OUTCOME ACHIEVEMENT

As of December 31, 2001, 1,106 participants were being trained, working towards certification or associate degrees. This exceeds the training enrollment goal of 500. However, training completions, placements, and upgrades were not known, as SELACO did not track this data. Further, training outcomes relate only to classroom training since the curriculum of modular technical training programs had not been implemented.

MEASUREMENT AND REPORTS

The grant required that SELACO submit quarterly progress reports on project performance. 29 CFR 95.51(d)(1) states that performance reports should contain: "A comparison of actual accomplishments with the goals and objectives established for the period . . ."

The only outcome measured and reported was the number of participants being trained. Employment upgrades or placements were not measured or reported even though the timeline in the grant agreement indicates that SELACO, in the first 6 months of 2001, will provide career development and job placement through job developers at partnering organizations and institutions.

The USC Project Coordinator developed a program participant tracking database, but as of December 31, 2001, SELACO has been unable to collect all of the information necessary to measure the proposed outcomes of this project. The coordinator indicated that USC plans to mail surveys to segregate those participants who are having their skills upgraded from those participants new to the field and to quantify the wages the participants earn after the training.

SELACO's RESPONSE TO OUR DRAFT REPORT

In his September 13, 2002, response to the draft report, the Executive Director of SELACO stated that the CNC Machinist training program is a 2-year training program, whether done at certificate or AA degree level. The project team developed reporting measures and had scheduled reporting to begin in the Fall of 2002. Given that not all participants would have completed their training by that time, the Project Coordinating Council had determined that post-program followup would occur at such time, and for all trainees regardless of the training completion status.

He also stated that most students often receive raises, promotions and employment prior to completing their certificates or AA degrees, thus allowing the project to capture all results by the end of the project.

In addition, he stated that the student population SELACO is targeting does not continue its education and training on a consecutive type schedule due to reasons of personal and family responsibilities. With this in mind, the most reasonable method to record positive outcomes would be to reschedule the followup activity to the latter quarters of the project. He stated that the surveys will be conducted during the Fall of 2002, with full data collection and results to be reflected in the year end report.

OIG COMMENTS

The approach to post-program followup detailed by SELACO in its response to our draft report seems reasonable. ETA needs to work closely with SELACO officials to ensure the grantee implements its planned approach in a timely manner.

RECOMMENDATION

We recommend the Assistant Secretary for Employment and Training ensures that SELACO achieves, measures and properly reports training completions, placements, and upgrades.

III. REPORTED OUTLAYS

SELACO claimed cumulative net outlays of \$606,897, consisting solely of the Federal share, on the FSR for the period ending December 31, 2001. There are no questioned costs in this report.

The grant established a matching requirement of 25 percent on Federal outlays. SELACO had not reported third party in-kind contributions as of December 31, 2001. Grant costs may be questioned if the matching requirement is not met by the end of the grant.

SELACO's RESPONSE TO OUR DRAFT REPORT

In his September 13, 2002, response to the draft report, the Executive Director of SELACO stated that SELACO has received match contribution reports and submitted a revision to the June 30, 2002, quarterly report (FSR) to include the match contribution. He stated that the total match amount reported meets the minimum matching requirements of 25 percent, and SELACO will continue to request for reporting purposes complete matching detail reports by all project partners through the term of this grant.

OIG's COMMENTS

ETA needs to ensure that SELACO continues to include matching funds in its quarterly FSRs.

RECOMMENDATION

We recommend the Assistant Secretary for Employment and Training ensures that SELACO obtains and reports the required matching funds, and that such funds meet the criteria detailed in the grant.

SELACO's RESPONSE TO DRAFT REPORT

WORKFORCE INVESTMENT BOARD

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File 02-02-215-03-39 _____

Action Date _____

September 13, 2002

Richard H. Brooks
Regional Inspector General for Audit
U.S. Department of Labor
Office of Inspector General
201 Varick Street
New York, New York 10014

Dear Mr. Brooks:

**Re: Response to Draft Report ~ No. 02-02-215-03-390
H-1B Technical Skills Training Grant Number AH-11086-01-06**

On behalf of the Workforce Investment Board of Southeast Los Angeles County (SELACO WIB), please find enclosed for your review and consideration, response to the Draft Audit Report.

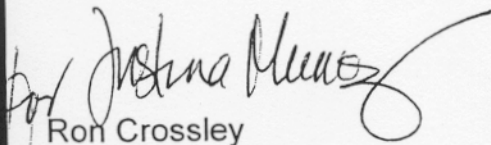
From the draft report, SELACO WIB has provided narrative responses to three (3) identified recommendations, summarized as follows:

- Training Provided
- Outcome Achievement
- Reported Outlays

Additional support documents to detail the current project progress toward compliance have also been enclosed for your review.

Should you have any questions or require additional information, please do not hesitate to contact my staff Tam Dang or Justina Munoz at (562) 402-9336.

Sincerely,


Ron Crossley
Executive Director

Enclosures

Cc: SELACO Contracts/Fiscal Unit
Dion Jackson, USC, Center for Economic Development
Richard Hollingsworth, Gateway Cities Partnership Inc.

**Cerritos
One-Stop**

Career Center Plus
10900 E. 183rd Street
Suite 350, Cerritos, CA
90703

Ph. (562) 402-9336
Fax (562) 860-4701

**Norwalk
One-Stop**

Career Center Plus
12440 E. Firestone Blvd.,
Suite 100
Norwalk, CA
90650

Ph. (562) 864-3960
Fax (562) 868-2938

Community Youth Corps

12440 E. Firestone Blvd.,
Suite 100W
Norwalk, CA
90650

Ph. (562) 406-2477
Fax (562) 406-2481

**Norwalk/EDD
One-Stop**

Career Center Plus
12715 S. Pioneer Blvd.
Norwalk, CA
90650

Ph. (562) 929-9112
Fax (562) 929-9114

**Hawaiian Gardens
One-Stop**

Career Center Plus
12113 Carson Ave.
Hawaiian Gardens, CA
90716

Ph. (562) 402-8046
Fax (562) 402-9497

FINDING 1

Training Provided: The grant proposed a training curriculum for delivery in four different modes: PC-Web Hybrid, Web-Based, PC-Based Application, and Conventional Classroom Instruction. However, only Conventional Classroom Instruction has been implemented. The other modes of training were in development.

Recommendations: We recommend the Assistant Secretary for Employment and Training ensure that SELACO:

- Completes the remaining 122 modules to be used for training.
- Implements the three remaining modes of training curriculum (PC-Web Hybrid, Web-Based, PC-Based Application).

Response: To date, 175 training modules have been completed, with an additional 24 modules to be completed by November 15, 2002, giving the completion total of 199. Additionally, we may have the opportunity to complete up to 17 more modules if work continues to progress smoothly at its current pace—giving an estimated new total of 216.

The three modes of training curriculum (PC-Web Hybrid, Web-Based, PC-Based Application)—were developed over the summer months in tandem with the completion of 175 training modules.

The PC-Web Hybrid training mode was fully developed and pilot tested this summer at Cerritos College. Demonstration will occur in the Fall, and this mode will be implemented at training sites starting October 2002.

The Web-Based training mode is successfully operating at California State University Long Beach (CSULB), with 21 modules fully operational. It will be implemented at other scheduled partner colleges this Fall 2002.

In order to ensure sustainability, a Website is in development at Cerritos College to serve as host to this training mode. Transition steps are already in progress to move assets from CSULB to the Cerritos College web site.

The PC-Based training mode was piloted at Cerritos College over the summer and will be implemented at partnering colleges during the Fall 2002 semester.

With reference to Section No. 5 of the timeline, our grant proposal identifies the timing of these activities described in the technical proposal, piloting of the training program was scheduled to take place in the 3rd & 4th quarters of the project (out of a total of 8 quarters). Our project commenced on January 1, 2001, therefore, we anticipated these additional forms of training to be between July – December 2001. This did not occur due to a lack of completed modules. We rescheduled the piloting of these training modes for quarter 6 & 7 of 2002, representing a more realistic start date.

The rational to reschedule the piloting was due to:

- Modules were not developed in curriculum order.
- Reassessment of the technical requirements to produce timely modules resulted in reassignment of personnel to complete such tasks.

DELIVERY OF MODULES

Ron Smith

9/9/02

WEB DELIVERY

Web distribution will be the most likely use of these teaching elements and is going very well. There are currently 60 module topics on the web at the <http://gatecity.ampcenter.org> and they are represented by 24 books (articles). There are 30 more module topics are in the final stages of quality checks and will be linked within a week.

CLASSROOM DELIVERY

As modules are completed they are put on our computers in our classrooms where they are used in a variety of classes. These modules are updated with quality checks as they occur. Instructors used these modules in their classes this summer. There will be considerably more use this (fall) semester. There are currently 154 modules complete.

CD DELIVERY

CDs are burned on a regular basis as a mode of transportation between computers. At the end of this project the entire web-based library will be burned into a single CD in both dhtml format and native Toolbook format.

HYBRID DELIVERY

Modules have been hybridized to take advantage of the speed of the PC and the convenience of the web. Web pages contain the dhtml text and a CD or hard drive contains the performance intensive media. To date a representative group of module/book topics are being piloted in this hybrid delivery mode. As piloting is completed this fall 2002 and the totaling inventory of completed module topics/books is finalized the full inventory will be populated with these hybrid.

FINDING 2

Outcome Achievement: As of December 31, 2001, 1106 participants were being training, working toward certification or associate degree. This exceeds the training enrollment goal of 500. However, training, completions, placement, and upgrades were not known, as SELACO did not track this data. Further training outcomes relate only to classroom training since the curriculum of modular technical training programs had not been implemented.

Recommendations: We recommend the Secretary for Employment and Training ensure that SELACO:

- Achieves, measures and properly reports training completions, placements, and upgrades.

Response: The CNC Machinist training program is a 2-year training program, whether done at certificate or AA degree level. The project team developed reporting measures and had scheduled it for the Fall of 2002. Given that not all participants would have completed their training by that time, the Project Coordinating Council had determined that Post Program Follow-up would occur at such time, and for all trainees regardless of the training completion status.

Based on experience, it is commonly known by the colleges that most students often receive raises, promotion and employment prior to completing their certificate or AA degree, thus allowing the project to capture all results by the end of the project.

In addition, the student population we are targeting have indicated that not all students continue their education and training on a consecutive type schedule due to reasons of personal and family responsibilities. With this in mind, the project aims that the most effective manner to report positive outcomes would be to reschedule the follow-up activity to the latter quarters of the project.

The surveys will be conducted during the Fall of 2002, with full data collection and results to be reflected in the year end report.

FINDING 3

Reported Outlays: SELACO claimed cumulative net outlays of \$606,897, consisting solely of the Federal share, on the FSR for the period ending December 31, 2001.

...Third party in-kind contributions had not been reported as of December 31, 2001, even though, the grant established a matching requirement of 25 percent on Federal outlays. Grant costs may be questioned if the matching requirement is not met by the end of the grant.

Recommendations: We recommend the Assistant Secretary for Employment and Training ensure that SELACO:

- Obtain and report the required matching funds.

Response: Since the time of the audit, SELACO has received match contribution reports required for reporting. A revision to the June 30, 2002 quarterly report (FSR) to include the match contribution has been re-submitted. From this report, the total match amount reported meets the minimum matching requirements of 25 percent.

SELACO will continue to request for reporting purposes complete matching detail reports by all project partners through the term of this grant.