

PERFORMANCE AUDIT

**AUDIT OF DEPARTMENT OF LABOR
GRANTS TO ASSIST TRADE-
AFFECTED
DISLOCATED WORKERS IN**



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ACRONYMS/ABBREVIATIONS

ABE	Adult Basic Education
BRS	Basic Readjustment Services
BS	Basic Skills
DOL	U.S. Department of Labor
ESL	English as a Second Language
ETA	Employment and Training Administration
GED	General Equivalency Diploma
JTPA	Job Training Partnership Act
NAFTA-TAA	North American Free Trade Agreement-Transitional Adjustment Assistance
NRA	National Reserve Account
NRP	Needs Related Payments
PREP	Proactive Reemployment Program
TAA	Trade Adjustment Assistance
TRA	Trade Readjustment Allowance
TRX	Extended Trade Readjustment Allowance
TWC	Texas Workforce Commission
TWIST	The Workforce Information System of Texas
UI	Unemployment Insurance
URGPIC	Upper Rio Grande Private Industry Council
WBA	Weekly Benefit Amount
WDB	Workforce Development Board
WIA	Workforce Investment Act

EXECUTIVE SUMMARY

We audited the results of training and income support provided by the Unemployment Insurance (UI), Trade Adjustment Assistance (TAA), North American Free Trade Agreement-Transitional Adjustment Assistance (NAFTA-TAA), and Job Training Partnership Act (JTPA) programs to over 4,000 trade-certified dislocated workers in El Paso. We found that placement outcomes were overstated, that the placement wages for those who entered employment were low, and needs related payments provided a disincentive to employment.

For any future grants to extend training and income support beyond those received under UI, TAA and NAFTA-TAA, to trade-affected dislocated workers, we recommend that the Assistant Secretary for Employment and Training require such grants to:

- ! institute controls to ensure participants' needs for further training are properly assessed and that training can be provided to realistically address such needs;
- ! periodically evaluate the effectiveness of training providers;
- ! routinely assess participants' training progress and modify strategies where participants do not appear to be moving toward the ultimate outcome of achieving employment;
- ! structure needs related payments such that there is a clear economic incentive for participants to complete training and move on to employment; and
- ! study the extent to which employers recognize and value GEDs obtained in languages other than English for purposes of adopting a policy on whether supporting the attainment of such GEDs is an appropriate use of program funds.

The Upper Rio Grande Workforce Development Board (WDB) and the Texas Workforce Commission (TWC) expended approximately \$106 million, an average of about \$25,000 per participant, to provide training and income support to 4,275 dislocated workers.

- ! \$72 million in income support
- ! \$26 million in training costs
- ! \$ 8 million in PREP administrative costs

In our opinion, the following recommendations will help achieve more positive results than we found in the El Paso trade-affected dislocated worker programs:

- ! the \$6.77 per hour average placement wage rate achieved for those who entered employment was:
 - below the \$7.13 per hour average layoff wage rate, and
 - below the \$7.11 wage goal in the PREP grant proposal;
- ! 53 percent of those who entered employment had placement wage rates less than their layoff wage rates;
- ! 57 percent of those who entered employment had placement wage rates of less than \$6 per hour;
 - 16 percent earned minimum wage \$5.15
- ! \$3,024 in average quarterly earnings were achieved after PREP termination;
- ! participants who earned less than \$6 per hour had the highest average total training and benefit costs of \$24,843;
- ! 36.2 percent placement rate, as of April 30, 2001, was arrived at based on ETA's outcomes reporting criteria, rather than 81 percent based on the Upper Rio Grande WDB's management information system;
- ! participants were enrolled in ESL/GED training with multiple training vendors, some for long periods of time and some at high costs; and
- ! needs related payments provided a disincentive to employment -- participants remained in the program because they could receive \$9.10 per hour, tax free, for attending class rather than working for \$6.77 per hour, before taxes.

Agencies' Responses and Auditor's Conclusions

The WDB's, the TWC's, and the Employment and Training Administration's (ETA) responses to our draft report are included in this final report at Appendix D. Pertinent comments from these responses are also discussed in the applicable report sections.

ETA essentially agreed with our recommendations but indicated the recommendations would primarily have to be addressed by the State and local boards. TWC concurs with all but the last recommendation, regarding GEDs in Spanish, which it believes is a local issue. The WDB stated they will utilize the report's findings to enhance future programs but did not specifically address our recommendations.

Our draft report recommendations remain unchanged.

BACKGROUND

The TAA program was established under the Trade Act of 1974 (P.L. 93-618). The NAFTA-TAA program was established under the North American Free Trade Agreement Implementation Act of 1993 (P.L. 103-182), which amended the Trade Act of 1974 by adding Subchapter D to Chapter 2 of Title II.

Farther, Title III of JTPA (P. L. 97-300, dated October 1982, as amended) authorizes training and income support for dislocated workers. JTPA reserves 20 percent of the Title III funds appropriated for the Secretary to fund special projects to address national or regional concerns. Governors also may reserve up to 40 percent of the state allocation for a variety of State activities and substate grantee needs.

Since January 1994 thousands of workers in El Paso, Texas, have been certified as dislocated workers, mostly in the textile and apparel industries. Consequently, these workers were entitled to TAA/NAFTA-TAA-funded training and benefits.

These dislocated workers faced significant barriers to finding employment in El Paso's labor market. Local and State officials believed that before these dislocated workers could obtain new vocational skills to compete in El Paso's labor market, they needed to improve their educational and/or English language skills.

Program officials at the local, State, and Federal levels concluded that these significant educational and skill deficiencies were not being adequately addressed through the TAA/NAFTA-TAA programs due to both funding and training-time limitations. In order to enable as many of these individuals as possible to complete their training programs and to serve those eligible individuals not previously enrolled, additional Job Training Partnership Act (JTPA) funds were provided to the Upper Rio Grande Private Industry Council (URGPIC). These JTPA funds were to provide additional training, administration, case management, supportive services, and income support payments (needs related payments) beyond regular unemployment compensation and trade program allowances. These additional JTPA funds were provided through the Governor's Discretionary grants and the Secretary's National Reserve Account (NRA) grants.

Initially, to supplement the TAA and NAFTA-TAA programs, the State began a **Pilot Project** with the JTPA Governor's Discretionary funding. Only part of the Pilot Project funding was provided to the URGPIC; the State, through the TWC, directly spent over \$4 million under this program for training participants.

Subsequent to the Pilot Project, ETA awarded the URGPIC a separate **Needs Related Payments (NRPs) grant** for participants in the Pilot Project. This grant was funded by the Secretary's JTPA National Reserve Account, through the Governor's office.

In anticipation of the award of the JTPA-funded **\$45 million Proactive Reemployment Program (PREP) grant** from the Secretary's National Reserve Account, the State provided URGPIC a **PREP startup grant**. This \$2.5 million startup grant, as amended, was awarded for the period from April 13, 1998, to June 30, 1999. (The final closeout expenditures were \$1.5 million.)

ETA agreed that the TWC Pilot Program funds were insufficient to provide needed case management and training for the TAA and NAFTA-TAA certified dislocated workers. Therefore, ETA provided directly to the URGPIC the \$45 million JTPA Title III, PREP grant. The eligible population to be served under the grant were individuals that were laid off from trade-affected jobs between January 1, 1994, through December 31, 1998. This national PREP grant, as amended, provided for payment of allowable expenditures for the period July 1, 1998, through June 30, 2001.

In summary, the major **JTPA** sources of funds for providing training and NRPs to PREP participants are included in the following table. (The amounts are based on grant closeout documents, when applicable. Otherwise, the amounts are from the grant award, as modified.)

Sources of JTPA Funding for PREP Enrollees Granted to URGPIC		
Program	Type of JTPA Funds	Amount
State Pilot Project Subgrant	Governor's Discretionary	\$ 1,794,658
ETA Needs Related Payment Grant	Secretary's National Reserve	\$ 2,363,865
State PREP Start-up Grant	Secretary's National Reserve ¹	\$ 1,493,498
ETA PREP Grant	Secretary's National Reserve	\$ 45,000,000

In addition to the JTPA funding sources above, we compiled the total costs of training and income support from the following funding sources that were provided for a random sample of the PREP participants:

- ! Unemployment Insurance (UI) Program
- ! Trade Adjustment Assistance (TAA)
- ! North American Free Trade Agreement-Transitional Adjustment Assistance (NAFTA-TAA)

¹These grant funds were passed through the Governor's office.

Unlike NRPs paid under JTPA, UI and Trade Readjustment Allowances (TRA) paid under the TAA and NAFTA-TAA programs are entitlements; i.e., as long as the dislocated workers meet the requirements under State and/or Federal laws, they are entitled to the benefits. However, the eligibility requirements for UI and TRA are somewhat opposite. To be entitled to UI benefits, the individual must be available and seeking work unless the work search requirement is waived, and the individual is enrolled in an approved training program. To be entitled to TRA benefits, the dislocated worker must be enrolled in approved training but can still receive TRA if he/she obtains a written waiver from training; e.g., individual already possesses adequate skills and is actively seeking work.

TRA benefits are paid in two phases – basic and additional. Basic TRA benefits are paid for 26 weeks after the individual has exhausted his/her UI benefits if the individual is enrolled in an approved training program, unless a written waiver from training is obtained (except no waivers are allowed for TRA under the NAFTA-TAA program). The additional 26 weeks of TRA are paid only if the individual is enrolled in approved training -- no waivers are allowed.

Consequently, while UI and TRA benefits are income support entitlements and are outside the control of the WDB, they represent a cost of the dislocated workers' being in training. Therefore, we have presented these costs in this report to show the cost of the total effort to serve the dislocated workers in El Paso who were enrolled in the PREP as of December 31, 1999.

We compiled administration costs only for the PREP grant.

Audit sample demographics

As shown in the following table, approximately 70 percent of the 231 participant sample was female, and 86 percent was age 55 or younger. The average age was 43.

AGE AND GENDER OF 231 PARTICIPANTS SAMPLED

Age at PREP Enrollment	Gender			Cumulative Percentage
	Female	Male	All	
30 and under	14	15	29	12.6%
31 - 45	79	31	110	60.2%
46 - 55	46	14	60	86.2%
56 - 60	16	9	25	97.0%
Over 60	5	2	7	100.0%
All	160	71	231	

The average educational level at the time the participants enrolled in PREP was grade 9 for the 220 sampled participants for whom we could determine educational level. Also, over 35 percent had a grade 12/GED education or higher with a minimum of 26 percent (58/220) receiving their education in the United States. The following table shows grade levels for these 220 participants:

**EDUCATION LEVEL AND SOURCE OF EDUCATION
FOR 220 PARTICIPANTS IN SAMPLE**

Education grade level at PREP Enrollment	Source of Education			All	Cumulative Percentage
	Unknown	Mexico	USA		
13 -16	3	4	2	9	4.1%
12	22	8	39	69	35.5%
9 - 11	13	25	11	49	57.7%
6 - 8	8	58	6	72	90.5%
1 - 5	4	17		21	100.0%
All	50	112	58	220	

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

AUDIT OBJECTIVES

Our audit objectives included evaluating training, placement outcomes, and costs, regardless of the funding source, for a sample of enrollees in the \$45 million PREP program.

The primary questions that we attempted to answer through our audit analysis were:

- \$ What were the total direct enrollees' costs of trade-related training and income support from the time of initial trade certified layoffs through September 30, 2000, for enrollees of the El Paso PREP grant enrolled as of December 31, 1999?
- \$ What types of training were provided to PREP enrollees and did these interventions result in dislocated workers being prepared to compete for jobs in the El Paso job market?
- \$ What was the training and employment status of PREP enrollees including earnings after program termination as of April 30, 2001?

SCOPE

We conducted a performance audit to assess the cost and outcomes or status for enrollees in the PREP program. **Our scope did not include an audit of the fairness of reported or recorded grant costs.** It also did not include an examination of the adequacy of administrative procedures such as the procurement of training vendors or financial management. Rather, the scope included using State and grantee management records, including enrollee case files, to:

- \$ identify total reported costs incurred directly on the enrollees' behalf, and
- \$ assess the enrollees' outcome status.

Our compilation included the training costs and benefit payments from the initial unemployment claim that resulted in eligibility for the PREP program, through September 30, 2000. Initially, our cutoff for determining the status of training was June 30, 2000.

The PREP program began July 1, 1998, and was extended until June 30, 2001. Our sample was selected from the entire PREP enrollee population as of December 31, 1999. Therefore, some sample individuals were still enrolled during the period of our initial fieldwork from May 2000 through December 2000.

We originally obtained participant case files in May 2000. As a result, we supplemented the case files with cost information through September 30, 2000. Additionally, we obtained participant status information through April 30, 2001, from the State TWIST (The Workforce Information System of Texas) and State wage records through December 31, 2000 -- latest available at the time -- to enable analysis of the final reported outcomes for a larger share of sample enrollees.

Our sample of 231 PREP enrollees included 124 individuals who were also recorded as enrollees in the State Pilot program according to TWIST records. The Pilot program was begun by TWC as of March 14, 1997. Other individuals were enrolled into the PREP late in 1998.

Our cost compilation is incomplete with regards to TWC's Pilot program costs for the sample PREP enrollees. TWC provided us with some documentation of Pilot program costs in September 2000 and June 2001. However, adequate cost documentation was not provided for the largest of the six vendors that were paid directly by TWC for Pilot program enrollee training. Thus, our estimates regarding the cost of training for sample PREP enrollees are understated.

Our audit was conducted in accordance with generally accepted government auditing standards.

METHODOLOGY

We compiled and analyzed data from multiple State and Upper Rio Grande WDB files for 231 randomly-selected sample enrollees from the total population of 4,275 individuals in the El Paso PREP as of December 31, 1999. We used enrollee case files as a source of information along with State and local grantee cost and TWIST information. We also analyzed State wage file information, TWIST participants' termination status, and incentive payments made to enrollees for job placement.

We also conducted a limited number of participant interviews.

(See appendix C for additional details on our sampling and compilation methodology.)

CHAPTER 1. PROGRAM PERFORMANCE ISSUES

1. Approximately \$106 Million in Costs Were Incurred on Behalf of 4,275 Dislocated Workers in El Paso, Texas, Without Substantial Wage Gains As a Result of This Investment.

We estimate that \$106² million of training, income support, and program administration and operating costs were incurred on behalf of 4,275 participants the Upper Rio Grande Private Industry Council (URGPIC)³ enrolled in the Proactive

Reemployment Program (PREP) as of December 31, 1999. The average cost per participant was approximately \$25,000. The \$106 million estimate is comprised of:

UI/TRA Benefits	\$50 million
Needs Related payments	<u>22 million</u>
Total income support	\$72 million
Training costs and supportive services	<u>\$26 million</u>
Total training and income support	\$98 million
PREP administrative costs	<u>\$ 8 million</u>
Total costs	<u>\$106 million</u>

These dislocated workers faced significant barriers to finding employment that required more education, occupational skills, and English language skills than most of these individuals possessed. State and local officials believed that before these dislocated workers could obtain new vocational skills to compete in El Paso's labor market, they needed to improve their

²The \$106 million cost estimate -- \$98 million training and income support costs based on a projection of our sample participant costs to the population; \$8 million PREP program administration and operating costs -- for the El Paso trade-affected workers is conservative. Our estimate does not include \$2.8 million participants' training costs for the largest training provider-- American Institute of English -- under the Governor's Pilot grant. Nor does it include approximately \$2.5 million program administration and operating costs for the Governor's Pilot and PREP startup grants. Furthermore, our cost estimate does not include additional financial commitments made for training that had not yet been paid, nor does it include any other financial commitments for training made after September 30, 2000. Consequently, total average costs per participant probably exceeded our estimated \$25,000.

³With the implementation of the Workforce Investment Act, the grant recipient was changed from the URGPIC to the Upper Rio Grande Workforce Development Board (WDB). Further references to the grantee will refer to the WDB.

educational and/or English language skills. Consequently, the preponderance of training made available to these dislocated workers was ESL and GED training, funded through TAA, NAFTA-TAA, or JTPA programs.

The \$45 million PREP grant funded by the JTPA Title III, Secretary's National Reserve Account (NRA), was only one of several sources of funds that provided training, income support, supportive services, administration, and participant case management to participants enrolled in the PREP.⁴

For this \$106 million State and Federal investment:

- A. Enrollees' placement wage rates were not substantial based on the level of expenditures incurred to improve their educational and occupational skills.
- B. Average quarterly earnings were \$3,024.
- C. The WDB's reported entered employment (placement) rate for PREP enrollees was significantly overstated.

Agencies' Responses and Auditor's Conclusions

Upper Rio Grande Workforce Development Board

The Workforce Development Board (WDB) responded that the average **PREP** costs for the enrolled participants were about \$10,297. The WDB also stated that we only looked at 5.2 percent of those served. Our audit was not limited to the \$45 million PREP grant costs; the PREP grant was only the final funding source to provide services to these participants. Our audit encompassed other direct training and benefit costs for PREP participants that were paid from sources besides the PREP grant. The costs we examined totaled about \$25,000 on average for the random statistical sample of PREP participants enrolled at the time of our audit (see Scope section). A larger sample size would not change the point estimate for determining average costs or participant outcomes.

The response also suggests that without a control group it is difficult to assess the consequences if the additional PREP funding had not been provided to assist these dislocated workers. We agree that program evaluations using control groups can provide valuable information. However, performance audits alone can provide ample evidence of program results using only administrative data such as accounting records and management information systems.

The WDB responded that PREP enrollees had an average third grade educational level. This assumption appears to have come from the grant proposal. Our random sample included 220

⁴See Background section of this report for funding sources.

participants where the educational level could be identified from the State's Trade Unit or PREP case files. At the **time of PREP enrollment**, these 220 participants had an average ninth grade educational level with almost 36 percent having a twelfth grade education or General Equivalency Diploma (GED). Furthermore, many individuals had already received 1 to 2 years of TAA training funded by the Department of Labor, **prior to their enrollment in the PREP** program. We have added some demographic information to the Background section of this final report.

Texas Workforce Commission

The TWC's response to the draft report disagrees with our including the UI, TAA, and NAFTA-TAA benefits in the total amount of direct enrollees' costs. The State believes that use of the \$106 million figure paints an inaccurate picture of the scope of the Pilot and PREP, establishing much greater expectations than any of the partners would have thought reasonable. Furthermore, the response states that only 10 percent of the \$106 million cited can in any way be deemed discretionary.

In our opinion, our \$106 million estimate provides a more complete picture of the government funds used to support and train dislocated workers enrolled in the WDB's \$45 million PREP grant. While UI and TRA paid under the TAA and NAFTA-TAA programs are entitlements, as explained in the Background section, and are outside the control of the WDB, they represent a cost of retraining dislocated workers. Therefore, we have presented these costs to show the cost of the total effort to serve the dislocated workers in El Paso who were enrolled in the PREP as of December 31, 1999.

Furthermore, we disagree with the State's contention that only 10 percent of the \$106 million we presented was discretionary. The entire \$5.8 million Pilot program -- over \$4 million TWC directly paid enrollee training costs and \$1.8 million to the URGPIC-- \$1.5 million PREP Startup grant, \$2.3 million NRP grant, and \$45 million PREP grant were completely discretionary. Consequently, at a minimum, almost \$55 million of the \$106 million (52 percent) was discretionary.

Employment and Training Administration

ETA stated that it was not clear whether the UI and trade investments cited were just for the workers enrolled in the PREP project. As stated in the Audit Objectives, Scope, and Methodology sections of the draft report, our compilation was based on a random sample of PREP participants. Furthermore, ETA also disagreed with our inclusion of UI and trade program funds in examining the costs of training and income support provided to PREP participants. We have addressed this in our above comments responding to the similar TWC comments.

A. Enrollees' placement wage rates were not substantial based on the level of expenditures incurred to improve their educational and occupational skills.

The average placement wage rate was \$6.77 per hour for the 137 PREP enrollees reported as placed from our 231 participant sample. (See appendix A, table 1.) This wage rate is below the \$7.13 per hour average layoff wage rate for the 113 participants for whom we had the layoff wage rate and below the \$7.11 wage goal in the PREP grant proposal. Of the 137 reported

placements:

- ! 57 percent had hourly wages of \$6 or under, including 16 percent at minimum wage of \$5.15 per hour, and
- ! 80 percent had placement wages of \$7.50 or under.

(See appendix A, table 2.)

Furthermore, those participants who earned less than \$6 per hour had the highest average total training and income support costs of \$24,843. (See appendix A, table 4.)

The placement wage rate compared with a layoff wage rate decreased for 53 percent of the 113 sample enrollees for whom we had both hourly layoff and placement wage rates available. The average wage loss (\$-1.96) exceeded the average wage gain (\$1.50).

Agencies' Responses and Auditor's Conclusions

Upper Rio Grande Workforce Development Board

The WDB cited the high unemployment rate in El Paso and stated that the average layoff wage reflects several years of working in the same industry and does not reflect an entry level wage. The WDB indicated that the \$6.77 average starting wage is 95 percent of the layoff wage. We agree the average entry level wage after training is a high percentage of the layoff wage. However, this fact alone is not evidence that the training provided was cost effective or responsible for the placement outcomes that PREP enrollees achieved. Furthermore, inflation alone contributed to increases in the average entry level wage, and some wage increases were the result of the minimum wage increase.

Texas Workforce Commission

The TWC responded that the draft report did not recognize that the economy of the El Paso region is the center of the issue on wage attainment. Furthermore, TWC responded that WDB documents report the average wage at placement was 96 percent of the PREP goal.

We do not disagree that a large portion of the PREP enrollees have entered employment, the majority entering employment a long time after active PREP involvement. However, our audit results from examining a random sample of PREP enrollees raise substantial doubt regarding the effectiveness of the training provided for those individuals who were placed at jobs paying close to the minimum wage.

Employment and Training Administration

ETA believes that the 95 percent average wage replacement rate (average new wage compared to average layoff wage) is remarkable considering the dislocated workers' barriers to employment. The OIG's conclusions to the WDB and TWC comments already address this issue. In summary, some of the participants who eventually entered employment may have done so sooner without the PREP program.

B. Average quarterly earnings were \$3,024.

The average quarterly earnings for sampled participants we could evaluate were \$3,024. Of the 137 participants reported placed, we could only evaluate earnings for the 100 participants who were terminated prior to October 1, 2000, because we only had wage records available through December 31, 2000, and we needed at least one full quarter

of earnings after the termination quarter to do the wage analysis.

We also analyzed quarterly earnings by the period in which the above participants were terminated. Those who terminated earlier had the higher average quarterly earnings as shown below:

- ! \$3,822 for those (36) who terminated on or before December 31, 1999
- ! \$2,575 for those (64) who terminated after December 31, 1999

Based on average placement wage rates and average quarterly earnings, in our opinion, the vocational training achievement for many enrollees appears to have been limited.

(See appendix A, tables 1 and 2, for wage details.)

Agency's Response and Auditor's Conclusions

Upper Rio Grande Workforce Development Board

The WDB responded that vocational training achievements, if limited, were due to the characteristics of the individuals being served, that those with higher educational and language skills were able to enter vocational training for shorter time periods. In our opinion, the program

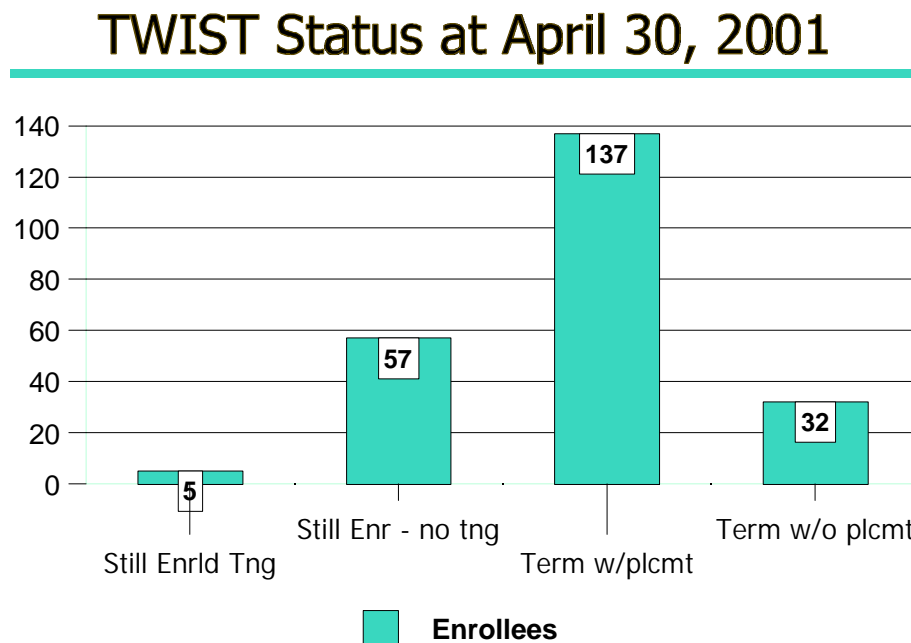
objective for all enrollees to obtain proficiency in the English language and obtain a GED was unrealistic for many individuals. Furthermore, grant expenditures were beneficial only to the extent that enrollees were making progress in obtaining new educational or vocational skills.

C. The WDB's reported entered employment (placement) rate for PREP enrollees was significantly overstated.

The WDB reported an 81 percent placement rate for our sampled PREP enrollees as of April 30, 2001. A significantly lower placement rate of 36.2 percent results when ETA's outcomes reporting criteria are applied.

Enrollees' outcomes at April 30, 2001, according to the WDB's TWIST data, is provided in the

following chart.



Of the 231 participant sample, 62 participants (27 percent) were still enrolled; 57 of those still enrolled (85 percent) were not receiving any training. Of the 169 reported terminations as of April 30, 2001, the WDB reported 137 placements, a reported 81 percent placement rate. This rate is significantly overstated because PREP terminations and placements recorded in the State TWIST as of April 30, 2001, did not follow ETA's outcomes reporting criteria.

ETA's Training and Employment Information Notice (TEIN) No. 5-93 provided that dislocated worker program participants be terminated within 90 days of their last training or service.

Previous JTPA policy required that participants should be terminated within a reasonable time after they stopped receiving training or services.

TEIN No. 5-93 provides: *Without some policy on termination, performance standards create strong incentives for local programs to avoid terminating failures even when individuals no longer have any contact with the program.* Thus, effective for Program Year 1996, participants in JTPA Title III programs were to be terminated within 90 days after last receiving planned training or active services.

While the prior table shows only 32 nonpositive terminations for the reported 169 terminations:

- ! 52 of the 57 participants still enrolled, not in training, should have been terminated as nonpositive terminations because they had been in basic readjustment services (BRS) or job search more than 90 days -- 48 of the 52 participants had been in the category for 6 months or more, and
- ! 57 of the 137 participants reported as terminated with employment had been retained in job search for more than 90 days prior to termination and should have already been terminated as a nonpositive termination.

Recalculated, based on ETA's outcomes reporting instructions, as of April 30, 2001, the 231⁵ enrollees' status should have been as follows:

Description of Factor	Participants		
	Placed within 90 days	Term.- w/o Placement	Ent. Emp. Rate
WDB reported as terminations (with/without placement)	80	32	
Still enrolled, w/no trng. >90 days		52	
Terms. w/employment > 90 days		57	
ALL	80	141	36.2%

Placement outcomes were expected to be determined within 90 days after a substantial program activity. Yet, over 56 percent of the 194 sampled PREP enrollees who were either "still enrolled, not in training" as of April 30, 2001, or were reported "terminated employed" were in holding

⁵Of the 231 participant sample, 5 were "still enrolled in training." Another 5 "still enrolled, not in training" were in this category for less than 90 days. Consequently, our analysis applies only to 221 participants.

more than 90 days, including 39 percent that had been in holding for more than 6 months. (See appendix A, table 3.)

The following example demonstrates how some participants were inappropriately held in a holding category.

Participant example 1

This participant had been trained as a medical office specialist with the assistance of TAA funds, a Pell Grant, and a State grant from February 1998 to December 1998. She was electronically enrolled into the PREP program in July 1998. The State MIS shows her enrollment into vocational training under PREP from August 1998 to December 1998. (This is the same TAA training as shown above since the participant was never enrolled in PREP-funded training.) She was assigned to basic readjustment services (BRS) in December 1998.

State wage records show that she was employed from December 1998 to August 1999; however, her employment is not recorded in the MIS.

In May 2000 when a PREP case manager finally interviewed the participant, she stated that she was not interested in working since she preferred to stay home and care for her child. The case manager placed her in BRS as a holding status until she was ready to return to work. She has remained in BRS since December 1998.

We are not contesting that the individuals recorded as placed did not enter employment at some time. However, the placements we excluded above were so long after the training that they were not countable for reporting performance outcomes based on ETA's criteria. If allowed to keep these individuals in holding indefinitely, all participants seeking employment would likely become employed at some time; yet, the program's impact on these individuals' ability to get jobs is uncertain.

Agencies' Responses and Auditor's Conclusions

Upper Rio Grande Workforce Development Board

The WDB took exception to our statement that the reported placement rate was significantly overstated. WDB's response referenced ETA's requirement that "frequent and substantial" services must be provided to keep a participant actively enrolled in the program. Yet, the

WDB did not submit any evidence that it provided bona fide -- frequent and substantial -- basic readjustment services (BRS) after enrollee training ended. Simply recording the BRS category in a management information system for an individual is not acceptable evidence that frequent and substantial services were provided. The participant case files did not document these frequent and substantial services.

Texas Workforce Commission

TWC did not specifically respond to the placement rate but rather responded that even using our calculated 36.2 percent placement rate, the wage at placement was still significantly above the national average. TWC's response was based on a GAO report which states: *Based on available but incomplete Department of Labor data, nationally only 61.5 percent of dislocated workers . . . reported that their new jobs paid at least 80 percent of their old jobs wages.*

The conclusion we provided in the draft report is unchanged. In our opinion, the program's impact on many of the enrollees' ability to get jobs is uncertain.

Employment and Training Administration

ETA responded that JTPA did not restrict the timing of BRS which could be provided even at the conclusion of an individual's participation. Therefore, ETA believes the data in our draft report was inconclusive as to how many participants were not terminated within 90 days of the last date of service. As noted in our conclusion to the WDB comments, no evidence was provided that any such services were provided.

2. Participants Were Enrolled Predominantly in English as a Second Language (ESL) and General Equivalency Diploma (GED) Training -- Including the Same Training Type With Multiple Training Vendors -- for Long Periods of Time, Some at High Costs.

Of our 231 participant sample, 224⁶ enrolled in training, of which 141 enrollees (63 percent) received training funded by two or more sources, including TAA/NAFTA-TAA, Pilot, PREP, or other. Considering that some of the 83 participants with only one source of funding did not

receive any PREP-funded training, PREP provided only supplemental funding (NRPs, administration, and case management) for many PREP enrollees.

A. Most of the participants' training was some variation of basic skills -- ESL/GED/Adult Basic Education (ABE)/Basic Skills

The \$45 million PREP grant was only the final funding source of services to the El Paso dislocated workers enrolled in the PREP. The premise behind the PREP grant and its predecessor funding sources was that these dislocated workers did not have the educational or English language skills to qualify them for the jobs in the El Paso area;

i.e., they had to obtain proficiency in the English language and achieve their GEDs before they could learn a new occupational skill.

About 53 percent of total training curriculums (242/459) for the 224 participants enrolled in training were for basic skills only:

- ! 49 percent (126/258) of TAA/NAFTA-TAA and TWC Pilot-funded training, and
- ! 58 percent (116/201) of PREP-funded training.

(See appendix A, table 5, for details on types of training curriculums that were provided by funding sources.)

Not only was the majority of the training given in many variations of basic skills, participants enrolled in multiple classes of the same basic skill.

The above statistics understate the amount of training that was limited to basic skills. Effectively, over half of the PREP training was **additional** basic skills for enrollees who had already received similar training under the TAA/NAFTA-TAA and Pilot programs. Furthermore,

⁶Three of the participants received training but we could not identify the training costs for them.

of the 217 vocational training curriculums, 97 curriculums (45 percent) combined vocational training with a basic skills component.

Even when vocational training was contracted for as part of a participant's combined basic skills/vocational training curriculum, how much vocational training was provided is uncertain because participants kept extending their time in the basic skills components. The following example shows how some basic skills/vocational training classes the participants enrolled in imply more vocational training than occurred.

Participant example 2

This participant was scheduled to attend TAA-funded basic skills/computer operator training at the community college from October 1997 through June 3, 1998. Apparently, the enrollee never received the vocational part of the training because she was enrolled in some type of Pilot grant-funded basic skills or ESL training from October 1997 through January 1998. Then she was given another TAA-funded individual referral contract for only GED training at the community college from September 28, 1998, through November 17, 1999. In November 1999, this enrollee did not pass the writing part of the GED and was then given additional PREP-funded GED training at the community college from November 19, 1999, through January 28, 2000.

The case file doesn't indicate whether she took the GED exam again or passed, after the additional GED training at the community college.

This example is typical of the TAA-funded training for our sample PREP enrollees; i.e., the TWC Trade Unit usually scheduled basic skills and vocational training together. However, as shown above, our sample PREP enrollees frequently did not complete the vocational component of the TAA-funded training. In fact, the lack of progress in basic skills was a factor in ETA's awarding the JTPA-funded PREP grant to the El Paso WDB.

Agencies' Responses and Auditor's Conclusions

Upper Rio Grande Workforce Development Board

The WDB's response stated that 39 percent of the PREP grant was allocated for training. However, only 28 percent was spent on training according to the June 30, 2001, cost report.

The WDB also stated that most participants had a second or third grade education; therefore, they had to provide training on a linear basis. The average educational level at the time the participants enrolled in PREP was grade 9 for the 220 sampled participants for whom we could determine

educational level. Furthermore, only 10 percent of our sample had educational levels below the sixth grade.

The WDB also responded that the average cost per participant was expected to be higher during the first two years, when basic skills and literacy were the primary focus. According to the WDB, during the third year, the emphasis was on placing participants and finding jobs. Many participants were enrolled in training a long time before the PREP grant was received and continued into basic skills training throughout their training curriculums never reaching vocational training.

Texas Workforce Commission

TWC again referred to the demographics cited in GAO's report -- Hispanic, female, single heads of household, over the age of 40, less than a high school education, and limited English proficiency. TWC argues that the vast majority of workers were even more seriously disadvantaged. Most had a second or third grade education from Mexico, had not been in a classroom or other educational setting for at least 30 years, and had marginal literacy skills in Spanish.

TWC noted that the Federal trade program's guidelines were originally designed to assist middle-age, middle-class, English-speaking factory workers in the Midwest and Northeast. These guidelines were simply extended to the NAFTA trade-affected worker on the Texas-Mexico border with little adjustment to compensate for the significant differences in the populations of these economically, culturally and geographically divergent areas.

Again, we disagree with the TWC contention that most enrollees had a second or third grade education from Mexico. As stated above, at PREP enrollment, the average educational grade level for our randomly-selected sample was the ninth grade with only 10 percent below the sixth grade level. Furthermore, the basic skills training was to be followed up with vocational training. As pointed out in the report and TWC's response, much of the vocational training never happened.

B. PREP enrollees' training, income support, and supportive services costs covered a broad range. Some enrollees had few costs while a few had costs over \$60,000.

The following table shows the total direct enrollee training, income support, and supportive services costs paid on behalf of the sampled PREP enrollees. These costs include direct training costs paid by the TAA/NAFTA-TAA, Pilot, PREP, and other programs that we were able to compile. It also includes UI benefits, TRA and NAFTA-TAA benefits, and NRPs paid through either the Pilot grant, special NRP grant, or PREP grants.

**PARTICIPANTS' TRAINING AND INCOME SUPPORT COSTS
AS OF SEPTEMBER 30, 2000,
BY ENROLLEES' PROGRAM STATUS AS OF APRIL 30, 2001**

Enrollees' Status as of April 2001 TWIST Data	Total Enrollee Training and Income Support Costs				
	No. Part.	Minimum	Maximum	Mean	Sum
STILL in TRNG	5	\$ 12,606	\$ 37,778	\$ 23,473	\$ 117,364
ENROLLED/ NO TRNG	57	\$ 116	\$ 51,776	\$ 24,780	\$ 1,412,455
TERM W/EMP	137	\$ 360	\$ 64,040	\$ 23,653	\$ 3,240,449
TERM/ NO EMP	32	\$ 173	\$ 33,530	\$ 16,692	\$ 534,131
ALL	231			\$ 22,963	\$ 5,304,400

Based on the sample results, we estimate the direct training and income supports costs at \$98 million as of September 30, 2000, for the population of 4,275 PREP participants enrolled as of December 31, 1999.

Agencies' Responses and Auditor's Conclusions

Upper Rio Grande Workforce Development Board

The WDB responded that to address the need for bilingual instructional programs that integrated ESL, vocational training, and employability skills to include Spanish literacy, the WDB developed a request for proposal for the development of bilingual training programs. As a result, the communities' capacity increased from zero to 25 training providers. The WDB's response did not provide any apparent disagreement with this section of our draft report.

Employment and Training Administration

ETA stated that it was difficult to respond to the issue of participant enrollment with multiple ESL/GED training vendors because the report did not describe the circumstances. While there were numerous individual circumstances, the participant examples illustrate the details for several participants. ETA also commented that the project encouraged more expensive customized training. However, we did not find any customized training for identified employers.

C. Some of the participants' training was expensive.

Not only were participants shifting between multiple training types and training providers, some of the training was expensive with questionable outcomes. The following participant example demonstrates this point.

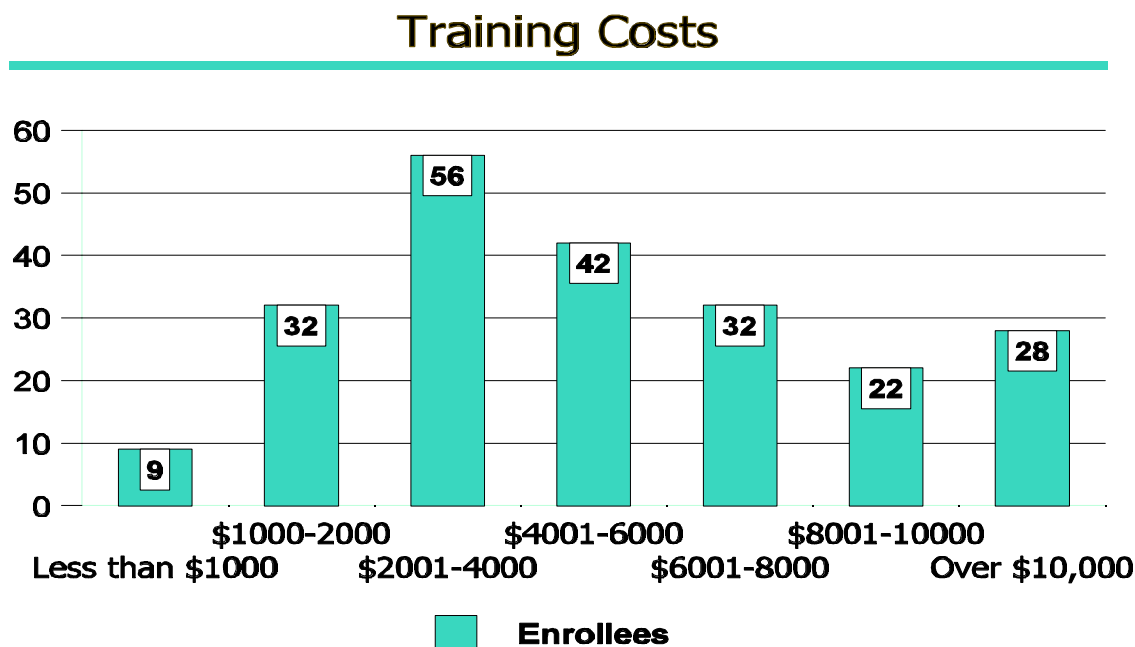
Participant example 3

The highest price in our sample for a single basic skills course was about \$20,000 for ESL/GED training scheduled from August 1998 to July 2000. This 51-year-old had a sixth grade education. This enrollee was employed every quarter from his layoff in 1996 through September 30, 2000.

Although he was reported placed in October 2000 as a building maintenance worker for an apartment complex at \$6.50 per hour, State wage records did not show any earnings for this person during the fourth quarter of 2000. State wage records for the first quarter of 2001, show the enrollee earned \$3,500 with an employment agency.

The following chart shows the range of direct training costs incurred for the 221 sampled enrollees for whom we could determine training costs.

ANALYSIS OF NUMBER OF PREP ENROLLEES BY AMOUNT OF TRAINING COSTS



The cost of some training in connection with low wage placement outcomes appears to reflect on the quality of the training. In our opinion, some placement outcomes, for individual sample PREP enrollees, show that the costs expended for basic skills training and some vocational training appear unjustified.

While the supplemental training and support assistance available through the Pilot and PREP programs may have been well intended, program outcomes indicate that in many instances the effort was ineffective. In fact, those participants who earned less than \$6 per hour had the highest average total training and income support costs of \$24,843. (See appendix A, table 4.)

The example below shows the training activities and costs incurred for a 45 year old former bootmaker who was laid off in June 1996. His education consisted of primary school in Mexico.

Participant example 4		
<u>Income support/supportive services</u>		
!	UI Benefits:	\$ 8,005
!	TRA Benefits:	8,574
!	Needs Related Payments:	23,718
!	Transportation, test fees, and vision exams:	<u>2,154</u>
	Total income support/services	\$42,451
<u>Training costs by funding source</u>		
!	TAA- GED training (obtained Spanish GED) 05/97 to 10/97	\$ 4,702
!	Pilot Program- ESL 10/97 to 02/98	2,214
!	Pilot Program- ESL/GED/Nursing Asst. 07/98 to 11/98 (school closed)	2,853
!	PREP-Pre-Basic Skills 11/98 to 02/99 (withdrew)	2,919
!	PREP-ESL/Micro Enterprise 03/99 to 06/00	<u>11,115</u>
	Total training costs	\$23,803
	<u>Employment bonus</u>	<u>\$ 500</u>
	Total costs	<u>\$66,754</u>

Approximately \$24,000 in training costs, mostly for basic skills training, and \$42,000 in income support were not effective in terms of this participant's job placement. This participant was enrolled in two separate GED curriculums, the latest approximately 10 months after he had already received his GED in Spanish. He was also enrolled in three ESL and two vocational training curriculums. The last ESL/Micro Enterprise (vocational) curriculum, costing over

\$11,000, had a component including small business development. However, since this participant went to work on August 8, 2000, as a maintenance worker at \$5.50 per hour, the value of some high cost training -- over \$20,000 for multiple basic skills and vocational training classes -- appears questionable.

(See appendix B for additional participant examples of high cost for training and income support.)

Agencies' Responses and Auditor's Conclusion

Upper Rio Grande Workforce Development Board

The WDB responded that the costs of developing the integrated training programs included start-up costs to recruit and hire instructors, develop curriculums, rent space, procure instructor and participant manuals, train instructors, etc. Also, at that time the WDB could not regulate providers' training costs.

While we did not perform a review of the WDB's procurement of training providers, some of the training appeared extremely expensive. We did inquire into obtaining the procurement files for cursory review to determine how the training fees were established; however, we were told some of the procurement files had been lost. Furthermore, many of the high-cost courses did not include any vocational training.

Texas Workforce Commission

The TWC responded that success in traditional ESL programs is predicated on a person's being literate in their first language. The TWC attempted with the Pilot program, and the WDB with the PREP, to identify training institutions, public or private, that would design a vocational skills program that integrated Spanish literacy development with ESL. Employers in El Paso were frequently consulted regarding the skills that were needed to reemploy the dislocated workers. Employers were unbending in requiring a GED and English fluency. In addition, entry-level requirements for vocational skills training in El Paso generally required a GED and some level of English fluency.

The TWC responded that the imperative became identifying and recruiting vocational skills training institutions to develop and offer an approach to vocational skills training that integrated work-related, on-the-job English with vocational training. The TWC responded that the results were dismal. Small institutions could only serve a few workers, and larger institutions continued to deliver ESL programming that was not tied to vocational outcomes. Subsequently, the WDB shifted the emphasis from training to job development and placement.

3. Evidence Suggests That Needs Related Payments Delayed Some Enrollees' Return to Work.

The WDB's contention that the trade-affected dislocated workers needed JTPA-funded supplemental income support to continue their training may have had merit. However, in our opinion, eventually just the opposite happened -- some participants

did not receive NRPs so they could attend training, they attended training so they could receive the NRPs.

The WDB assumed that these participants might need training time beyond that allowed by TAA/NAFTA-TAA (104 weeks) to learn English as a Second Language and obtain their GED prior to learning a new occupational skill to obtain employment in the El Paso job market. Also, the WDB concluded that these dislocated workers would need supplemental income support beyond the 78 weeks of UI and TRA/NAFTA-TAA benefits in the form of NRPs to allow them to complete their occupational skills training. The JTPA Pilot grant, the Secretary's National Reserve Account (NRA) special NRP grant, and the PREP grant funded NRPs to allow the participants to continue training.

Of the 224 sampled PREP enrollees who received training, 143 (64 percent) received NRPs. The reason that only 64 percent received NRPs is because many enrollees, especially those laid off in 1998, had not exhausted their available UI or TRA/NAFTA-TAA benefits when the WDB terminated all participants' NRPs in June 2000.

In our opinion, the weekly NRP amount made NRPs more profitable than working at the average placement wage. For most training – particularly ESL/GED training – the amount of training time required to receive the minimum NRP benefit was generally 20 hours a week. For the 143 participants in our sample who received NRPs, the average weekly NRP was \$182, or \$9.10 per hour. The average placement wage was \$6.77 per hour.

Receiving \$9.10 per hour, tax free, by simply attending 20 hours of training, without having to demonstrate progress in training, was more profitable than making \$6.77 per hour before taxes, for working a 40-hour week. Even at the minimum NRP amount (\$150 per week), \$7.50 per hour exceeded the average placement wage.

Our conclusion that some participants attended training to continue to receive NRPs is demonstrated by the following participant's file.

Participant example 5

This participant has not worked since the fourth quarter of 1996 and had been enrolled in various training activities from January 1997 through September 1999. In October 1999, this participant was demanding to be enrolled in more training even though she had already:

- ! completed computer operator training and received her computer operator certificate (December 16, 1998),
- ! completed GED training and received her GED (March 25, 1999), and
- ! received 22 months of intensive ESL training (last extension through September 21, 1999).

The case manager informed this participant that after her last training extension expired, no more training would be approved, she would be enrolled in job search, and her NRPs would be stopped. The case manager's note states: *[The participant] walked into my office unannounced and was upset because she had to look for a job and she stated PREP could not force her to work.* This case manager's note is dated January 6, 2000. This participant does not have reported wages in Texas for calendar year 2000 or the first quarter of 2001. It appears this participant was interested in the NRPs, not employment.

The weekly NRPs were originally paid under the Pilot program at the same rate as the participants' UI weekly benefit amount (WBA). After receiving the PREP grant, the WDB set the minimum weekly NRPs at \$150. The Pilot grant was amended to set the NRP floor at \$150.

Of the 143 participants in our sample who received NRPs, 54 participants' UI WBAs were less than \$150. Consequently, these individuals received a significant increase in weekly support payments with the \$150 NRP floor. The average difference between these participants' UI WBA and the \$150 minimum was \$33, with the maximum difference being \$72.

While it may have been administratively desirable to reduce the amount of case manager time required to make individual determinations of need, in our opinion, the policy increased the likelihood that NRPs would unnecessarily delay enrollees' return to work.

The following table shows the range of weekly NRPs for the 143 participants in our sample who received the NRPs.

Weekly NRP Amount	Participants	Percent
Less than \$150	8	5.6%
\$150	60	42.0%
\$151 - \$200	25	17.5%
\$201 - \$225	23	16.1%
\$226 - \$250	9	6.3%
Over \$250	18	12.6%
Total	143	100.0%

Other evidence that NRPs delayed participants' return to work is the acceleration in job placement rate after June 2000 when the WDB terminated all participants' NRPs. For the period July through December 2000, the WDB reported 47 placements, compared to 37 for the January to June 2000 period.

When NRPs were terminated, the WDB offered participants a \$500 incentive bonus for obtaining full time employment and another \$500 bonus if they remained on the job for 90 days. The WDB also offered a \$250 bonus for obtaining part time employment and another \$250 bonus if they remained on the part time job for 90 days.

In our opinion, the amount and availability of NRPs delayed many participants' return to the El Paso labor market.

Agencies' Responses and Auditor's Conclusions

Upper Rio Grande Workforce Development Board

The WDB response agreed with our conclusion that NRPs deterred participants' returning to work and pointed out that the Board requested a grant modification to cease NRPs in early 2000.

Texas Workforce Commission

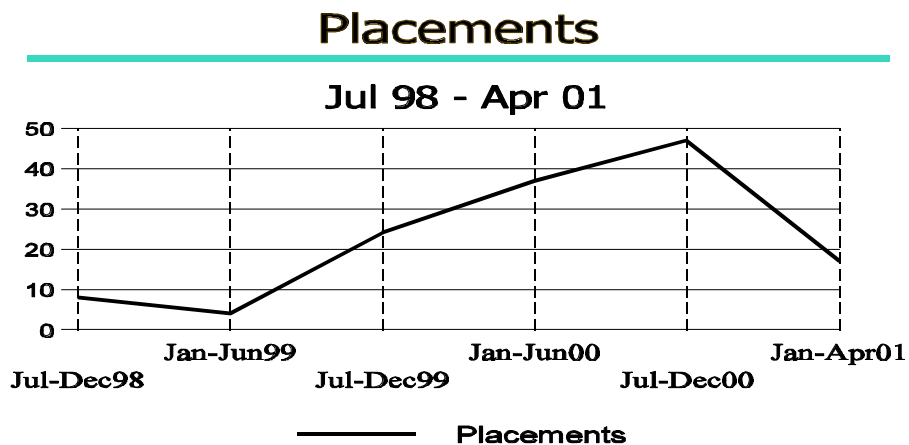
The State questioned the level of evidence we have for our conclusion regarding NRPs and noted that few workers could advance quickly through a traditional ESL program or could have stayed in training without income support.

Our conclusion that NRPs delayed some enrollees' return to work is based on discussions with PREP case managers and review of the case files available for 231 randomly-selected enrollees. The management issue is that periodic assessment of enrollee progress is needed to preclude

individuals from simply attending class solely to obtain income support. Otherwise, the worthy objective to train workers in both educational and vocational skills may have the unintended consequence of providing a disincentive to work.

The job placement rate accelerated in the July to December 2000 period, after the WDB terminated all participants' NRPs, and program management encouraged enrollee job placement. In this period, 47 participants entered employment, compared to 37 for the January to June 2000 period. When NRPs were terminated, the WDB offered participants a \$500 incentive bonus for obtaining full-time employment and another \$500 bonus if they remained on the job for 90 days. The WDB also offered a \$250 bonus for obtaining part-time employment and another \$250 bonus if they remained on the part-time job for 90 days.

The graph below shows the acceleration in job placements in July to December 2000:



Furthermore, the WDB, the operator that dealt first hand with the participants, agrees with our conclusion.

re, the grant

Employment and Training Administration

ETA agreed that income support can serve as a disincentive to complete education or training if not managed carefully but stated that our report is misleading regarding the tax consequences of income support. Furthermore, ETA states that it is difficult to conclude that the population of PREP participants received more education or training than they needed to compete in the workforce.

While UI, TRA, and NRPs -- if considered by IRS to be income support -- are taxable, it is unlikely that many PREP enrollees paid any tax on these income support sources based on the earned income tax credit threshold.

The OIG agrees that participants in job training programs can never learn too much. However, sitting in a classroom to obtain NRPs does not necessarily equate to participant learning. To the extent that income support was viewed as an alternative to work, some participants likely had less reason to work hard at learning the new skills based on the training courses in which they were enrolled.

Again, the OIG's conclusion that NRPs were a disincentive for some participants to return to work was validated by the WDB.

CHAPTER 2: RECOMMENDATIONS

Should grants be awarded in the future to extend services, beyond those received under UI, TAA and NAFTA-TAA, to trade-affected dislocated workers, we recommend the Assistant Secretary for Employment and Training require such grants to:

- ! institute controls to ensure participants' needs for further training are properly assessed and that training can be provided to realistically address such needs;
- ! periodically evaluate the effectiveness of training providers;
- ! routinely assess participants' training progress and modify strategies where participants do not appear to be moving toward the ultimate outcome of achieving employment;
- ! structure needs related payments such that there is a clear economic incentive for participants to complete training and move on to employment; and
- ! study the extent to which employers recognize and value GEDs obtained in languages other than English for purposes of adopting a policy on whether supporting the attainment of such GEDs is an appropriate use of program funds.

Agencies' Responses and Auditor's Conclusions

Upper Rio Grande Workforce Development Board

The WDB did not respond to the recommendations but indicated it would use the report's findings to enhance future programs of this nature.

Texas Workforce Commission

The TWC concurs with all but the last recommendation. The State agency believes this is a local issue. The State indicated that the Workforce Board adopted a policy approving the use of the Spanish GED as part of the recognition that it gave workers a positive outcome for their efforts and believed it encouraged them to stay in school and learn additional English.

Some of the 11 participants we interviewed stated that the PREP case managers recommended that they take the GED in Spanish, which they did and passed. These participants did not believe the certificates in Spanish were useful, since prospective employers required English- language skills for all applicants.

Employment and Training Administration

ETA agreed in concept with the recommendations presented in the draft report, which we have retained in this final report. But there was no agreement to implement any specific policy changes as a result. The response states that the new Workforce Investment Act may address some of the recommendations. Furthermore, ETA expects that the recertification requirement for training providers prescribed by WIA will help eliminate less effective training providers.

The response committed ETA to emphasizing the need for periodic progress checks by grantees to ensure that the intervention strategy employed is appropriate to the individual participant's need for training. Also, ETA expressed the view that local workforce boards are responsible for making policy decisions on payment of income support, including any restrictions, and whether ETA grants should be used to support the attainment of GEDs in languages other than English.

Also, ETA stated that a best practices technical assistance guide was published and distributed to the workforce investment system on strategic planning to bring together information on economic and labor market trends to support workforce planning strategies and WIA program operations.

While the State and local partners in the workforce delivery system have many critical responsibilities in delivering services to dislocated workers, we believe ETA has a critical policy making and oversight role. It is essential for ETA to assure that its discretionary grants, such as PREP, represent an effective use of appropriated funds. The decision to expend the \$45 million on PREP was ultimately ETA's.

TABLE 1

**ANALYSIS OF PARTICIPANT PLACEMENT WAGES
IN RELATION TO TRAINING TIME AND
TRAINING AND INCOME SUPPORT COSTS**

Time in Training	Training and Income Support Costs ⁷		Placement Wage	
	No. Part	Avg.	No. Part.	Avg.
1-180 days	17	\$ 11,032	8	\$ 6.88
181-365 days	43	\$ 15,330	31	\$ 7.16
1-2 yrs.	102	\$ 22,290	57	\$ 7.08
2-3 yrs.	48	\$ 31,088	29	\$ 6.18
3+ yrs.	14	\$ 38,577	8	\$ 5.38
ALL	224	\$ 23,003	133	\$ 6.79 ⁸

⁷The costs in this table exclude PREP supportive services such as child care or gas money, etc. Also, 4 of the 137 enrollees who were reported as entered employment did not have any training.

⁸This is the average wage for 133 of the 137 placements who received training. The average wage for all 137 participants reported placed was **\$6.77**.

TABLE 2

**ANALYSIS OF PLACEMENT WAGE RATES
COMPARED TO LAYOFF WAGE RATES
FOR THE REPORTED PLACEMENTS
WHERE BOTH WAGE RATES WERE AVAILABLE**

Layoff Wage	Placement Wage								ALL	
	Below \$6.00		\$6.01-\$7.50		\$7.51-\$10.00		Over \$10.00			
	N	%	N	%	N	%	N	%	N	%
Unstated	18	13.1 %	1	0.7 %	2	1.5 %	3	2.2 %	24	17.5 %
Below \$6.00	33	24.1 %	9	6.6 %			1	0.7 %	43	31.4 %
\$6.01-\$7.50	11	8.0 %	11	8.0 %	2	1.5 %	4	2.9 %	28	20.4 %
\$7.51- \$10.00	15	10.9 %	10	7.3 %	6	4.4 %	3	2.2 %	34	24.8 %
Over \$10.00	1	0.7 %	2	1.5 %	4	2.9 %	1	0.7 %	8	5.8 %
ALL	78	56.9 %	33	24.1 %	14	10.2 %	12	8.8 %	137	100.0 %

TABLE 3

**ANALYSIS OF DAYS IN HOLDING
FOR THE SAMPLED PREP ENROLLEES
WHO WERE “STILL ENROLLED, NOT IN TRAINING”
AS OF APRIL 30, 2001,
OR “TERMINATED AS EMPLOYED”**

Days in Holding Before Termination or April 30, 2001						
No. Days	Final Status					
	Still Enrolled PREP-Not in Tng.		Terminated W/Emp.		ALL	
	N	PCTN	N	PCTN	N	PCTN
None			27	13.9%	27	13.9%
1-10 days			15	7.7%	15	7.7%
11-30 days	1	0.5%	8	4.1%	9	4.6
31-90 days	4	2.1%	30	15.5%	34	17.5%
Total - Less than 90 days	5	2.6%	80	41.2%	85	43.8%
91-180 days	4	2.1%	29	14.9%	33	17.0%
181- 1 year	31	16.0%	17	8.8%	48	24.7%
1-2 years	14	7.2%	11	5.7%	25	12.9%
Over 2 years	3	1.5%			3	1.5%
Total - More than 90 days	52	26.8%	57	29.4%	109	56.2%
ALL	57	29.4%	137	70.6%	194	100.0%

TABLE 4

**ANALYSIS OF PARTICIPANTS' PLACEMENT WAGE RATES
IN RELATION TO AMOUNTS OF ENROLLEE COSTS**

Training, Income Support and Benefits for PREP Enrollees by Placement Wage					
Placement Wage	No.	Avg. Direct Trng.& Supp. Costs	Avg. UI & Trade Benefits Costs	Avg. NRP Costs	Avg. Total Costs
\$5.15 - 6.00	78	\$ 7,113	\$ 12,032	\$ 8,621	\$ 24,843
\$6.01 - 7.50	33	\$ 6,429	\$ 11,977	\$ 8,266	\$ 21,661
\$7.51 - 10.00	14	\$ 5,162	\$ 13,419	\$ 4,974	\$ 20,002
\$10.01 +	12	\$ 6,075	\$ 15,160	\$ 5,888	\$ 25,651
ALL	137	\$ 6,655	\$ 12,444	\$ 8,093	\$ 23,653

TABLE 5

TYPES OF TRAINING PROVIDED BY FUNDING SOURCE

		Training Fund				ALL	
		Pilot/TAA		PREP			
		No. Part.	%	No. Part.	%	No. Part.	%
Cat.	Type Tng.						
Basic Skills	ESL Only	18	3.9%	48	10.5%	66	14.4%
	ESL/GED	29	6.3%	22	4.8%	51	11.1%
	BS/ABE	19	4.1%	3	0.7%	22	4.8%
	ESL/ABE	13	2.8%	.	.	13	2.8%
	BS/GED (pre-GED)	19	4.1%	19	4.1%	38	8.3%
	Pre-BS	1	0.2%	2	0.4%	3	0.7%
	Pre-GED	.	.	1	0.2%	1	0.2%
	GED	9	2.0%	16	3.5%	25	5.4%
	Computer Literacy	18	3.9%	5	1.1%	23	5.0%
Total Basic Skills		126	27.5%	116	25.2%	242	52.7%
Voc.	Voc. Tng.	60	13.1	60	13.1	120	26.1%
	Integ.Voc./ESL	3	0.7	6	1.3	9	2.0%
	BS/Voc. Tng.	69	15.0	19	4.1	88	19.2%
Total Voc. Trng.		132	28.7	85	18.5	217	47.3%
ALL		258	56.2%	201	43.8%	459	100.0%

PARTICIPANT EXAMPLE 1

The example below shows that \$47,000 was spent on training, income support, benefits, and employment bonus for a 66 year individual who was laid off in August 1995 from the garment industry. His education in Mexico included the sixth grade. Benefits of over \$28,000 were paid to this individual; and over \$18,000 in training was paid to provide largely basic skills training.

<u>Income support/supportive services</u>		
!	UI Benefits	\$1,823
!	TRA Benefits	7,670
!	Needs Related Payments	17,785
!	Other supportive services	<u>870</u>
	Total income support/ services	\$28,148
<u>Training costs by funding source</u>		
!	TAA-ESL/GED 6/96 to 10/97	
	Basic Care Attendant (Certificate)	
	11/97 to 5/98	\$ 3,746
!	Pilot Program- Basic Skills 5/98 to 8/98	1,088
!	PREP-GED 11/98 to 11/99	10,330
!	PREP-Shipping/Receiving Clerk Training	<u>3,240</u>
	12/99-6/00	
	Total training costs	\$18,404
	<u>Employment Bonus Due</u>	<u>\$ 500</u>
	Total costs	<u>\$47,052</u>

As shown in the above example, this participant was enrolled in ESL/GED training for approximately 17 months (June 1996 to October 1997), then a year later enrolled in another year-long GED (November 1998 to November 1999) class that cost over \$10,000. Following that he was enrolled in his second vocational training class for 7 months ending June 2000.

Yet, he was employed October 23, 2000, for \$5.25 per hour by a temporary employment agency as a maid/housekeeper. When we interviewed him in May 2001, he was employed at \$8 per hour in the garment industry, the same industry from which he was dislocated that allowed him to be enrolled in PREP.

PARTICIPANT EXAMPLE 2

This participant, laid off in July 1997, wanted to become a hair dresser but couldn't because she lacked the required GED. The following table shows how over \$50,000 was spent for multiple training courses and benefits for this participant who was enrolled in November 1997 and was still enrolled in the program at April 30, 2001.

ESL/GED Direct Training Costs			Enrollee Benefits	
Training Vendor	Commitment	Paid	Reg UI	\$4,793
School District ESL/GED	\$3,481	\$1,254	NRPs	\$16,669
Private School ESL/GED	\$13,960	\$11,440	NAFTA	\$12,757
School District GED/Child Care	\$3,217	\$2,803	Other benefits	\$750
Totals	\$20,658	\$15,497	Total	\$34,969

The participant started TAA-funded ESL/GED training at a public school district learning center. Less than one-third of the commitment (\$1,254) was paid since the enrollee didn't complete the training planned for November 1997 through July 1999. The PREP grant then paid \$11,440 for the same type of ESL/GED training at a private school from February 1999 through December 1999. Finally, PREP returned the enrollee to the same public school district in which she was originally enrolled and paid \$2,803 for more GED and child care training for the period January 2000 through June 2000.

As of April 30, 2001, she was still enrolled under PREP, classified as receiving basic readjustment services (BRS). BRS is generally provided at the beginning of a participant's enrollment.

PARTICIPANT EXAMPLE 3

TWC, under the TAA program committed \$3,297 for ESL and plastic injection molding at a community college for an individual laid off in September 1995. TWC only paid \$164 against this training commitment that was planned for February 1996 through December 1996. The file contained a certificate of completion dated December 11, 1996, for 560 hours in Fundamentals of Injection Molding. We were unable to determine why only \$164 was paid under this contract. However, under the TAA combined basic skills/vocational training curriculums, normally the vocational component was the last component, consequently one would assume that ESL was also completed.

However, PREP then paid \$9,788 of a \$11,832 training commitment with a private school for ESL/GED training scheduled for August 1998 through March 2000. The course was renewed every 3 months, with various price increases.

This 43 year old enrollee, with a second grade education in Mexico, was transferred to job search in May 2000 with a case file note referencing the Plastic Molding Certificate. The participant was terminated from PREP in October 2000 -- more than 90 days after entering job search -- with a claimed job placement at \$5.77 per hour.

While the enrollee is reported as having a successful outcome, the price of the added basic skills training appears to be unreasonably high. Additionally, because of the extended period of time this individual remained in training, about \$21,000 in income support was paid including UI, TRA, and NRPs.

PARTICIPANT EXAMPLE 4

This participant had one ESL/GED course that cost about \$18,000. This 57 year old enrollee, who was laid off in January 1997, was given one ESL/GED course at a private school (with a commitment of \$18,404, and \$17,911 paid). The training was planned from September 1998 through June 2000. However, the enrollee was apparently still attending in November 2000. Her NRPs totaled \$13,560, and other PREP benefits totaled \$790. Thus, the total direct costs for training and income support for this individual for one training course was about \$32,000.

She finished her training in February 2001 and transferred to job search.

SAMPLING PLAN

The sampling plan for the audit was based on the population of all El Paso PREP enrollees who met the following criteria:

- ! enrolled between July 1, 1998, and December 31, 1999, and
- ! identified on TWIST as enrolled in the El Paso PREP Program.

The source of the population was six Excel spreadsheets from the Upper Rio Grande Workforce Development Board (WDB), derived from TWIST data run on April 19, 2000. From the population of 4,466 active and terminated participants from PREP we used a simple random sampling plan, selecting 243 participants based on a two-sided 95 percent confidence level, expected error rate of 50 percent, and precision of ± 5 percent.

Participant files were reviewed for the randomly-selected enrollees. We learned that the WDB was rescinding individuals that never received any training or services from PREP. The information about the rescinded enrollees was received after we had reviewed all participant files, but necessitated the removal of all of the rescinded participants from both the universe and the sample.

The WDB informed us that 191 individuals had been rescinded reducing the population size to 4,275. The enrollees were rescinded because they had been “electronically” enrolled in PREP but never received any training and/or services from the PREP. The rescinded participants were also removed from the TWIST system.

The following table displays the resulting sampling plan.

Universe	No. of Enrollees Selected	Rescinded Enrollees	Adjusted Sample
4,275	243	12	231

The random sample, as adjusted, resulted in an expansion factor of 18.506494 (4,275/231).

AGENCIES' RESPONSES TO DRAFT REPORT

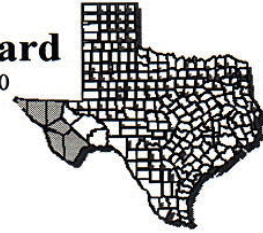
Upper Rio Grande Workforce Development Board's Response

Texas Workforce Commission's Response

Employment and Training Administration's Response

Upper Rio Grande Workforce Development Board

221 N. Kansas, Suite 1000 · El Paso, TX 79901 · (915) 772-2002 · Fax (915) 351-2790
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September 19, 2001

John F. Riggs
Regional Inspector General for Audit
525 Griffin St., Room 415
Dallas, TX 75202

SUBJECT: Audit of Department of Labor Grants to Assist Trade-Affected
Dislocated Workers in El Paso, Texas
Draft Audit Report No. 06-01-005-03-340

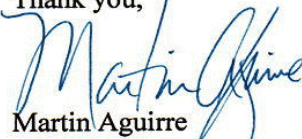
Dear Mr. Riggs:

This serves to provide responses to the draft report submitted by your office for the above-mentioned audit. The scope of the audit encompasses multiple program years beginning as early as March of 1997 to include various funding and administrative entities. The Upper Rio Grande Workforce Development Board became the administrative entity for the PREP grant in March of 1999. The PREP start up grant was awarded in April of 1998 by the State, with the DOL grant taking effect on July 1, 1998. A chart of the program timelines is included in the response.

The report is a comprehensive study of a group of participants served under various federal, state, and local regulations. The PREP grant was administered under the rules and regulations of the Job Training Partnership Act (JTPA). We take exception to your office's interpretation of TEIN 5-93 as it relates to the finding "The WDB's reported entered employment rate for PREP enrollees was significantly overstated." Excerpts of the regulation supporting this statement are included in our reply under Item 1C.

We appreciate the opportunity to comment on the report and describe the actuality of implementing the PREP grant under the local social and economic conditions. If you have questions regarding this issue, please call me at (915) 772-2002 Ext. 264.

Thank you,


Martin Aguirre
Chief Executive Officer

MA/pag

Enclosure

*The Upper Rio Grande Workforce Development Board is an Equal Opportunity Employer/Program
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Relay Texas: Telecommunication Device for the Deaf (TDD) 800/735-2989 * 800/735-2988 (Voice)
Ayudas y servicios estan disponibles para personas con deshabilitades
Relay Texas: Sistema de comunicacion para personas con problemas auditivos 800/735-2989 * 800/735-2988 (Tel.)*

Chapter 1. Program Performance Issues

1. Approximately 106 million in costs were incurred on behalf of 4275 Dislocated Workers in El Paso, TX, without substantial wage gains as a result of this investment.

- The PREP grant in the amount of \$45 million served a total enrollment of 4370, at an average cost per participant of \$10,297.48.
- The sample size selected for this report was 231 or 5.2% of the total served.
- 3,850 have been terminated and of these 3,099 have entered employment at a rate of 80.49%.
- The current average entry level wage is at \$6.86 or 96% of their wage at layoff (\$7.13).
- Without a control group to compare the results of this program, it is difficult to assess the consequences if additional funding had not been provided to assist these dislocated workers.
- Demographics of the population served with the additional funding is not reflected in the report. The majority of the participants were hard-to-serve, hard-to-place participants. On average the population served with PREP dollars were 40-55 year old garment workers with a third grade education level, primarily monolingual, unable to read or write in English and with extremely limited English speaking ability.

A. Enrollees' placement wage rates were not substantial based on the level of expenditures incurred to improve their educational and occupational skills.

- Between 1994 and 1998 El Paso experienced over 72 trade certified closings. This trend has continued throughout 1999 to 2001 and has affected thousands of workers.
- Although most of the country experienced very low unemployment rates, El Paso never dipped below 7.03%. The unemployment rate for the state of Texas is 4.39%.
- These workers had arrived at an average layoff wage of \$7.13 only after several years of working in the same industry. \$7.13 is not an entry level wage average.
- The \$6.77 average placement wage is an entry level wage, which is 94.9% replacement of their layoff wage.
- The average entry level wage for the City of El Paso is \$6.13.
- Considering the participants' ages, educational levels, and local opportunities, a replacement wage of 94.9% at entry is an above average outcome.

B. Average quarterly earnings were \$3,024.

- Vocational training achievements if limited, were due to the characteristics of the individuals being served.
- Participants who entered the program with higher language and basic skills were able to enroll in vocational programs and take advantage of training opportunities that were shorter term.
- As Appendix A, Table 1 (OIG report) demonstrates, participants who remained in training for a longer period of time, entered employment at a lower entry level wage. This is due to an increased need for basic skills.

- Once again the participant characteristics play a major role in this analysis. Of the overall PREP group over 59% (2601) had limited English skills, and 68% did not have a High School Diploma or GED.
- Of the OIG PREP sample group 72% had less than a 12th grade education, and almost half of this group (47%) had a 6th grade education or less.
- The city of El Paso's unemployment rate has been one of the highest in the state and in the nation. For most of the past ten years, the unemployment rate in El Paso has been in double digits. The unemployment rate continues to be one of the highest in the state.

C. The WDB's reported entered employment (placement) rate for PREP enrollees was significantly overstated.

- The Upper Rio Grande Workforce Development Board takes exception to this statement. Of the current 3,859 terminated participants, 3,099 entered employment (80.49%). These placements are verifiable by wage data reported by employers to the State Unemployment Insurance Agency.
- This statement is based on ETA's Training and Employment Information Notice (TEIN) No. 5-93 Change 2. The 90 termination requirement is "after last receiving planned training, employment or services. To keep a participant actively enrolled in the program, the individual should be receiving frequent and substantial services."
- TEIN No. 5-93 Change 2, further states: "Effective Program Year 1996, programs may continue to provide program services to a participant and are not required to terminate the participant as long as these services are substantial and frequent."
- The definition of substantial services is defined in the JTPA section 314(c) and (d), and includes "basic readjustment services, job search, job counseling, labor market information and other activities". Frequent is defined as occurring at least every 90 days.
- Most PREP participants required continued services, upon completion of training. Some required additional basic readjustment skills and/or extended job search. These activities are allowed under the JTPA and TEIN 5-93 Chg 2.

2. Participants Were Enrolled predominantly in English as a Second Language (ESL) and General Equivalency Diploma (GED) Training –Including the Same Training type with multiple training vendors—for long periods of time, some at high costs.

- Displaced workers were affected by the massive layoffs that occurred in El Paso garment industry. As recently as the early 1980's, the garment industry employed an estimated 40,000 workers. Most of the skills required for those jobs did not require English proficiency.
- 39% of the PREP grant was allocated for training.

A. Most of the participants' training was some variation of basic skills—ESL/GED/Adult Basic Education (ABE)/Basic Skills (BS).

- As stated in the original PREP grant summary, "The demographics of the population is largely female between the ages of 35 to 45 with 10 to 15 years in the garment industry and

though some may have their GED or high school diplomas, most have a second to third grade education. Additionally, most have only limited English speaking ability.

- The program was designed to provide training and educational opportunities on a linear basis.
- For the first two years of this program, basic skills and literacy was the primary focus. Therefore, average cost per participant was expected to be higher during the first two years. During year three, the emphasis was on placing participants and finding jobs.

B. PREP enrollees' training, income support, and supportive services costs covered a broad range. Some enrollees had few costs while a few had costs over \$60,000.

- At the start of the program, there were five bilingual instructional courses available in the community. However, the instructional courses associated with the programs such as basic attendant and childcare worker did not provide adequate instruction for students to enter employment upon completion. In response to the need for bilingual instructional programs that integrated English as a Second Language, vocational training, and employability skills to include Spanish literacy, the Board developed a Request for Proposal for the development of Bilingual Training Programs.
- As a result of the above the communities' capacity increased from zero to 25 training providers.
- Any other group of the same size of the population affected in this group would have received that same level of benefits in any other part of the Country. Over \$57 million of the funds spent in this group was based on their eligibility as part of their UI, NAFTA-TRADE benefits.
- Average training costs for over 77% of the participants in this sample were at \$ 8,000 or less. The average training cost for TRADE affected participants is \$ 7,500. Approximately 12% of the sample selected exceeded an average training cost of \$ 10,000.

C. Some of the participant's training was expensive.

- The cost associated with the development of the integrated training programs included start up costs to include recruitment and hiring of instructors, development of curriculum, renting of space, the procurement of instructor and participant manuals, training of instructors, etc.
- The grant requirement to serve such a large group required the utilization of many, many training providers. In order to support the participant's requirements for training, a wide range of vendors was required. The Board could not at that time regulate training costs for providers.

3. Evidence suggests that needs related payments delayed some enrollee's return to work.

Upper Rio Grande Workforce Development Board
Resonse to Draft Audit Report No. 06-01-005-03-340

- This was also recognized by the Board, in early 2000 when a request for a grant modification to cease NRPs was submitted to DOL.
- The request was approved and implemented effective July 1, 2000.
- The impact created a higher entered employment wage, but also a demand for further career enhancement training for those who could not obtain a high wage/high tech job.

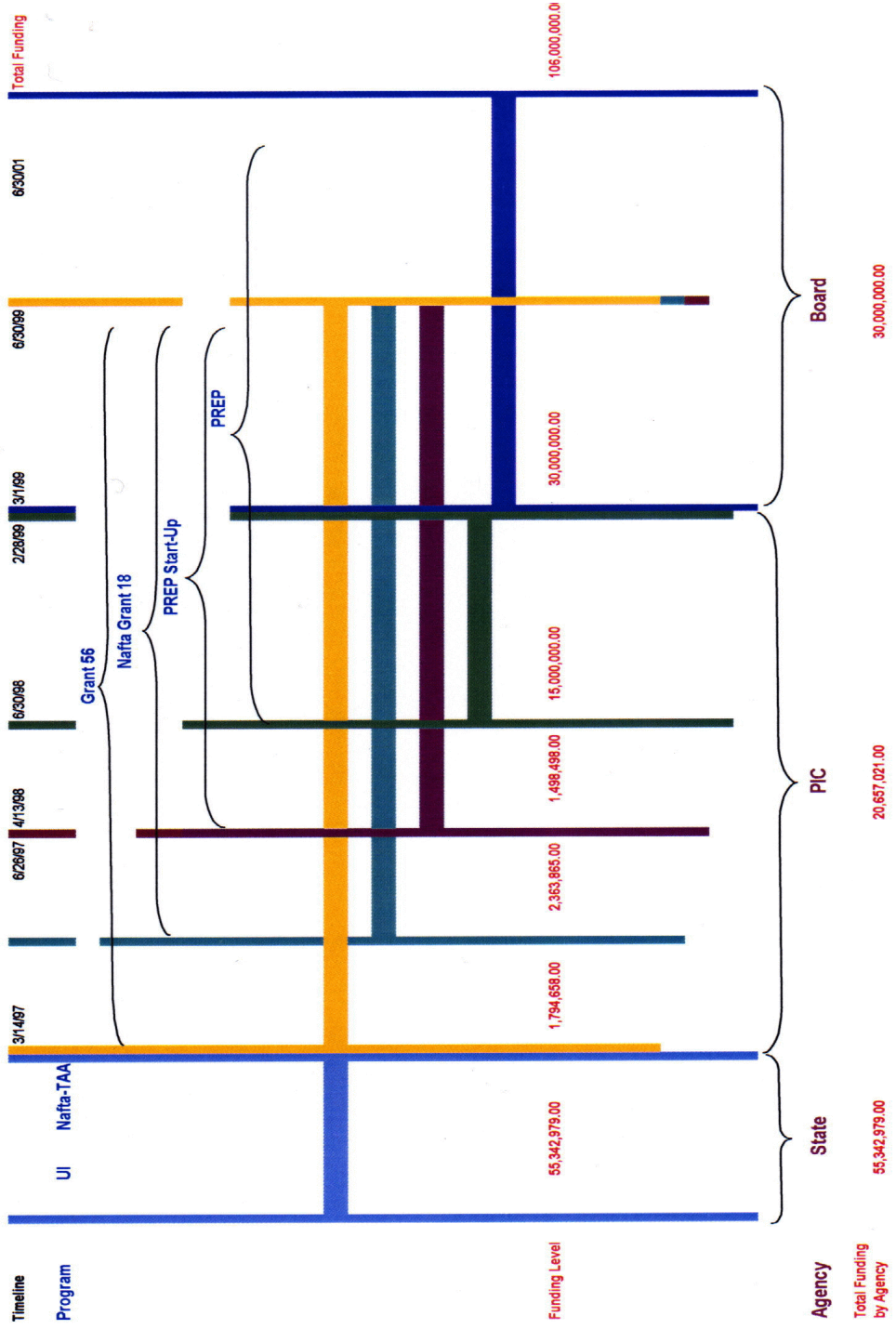
In conclusion, the PREP grant had many opportunities for success and many more barriers leading to failure. Based on the demographics of the population being served, the economic conditions of the community, and the continued drain of jobs in the area, the overall goal of 75% employment entry is remarkable.

When all is said and done, the PREP project will conclude with critical lessons learned, a minimum of 75% entered employment rate, an average entry wage of \$6.86 (which is 96% of the \$7.11 goal established by the DOL) and an average cost per participant of \$10,297.48.

The Board will utilize the report's findings to enhance future programs of this nature.

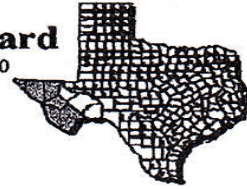
A timeline of the program and success stories are attached.

Upper Rio Grande PREP Project



Upper Rio Grande Workforce Development Board

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September 21, 2001

Mr. John F. Riggs
Regional Inspector General for Audit
525 Griffin St., Room 415
Dallas, TX 75202

SUBJECT: Audit of Department of Labor Grants to Assist Trade-Affected
Dislocated Workers in El Paso, Texas
Draft Audit Report No. 06-01-005-03-340

Dear Mr. Riggs:

With regard to the above-mentioned subject, please find attached the "Success Stories" which were to be included with the original packet I mailed to your attention yesterday.

Upon the filing of my copy of the packet, I noted that the "Success Stories" were not attached to my copy of the packet. Therefore, I am faxing to you a copy of these stories in case they were omitted from your copy as well.

I apologize for any inconvenience I may have caused you.

Respectfully,

Dawn Breazeale
Administrative Assistant
Ext. 274

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SUCCESS STORIES

1

Ms. had been employed at Levi Strauss as a sewing machine operator for over 25 years. Many garment industry workers present different challenges to any career specialist, and there has to be an understanding that many of these people performed the same repetitive job day after day for many years, without advancing or learning other skills within the company. Her files reflect that the layoff affected her tremendously and case managers indicated that she struggled with her self confidence, attitude, and expressed many times her fear of having to enter the job market, especially knowing that she would have to enter a completely new career than the one she had for the past 25 years. Additional burdens were placed on most displaced workers, from having to learn new careers, but more importantly facing the reality that their jobs were no longer in existence and many had limited savings to carry them through for long periods of time. Making basic payments for house and car became insurmountable odds. In many cases the Career Specialist became not just job developers but counselors who encouraged people like Ms. to take one day at a time and continuously provided encouragement.

Although Ms. was literate in English, she possessed other characteristics that presented certain challenges. She, like most former Levi's employees was a single parent, in her mid 40's with limited job skills since she remained at the same job with Levi's and never learned another career field.

With no prior experience in computers, Ms. began her first venture into a new career by attending computer literacy classes at Computer Labs. During this time she kept in constant contact with her Career Specialist who encouraged her to continue her studies knowing that she experienced many days of frustration where she felt she was not learning fast enough and would never be able to successfully complete her courses. She entered the PREP program in July 98 and received Basic Readjustment Services. She was enrolled at International Business College to receive General Clerical Training and completed 645 hours at a cost of \$2,100. In addition she received Occupational Vocational Training at Baker Darling Training Institute from August 99 through October 99 for a total of 112 hours, at a cost of \$700. Her total Needs Related Payments were \$1,460.00

As her knowledge increased, she began to receive help and encouragement from her friends and fellow students. She moved on to a new goal by completing the Computerized Information Specialist training at International Business College. Ms. was able to graduate with a 3.84 Grade Point Average, and applied and was hired at Echostar a local Call Center with an entry wage of \$7.52 per hour.

#2

When Mr. _____ first came into the Texas Workforce Centers of El Paso, he had been laid off from his job as a Maintenance Mechanic at Levi's Strauss. He entered the PREP program in July 98 to receive Basic Readjustment Services. Mr. _____ was discouraged at the average wage of entry for the Maintenance Mechanic and was encouraged by the Career Center Case Manager to enter into another career. He was enrolled at El Paso Community College in May 99 and received classroom training to become a Respiratory Care Technician. The training was approximately nine months long. His total tuition cost at the college was \$1,976. During his classroom training he received Supportive Services totaling \$582 and also received Needs Related Payments of \$280 per week from January 2000 through May 2000.

Mr. _____ was a very dedicated student and completed the program in May 2000 receiving his Associates Degree from El Paso Community College.

He was able to secure employment with a local hospital Sierra Medical Center as a Respiratory Care Therapist at a starting salary of \$15.00 per hour. Mr. _____ was one of the eligible PREP participants and received \$500 in Incentive Payments for remaining employed at Sierra Medical Center. He has changed his life dramatically and is now a productive member of the Upper Rio Grande workforce.

#3

During the holiday month of December 1998, Southwest Fashions garment factory sent out memos informing its employees that it would be shutting down its El Paso plant. Mr. _____ was one of the employees that received that notice, he enrolled in the PREP/Trade program.

Realizing Mr. _____ English speaking abilities were limited and that most employers desired a basic knowledge or higher of English speaking. He attended Basic Skills and General Educational Development (GED) Classes at Computer Labs and obtained his GED certificate. He enrolled at the Center Employment and Training for Truck Driver training and received a Commercial Driver License. He began the training in January 24, 2000 and completed the training on June 29, 2000. His total tuition cost is \$1,976.08. During the training he received Supportive Services of \$582.98 and also received Incentive Payment of \$500.

He was able to secure employment with Gamboa Trucking as a Truck Driver; his starting salary was \$13.00 per hour. Mr. _____ will be eligible for a \$300 to \$500 pay increase upon his completion of certain number of miles.

#4

Ms. _____ an El Paso native, always had a strong interest and aptitude in the Human Resources field. Her ultimate goal was to obtain an undergraduate degree in her field of interest and eventually become a Human Resources Manager. She was a single parent, which created several unique challenges for her in obtaining her goal. She was employed as a Health Safety Coordinator with the Lee Company, however, she needed to care for and be the total "bread winner" for her family. She had to juggle her work schedule to accommodate family and related support activities, while at the same time trying to achieve additional skills through enrollment in college courses. This took a tremendous toll on her life and the life of her family. Many times she wanted to give up her dream because of the difficult time she was having. However, life went on.

After several years of struggling to make ends meet and attend to her families needs, Ms. _____ requested assistance and entered the PREP program with several years of work experience in Human Resources. She also accumulated some college credit hours at a local institution along with her experience while working at the Lee Company.

During July and August 1998, she received Basic Readjustment Services and in September 1998, enrolled in classes at Park College to obtain her Undergraduate Degree. Her training costs at Park College totaled \$7,356.00. During the time she was enrolled in Park College, she was receiving Needs Related Payments of \$266 per week. She also received other support services totaling \$1,110.00.

In May 1999, Ms. _____ graduated from Park College with a Bachelor of Science Degree in Management/Human Resources and acquired employment with Merrill Lynch as a Financial Specialist with a starting wage of \$16.00 per hour. This was a significant pay increase from her previous job. The position also puts her in line to move into a career progression ladder that will eventually lead to a Human Resources Management position, her ultimate goal, with an extremely reputable company.

Texas Workforce Commission

Member of the Texas Workforce Network

Diane D. Rath, Chair
Commissioner Representing
the Public

T. P. O'Mahoney
Commissioner Representing
Labor

Ron Lehman
Commissioner Representing
Employers

Cassie Carlson Reed
Executive Director

September 25, 2001

Mr. John F. Riggs
Regional Inspector General for Audit
U. S. Department of Labor
525 Griffin St., Room 415
Dallas, Texas 75202

Re: Draft Audit Report No. 06-01-005-03-340

Dear Mr. Riggs:

The Texas Workforce Commission (Agency) appreciates the opportunity to comment on the Office of Inspector General's (OIG) draft report entitled *Audit of Department of Labor Grants to Assist Trade-Affected Dislocated Workers in El Paso, Texas* dated August 24, 2001. This audit of Department of Labor grants included participants served by two Agency administered programs, the El Paso Pilot, funded with JTPA Title III Governor's Discretionary funds, and Trade Adjustment Assistance /North American Free Trade Agreement-Transitional Adjustment Assistance (TAA/NAFTA-TAA) funds. The El Paso Proactive Re-Employment Program (PREP), also part of the audit, was a direct grant in the amount of \$45 million to El Paso's workforce board.

In addition to the Draft Audit, the Agency received GAO-01-838, a United States General Accounting Office, Report to the Chairman and Ranking Member, Committee on Finance, U.S. Senate, entitled *Trade Adjustment Assistance: Experiences of Six Trade-Impacted Communities*, released in August of 2001. One of the six trade-impacted communities in the GAO report is El Paso, Texas. Perhaps because the focus of the GAO report was significantly different than that of the OIG, it appears to present a more congruent view of the multi-dimensional impact that 17,000 dislocations can have on the individuals involved, the system that is in place to support them and the community's economy.

Should you need any further information please do not hesitate to contact us. Mimi Purnell, Director of Service Delivery Assistance in the Workforce Development Division can be reached at (512) 305-9621 or via e-mail at mimi.purnell@twc.state.tx.us. Again, we appreciate the opportunity to comment on the draft Audit.

Sincerely,



Cassie Carlson Reed
Executive Director

cc: Diane D. Rath, Chair and Commissioner Representing the Public
T.P. O'Mahoney, Commissioner Representing Labor
Ron Lehman, Commissioner Representing Employers
Mr. Joe Juarez, Regional Director, U.S. Department of Labor
Mr. Hugo Bustamante, Jr., Chair, Upper Rio Grande Workforce Development Board
Mr. Martin Aguirre, Executive Director, Upper Rio Grande
Workforce Development Board

Response from the Texas Workforce Commission to the Office of Inspector General's Report:
Audit of Department of Labor Grants to Assist Trade-Affected Dislocated Workers in El Paso,
Texas

Background:

With the implementation of the North American Free Trade Agreement in 1994, El Paso, Texas began to experience a wave of layoffs in its garment industry. By 1999 17,000 workers had lost what can only be described as extraordinary jobs for the workers who held them. They were considered "low skilled" jobs, but they paid between \$10 and \$13 an hour, an almost unheard of wage for workers along the U.S. Mexico border. By and large, these workers have limited education in their native language and even more limited English-language skills. Though the positions often amounted to part-time work due to the work schedules of the industry, the salaries made the 17,000 workers contributing members of the community.

The loss of these 17,000 jobs can not be compared to other dislocations. The workers losing these jobs had few skills that would transfer into available jobs and very limited literacy skills in either English or Spanish. In 1997, after three years of providing trade services in El Paso and across the state, the Agency was persuaded to design a comprehensive program that would address the employment-readiness needs of these trade impacted workers. El Paso had a large and diverse community of adult education and training providers that appeared to be well positioned to respond to these needs. It quickly became evident that unless local education and training institutions made significant changes in the curriculum and instruction of English as a Second language and vocational skills programs, they would be extremely limited in their ability to effectively respond to the unique workforce-relevant educational needs of area workers.

In response to this challenge, the Agency and later the Workforce Board in El Paso went to extraordinary lengths under extraordinarily difficult circumstances to build an educational component that met the needs of the worker. As workforce development entities, neither the Texas Workforce Commission nor the Upper Rio Grande Workforce Development Board has, as their primary charge, the role of developing and implementing educational programs. Instead, both worked with existing educational institutions in an effort to create appropriate and comprehensive vocational skills training for workers with significant barriers to re-employment.

In order for the Pilot and PREP to truly meet the El Paso community's needs, two critical elements were needed. First, educational institutions had to develop appropriate curriculum to meet local demands as well as train instructors in implementing vocationally specific basic skills training. The second element was the ability of the regional economy to create new jobs, for which workers could be retrained. Without the timely development and implementation of these much needed basic literacy and training models as well as the commitment of local businesses and industry to assess the potential employability of workers based on ability rather than on high school or GED requirements and English fluency, any short term project was going to have very limited success.

CHAPTER 1. PROGRAM PERFORMANCE ISSUES:

1. Approximately \$106 Million in Costs Were Incurred on Behalf of 4,275 Dislocated Workers in El Paso, Texas, Without Substantial Wage Gains As a Result of This Investment.

The Agency does not support the report's premise that \$106 million in costs were incurred without substantial benefit. The Agency believes that including the Unemployment Insurance (UI) and the TAA and NAFTA-TAA benefits, including training in the total amount of direct enrollees' costs, are inappropriate. The use of the \$106 million figure paints an inaccurate picture of the scope of the PILOT and PREP, establishing much greater expectations than any of the partners would have thought reasonable. Of the \$106 million cited by the Office of Inspector General (OIG) only 10% can in any way be deemed discretionary, and the costs would have been incurred in the absence of the Pilot and PREP. UI, TAA/NAFTA-TAA are federal entitlement programs, not discretionary. All American workers may receive UI if they meet certain criteria, just as TAA/NAFTA-TAA workers, for whom no suitable employment is available in a community, are eligible for both the extended income support as well as the training services.

The second concern related to the report's aforementioned premise is that the draft audit report does not recognize that the economy of the El Paso region is the center of the issue on wage attainment. By contrast the GAO report recognized the economic impact, and on page 3, states, "These communities had relied on low-skilled manufacturing jobs, which are disappearing, and now face the difficult task of diversifying their economies while addressing fundamental human capital issues." The report continues on page 11, "In El Paso, the city has been successful in attracting some new manufacturing businesses, but many displaced apparel workers were not qualified for the jobs and either found employment in the service sector or remained unemployed."

In fact the average wage at placement for the 81% of the sample participants placed (according to Workforce Board documents) was 96% of the goal for PREP. Even using the OIG's 36.2 placement rate, which is based on a regulation that requires that participants be placed within 90 days of completing services in order to count as a placement, the wage at placement was still significantly above the national average. The GAO report on page 11 states, "Based on available but incomplete Department of Labor data, nationally only 61.5 percent of dislocated workers who responded and entered new employment reported that their new jobs paid at least 80% of their old jobs wages." On page 12 the GAO report continues, "...apparel manufacturing jobs in El Paso, Texas, have been considered a means of upward mobility for recent immigrants with limited English skills. Workers who had these jobs were paid union-scale wages and received fringe benefits, which provided an opportunity to buy homes and send their children to college." Continuing, the report adds, "However, workers who have lost manufacturing jobs in these communities have limited prospects for obtaining new jobs with similar wages and benefits, since the jobs now available require higher skills or more education, according to community officials."

2.) Participants Were Enrolled Predominantly in English as a Second Language (ESL) and General Equivalency Diploma (GED) Training—Including the Same Training Type with Multiple Training Vendors—Some for Long Periods of Time.

The participants in the El Paso Pilot and PREP as described on page 56 of the GAO report "...were Hispanic, female, single heads of household, over the age of 40, with less than a high school education and limited English proficiency." In fact the Agency would argue that the vast majority of workers were even more seriously disadvantaged. Most had a second or third grade education from Mexico, had not been in a classroom or other educational setting for at least thirty years and had marginal literacy skills in Spanish.

Further, the federal trade program's guidelines originally designed to assist middle-age, middle-class, English-speaking factory workers in the Midwest and northeast, were simply extended to the NAFTA trade affected worker on the Texas-Mexico border with little adjustment to

compensate for the significant differences in the populations of these economically, culturally and geographically divergent areas.

What most educators know is that success in traditional ESL programs is predicated on a person's being literate in their first language. In order to succeed in ESL, these participants must have some Spanish language acquisition built into the ESL program. What the Agency attempted with the Pilot and the Workforce Board with PREP was to identify training institutions, public or private, that would design a vocational skills program that integrated Spanish literacy development with ESL. Employers in El Paso were frequently consulted regarding the skills that were needed to re-employ the dislocated worker. Employers were unbending in requiring a GED and English fluency. In addition, entry-level requirements for vocational skills training in El Paso generally required a GED and some level of English fluency. Therefore, the imperative became the identification and recruitment of vocational skills training institutions to develop and offer an approach to vocational skills training that integrated work-related, on-the-job English with vocational training. The results were dismal. In some cases small training institutions that could serve very small numbers of workers, often fewer than 100, were the only institutions with the flexibility or the desire to meet the need of the workers. Larger institutions continued to deliver traditional English-as-a-Second Language programming that was not tied to vocational outcomes.

It was apparent that without a major paradigm shift, workers were not going to reach a sufficient fluency in English to compete for the higher paying jobs in El Paso, nor could they receive vocational training. Therefore, the Upper Rio Grande Workforce Board, to their credit, shifted the emphasis of El Paso PREP from training to job development and placement.

3.) Evidence Suggests that Needs Related Payments Delayed Some Enrollees' Return to Work.

As stated in the text, this finding is based on opinion rather than evidence. The report assumes that the participants preferred to receive an average weekly Needs Related Payment (NRP) of \$182 for a minimum of 20 hours training rather than the average pretax wage of \$270.80 for 40 hours work. The reality was that few if any workers, as noted in Section 2, could advance quickly through a traditional ESL program, and few workers could have stayed in training without income support.

The report clearly states that it is the auditor's opinion that some participants attended training so they could receive the NRPs. Regardless of the motivation, the end result was having the dislocated workers trained in both educational and vocational skills designed to place them back in the employment stream.

CHAPTER 2: RECOMMENDATIONS

The draft Audit makes five recommendations for future grants that would extend services, beyond those received under UI, TAA and NAFTA-TAA, to trade dislocated workers.

1.) Institute controls to ensure participant's needs for further training are properly assessed and that training can be provided to realistically address such needs.

The Agency concurs.

Any future grants would benefit from a longer implementation period from the receipt of the Notice of Obligation to the start-date—now 6 weeks—during which all assessment, all Individual Training Plans, all referrals, and all training contracts must be completed. The six-

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



October 22, 2001

MEMORANDUM FOR: JOHN J. GETEK
Assistant Inspector General
for Audit

FROM: EMILY STOVER DeROCCO *Emily Stover DeRocco*
Assistant Secretary
for Employment and Training

SUBJECT: Audit of Department of Labor Grants to
Assist Trade-Affected Dislocated Workers
in El Paso, Texas (Draft Audit Report No. 06-01-005-03-340)

On behalf of the Secretary of Labor, thank you for the opportunity to review and comment on your draft audit report, Department of Labor Grants to Assist Trade-Affected Dislocated Workers in El Paso, Texas (Draft Audit Report No. 06-01-005-03-340). I would also like to take this opportunity to thank you and your staff for allowing an extended time for us to respond to the report.

The audit's stated goals were to address-

- what was the total direct enrollees' cost for training and income support from the time of initial trade certified layoffs through September 30, 2000, for enrollees of the El Paso Pilot Re-Employment Program (PREP) grant enrolled as of December 31, 1999;
- what types of training were provided to PREP enrollees and did those interventions result in dislocated workers being prepared to compete for jobs in the El Paso job market; and
- what was the training and employment status of PREP enrollees including earnings after program termination as of April 30, 2001.

Your draft report made five specific recommendations. While we believe that the Workforce Investment Act (WIA), which replaced the Job Training Partnership Act (JTPA), may address some of these recommendations, we provide the following comments on each recommendation.



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Your first recommendation was that ETA institute controls to ensure participants' needs for further training are properly assessed and that training can be provided to address realistically such needs.

We agree that participants' needs should be properly assessed and training or other services provided to address their needs. Project monitoring reports and technical assistance provided to El Paso PREP consistently stressed the importance of quality assessment and maintenance of documentation on strategies and actions to support the participants' re-employment plans. As the OIG should acknowledge, first the state and subsequently the local board and service providers were faced with extraordinary challenges because of the dislocated workers' limited academic and vocational skills and the stated skills needed by the employers in El Paso. The General Accounting Office (GAO) in its recently issued report, "Trade Adjustment Assistance: Experiences of Six Trade-Impacted Communities," highlights El Paso as one of the communities with significant economic development challenges, which are compounded by retraining issues when jobs for which workers might qualify are limited. The lessons learned from El Paso PREP and the GAO report on services to trade-impacted workers and communities will inform ETA's efforts and the efforts of the workforce investment delivery system to respond more effectively when faced with similar events and needs of long-tenured, dedicated workers who face serious re-employment barriers.

Your second recommendation was that ETA periodically evaluate the effectiveness of training providers.

We agree that this is an important function of the state and local boards. The El Paso PREP grant was modified to incorporate the eligible training provider provisions consistent with the WIA requirements. With the advent of the WIA provisions, the training contract of at least one training provider, with whom many participants began training, was terminated. As a result of this action by the grantee, the participants were transferred to another provider where their training programs were completed. Nevertheless, we recognize that not all of the training providers in El Paso were equally effective. As the OIG likely noted, the capacity of training providers in El Paso was overwhelmed by the large numbers of dislocated workers needing employment training. We expect that the re-certification requirement prescribed by WIA will help eliminate those less effective training providers.

Your third recommendation was for the grantee to assess routinely the participants' training progress and modify the strategies where participants do not appear to be moving toward employment.

We agree that each participant's training progress should be assessed and the strategies should be modified, as appropriate. Participants who are not moving toward

employment should be reassessed and either placed into different training, placed with a different training provider, or provided additional assistance, such as a tutor. We will continue to emphasize the need for periodic progress checks to ensure that the intervention strategy employed is appropriate to the need.

The fourth recommendation was to structure needs-related payments (NRPs) so that there is a clear economic incentive for participants to complete training and move on to employment.

Both JTPA and WIA provide eligibility criteria for individuals to qualify for needs-related payments (NRPs). However, neither statute placed maximum time limits on the receipt of these payments. Local workforce boards are responsible for making policy decisions on payment of income support, including any restrictions. Many of the participants in the El Paso PREP project needed either ESL (English-as-a-Second Language) and/or a GED before they could meet the minimum qualifications required by employers. Unfortunately, the literacy levels of many of the El Paso PREP participants were so low that they were unable to achieve a level of proficiency which satisfied the hiring requirements for many employers in the El Paso community. PREP was initiated because it was recognized that many of the unemployed workers in the garment and apparel industries would require continuing extensive assistance in order to return to the workforce. Although the workers had extensive work histories, they possessed few vocational and educational skills to compete in the new El Paso economy. The typical laid-off worker was a 45-year-old-Spanish-speaking female. Many of them were not literate in either English or Spanish.

At the beginning of the PREP project, needs-related payments were considered necessary to ensure the participation of PREP enrollees. This strategy had to be revisited in light of other factors within the community which made the availability of such income support counterproductive in attaining the overall re-employment objective for project participants. With the concurrence of ETA, the local project operator implemented a one-time-only strategy to provide limited incentive payments to those participants who were able to gain and maintain employment. ETA has learned from this experience and will take that experience into account in the future.

Your last recommendation was for ETA to study the extent to which employers recognize and value GEDs obtained in languages other than English for purposes of adopting a policy on whether supporting the attainment of such GEDs is an appropriate use of program funds.

Local boards are responsible for determining which services will meet the needs of their participants and the employer community. Moreover, the authorizing legislation does not preclude attainment of the GED as a training service intervention. In the case of the El Paso grant, a survey of employers by the local project operator indicated that the employers wanted participants who spoke English and had a GED. We may question whether these requirements were absolutely essential for all available jobs, but they were nevertheless expressed as hiring requirements by the employers. The local project operator has informed ETA that it is continuing to work aggressively with the employer community to identify the relevant occupational and language skills required for employment.

One of the clear lessons of the El Paso project is that any effective recovery strategy for pervasive business closures and layoffs will require a concentrated, widespread community response. We believe that the community-wide response efforts led by the federal government as part of the Base Realignment and Closure Commission (BRAC)-related military base closures and realignments some years ago provide a positive experience on which to base such a strategy. This widely accepted and successful model of collaboration demonstrates what is possible when the development needs of both workers and their communities are considered in tandem, and what can be accomplished when all resources — federal, state, and local — are brought together in a meaningful, comprehensive fashion to address those needs. Although there were efforts to bring other federal resources to bear on the El Paso economic recovery efforts, those efforts were sporadic, uncoordinated, or not sustained in a manner to produce desirable outcomes during the initial stages of PREP.

ETA is now funding a number of “contextual learning” demonstration grants which will develop methods for providing basic literacy skills in conjunction with vocational skills for non-English speaking populations.

Finally, ETA has published and distributed a best practices technical assistance guide to the workforce investment system on “Conducting a Community Audit: Assessing the Workforce Development Needs and Resources of Your Community.” A community audit fundamentally is a strategic planning effort to bring together information on economic and labor market trends to support workforce planning strategies and WIA program operations. Although all community audits are built on basic information about the local economy and should be conducted continuously, they can vary widely depending on the precise problem on which the local workforce investment board is focusing, such as that faced by El Paso — identifying job opportunities for a particular population.

The problems faced by El Paso and similar communities throughout the country are difficult and persistent. Job training and the related services provided by WIA are a necessary, but not always sufficient, means to solve these problems. Based on the lessons learned from this experience, we believe that progress can be made by further development of the tools and strategies discussed above.

In addition to the above five recommendations, your audit contained some specific observations and findings which we have addressed in the attachment.

- The auditors estimated that the total funding for the target group (including Unemployment Insurance, Trade Readjustment Allowance, Trade Adjustment Assistance, North American Free Trade Agreement/Trade Adjustment Assistance, and Job Training Partnership Act (JTPA) formula and discretionary funds) was approximately \$106 million. They further calculated that it cost an average of \$25,000 per participant for the 4,275 individuals enrolled in the PREP project.

The report was not clear as to whether the UI and trade investments cited were totals for all the garment and apparel dislocations in El Paso or just for the workers enrolled in the PREP project in relation to most dislocated worker assistance costs. Regardless of the answer, we agree that the average cost per participant was high.

We believe that the inclusion of UI and trade program funds in an analysis of the PREP project was not appropriate. Unemployment compensation benefits and assistance from the TAA and NAFTA-TAA programs are entitlements for those who qualify. The PREP project was designed to assist workers whose needs could not be satisfactorily resolved through those entitlement programs. It would have been more useful for the report to at least note that \$45 million in dislocated worker discretionary funds were used to serve 4,370 workers (based on the project's report dated June 30, 2001). Focusing solely on the \$45 million awarded to PREP, one arrives at a cost per participant of \$10,297.

- The report states that the average wage at placement was \$6.77 per hour as compared with an average layoff wage of \$7.13 per hour.

Using OIG data, the above figures represent an average wage replacement rate of 95 percent (average new wage compared to average layoff wage) which was ETA's GPRA goal for the wage replacement measure. We believe that the project's average wage replacement rate is remarkable considering the dislocated workers' barriers to employment.

- The report also indicates that OIG believes the project had a 36.2 placement rate as of April 30, 2001, compared with project's report of 81 percent.

This conclusion was not based on whether the workers had jobs, but rather whether their jobs should have been excluded from calculation because these jobs were obtained at a later date than the OIG believes they should have been. We disagree with the auditors' conclusion that all of the participants enrolled in

basic readjustment services (BRS) had to be terminated within 90 days of service. Basic readjustment services can occur at any time during one's participation in the program. While we acknowledge that many participants normally are enrolled in BRS provided at the beginning of their participation in the dislocated worker program, JTPA did not restrict the timing of BRS which may even be provided at the conclusion of an individual's participation. Therefore, we believe that the data are inconclusive as to how many participants were not terminated within 90 days of the last receipt of services.

The report indicated that the participants were enrolled in ESL/GED training with multiple training vendors, some for long periods of time and some at high costs.

The report did not describe the circumstances surrounding multiple training vendors; therefore, it is difficult to respond to the observation. ETA is aware that at least one vendor was terminated and some participants were transferred to other vendors. Additionally, the guidance to the project encouraged the establishment of customized training. This type of training is typically more expensive.

The OIG reports that needs-related payments (income support or TRA) provided a disincentive to employment because workers could receive \$9.10 tax free for attending class rather than working for \$6.77 per hour, before taxes. The report also indicated that many participants received a significant increase in weekly support as a result of the grant policy of a minimum needs-related payment of \$150.

We believe that income support can serve as a disincentive to complete education or training if not managed carefully. Based on the insufficient skills of this dislocated worker population, it is difficult to conclude that these workers received more education or training than they needed to compete in the workforce.

Regarding the tax consequences of income support (UI, TRA, NRPs) and the comparison of entry level employment, the information in the report is somewhat misleading. UI and TRA are taxable, and the IRS has found NRPs to be taxable if they are paid as income support. The authorized minimum NRP payment of \$150 per week would equal \$3.75 per hour for a 40-hour week. And, according to those included in OIG's sample, the average weekly payment of \$182 is \$4.55 per hour, based upon a 40 hour work week.

It appears that the auditors calculated their hourly wage based upon some participants' class time. However, they did not include study time. Apparently, they also assumed that all individuals attended 20 hours of training per week. However, some participants attended more than 20 hours per week while some may have attended less.

Regarding the payment of \$150 per week for individuals whose unemployment compensation was below that amount, the JTPA law authorized NRPs at a level not higher than the weekly UI benefit or the family poverty level. The board decided to pay \$150 per week rather than the poverty level; otherwise, the payments would have been even higher.

- The report made several references to participants not being terminated in a timely manner.

We are pleased that the OIG found that individuals were employed after leaving the PREP project. However, as indicated earlier, OIG did not consider the fact that BRS could be provided at the conclusion of one's participation rather than at the beginning. Therefore, we do not believe the data were precise enough to arrive at OIG's overall conclusion.

For the record, end-of-project reporting dated June 30, 2001, shows that the following outcomes have occurred:

- Participants enrolled: 4,370
- 3,746 have completed their planned services
- 2,873 (76.7%) entered employment
- average pre-program hourly wage was \$7.64
- average post-program hourly wage was \$6.86
- average wage replacement: 90%
- 624 participants are completing services under the formula program

The PREP project ended June 30, 2001. The outcomes for the 624 participants who are completing their programs through the formula program will be incorporated into the final project report via a note in the remarks section.