

# **Office of Inspector General**

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**U.S. Department of Labor  
Office of Audit**

## **IMPLEMENTATION OF THE WORKFORCE INVESTMENT ACT'S TRAINING PROVISIONS IN SELECTED STATES**

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## **ACRONYMS**

CFR	Code of Federal Regulations
DOL	U.S. Department of Labor
DW	Dislocated Worker
ETP	Eligible Training Provider
ETA	Employment and Training Administration
FERPA	Family Educational Rights and Privacy Act
FY	Fiscal Year
GAO	General Accounting Office
ITA	Individual Training Account
JTPA	Job Training Partnership Act
OIG	Office of Inspector General
PY	Program Year
SPIR	Standardized Program Information Report
SSN	Social Security Number
TANF	Temporary Assistance for Needy Families
WIA	Workforce Investment Act
WIB	Workforce Investment Board
WIASRD	Workforce Investment Act Standardized Record Data

## **EXECUTIVE SUMMARY**

Title I of the Workforce Investment Act (WIA) of 1998, which became effective July 1, 2000, created a system of coordinated employment and training services and activities to replace programs under the Job Training Partnership Act (JTPA). Under WIA's "consumer choice" concept, training services for adults and dislocated workers (DW) are provided, with limited exceptions, through Individual Training Accounts (ITA). ITAs are issued on behalf of individual participants, who select training opportunities from lists of approved eligible training providers (ETPs) maintained by the states and local workforce investment boards. In contrast, JTPA training was generally provided through contracts or tuition payments to training providers, either on an individual referral or group basis.

The Office of Inspector General (OIG) assessed training activities for WIA Program Year (PY) 2000 Adult and DW programs in the States of Arizona, Delaware, Florida, Mississippi, Ohio and Texas. Our objective was to determine the impact of WIA training provisions on program participants, particularly as related to ITA and ETP systems.

### **Results**

**Overall, we found WIA participants generally received appropriate assistance and training options.** A sample of participants who received training indicated all received their choices of training. Further, 82 percent received consumer information to help in choosing a training provider; 98 percent received training in high-demand occupations, as determined by local workforce boards; and 78 percent of participants who had left the program by the end of our fieldwork completed their training, with nearly all obtaining either degrees or certificates in their fields of study.

We also selected a separate sample of participants who were served by the WIA program, but did not receive training. Of these, nearly three-quarters did not want training. Generally, participants sampled received the employment assistance they sought and found jobs.

**However, the numbers of WIA participants trained has declined, as compared to JTPA.** While JTPA and WIA data are not directly comparable, they serve as useful indicators of changes and trends associated with the transition from JTPA to WIA. Our analysis of WIA PY 2000 performance data, in relation to JTPA PY 1998 performance, indicates the number of participants served decreased significantly, in

a majority of the states we visited. Five of the six states also indicated significantly fewer WIA participants had been trained than under JTPA. In addition, the proportion of WIA participants who were trained declined substantially from the proportion trained in JTPA programs, in four of the six states.

A number of factors contributed to these declines, including some states' slow progress in implementing WIA. Also, some workforce boards interpreted WIA as requiring "Work-First," which resulted in their directing participants to job search and other activities instead of training. The availability of funding under Welfare-to-Work (WtW), Temporary Assistance for Needy Families (TANF), and other non-WIA programs was also cited as contributing to reductions in WIA participants served and trained, although these competing funds were also available in the later years of JTPA.

**Many states struggled with training providers' eligibility.** Some of WIA's training provisions presented challenges that discouraged ETPs' participation, possibly contributing to declines in training under WIA:

- Training providers must measure and report program performance not only for WIA students, but also for all students in programs attended by WIA participants. Providers with few WIA participants in a class were reluctant to gather data on all students to accommodate WIA reporting requirements. In addition, the cost of collecting the data often exceeded the benefit when few WIA participants were in a class.
- Local boards have the flexibility to establish ETP reporting requirements in addition to those imposed by the state. One provider we interviewed, with programs in several local boards, indicated he was required to submit 87 reports annually in order to satisfy performance reporting requirements.
- Some providers were hesitant to disclose participant data necessary for WIA performance reporting and determination of providers' subsequent eligibility for fear of violating provisions of the Family Education Rights and Privacy Act (FERPA). Although the Departments of Education and Labor have attempted to alleviate fears by issuing joint guidance, some providers remained skeptical and were reluctant to disclose participants' information. One state we visited, in an effort to avoid violating FERPA, had excused ETPs from submitting students' data if the training program served five or fewer students. In our opinion, this was inconsistent with WIA performance reporting regulations.

Many training providers, and especially rural providers and public colleges and vocational schools, found WIA reporting requirements taxing, and some threatened to quit serving, or no longer serve, WIA-funded participants. Forty-three percent of all providers we interviewed believed WIA's ETP reporting requirements were burdensome.

In addition, because of their complexity, training provider eligibility determination procedures were not fully in place in many states. The difficulty of implementing WIA's training provider eligibility determination procedures is reflected in the number of waivers states have requested. As of March 2003, 27 states had petitioned the U.S. Department of Labor (DOL), Employment and Training Administration (ETA), for waivers of provisions or additional time to implement requirements.

**Restrictions imposed by local boards may have affected the quality of training.**

Overall, 37 percent of providers we interviewed (43 of 116) told us they had modified program fees or course structures because of dollar or time restrictions on ITAs. While not all modifications may have affected the quality of the training, nearly one-third of the providers we interviewed indicated that dollar and time limitations were not sufficient to complete the programs they offered.

Some providers expressed specific concerns over the modifications. One Texas training provider, who had shortened the amount of class time for an existing course to accommodate limitations on WIA students, believed that WIA students were not as well prepared upon their graduation as classmates in the unaltered program. Nonetheless, 62 percent believed the use of ITAs to finance participant costs was more effective than procuring contracts for the exclusive training of program participants, as often occurred under JTPA.

## **Recommendations**

We recommend the Assistant Secretary for Employment and Training implement recommendations for changes and improvements in the ITA and ETP processes that can be accomplished without legislative or regulatory changes. Where congressional action is required, we recommend that the Assistant Secretary solicit the Secretary's assistance in encouraging the Congress to enact appropriate legislative changes. Specifically:

- Seek support for changes in WIA's provisions to encourage service providers' participation.

- Endorse changes to reduce the ETP burden associated with reporting data on non-WIA students.
- Encourage state and local governments to streamline reporting requirements for training providers that serve multiple boards.
- Support amendments to legislation that will eliminate uncertainty regarding liability for the release of personal identifying information for WIA reporting purposes.
- Encourage state governments to periodically review course structures to ensure restrictions and limits imposed on training providers do not jeopardize the quality of courses offered.

### **ETA's Response to Draft Report**

ETA indicates it agrees with findings discussed in this report and that many of our findings are consistent with those of its own evaluations and other WIA studies. ETA also commented that the proposed Workforce Reinvestment and Adult Education Act of 2003 (H.R. 1261), now being considered by Congress, addresses the issues we have discussed.

### **OIG's Analysis of ETA's Response**

OIG agrees that the proposed Workforce Reinvestment and Adult Education Act of 2003 addresses several systemic problems, including the burdensome reporting requirements for training providers and inconsistencies in interpretations of WIA's sequence of services criteria. However, if the proposed legislation is not enacted, ETA should issue guidance to clarify the requirements for offering training to eligible individuals.



## **INTRODUCTION**

### **Background**

WIA was enacted in 1998 and replaced previous job training and employment programs provided through the JTPA. WIA and JTPA program delivery strategies differ significantly. JTPA targeted economically disadvantaged adults and DWs for services and training. Program operators often provided in-house training, as part of the service strategy for all participants.

Under WIA, all adults and DWs are eligible for assistance. However, WIA participants must complete a succession of core and intensive services, before they may be offered training. Persons seeking help are initially referred to a One-Stop center that may either contract for or provide individuals "core" or "intensive" services. Adults not successful in finding employment after receiving core services, such as initial assessment, job search and placement assistance, are generally eligible for more intensive services, which may include counseling, and job-readiness activities. Those who are unsuccessful in finding employment, or who cannot find or retain employment that allows self-sufficiency, may be referred to training after receiving core and intensive services.<sup>1</sup>

While local Workforce Investment Boards (hereafter WIBs or local boards) participate in deciding the training available to participants, they are generally prohibited from providing the training themselves. WIA promotes a client-driven training system that allows program participants a role in deciding how WIA training dollars are spent. It is intended that eligible participants receive some degree of choice in selecting an approved program from a variety of ETPs, including public and private institutions. With limited exceptions, WIA requires training providers to be certified, either under national accreditation standards or through an alternative procedure established by the governor.

ETPs are placed on the state list that participants use when choosing a training program. Generally, training providers certified under national accreditation standards were automatically eligible during the initial year under WIA. To remain eligible, all providers must meet minimum performance levels established by the state and local boards for WIA-funded students, and other students in an approved program.

<sup>1</sup> Training requirements contained in WIA Section 134 and program regulations at 20 CFR Part 663 are further discussed in the section of this report titled, "WIA's Work-First provisions contributed to reductions in the numbers of participants trained."

Training providers must submit verifiable performance data to the local board to show their achieved level of performance measures. Under WIA, the ITA was established as the primary method of financing WIA participants' training. The Act allows payments from ITAs to be made in a variety of ways, including electronic transfers, vouchers, or other methods deemed appropriate by the state. States or local boards may establish restrictions on the amount and duration of ITAs. Five of the six states we selected allowed local boards to establish limitations on ITAs. Only the State of Delaware established specific limitations on ITAs.

WIA provides separate funding streams for the Adult and DW programs. Appropriations for the Adult program remained the same, while funding of the DW program decreased between PY 2000 and PY 2001. Appropriations for the Adult program remained at \$950 million for both years. The appropriations for the DW program decreased from \$1.589 billion to \$1.412 billion.<sup>2</sup> Reported state expenditures for PY 2000 for the Adult and DW programs were \$769 million and \$1,052 million, respectively. WIA appropriations are authorized for 5 years and scheduled to expire September 30, 2003.

## **Criteria**

Regulations at 20 CFR, Part 663, describe requirements relating to the services that are available for Adults and DWs under Title I of WIA. These regulations also contain program performance and reporting requirements.

WIA Public Law 105 – 220, Chapter 3 describes the activities for the program providers at different levels; Chapter 5 describes the activities available for Adults and DW; and Chapter 6 outlines the Act's general provisions.

<sup>2</sup> In accordance with the Supplemental Appropriation Act, 2001, \$177.5 million was rescinded from the DW program for PY 2001.

## **RESULTS OF AUDIT**

WIA training is provided through ITAs, a type of voucher system. However, some training providers modified the structure of their programs to accommodate ITA dollar or course length restrictions, but worried the alterations did not always benefit participants.

Our audit indicates participants who were trained received their choice of courses, were provided appropriate assistance and most obtained the degrees or certifications they sought. We found those participants not trained typically did not desire training and received the assistance necessary to obtain employment. However, data shows the numbers of WIA participants trained have declined from the numbers trained under JTPA, Labor's primary employment assistance and training program WIA succeeded. Further, comparison of the percentage of WIA participants trained to those served indicates a decline from JTPA levels.

Some of the decline is related to difficulties grantees have experienced in implementing systems and procedures to carry out WIA's provisions. More restrictive WIA requirements for entry into training have also contributed to reductions in the numbers of participants offered training. In addition, the availability of other funding sources and artificial reductions caused by changes in how participant activities are reported have played a part in the reductions.

States struggled with a variety of issues involving reporting of data for use in determining training providers' eligibility. Particularly troublesome were requirements that providers report program performance data for all students in programs attended by WIA participants. Many training providers, including public colleges and vocational schools, have found these and other WIA reporting requirements burdensome and have either threatened to quit serving, or no longer serve, WIA-funded participants. In many states, training provider eligibility determination procedures are not in place; states have requested waivers or extensions of time to implement them.

In addition, longstanding concerns over disclosure restrictions, intended to protect students' privacy, have made some providers and states reluctant to disclose information necessary to evaluate providers' performance or measure programs' success.

**WIA Participants Generally Received Appropriate Assistance and Training Options**

In the states visited, we determined who was being served by WIA programs and if program operators had established procedures to assess participants' needs and to help them make appropriate training choices.

We also selected a sample of participants who received training, and reviewed the assistance they received, the information and choices available to them, and their accomplishments. In addition, we reviewed a sample of WIA participants who were not trained to determine if they had received appropriate assistance and whether they found jobs.

**Participant demographics suggest a wide mix of various groups were served.** We relied on each of the six states we visited to provide demographic data on each of the PY 2000 Adult and DW program participants who were enrolled and trained. The data was requested for six participant characteristics, including disabled individuals, minorities, females, individuals with less than a high school education, those who met poverty-level or Lower Living Standard Income Level guidelines, and workers 40 years of age and older.

Table 1

PERCENTAGE OF WIA PARTICIPANTS WITH SELECTED CHARACTERISTICS IN THE STATES VISITED		
Characteristics	<u>Percentage of Participants</u>	
	Enrolled	Trained
<b>Total Participants</b>	<b>100%</b>	<b>52%</b>
Disabled	4%	53%
Minorities	62%	51%
Females	59%	54%
Less than 12 <sup>th</sup> Grade Education	18%	42%
Met Poverty Guidelines	53%	55%
40 Years of Age and Older	40%	49%

Combined data for participants enrolled in the Adult and DW programs in the six states we visited are summarized in Table 1 above. Attachment A contains data for each of the states we visited.

**Local boards had established procedures for assessing participants' needs and assisting them in choosing training.** The WIA program intends to broaden participants' access to information with which to make informed choices on training options and providers. Program staff has a duty to help participants get the training they desire, yet monitor entry into training and assure participants obtain suitable training. Consequently, WIA program operators have what can be the conflicting responsibilities of both advocates for participants' choices and gatekeepers that control participants' access to training.

The local boards we visited either had formal systems in place or established practices that assisted participants in assessing their needs and choosing their training. Participants who received training were assessed to determine their skill level, interests and needs. In most instances, participants also had access to the state lists of eligible training providers from which to choose a program.

**Trained participants received their choices and were offered appropriate assistance.** We selected a sample of 120 participants, including 83 Adults and 37 DW program participants, who received training in the 6 states.

On average, training for the participants we sampled was scheduled to last about 7 months, and ranged from less than 1 month to as long as 28 months. In 89 cases (74 percent), a voucher was used to pay for the training. Thirty participants' training was paid either through an invoice or individual contract, and one participant's training was paid for by another program.

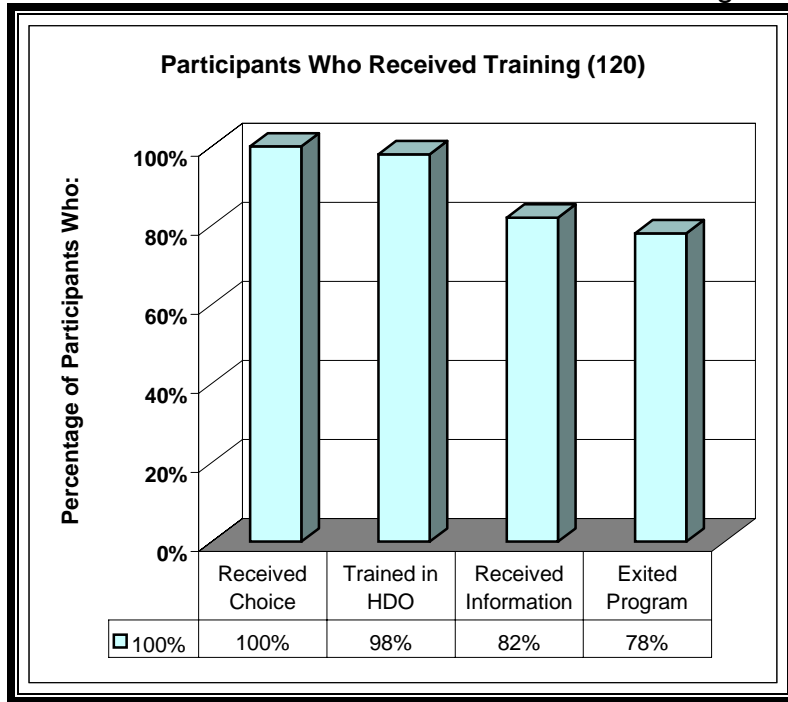
We reviewed the participants' files and other documentation to determine whether the participants:

- received their choice of training;
- were provided a “consumer report”<sup>3</sup> to help them choose a training provider;
- received training in a high-demand occupation;

<sup>3</sup> The regulations at 20 CFR Section 663.570 provides for a consumer reports system to inform customers of the one-stop delivery system about the performance of training providers and programs in the local area.

- completed training; and
- received a certificate or degree.

Figure 1



All participants in our sample received their choice of training from among curriculums available in the areas served. Also, over four-fifths of our sampled participants (98 of 120) received some consumer information to assist in selecting training providers. We noted that 20 of 22 files lacking evidence participants had received consumer information occurred in the State of Mississippi. According to Mississippi officials, the State recently implemented a performance and reporting system that now generates a consumer report.

All states had requirements in place that limited training to high-demand occupations, subject to the funding limitations established by the local board. Nearly all sampled participants (98 percent) were trained in high-demand occupations, as determined by the local workforce boards.

As Figure 1 illustrates, 78 percent of the participants (93) we sampled left the program, because they had completed their training or had departed for other reasons, by the end of our fieldwork. Of the 93 participants who left the program, 78 percent (73 participants) completed their training, and nearly all of those who completed training (72) obtained a degree or certificate.

Conversely, 22 percent of the participants (20) who left the program did not complete their training curriculums. Nearly half of the participants (nine) who left before their training was complete did so to accept a job. Most of the remaining participants left for a variety of personal reasons. We found indications that only two participants terminated because of poor performance.

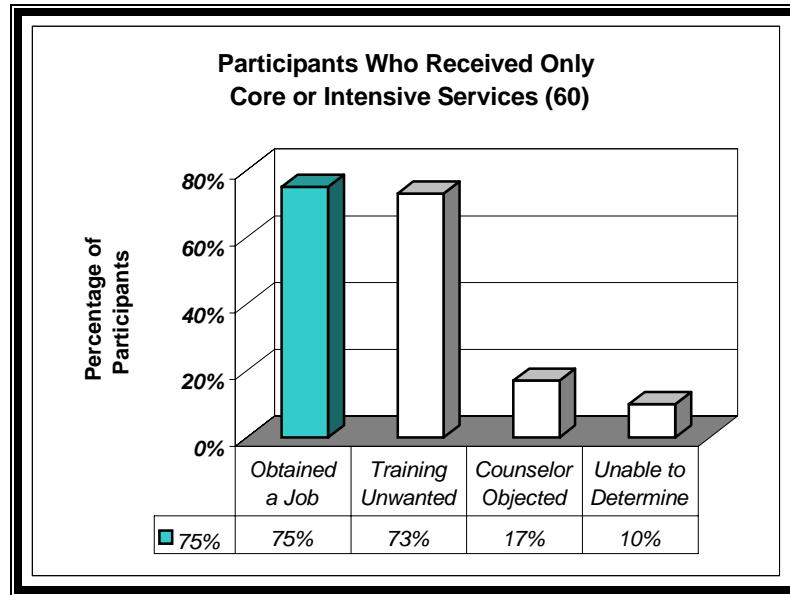
**Participants who chose not to be trained usually found jobs.** We also reviewed a smaller sample of 60 participants who had received core or core and intensive services, during PY 2000, but had not been enrolled in training. We looked for evidence that participants who were not trained had received adequate consideration for training, as required by WIA regulations. We also contacted the participants, when possible, to determine if they had requested but not received training. Our sample included 36 participants from the Adult program and 24 DWs.

As Figure 2 illustrates, 73 percent (44 of 60 participants) made the decision not to seek training. Of the 44 participants who decided not to seek training, 86 percent (38 of 44) found jobs after receiving core, or core and intensive services. Generally, available information indicated participants who did not receive training had adequate job skills to re-enter the workforce. We found only two participants who did not receive training because of a "work-first" philosophy. These two instances involved Texas participants who were not willing to complete job-search activities the workforce board required and left the program.

For 17 percent of our sample (10 participants), evidence indicates the program operator made the decision not to train the participant. Five of these participants were not trained due to a shortage of funds that involved the State of Delaware. In the remaining five cases, counselors decided against training participants for various reasons.

Finally, in 10 percent of cases (6 of 60), we could not determine whether the participant or counselor made the determination not to seek training. All of these cases occurred in the State of Mississippi, where documentation was insufficient for us to interpret what had occurred and we were unable to interview the participants.

Figure 2



***The Numbers of WIA Participants Served and Trained Have Declined, as Compared to JTPA.***

While there are a variety of difficulties in making comparisons, WIA and JTPA program data indicate the numbers of participants served and trained have declined from JTPA levels.

We obtained information from the states we visited on the number of WIA Adult and DW program participants served and trained during PY 2000, and compared it to PY 1998 JTPA participant data. PY 2000 was the first complete year available to compare WIA activities across states. Conversely, PY 1998 was the most recent year in which JTPA programs operated in all states, as some states implemented WIA "early" in PY 1999.

As Table 2 shows, four of the six states we visited served fewer participants under WIA than under JTPA, and five of six states also reported substantial declines in the number of WIA participants trained.<sup>4</sup> Comparison of WIA and JTPA data also

<sup>4</sup> Comparisons of the data may provide useful indicators of trends. However, the accuracy and compatibility of the data are limited by a variety of factors discussed in Attachment B of this report. Consequently, the data in Table 2 should not be relied upon as precisely reflecting differences in the numbers or percentages of change in WIA and JTPA participants served and trained.



indicates that in four of six states, a smaller percentage of WIA participants who were served received training than under JTPA programs.

Table 2

COMPARISON OF THE JTPA AND WIA PROGRAMS ESTIMATED NUMBERS OF PARTICIPANTS TRAINED/ SERVED								
	Numbers of Participants Served			Numbers of Participants Trained			Percentage of Participants Trained To Served	
States Visited	JTPA PY 1998 (A)	WIA PY 2000 (B)	Percent. Change	JTPA PY 1998 (C)	WIA PY 2000 (D)	Percent. Change	JTPA (C/A)	WIA (D/B)
AZ	9,053	5,050	-44%	6,285	1,742	-72%	69%	34%
DE	1,311	803	-39%	1,117	586	-48%	85%	73%
FL	23,159	37,522	62%	11,057	23,589	113%	48%	61%
MS	11,097	1,972	-82%	5,191	1,093	-79%	47%	55%
OH	18,605	7,453	-60%	13,472	2,798	-79%	72%	37%
TX	40,274	41,651	3%	28,765	18,919	-34%	71%	45%

With the exception of Florida, figures reported by the states we visited indicate participants served under WIA declined by an average of 29 percent. Florida and Texas reported an increase in the number served after the transition to WIA. However, Florida was the only state that reported an increase in the number of participants trained. On average, exclusive of Florida, the numbers trained declined by 54 percent.

According to Florida officials, the State requires local boards to allocate at least 50 percent of WIA Adult and DW funds for training related activities, unless a State waiver is obtained. In addition, Florida was an "early implementer" and PY 2000 was the second year of its WIA operations.

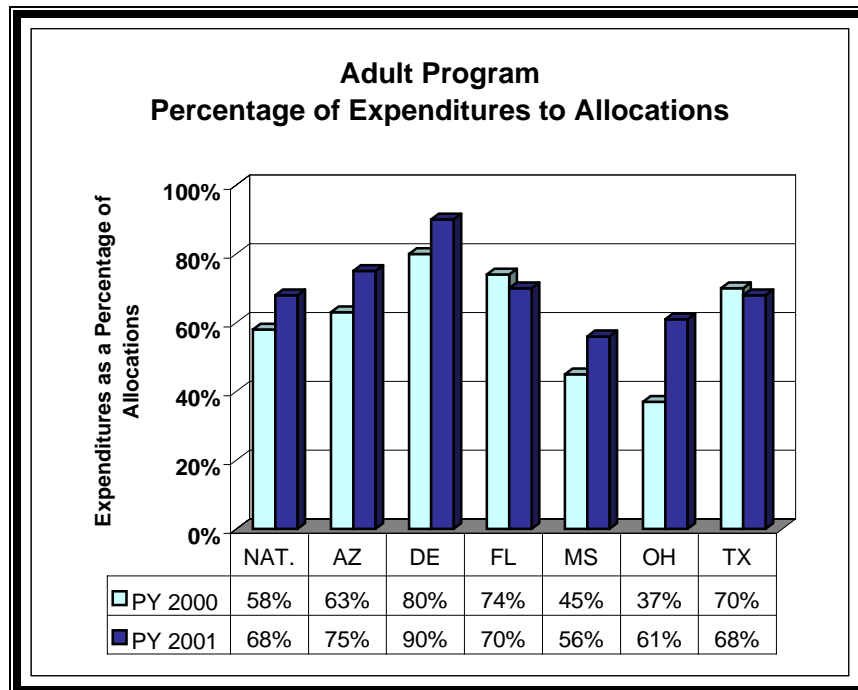
As mentioned, the proportion of WIA participants being trained has also diminished, in most states we visited. When comparing WIA to JTPA, four states' data indicated declines in the percentages of WIA and JTPA participants who were trained. Differences ranged from 35 percent in Arizona (69 percent compared to 34 percent) to 12 percent in Delaware (85 percent compared to 73 percent).

Program officials and grantees offered a variety of reasons for declines in the numbers of WIA participants trained when compared with JTPA programs. They include the:

- adequacy of WIA funds to train participants;
- slow pace of WIA programs' implementation;
- application of WIA's "work-first" provisions; and
- availability of other funds and changes in reporting definitions.

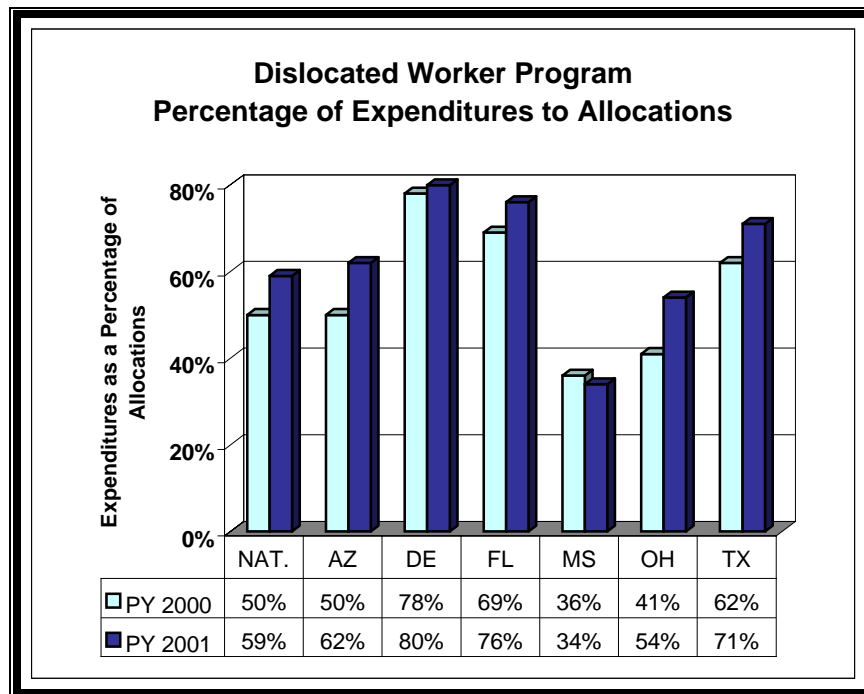
**Most States Had Adequate WIA Funds.** Based upon financial information the states reported to ETA, most states we visited still had a significant portion of their PY 2000 and PY 2001 Adult and DW funds available at the end of each program year, as Figures 3 and 4 illustrate. Only Delaware reported that a shortage of WIA funds had prevented some participants from entering training.

Figure 3



Nationally, states' PY 2000 expenditures averaged 58 percent and 50 percent of PY 2000 available funds for the Adult and DW programs, respectively. In PY 2001, a significant portion of many states available funds also remained unspent. Nationally, PY 2001 expenditures were only 68 and 59 percent, respectively of Adult and DW program available funds. Attachments C and D provide additional information on the WIA Adult and DW programs' available funds and expenditures.<sup>5</sup>

Figure 4



Delaware's WIA expenditure rates were higher than the national average and the highest among the states we visited, although training programs were augmented with State funds. By year's end, Delaware reported spending at least 78 percent of both its Adult and DW available funds, for both PY 2000 and PY 2001.

A Delaware official believes WIA training, funded through ITAs, has resulted in higher average training costs than experienced in the JTPA programs. The program official's comments suggest training has shifted from less extensive JTPA-supported

<sup>5</sup> Expenditures shown in the tables and in Attachments C and D are taken from Quarterly WIA Spending Reports submitted to ETA for the respective periods and include carryover of funds from prior years.

training to longer-term, more expensive training offered under WIA. According to the official:

It is important to recognize that there was a considerable increase in the cost per enrollment from JTPA to the Workforce Investment Act. JTPA trainees were generally trained in contracts that provided short-term training at a lower unit cost. With the use of the ITA, the cost rose. This was particularly true in the first year PY 2000 when the maximum ITA cost was \$4,700. This in part accounts for the larger number of trainees in JTPA.

However, we found Delaware's shortage of training funds was also due, in part, to inadequate financial controls over ITAs. In Delaware, WIA-funded training was suspended for approximately 4 months during PY 2000, because unneeded funds remained in individual ITA balances. Because the Board had committed all of WIA's training funds during the first 4 months of PY 2000, further training had to be suspended until additional funding could be identified.

The State subsequently requested the Board review participant accounts to determine if any amounts could be made available to other participants. The Board identified unspent funds in ITA accounts, the training moratorium was lifted and additional WIA participants were enrolled. Delaware has since established procedures that should allow them to avoid a similar situation from occurring, including quarterly reviews of ITAs to determine amounts available for redistribution.

Shortages of training funds did occur among local boards in other states. However, these shortages were alleviated by redistributing funds from other boards or transfers between the Adult and DW programs, in accordance with WIA provisions.

**The slow pace of WIA programs' implementation by several states contributed to fewer participants being enrolled and trained.** Three states we visited experienced delay in establishing ITA systems, at the state or local levels.

Arizona officials attributed their State's decline in the number of participants trained under WIA to a slow start implementing the WIA program, as did Mississippi, who postponed WIA enrollments until January 2001. Mississippi program officials explained:

A good deal of time for the first six months was spent in setting up local workforce areas, appointing the boards, selecting the One-Stop operators and establishing our one-stops operators. We really weren't fully operational until January 1, 2001.

Similar problems occurred at some local workforce boards in putting the WIA-mandated mechanisms in place to train participants. One Ohio local board did not establish ITAs until April 2001, 9 months after all states were to have implemented WIA. Local board officials cited lack of guidance from the State as the main reason for the slow transition to an ITA system. Prior to April 2001, participants used individual contracts (Skill Training Master Contracts) to obtain training, rather than ITAs.

**WIA's Work-First provisions contributed to reductions in the numbers of participants trained.** Program officials in several states we visited indicated the perception of WIA's "work-first" requirements was a factor that contributed to declines in participant training. Fundamental differences in program delivery philosophies of the WIA and JTPA programs are reflected in WIA requirements for access to training services.

JTPA did not place conditions on participants, in order to qualify for training, other than overall eligibility requirements for participation in a particular program. While WIA's assistance is available to the public, Section 134 of the Act and program regulations at CFR 20 Part 663, established a three-tiered system of requisites for participants to qualify for WIA training services.

- Core services are the basic assistance provided to an adult or eligible DW through the One-Stop delivery system, and include such activities as initial assessment and job search assistance.
- Intensive services (e.g., diagnostic testing, specialized assessment, development of an employment plan, relocation assistance or a work internship) may be provided an adult or DW who has received at least one core service, and has been unsuccessful in either finding or retaining employment that leads to self-sufficiency.
- Training may be provided to a participant who has received at least one intensive service, has been unable to either obtain or retain employment with the assistance of intensive services, has been evaluated as needing the training, and is deemed to have the skills and qualifications for successful completion of the selected training program.

While the Act and regulations establish a series of decision points that must be satisfied before a participant can be offered training services, they do not prescribe how the requirements are to be implemented. Policies, such as the amount of job-

search effort required of participants before the service provider considers them unlikely to find a job, are left to the states' and local boards' discretion. Participants also have to be deemed likely to complete training before being enrolled, but the requirements for making this determination are also left to state and local officials.

Among the sites we visited, there were varying interpretations of WIA's training eligibility provisions. However, we found a strict "work-first" emphasis in some location that made training a last choice option.<sup>6</sup>

For example, notes in a participant's file at the Heart of Texas Workforce Development Board indicate the counselor advised the participant "the WIA program is designed for 'Work First.'" The Board's manual for guidance in managing the WIA program also emphasized a work-first expectation, and contained the following direction (emphasized in bold print) to its program staff, **"Individuals may transition to training services as a last resort, when all efforts for job placement have been unsuccessful."**

Delaware required Adult program participants to meet low-income requirements. In other states, this option was left to the local boards. The State required an unsuccessful 4-week work search period, by its participants, before training was offered. However, program officials discounted the impact of the work search requirement on the numbers of participants who received training. A State program administrator commented to us:

Most individuals who obtain employment, as a result of the required job search period, continue to be eligible for training services because nearly all of them need training to enable them to attain employment at the self-sufficiency level.

Some states indicated they recently liberalized their policies to focus more on training that results in high wages and high-skilled jobs.

**The availability of other funds and changes in reporting definitions** also accounted for reductions in the numbers of WIA participants identified as trained. Differences in the definitions applied to some JTPA and WIA program activities have contributed to fewer participants being reported as trained. Some participant

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<sup>6</sup> GAO also found the Work-First emphasis of some local workforce areas reduced the number of people registering in the DW program. "Better Guidance Needed and Revised Funding Formula Would Enhance the DW Program." (GAO 02-274, February 2002)

activities that were considered training under JTPA are considered "intensive services" under WIA.

For example, internships and work experience activities, classified as intensive services under WIA, were formerly reported under JTPA as training. Work experience was offered in Arizona as an intensive service for some participants. Arizona reported about 3 percent of WIA participants served (140 of 5,050) were involved in work experience in PY 2000.

Although we found little of this activity in the states we visited, service activities formerly identified as training may play a bigger role in the service delivery strategies of other states.

Finally, some Federal and state officials attributed a portion of the decline in training to competition from other recently enacted social assistance programs. Cited were appropriations made for other Labor funded programs that emerged in the late 1990s, such as WtW, and funds provided for similar purposes by other Federal agencies, such as TANF<sup>7</sup> grants. They believe the TANF program served some participants who would have otherwise looked to the WIA program for assistance.

However TANF and WtW programs were active during the later years of the JTPA program. Consequently, the impact of TANF and WtW programs should have also been reflected in reductions to JTPA participant training figures to some degree.

***Many States  
Struggled With Training  
Providers' Eligibility***

Several of the states we visited have experienced difficulty in applying WIA's complex procedures for determining providers' eligibility. As a consequence, many states have asked for waivers of the requirements. In addition, program operators and training providers expressed concern that some of WIA's provisions may be limiting participants' training choices by discouraging providers from training WIA participants.

<sup>7</sup> TANF is administered by the U. S. Department of Health and Human Services. The Balanced Budget Act of 1997 amended certain TANF provisions of the Social Security Act and authorized the Secretary of Labor to provide WtW grants to states and local communities for transitional employment assistance, to move the hard-to-employ TANF recipients to unsubsidized jobs and self-sufficiency.

**Eligibility determination procedures applied to WIA training providers are complex.** WIA's provisions that were established to provide participants with information useful in choosing a training provider also impose eligibility requirements on providers who wish to serve WIA-funded Adult or DW program participants.

Section 122 of WIA and Labor's implementing regulations at 20 CFR Section 663.540, identify procedures for establishing training providers' initial and subsequent eligibility to serve WIA participants. Training providers applying for placement on the ETP list must agree to submit performance and cost data on their programs. Data submitted by training providers is used to determine if established program performance levels have been met, as a condition for providers remaining eligible in the subsequent year.

ETP performance data also provides participants with information to make informed choices in selecting programs and vendors. Local workforce boards are to review providers' applications and submit those they have approved to the state. The state is to check the performance data, create a consolidated statewide "consumer report" that includes each eligible provider's performance and cost data, and make it available to each local area. Consequently it is critical that ETP performance data be available in a timely manner for use by participants in selecting a training provider.

Performance information is required for all students served by a program, including WIA-funded students. Outcomes to be reported for all students include: (1) the percentage of those who completed training; (2) the percentage who obtained unsubsidized employment; and (3) their wages at placement.

In addition, performance information is required to be reported for WIA-funded participants, including: (1) the percentage who completed training and obtained unsubsidized employment; (2) the percentage who completed training and were in unsubsidized employment 6 months after placement; (3) the wages of those who completed training (determined 6 months after their employment began); and (4) where appropriate, the percentage of participants who obtained a degree, certification, license or other expected achievement.

Table 3 summarizes the WIA program performance measures established for WIA-funded students and other students served by an ETP.



Table 3

REQUIRED PROGRAM PERFORMANCE MEASURES FOR SUBSEQUENT ETP DETERMINATIONS	
WIA-Funded Students	All Students
Employment Rate of Completers	Program Completion Rate
Employment Retention Rate - 6 mos. After Start of Employment	Employment Rate of Completers
Completers' Wages - 6 Mos. After Start of Employment	Wages at Job Placement
Rate of Licensures, Certificates or Degrees (where appropriate)	

According to the Act, applicants who submit information required by a local board are automatically eligible, if they are postsecondary educational institutions that offer degree or certification programs and are eligible for funds under the Higher Education Act.<sup>8</sup> The Act allowed states up to 18 months to complete their initial eligibility determination of training providers.

Of the six states in our audit, Arizona and Texas chose 12 months to complete this process, while Delaware, Florida, Mississippi, and Ohio chose 18 months. Regardless of the time period chosen, all states were required to complete this process by December 1, 2001. However, as we later discuss, many states have requested waivers extending this deadline.

Other providers may be required to provide cost and student outcomes information (exclusive of new programs) that demonstrates they have met established performance levels. Once the initial eligibility period has lapsed, subsequent eligibility determinations are applied to all training providers who wish to remain on a state's ETP list.

**ETP requirements have not been fully implemented in most states we visited.** Five of the six states we visited have petitioned ETA for waivers of certain ETP

<sup>8</sup> Generally, the definition encompasses most colleges, universities, and vocational and technical schools. Also excused from initial eligibility determinations are entities providing approved apprenticeship programs under the National Apprenticeship Act and new providers not offering training at the time they applied for initial eligibility.

provisions, or have requested additional time to implement the requirements. Specifically:

- Arizona requested time to create a process for developing training materials, conducting statewide training sessions, and ensuring communication of its internet-based ETP application system.
- Florida's first year performance data did not contain statistically valid numbers for the State to establish performance measures. Therefore, the State did not have appropriate information to make thoughtful decisions about which training providers should be certified. Florida indicated an additional year of performance data was necessary to effectively implement the ETP performance measurement process. At the time we completed our fieldwork, the State had not established performance levels for its ETPs.
- Ohio's system for processing training providers' performance data has not been established. The initial system was not able to collect the data needed to evaluate training providers' performance. A new State system was under development, but was not in place by the time we had completed our fieldwork. Ohio applied for a waiver to improve WIA performance information and increase the accountability of training providers in determining subsequent eligibility.
- Mississippi's One-Stop centers completed WIA intake forms and maintained a manual system for ETP performance. The State realized the data was incomplete and inaccurate after it ran the first quarterly performance report. Mississippi requested additional time for the State, workforce boards and training providers to collaborate and coordinate systems, review alternative sources of data, compile the required data and complete a variety of activities associated with performance measurement.
- Texas filed a recent waiver (approved January 3, 2003) requesting an extension of the initial training provider eligibility by waiving the 18-month subsequent eligibility determination.

The status of implementation in the states we visited mirrors what has been reported nationally, as many states did not have procedures in place for determining ETPs subsequent eligibility. In February 2002, ETA acknowledged the problems associated with collecting required performance data needed to evaluate training providers. In a letter to the states, ETA advised:

Many states have cited difficulty fully implementing the eligible training provider programs under WIA. While most provisions relating to the eligibility of providers are excluded from waiver authority, we interpret WIA waiver authority to permit the waiver of administrative requirements associated with eligible training provider determination. For example, we believe authority exists to extend the time limitation on the period of initial eligibility through a waiver of 20 CFR 663.530.

As of March 5, 2003, 27 states had requested a total of 31 waivers requesting exclusion from some provider eligibility provision or requested additional time to implement the requirements. Of the 31 waiver requests, 22 had been approved, 6 were under consideration for approval by ETA, and the remaining 3 waivers were denied, withdrawn, or other action taken. See Attachment E for a listing of the waivers and a brief discussion of each.

**Program officials believe performance reporting requirements threaten training providers' willingness to serve WIA participants.** In the states we visited, many WIA program administrators and training providers shared concerns that ETP reporting requirements, which are intended to help ensure the integrity and effectiveness of training programs, may be limiting participants' training alternatives by discouraging training providers from serving WIA participants.

The chief complaint was data that providers must gather to satisfy reporting requirements, involved students' activities. As previously mentioned, the Act and its implementing regulations, require WIA training providers to annually submit verifiable program completion, job placement, and wage data for all students in a training program. Consequently, a training provider with just one WIA-funded participant in a class must also collect and submit specific data on all of the WIA participant's classmates.

Many state and local program officials expressed dissatisfaction with the requirements. In discussing the ETP reporting requirements, a Texas program official indicated:

While we understand the logic behind the requirements to report on the "all" student population, this requirement creates a tremendous burden for many training providers and ultimately does not serve our customers well.

The Texas official's comments were echoed by several other state and local program administrators in other states we visited. Program officials indicate some training

providers are unwilling to invest the additional effort and expense of gathering the information on all participants, especially when WIA participants represent a minority of the students in a class.<sup>9</sup>

Arizona officials indicated they lost two major providers that served participants from the City of Phoenix WIB. However, the WIB was able to replace these providers with what appeared to be other major providers. Also, according to an official at this Board, some providers restrict the number of programs they are willing to offer WIA participants, because additional offerings add to providers' burdens of reporting data on both WIA participants and other students enrolled in the program.

Access to existing educational structures and facilities is a linchpin in WIA's objectives of improving participants' alternatives and offering better training. Consequently, program officials' concerns that some locally-based community colleges and vocational schools were among the most disenchanted with WIA reporting requirements are particularly disturbing. Mississippi officials indicated attracting training providers had not initially been a problem, as community colleges provide more than 80 percent of WIA training; however, their continued participation may be at issue. A Mississippi program officials commented:

I do think that both [the ITA and ETP] systems have been difficult to implement, and have had some negative consequences. The largest single problem is the [WIA] requirement that performance data be collected for all participants, not just those in WIA. This is a tremendous burden for our state's community and junior college system, and is so impractical that in the future they may choose to not serve WIA participants.

**Training providers also expressed frustration with reporting requirements.** As with state and local program officials, training providers frequently voiced concern about WIA reporting requirements. Overall, 43 percent of training providers we interviewed (50 of 116) characterized WIA's data collection and reporting requirements as burdensome. Colleges, universities and public vocational schools comprised 60 percent of the providers (30 of 50) who had grievances.

Frustration with the requirements was expressed in a letter prepared by a community college in Ohio, dated March 1, 2002. The College had over 20,000

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<sup>9</sup> Similar concerns were expressed in the GAO report that addressed WIA implementation issues. GAO, "Workforce Investment Act Better Guidance Needed to Address Concerns Over New Requirements" (GAO-02-72, October 2001)

students enrolled in classes each quarter, of which 185 were identified as WIA-funded participants. According to a college administrator:

We are both confused on some issues and concerned that we will not be able to provide some data. This could potentially lead to being removed as an Eligible Training Provider. . . .

The letter discussed a variety of concerns, including standards for judging training programs' effectiveness, when small numbers of WIA students are enrolled. The author discussed the possibility of having two WIA-funded participants in a technology program, one of whom failed to complete the curriculum. The program would not meet the established performance completion threshold of 75 percent and would risk being dropped from ETP status. According to the letter, "Clearly, programs with small enrollments of WIA participants are problematic."

Also of concern is the proportion of rural providers disenchanted with WIA reporting requirements. Forty-two percent (21 of 50) of the providers who felt reporting requirements were burdensome, served rural areas. The states we visited typically had several providers operating programs in an urban area. However, in many rural areas, WIA participants had significantly fewer training alternatives. If rural providers are discouraged from WIA participation in areas with few training alternatives, the impact on participants may not be just a reduction in training choices, but the loss of any training options.

**Local reporting requirements also contribute to reporting burdens.** Training providers may be required to comply with locally established performance standards and submit performance reports to numerous WIBs. We identified instances in which local WIA reporting requirements substantially increased burdens on providers who served several boards.

We obtained comments from one Texas provider who serves students in several workforce boards' jurisdictions. Each board negotiates performance standards with the training provider, and the training provider is required to report performance data to each. Consequently, the provider indicated for WIA programs alone, he must annually submit 87 reports on performance outcomes.

A Texas program official defended the practice by indicating;

The intent of WIA is that providers apply to the Board(s) for the area(s) in which they wish to offer services. Each Board has the right under law to annually specify their local application and reporting requirements, which may include requirements that exceed the State's minimum requirements.

While the agreements may provide local boards with the flexibility of establishing standards that satisfy local needs, they may also discourage training providers from participating in the WIA program. However, we believe providers should have other options available to them that would lessen the burden of submitting performance reports to multiple boards.

**Difficulties in gathering participant follow-up data and concerns over disclosure restrictions are continuing issues.** As previously discussed, ETPs are responsible for providing verifiable student performance information to the states. Some states utilize systems already in place to gather ETP performance data, such as those that state educational agencies maintain for purposes of accreditation.

Other states offer ETPs assistance by matching student information with Unemployment Insurance (UI) wage history files, in order to help them obtain required performance information. However, states' UI wage files often do not contain complete information on all individuals who are employed. Typically absent are the wages of workers who have moved out of state, are self-employed, independent contractors, employed by the Federal Government, are military personnel or Postal workers.

Further, there are significant time lags, often of 6 months or more, in the availability of UI wage data. Consequently, personal contacts with students are often required, in order to obtain accurate timely performance data for determining ETPs' eligibility, as well as for participants' use in consumer reports.

Also, some program administrators' and training providers' apprehensions continue over liability related to participant information gathered for ETP reporting. Some are concerned that procedures for collecting participant information necessary to determine program performance violates FERPA. FERPA intends to protect information from improper disclosure by prohibiting educational institutions, with certain exceptions, from disclosing personal identifying information contained in a student's records, without prior written consent.

ETPs are reluctant to disclose students' identifying information, such as Social Security Numbers (SSN), necessary to match state's UI wage files for performance reporting purposes. Students' SSNs are "personal identifying information," within the meaning of FERPA. Consequently, some providers and states are wary of using the data and risking potential lawsuits for violating participants' rights.

Because of longstanding concerns over violating FERPA provisions in satisfying WIA reporting requirements, the Departments of Labor and Education issued a joint memorandum dated January 19, 2001. The memorandum provides a protocol for

collecting the data and offers assurances data can be released on WIA-funded participants and other students, without violating FERPA.<sup>10</sup> However, training providers and state agencies remain cautious about the use of student's SSNs and other identifying data, despite the memorandum. In a July 2002 letter, the Texas Workforce Commission indicated confusion and disagreement continue among government agencies. According to the correspondence:

The Texas Higher Education Coordinating Board (THECB), with the direction of the U.S. Department of Education (DOE), has taken the position that as an educational agency, it has no authority to release individual student information without individual waivers signed by the students. The position has been taken despite the joint letter from DOE and the U.S. Department of Labor (DOL) regarding the release of individual student information and WIA. The Agency has reached a compromise with THECB to obtain aggregate information.

Some states, such as Arizona, have responded to the uncertainty by limiting providers' reporting requirements to programs that have more than an established number of participants. The policy is described in a letter from Arizona to a local workforce board.

As you may be aware when training providers submit student data to re-certify their training programs to the Eligible Training Provider List (ETPL) they *do not* have to submit such data for any training program having a student universe of five (5) or fewer students. This policy is intended to protect the privacy of individual students, as required under the Workforce Investment Act [Section 136(f)(3)] and the General Education Provisions Act [20 USC 1232g, Section 444] added by the Family Education Rights and Privacy Act (FERPA) of 1974. The state's criterion requiring a student universe greater than five (5) students helps to ensure that each student's personal data, such as student's wages, will not be compromised.

However, Arizona's policy is inconsistent with WIA program regulations at 20 CFR 663.540 (a)(1)(i), which requires ETPs to report performance data on all students in the training program.

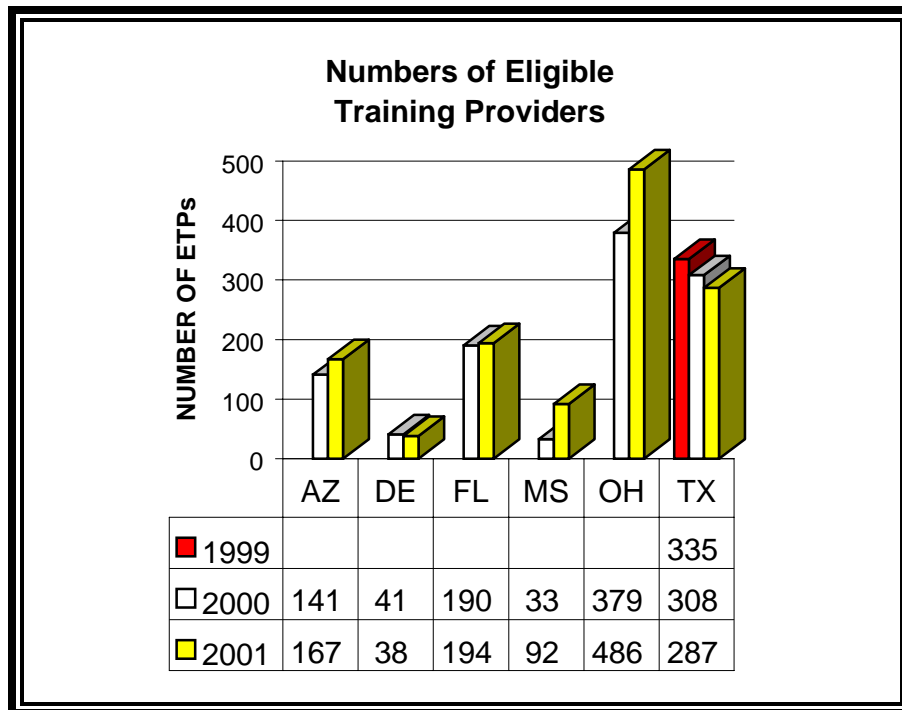
<sup>10</sup> ETA developed a draft guide offering suggestions for possible solutions titled "Technical Assistance Guide, Addressing Subsequent Eligibility Implementation Issues," dated March 25, 2002.

**The loss of training providers and programs was most evident in Texas.** Despite significant dissatisfaction over the reporting requirements by the program officials and training providers we visited, only program data from Texas indicate reductions in both the numbers of eligible training providers and available training programs, from inception of the WIA program through PY 2001. See Attachment F for a table of numbers of approved programs in each state.

Texas' data indicates a drop of 14 percent in the numbers of WIA training providers, from PY 1999 to PY 2001,<sup>11</sup> and Delaware experienced a 7 percent reduction between PY 2000 and PY 2001. However, as Figure 5 illustrates, the numbers of eligible training providers in the remaining states increased between PY 2000 and PY 2001.

Texas also was the only State for which data was available that offered fewer training programs. From PY 1999 to PY 2001, the number of available training programs declined by 54 percent (from 7,666 to 3,539). However, as shown in Figure 6, most of the remaining states, where information was available, reported gains in the number of available programs.<sup>12</sup>

Figure 5

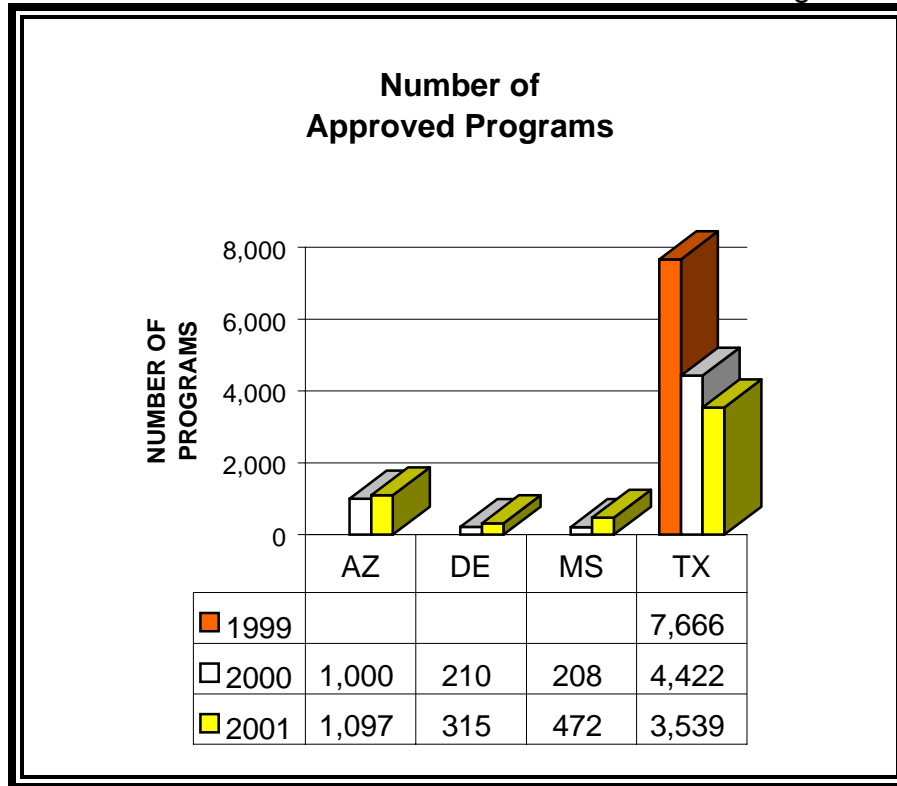


<sup>11</sup> Texas implemented WIA early, because data were available for PY 1999, we have included it.

<sup>12</sup> Information was not available in the States of Florida or Ohio to compare the number of approved programs.



Figure 6



The number of training providers and programs operated under JTPA were not available and we were unable to determine if the numbers of WIA providers had declined from those available to serve JTPA participants. However, Texas lost 48 providers and 4,127 approved WIA programs between PY 1999 and PY 2001. Texas officials attributed the sharp declines to ETP reporting requirements and the realization that many WIA training programs initially proposed were not needed.

Reporting requirements were one of several factors that led to the decreased number of certified programs. In other cases, providers opted to apply to fewer Boards and/or to seek recertification for fewer programs that were perceived as being in greater demand by WIA-supported clients.

Declines in the numbers of providers and programs Texas reported agrees with program operators' and training providers' assessments in the states we visited, but

it conflicts with other states' data. The declines seems to be more a reflection of the Texas WIA program's maturity, than an indication that the ETP reporting requirements impact was limited to the State of Texas.

Texas implemented WIA early, in PY 1999. Mississippi and Ohio had large increases in WIA providers or programs from PY 2000 to 2001. However, they began WIA operations in PY 2000, and were among the states that were slow in implementing WIA. They also reported spending the smallest proportion of their PY 2000 WIA available funds. States slow in implementing WIA and its ETP requirements should also have had fewer approved training providers in their initial year of operation.

***Restrictions Imposed by  
Local Boards May Affect  
the Quality of Training***

WIA allows state and local boards the flexibility of determining limitations on ITAs. ITAs represent significant investments in participants' training. None of the sites we visited provided cash payments, credit cards or

debit cards to participants for the purpose of securing training from a provider. Usually, a case manager approved an ITA after the caseworker had referred the participant to training. Participants were provided vouchers and presented them to training providers, thus indicating the local boards approval to pay for a participant's training.

Once vouchers were submitted, payments were usually made directly to the provider, in accordance with the provider's normal billing cycle or after the participant had completed training. States usually redistributed ITA balances to the appropriate program after participants left training, so the funds could be used for other program purposes.

There was much variation on the limitations applied to participants' ITAs in the States and localities we visited, as Table 4 indicates. Limitations established for ITAs at local boards visited ranged from a low of \$3,500 to a high of \$14,000, over a 2-year period.

The majority of officials we interviewed believed WIA funding was adequate, and that dollar and duration limitations established for WIA programs were reasonable. However, Delaware officials cited the increased costs of providing WIA training through ITAs as one cause of shortages.

We also interviewed 116 training providers associated with the WIA program in PY 2000 and obtained their views on whether established ITA funding and time limitations were adequate to train participants. Overall, 69 percent (80) of the

providers indicated that dollar and time limitations were sufficient to complete the programs they offered. Also, 62 percent believed the use of ITAs to finance

Table 4

LOCAL WORKFORCE INVESTMENT BOARD RESTRICTIONS ON ITAS			
State	WIB	Dollar Limit	Time Limit
Arizona	City of Phoenix	\$4,000	2 years
	Gila Pinal	None <sup>13</sup> (Adult) \$6,000 (DWs)	
Delaware	Delaware WIB	\$8,200	2 years <sup>14</sup>
Florida	Panama City	\$6,000	None
	Chipola	\$5,000	2 years
Mississippi	Hinds County	\$3,500	None
	S. Central MS	\$6,500	
Ohio	Montgomery County	\$10,000 (Adult) \$14,000 (DWs)	2 years
	Stark/Tuscarawas Counties	None <sup>15</sup>	None
Texas	WorkSource	\$10,000	None
	Heart of Texas	\$ 5,000	2 years

participant costs was more effective than procuring contracts for the exclusive training of program participants; a method more commonly used under JTPA.

However, 37 percent of providers we interviewed (43 of 116) told us they had modified program fees or course structures because of dollar or time restrictions on ITAs. With the exception of Ohio, where only one provider reported changes to accommodate WIA students, the number of providers who modified their existing programs ranged from 7 to 11 in the remaining states. Typically, they reduced the duration of the training and course content, or segmented programs so participants with ITA-related restrictions could attend.

<sup>13</sup> No dollar limitation has been established, however, no participant we sampled had an ITA that exceeded \$4,000.

<sup>14</sup> Part-time students were allowed 3 years to complete training. The maximum allowed for training, in PY 2000, was \$4,700. The amount was reduced to \$3,500 in PY 2001.

<sup>15</sup> No participant in our Stark/Tuscarawas sample had an ITA exceeding \$4,000 or 2-year's duration.

Some providers believed limitations had affected the quality of training provided WIA participants. To illustrate:

- A Mississippi provider altered an existing program into a three-stage curriculum, with basic, intermediate and advanced levels. This allowed WIA students to advance to the next affordable level of the program and participants received a certificate upon completion of each component of the program. However, the provider was concerned about students who did not complete the entire program and adequately master all necessary skills. The provider also worried the alterations might affect its reputation, particularly with WIA participants' future employers.
- A Texas provider stated they had to shorten the amount of class time for an existing course to accommodate limitations on WIA students. The provider believed that WIA students were not as well prepared upon their graduation as classmates in the unaltered program.

Other providers indicated they gave WIA participants' discounts on tuition charged to the public, in order to allow them to receive training. For example, a proprietary training contractor in Delaware stated it adjusted its fees to accommodate WIA students by reducing the amount billed WIA students for its course of study from \$5,000 to \$3,500. Public institutions also provided WIA students with discounts to satisfy funding caps. The University of Delaware reduced course costs for WIA students from \$4,500 to \$3,500, in response to the Board's reduction of the ITA cap to \$3,500.

## **CONCLUSIONS**

As WIA is approaching the end of its 5-year authorization period, it is still a work-in-progress. Many of the problems we have discussed in this report are persistent concerns also reported by other groups in past studies. ETA is attempting to help develop solutions. Its efforts include:

- Demonstration Grants, awarded in PY 2000, to help participating states and localities better manage ITA and ETP systems.
- An experimental study in six states evaluating approaches with the intention of providing other localities with best practices for managing ITA and ETP systems. Final results are not expected until 2005.
- An Eligible Training Provider List Work Group to developed guidance to assist program operators in overcoming commonly encountered obstacles to implementing ETP subsequent eligibility determinations.

Some states have made significant progress in implementing WIA's provisions. However, other states' progress has been slow. While ETA can provide better guidance and oversight to help ensure problems are remedied, we also believe some of the most persistent and significant problems will not be adequately resolved without legislative action. For example, training providers' and programs administrators' concerns about violating FERPA's privacy requirements could be put to rest with a legislated exception.

We also believe the means prescribed to achieve the WIA's programs' objectives should also be reexamined. WIA's training provisions have proven difficult to implement. The desire to ensure participants have information with which to make informed decisions on the selection of training providers should be weighed against the loss of choices participants may face because some providers are unwilling to comply with WIA's performance reporting requirements. It is unfortunate if WIA participants are denied access to training, particularly training available through existing publicly supported institutions, because the schools are unwilling to serve them.

Recently, the Secretary has proposed a variety of legislative changes to WIA, that would address several of the most significant concerns this audit and other evaluations have identified. Among them are streamlining administrative requirements by combining the WIA Adult, WIA DW and Wagner-Peyser funding into a single formula program, and allowing greater flexibility in shifting monies among the Adult and DW programs.

The Secretary also proposes eliminating the "sequence of service" requirements; individuals would be allowed access to services and training without Federally mandated prerequisites. In addition, states would be given the authority to determine what standards, information and data was required to determine training providers' eligibility.

## **RECOMMENDATIONS**

We recommend the Assistant Secretary for Employment and Training implement recommendations for changes and improvements in the ITA and ETP processes that can be accomplished without legislative or regulatory changes. Where congressional action is required, we recommend that the Assistant Secretary solicit the Secretary's assistance in encouraging the Congress to enact appropriate legislative changes. Specifically:

- Seek support for changes in WIA's provisions that will encourage service providers' participation without compromising the quality of training. Alternatives may include exempting training providers from subsequent eligibility determinations if they currently qualify for initial exemptions under WIA's provisions, and if their programs are accredited by a recognized authority. Programs of proprietary training providers could also be considered for exemption, if they are accredited.
- Endorse changes in WIA's provisions that reduce the performance reporting burden on providers, such as requirements that training providers report data on all students in a program.
- Encourage state and local governments to implement procedures that streamline reporting requirements for training providers, such as centralizing reporting of those providers serving multiple boards.
- Support amendments to FERPA or to WIA, as appropriate, that will eliminate uncertainty regarding liability for the release and allow for the use of participants' personal identifying information for WIA performance reporting purposes.
- Encourage state governments to periodically review course structures to ensure restrictions and limits imposed on training providers do not jeopardize the quality of courses offered

## **ETA'S RESPONSE TO THE DRAFT AUDIT REPORT**

ETA agrees with our findings, and indicates they are consistent with many of the problems identified in its own evaluations and other studies. ETA also commented that it supports legislative proposals now being considered by the Congress that would change WIA's provisions to address many of the problems we have discussed. (See the complete text of ETA's response at Appendix 2).

As discussed in the Draft report, ETA reiterated that the declines in training identified in the report, might be partially attributable to differences in the definitions of training in the WIA and JTPA programs and the increased cost of training participants under WIA

ETA also believes that the waivers the Secretary has granted under her current authority, have provided states with much needed flexibility. The comments also identify four legislative initiatives ETA views as critical to WIA reform. They include consolidation of funding streams, increased coordination with other service delivery agencies, elimination of confusion over WIA's sequence of service provisions and elimination of Federally-mandated ETP reporting requirements.

## **ANALYSIS OF ETA'S RESPONSE**

Both OIG and ETA agree that systemic problems exist in some of WIA's provisions. Among the most severe are burdensome reporting requirements and inconsistencies in interpretations of WIA's sequence of services criteria.

We believe proposed legislative changes should help states and localities administer WIA programs. ETA should clarify any existing misinterpretation as to when training may be offered to eligible individuals, if the proposed legislation is not enacted. We also believe a continual monitoring of participants' training is essential to ensure adequate training options remain available to WIA participants.



**ATTACHMENT A**

**DEMOGRAPHICS OF WIA PARTICIPANTS SERVED AND TRAINED  
IN SELECTED STATES  
PY 2000**

Attribute	Arizona		Delaware		Florida		Mississippi		Ohio		Texas		Totals	
	Partic.	Trainees	Partic.	Trainees	Partic.	Trainees	Partic.	Trainees	Partic.	Trainees	Partic.	Trainees	Partic.	Trainees
<b>Total Participants</b>	5,050	1,742	803	586	37,522	23,589	1,972	1,093	7,453	2,798	41,651	18,919	94,451	48,727
Percentage		34.5%		73.0%		62.9%		55.4%		37.5%		45.4%		51.6%
<b>Disabled</b>	299	92	78	62	1,615	979	327	188	221	153	1,170	524	3,710	1,998
Percentage	5.9%	30.8%	9.7%	79.5%	4.3%	60.6%	18.9%	50.5%	3.0%	69.2%	2.8%	44.8%	3.9%	53.9%
<b>Minorities</b>	3,002	1,011	433	309	22,728	12,847	1,361	817	2,185	1,602	28,687	13,401	58,396	29,987
Percentage	59.4%	33.7%	53.9%	71.4%	60.6%	56.5%	69.0%	60.0%	29.3%	73.3%	68.9%	46.7%	61.8%	51.4%
<b>Females</b>	3,169	1,233	665	462	21,368	13,253	820	674	3,683	2,706	25,670	11,515	55,375	29,843
Percentage	62.8%	38.9%	82.8%	69.5%	56.9%	62.0%	41.6%	82.2%	49.4%	73.5%	61.6%	44.9%	58.6%	53.9%
<b>&lt;12th Grade</b>	1,348	354	84	79	7,254	4,172	273	132	432	342	7,166	1,794	16,557	6,873
Percentage	26.7%	26.3%	10.5%	94.0%	19.3%	57.5%	13.8%	48.4%	5.8%	79.2%	17.2%	25.0%	17.5%	41.5%
<b>* Poverty</b>	1,651	808	784	578	18,208	10,378	1,136	705	3,003	2,502	25,680	12,917	50,462	27,888
Percentage	32.7%	48.9%	97.6%	73.7%	48.5%	57.0%	57.6%	62.1%	40.3%	83.3%	61.7%	50.3%	53.4%	55.3%
<b>40+ Years</b>	2,247	813	214	151	16,404	10,227	405	179	3,486	2,260	15,467	5,222	38,223	18,852
Percentage	44.5%	36.2%	26.7%	70.6%	43.7%	62.3%	20.5%	44.2%	46.8%	64.8%	37.1%	33.8%	40.5%	49.3%

\* Includes poverty level participants or persons who met the 70% Lower Living Standard Income Level (LLSIL)

## **ATTACHMENT B**

### **DISCUSSION OF THE METHODOLOGY USED TO COMPARE JTPA AND WIA PARTICIPANTS SERVED AND TRAINED**

We wanted to compare the numbers of JTPA participants served and trained with similar data for the WIA program, to determine if significant increases or decreases had occurred. However, compatible data were not available.

We have attempted to estimate the numbers, in the states we visited. However, for a variety of reasons, the numbers of participants we have identified as "served" and "trained" in the WIA and JTPA programs are not wholly compatible and are not intended as accurate counts. Rather, they are rough estimates that may provide an indication of overall trends toward increases or decreases. Our methodology follows.

JTPA participants' data were obtained from SPIR, JTPA's national database, for PY 1998. PY 1998 JTPA data were chosen because it was the last full year of JTPA activity for all states, including those states that were early implementers of WIA, in PY 1999. PY 2000 WIA data were used because it was the only complete year of data available to us for all states we visited.

The SPIR only captures data on participants that terminated from JTPA programs. We have counted as the number served JTPA participants that terminated from programs during PY 1998. The number of JTPA participants counted as trained includes JTPA program participants who were identified in the SPIR as having been trained (and terminated) during PY 1998.

We obtained data from each of the states management information systems on the numbers of active WIA participants during PY 2000, and reduced it by the numbers of JTPA participants "carried in" and included in some states' totals. We have identified this count as WIA participants served. The numbers of WIA participants trained was computed using each state's data on the numbers of participants enrolled in training. As before, we reduced this count by the number of JTPA participants carried in.

According to ETA representatives, a decline in WIA enrollments was expected, because WIA does not require all persons to enroll in the program before receiving basic services, as was the case under JTPA. Typically, only participants who receive staff-assisted core services are required to register.

## **ATTACHMENT B**

One-Stop centers offer self-directed help to individuals, often without registration. State One-Stop operators, such as State Employment Security Agencies (SESAs) accustomed to funding basic labor exchange activities with Wagner-Peyser grant funds, tend to provide WIA core and intensive services to individuals and give credit for enrollment to programs other than WIA.

Boards we visited in both Delaware and Mississippi contracted with the SESA that serve as One-Stop operators. Both States relied on Wagner-Peyser funds to pay for nearly all WIA core or core and intensive services. Consequently, individuals served with Wagner-Peyser funds who received core and intensive services, may not have been reported as WIA enrollments.

In contrast, Arizona officials explained their one-stop centers capture participants as WIA enrollments early in the registration process. As soon as a participant receives staff assistance at a one-stop center, an enrollment code is entered for the individual. Thus, more individuals are counted as WIA enrollments.

Mississippi officials reported they are making changes to their reporting systems that should increase the number of individuals reported as WIA enrollments when any service is provided that requires significant staff assistance.

**AVAILABLE FUNDS AND EXPENDITURES  
WIA ADULT PROGRAM**

**PROGRAM YEAR 2000**

	<b>AVAILABLE FUNDS</b>	<b>EXPENDITURES</b>	<b>PERCENTAGE OF EXPENDITURES TO AVAILABLE FUNDS</b>
<b>NATIONAL</b>	\$1,288,150,374	\$741,963,220	58%
<b>ARIZONA</b>	17,100,697	10,769,110	63%
<b>DELAWARE</b>	3,091,318	2,460,369	80%
<b>FLORIDA</b>	57,262,704	42,644,369	74%
<b>MISSISSIPPI</b>	13,816,004	6,223,418	45%
<b>OHIO</b>	50,333,593	18,501,413	37%
<b>TEXAS</b>	109,248,342	77,045,425	70%

**PROGRAM YEAR 2001**

	<b>AVAILABLE FUNDS</b>	<b>EXPENDITURES</b>	<b>PERCENTAGE OF EXPENDITURES TO AVAILABLE FUNDS</b>
<b>NATIONAL</b>	\$1,540,574,077	\$1,052,453,491	63%
<b>ARIZONA</b>	22,627,053	16,953,539	75%
<b>DELAWARE</b>	3,000,012	2,700,607	90%
<b>FLORIDA</b>	53,750,232	37,817,894	70%
<b>MISSISSIPPI</b>	22,641,305	12,754,063	56%
<b>OHIO</b>	76,513,647	46,865,800	61%
<b>TEXAS</b>	121,259,004	81,967,935	68%

**AVAILABLE FUNDS AND EXPENDITURES  
WIA DISLOCATED WORKER PROGRAM**

**PROGRAM YEAR 2000**

	<b>AVAILABLE FUNDS</b>	<b>EXPENDITURES</b>	<b>PERCENTAGE OF EXPENDITURES TO AVAILABLE FUNDS</b>
<b>NATIONAL</b>	\$1,551,485,641	\$769,180,286	50%
<b>ARIZONA</b>	12,841,492	6,440,351	50%
<b>DELAWARE</b>	2,192,931	1,705,386	78%
<b>FLORIDA</b>	63,218,700	43,770,716	69%
<b>MISSISSIPPI</b>	16,057,678	5,846,077	36%
<b>OHIO</b>	34,989,155	14,471,211	41%
<b>TEXAS</b>	99,332,308	61,163,615	62%

**PROGRAM YEAR 2001**

	<b>AVAILABLE FUNDS</b>	<b>EXPENDITURES</b>	<b>PERCENTAGE OF EXPENDITURES TO AVAILABLE FUNDS</b>
<b>NATIONAL</b>	\$1,991,541,273	\$1,123,733,835	59%
<b>ARIZONA</b>	17,592,485	10,899,638	62%
<b>DELAWARE</b>	2,603,226	2,072,602	80%
<b>FLORIDA</b>	54,107,508	40,904,255	76%
<b>MISSISSIPPI</b>	39,164,644	13,505,583	34%
<b>OHIO</b>	52,775,687	28,599,806	54%
<b>TEXAS</b>	95,655,225	68,254,264	71%

## SUMMARY OF WIA WAIVERS AT MARCH 5, 2003

**WAIVER REQUEST:** *To extend initial training provider eligibility by waiving the 18-month subsequent eligibility determination requirement*

STATES	STATUS OF REQUESTS	AMENDED DEADLINE
AL	Approved July 19, 2002	January 1, 2004
AZ	Decision Pending	
CT	Approved September 12, 2002	
IA	Approved October 8, 2002	
ID	Approved July 19, 2002	June 30, 2004
IN	Approved January 21, 2003	
KY	Approved April 17, 2002	January 1, 2004
ME	Decision Pending	
MA	Approved October 8, 2002	
MN	Approved February 15, 2002	January 1, 2003
MT	Approved June 21, 2002	June 30, 2004
NC	Approved July 19, 2002	June 30, 2004
ND	Decision Pending	
NJ	Approved October 8, 2002	
NM	Approved January 21, 2003	
OH	Approved July 19, 2002	January 1, 2004
OR	Approved April 1, 2002	June 30, 2004
SC	Approved June 21, 2002	June 30, 2004
TN	Approved June 21, 2002	January 1, 2003
TX	Approved January 3, 2003	
WI	Approved February 15, 2002	January 1, 2004
UT	Approved October 8, 2002	

**WAIVER REQUEST:** *To waive eligible training provider provisions for 1 year*

STATES	STATUS OF REQUESTS	AMENDED DEADLINE
FL	Decision Pending	January 1, 2004
ME	Request withdrawn by State July 24, 2000	
MS	Approved July 19, 2002	June 30, 2003

**WAIVER REQUEST:** *To waive the "all-student" reporting requirements for subsequent eligibility determination*

STATES	STATUS OF REQUESTS
HI	Instead, an extension of the initial period of provider eligibility was approved by waiving the 18-month requirement for subsequent eligibility
VT	

**WAIVER REQUEST:** *To waive various performance standards for provider eligibility*

STATES	PERFORMANCE STANDARDS	STATUS
HI	State-level verification of local performance	Decision Pending
IL	Application of eligible training provider, ITA, and customer choice requirements for set-aside funds to serve incarcerated individuals	Waiver not needed - July 18, 2002
IN	17 core indicators of performance for WIA Title I. Replace them with State-developed system of measures	Not approved. Inconsistent with WIA key reform principles
MN	Retroactively disregard PY 2000 performance standards and credential rates	Decision Pending

**ATTACHMENT F**

**NUMBERS OF ELIGIBLE TRAINING PROVIDERS  
AND APPROVED PROGRAMS  
PY 2000 AND PY 2001**

	<b>Number of Boards</b>	<b>Number of <u>ETPs</u></b>		<b>Number of Approved Programs</b>	
		<b>PY 2000</b>	<b>PY 2001</b>	<b>PY 2000</b>	<b>PY 2001</b>
<b>ARIZONA</b>	16	141	167	1,000	1,097
<b>DELAWARE</b>	1	41	38	210	315
<b>FLORIDA ***</b>	24	190	194	1,730	* Not Available
<b>MISSISSIPPI</b>	6	33	92	208	472
<b>OHIO</b>	8	379	486	** Not Available	4,657
<b>TEXAS ***</b>	28	308	287	4,422	3,539

\* Florida was unable to provide the total number ETPs for PY 2001, but reportedly lost no ETPs since PY 2000.

\*\* Ohio did not track the number of ETPs during PY 2000.

\*\*\*Florida and Texas implemented WIA in PY1999. Texas reported 335 ETPs and 7,666 approved programs. Florida was unable to provide the number of ETPs and approved programs for PY 1999.

## APPENDIX 1

### OBJECTIVE, SCOPE AND METHODOLOGY

#### Objective

Our objective was to determine the impact of WIA training provisions on program participants, particularly as related to ITA and ETP systems.

#### Scope and Methodology

To satisfy our audit objective, we reviewed WIA program activities in 6 states and a total of 11 local WIBs, within the states. We attempted to obtain a mix of states in various geographic areas with a wide variety of characteristics, including: states with large populations involving many WIBs and those with small populations and few WIBs; states with big urban metropolitan centers and those that were more rural; and states that implemented WIA in PY 1999 and those that did not implement WIA until PY 2000. We performed additional work at selected WIBs in order to complete our objectives. The states and WIBs we selected are presented on the following page of this APPENDIX.

Our audit focused on Adult and DW program activities that occurred in PY 2000, (July 1, 2000 through June 30, 2001). States had the option of implementing WIA provisions beginning in PY 1999; however, all states were required to implement the provisions for PY 2000. Both Florida and Texas chose to implement WIA early. In comparing activities among the states visited, we focused on PY 2000 data, because it was both the first complete year of WIA activity in the majority of states we visited and the most recent PY for which information was available when we began our work.



## APPENDIX 1

LOCATIONS VISITED		
<u>State</u>	<u>Urban</u>	<u>Rural</u>
Arizona	City of Phoenix	Gila Pinal
Delaware	Delaware Board	n/a*
Florida	Panama City	Chipola
Mississippi	Hinds County	South Central MS
Ohio	Montgomery County	Stark/Tuscarawas Counties
Texas	WorkSource	Heart of Texas
* Delaware has only one Workforce Board that serves the entire State		

We reviewed laws and regulations related to WIA, and procedures established for managing ITAs and ETP certification at state and at local levels. Although this report discusses certain problems that we identified during the course of our audit, we did not review accounting or administrative controls over ITA for the purpose of issuing an opinion on their adequacy.

We obtained the views of program operators and training providers on limitations established for ITAs. Program operators and training providers were interviewed to obtain their views regarding the adequacy of procedures. We also interviewed officials at the state and local boards responsible for administering the ITA and ETP systems.

We reviewed 120 files of participants who received training for compliance with program requirements and assessed the training options provided participants. For another 60 participants who had received only core or core and intensive services, we reviewed program documentation, and where possible, interviewed participants.

We interviewed 20 training providers in 5 of the 6 states selected. We were successful in contacting only 16 training providers in the State of Mississippi. Consequently, we were successful in interviewing 116 training providers on the states' ETP lists and obtained their views on WIA program requirements.

The results of our review of participant files and interviews with training providers are an attempt to identify indicators of problems with the implementation of WIA's ITA and ETP systems. The results we obtained from our samples reflect only rates of occurrence in the items reviewed. The sample results are not intended to be statistically projected to an individual state, across the states visited, or to the Nation.

## APPENDIX 1

We attempted to obtain demographics on WIA Adult and DW program participants from Workforce Investment Act Standardized Record Data (WIASRD), ETA's nationwide system for capturing WIA participant data. We attempted to obtain comparable data for Adult and DW program participants who received training under JTPA during PY 1998, to determine the characteristics of the participants utilizing the program, and to determine changes in the numbers of participants who received training.

Complete information was not available in WIASRD, because all states had not submitted the data. Consequently, we requested each state we visited provide us information on WIA participants, in order to determine WIA's impact on the number of participants who were enrolled and received training. JTPA participants' data was obtained from the PY 1998 JTPA national database, the Standardized Program Information Report (SPIR). We estimated the numbers of WIA and JTPA participants served and trained from this information. For a discussion of limitations on the data and cautions on its use, please see Attachment B of this report.

Our fieldwork began April 2002 and continued through October 2002. The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

**APPENDIX 2**

**THE COMPLETE TEXT OF ETA'S  
RESPONSE TO THE DRAFT AUDIT REPORT**

The entire text of ETA's comments to the draft audit report follows this page.

U.S. Department of Labor

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



MAR 28 2003

MEMORANDUM FOR: ELLIOT P. LEWIS

FROM: EMILY STOVER DeROCCO *Emily Stover DeRocco*

SUBJECT: Implementation of the Workforce Investment Act's Individual Training Account and Eligible Training Provider Provisions in Selected States  
Draft Audit Report No. 04-03-017-03-390

This is in response to the Office of Inspector General's draft audit report on the "Implementation of the Workforce Investment Act's Individual Training Provider Provisions in Selected States," dated March 12, 2003. Thank you for the opportunity to provide you with comments. We are in agreement with this report and, in fact, have already begun, through proposed WIA reauthorization legislation and other means, addressing the issues identified by the OIG.

The objective of the assessment was "to determine the impact of WIA's training provision Eligible Training Provider (ETP) systems on program participants including the use of Individual Training Accounts (ITAs)."

We are pleased with the conclusion that "overall, WIA participants received appropriate assistance and training options." The report also noted that the number of WIA participants trained has declined as compared to JTPA, due to:

1. Slow progress in implementing WIA;
2. Interpretation of WIA as requiring "Work-First;"
3. Availability of service under Welfare-to-Work (WtW), Temporary Assistance for Needy Families (TANF), and other non-WIA programs; and
4. Certain reporting provisions that present challenges that discourage Eligible Training Provider participation.

These findings are consistent with information we have gotten from our own monitoring, evaluations, WIA Readiness Reports and previous GAO studies.

We believe that our current granting of waivers, the proposed Workforce Reinvestment and Adult Education Act of 2003 (H.R. 1261, which is making its way through Congress) and the impending expiration of the Welfare-to-Work program address these issues.

The waivers, which the Secretary has granted under her current authority, have provided states with much needed flexibility in the shifting of funds and with immediate relief from overly burdensome reporting requirements. The proposed reauthorization legislation will institutionalize these changes. Specifically, the Act will:

- Consolidate three funding streams (adults, dislocated workers and the Employment Service) into one streamline service delivery and increase state flexibility and efficiency regarding service provision to workers.
- Increase coordination between TANF and other workforce investment system partners by designating TANF as a One-Stop Career Center mandatory partner and incorporating part of TANF's funding into the One-Stop system infrastructure.



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- Eliminate state misinterpretations of the sequencing of services so that individuals will have the opportunity to receive the services that are most appropriate for their needs, whether they are core, intensive, training or immediate employment.
- Eliminate the federally-imposed Eligible Training Provider reporting provisions which have resulted in many providers declining to participate in the system.

In addition, it should be noted that the declines in training identified in the report may also be partially attributable to:

- The fact that certain types of training that were recognized as "training" under JTPA (especially short-term training) are classified under WIA as an "intensive service," and
- The costs of today's training, funded under WIA, are higher than they were under JTPA.

These factors complicate conclusions made regarding pre- and post-WIA training levels since the data are not completely comparable. Once again, we thank you for the opportunity to comment. Questions may be addressed to Dennis Lieberman (202) 693-3375.

