



December 20, 2005

MEMORANDUM FOR: EMILY STOVER DE ROCCO  
Assistant Secretary for Employment  
and Training

FROM:   
ELLIOT P. LEWIS  
Assistant Inspector General  
for Audit

SUBJECT: Management Letter 06-06-001-03-390  
Items to Consider for Effective Implementation of the  
National Emergency Grant Awarded to the Texas  
Workforce Commission for Hurricanes Katrina and  
Rita Relief

## INTRODUCTION

Normally, a Management Letter is provided to be read in conjunction with an accompanying audit report. However, due to the proactive nature of our current work related to Hurricanes Katrina and Rita, we will be issuing Management Letters to inform the Department, in this case, the Employment and Training Administration (ETA), of issues/problems we believe should be disclosed to help the Department's programs operate efficiently and effectively while reducing the possibility of fraud, waste, and abuse. We will also use this medium to provide positive feedback regarding grant operations.

## BACKGROUND

On August 29, 2005, Hurricane Katrina hit the Louisiana, Mississippi, and Alabama coasts resulting in a national disaster. In response to this disaster, on September 7, 2005, ETA awarded the State of Texas a National Emergency Grant (NEG) to assist over 37,500 Louisiana and Mississippi evacuees who were displaced by the hurricane. The \$75 million grant, administered by the Texas Workforce Commission (TWC), had an initial release of \$23.5 million.

This Management Letter is an interim reporting mechanism and should be read with the understanding that, once the NEG to the Texas Workforce Commission (TWC) is fully implemented and accrued expenditures reported, financial or performance audits of the subject NEG may be performed.

## **SCOPE**

During the period of October 24, 2005, through November 10, 2005, we performed work at TWC, 2 Local Workforce Development Boards (LWDBs), and 5 temporary jobs worksites (3 for Southeast Texas area -- Port Arthur -- and 2 for Gulf Coast area – Houston) out of the total of 41 worksites operated by the LWDBs we visited. The worksites were established to provide public service employment to Hurricane Katrina evacuees or residents of areas affected by Hurricane Rita. These worksites included participants working at local government agencies and school districts. We interviewed 25 of the 313 NEG participants at the LWDBs we visited.

Our goal is to assist ETA in its efforts to ensure that NEG funded programs are effective and to reduce the potential for fraud, waste, and abuse.

This work was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of the examination of relief efforts provided by the Federal government in the aftermath of Hurricane Katrina and Rita. Upon issuance in final, a copy of this Management Letter will be forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

## **RESULTS**

### **Southeast Texas Workforce Development Board**

On November 8 and 9, 2005, we performed procedures at the Southeast Texas Workforce Development Board (Southeast Texas) in Port Arthur, Texas. At the time of our visit, TWC had allocated \$2.4 million to Southeast Texas to assist victims located in their region in obtaining temporary jobs, core and intensive services, supportive services, and training, and to fund program administration costs.

We gained a general understanding on how NEG funds had been expended, to date, and Southeast Texas' plans and needs for future funding. In addition, we visited a worksite in Port Arthur and two in Beaumont, Texas.

As of November 8, 2005, we were told that approximately \$2 million either had been expended or was payable for public service employment (PSE) positions in November.

Based on guidance from Southeast Texas, the four Texas Workforce Centers of Southeast Texas (One-Stops) had established 17 agreements with school districts and other local government entities to fill temporary PSE positions.

These local entities included county departments, i.e. Public Works or Solid Waste, etc., that generally had multiple worksites for participants.

As of November 8, 2005, 276 individuals were reported as currently employed in PSE positions. An additional 300 individuals were reported to have received supportive services in connection with obtaining unsubsidized employment.

### **Gulf Coast Workforce Development Board**

On November 9 and 10, 2005, we performed procedures at the Gulf Coast Workforce Development Board (Gulf Coast) in Houston, Texas. At the time of our visit, TWC had allocated \$5.3 million to Gulf Coast to assist victims located in the region in obtaining temporary jobs and training, as well as supportive, core, and intensive services.

We gained an understanding on how NEG funds had been expended, to date, and Gulf Coast's plans and needs for future funding. In addition, we also visited two worksites where Louisiana teachers evacuated as a result of Hurricane Katrina were working as tutors in Houston area schools.

As of November 9, 2005, Gulf Coast had expended very little of the NEG funds and was in the process of issuing checks to vendors contracted to fulfill NEG-related activities.

#### **Positive Issue:**

- **The PSE job worksites we visited and related job positions were allowable, and all participants interviewed met eligibility criteria.**

The five worksites we visited in SE Texas and Gulf Coast indicated that PSE participants were working on activities useful to the school districts and local governmental entities.

#### **Potential Issues:**

We believe that the following items will possibly be of use in your management and oversight of the NEG grant to TWC.

- **The delivery of workforce services under the NEG is hampered by the lack of contact information regarding evacuees who have relocated from temporary shelters.**

The Federal Emergency Management Agency's (FEMA's) database of evacuee applicants may be useful in locating evacuees and tracking their movement. TWC has requested access to FEMA's evacuee data, and FEMA has advised us that approval of the request is pending. Also, TWC has initiated a \$1.6 million

outreach effort to encourage evacuees to register at the nearest workforce career center.

- **Texas' LWDBs are reluctant to provide needs-related payments to evacuees in the absence of information about financial assistance from FEMA and the Red Cross or other non-profit providers.**

Arrangements for the TWC and LWDBs to receive information about such financial assistance will be needed to assure that significant evacuee needs are being met effectively.

- **The 6-month and \$12,000 limits for individuals hired in temporary positions restrict service delivery in some cases.**

TWC plans to ask for a waiver of the limits to address longer-term needs. For example, TWC may focus on hiring NEG temporary employees for positions in the schools because of the number of new student evacuees and their high need for remedial education. School districts have reported that their assessments determined that many student evacuees are two grade levels behind their counterparts in Texas. Many New Orleans evacuees especially need remedial education assistance. The Texas Education Agency web site shows 65,000 or more new students from Louisiana, according to TWC. As a result, consideration is being given to hiring displaced teachers from Louisiana to assist in the Texas schools.

- **Priorities need to be established for serving victims of Hurricanes Katrina and Rita.**

The NEG has been modified to serve Hurricane Rita-affected residents in Texas. Thus, policy decisions are needed to establish priorities for service and to maintain equity of service between victims of both hurricanes and Texas residents versus Louisiana evacuees. Temporary hurricane relief jobs are now being encouraged for Rita victims, whereas the grant initially was intended only to provide humanitarian assistance for Katrina evacuees.

- **Expanding allowable PSE activities to any public service employment may make it difficult to enforce the grant requirement that grantees maintain efforts previously funded by local revenue.**

PSE activities in the Gulf Coast and Southeast Texas areas include some governmental services that are not restricted to the clean-up or humanitarian services, which were highlighted in the original NEG grant description.

In the Southeast Texas area, school district and local governmental PSE worksites may have some activities that are not restricted to cleanup or direct services to evacuees from Hurricane Katrina or victims from Hurricane Rita.

In the Gulf Coast area, the school districts opened their doors to a number of students evacuated to the area as a result of Hurricane Katrina. In an effort to ease the impact this tragedy had on these students, Texas developed an informal policy that Katrina evacuees would be treated the same as Texas resident students, meaning that if resources were available for one, then they would be made available for all. As a result, tutoring services funded under the NEG are benefiting both Katrina evacuees and some Texas resident students who were not affected by Rita. This raises the issue that NEG funds may be supporting costs that should be borne by the state.

The original intent of the NEG to the State of Texas has been modified to permit wider use of PSE positions to assist school districts and local governments that have been adversely impacted by Hurricane Katrina evacuees or Hurricane Rita. Consequently, the potential exists that NEG funding may be used for ongoing services that may indirectly help the local government or school district recover from damages or financial impact from the hurricanes, making it difficult to enforce the original grant requirement that grantees maintain efforts previously funded by local revenue.

### **Pending Waiver Requests**

Both Gulf Coast and SE Texas have requested ETA's approval of the following waivers to NEG requirements:

1. Extend PSE beyond 6 months.
2. Increase the \$12,000 PSE wage limit.
3. Open PSE positions for Case Managers/Workers to not only Katrina evacuees, but all unemployed residents.

### **RECOMMENDATION**

We recommend the Assistant Secretary for Employment and Training evaluate the issues raised in this Management Letter to determine how they might be addressed by ETA and/or State officials.

### **AGENCY RESPONSE**

In response to the draft Management Letter, the Assistant Secretary for Employment and Training stated that a Katrina Team had been organized by the Office of National Response to assist impacted states in resolving questions and to participate in monitoring the states' activities. The Assistant Secretary specifically agreed to: (1) work to help resolve issues related to sharing of information among DOL, FEMA, and the Red Cross to enable the issuance of

needs-related payments; (2) quickly review Texas' request for an extension of the 6-month limits for disaster relief and public service employment; and (3) work with the State to resolve any ambiguity over the allowability of using NEG-subsidized positions to serve individuals who are not Katrina evacuees. The Assistant Secretary further stated that it was not clear that (1) a priority system for Katrina- and Rita-affected individuals is necessary, since the grant calls for separate tracking of the two groups, and (2) the use of subsidized public sector jobs to increase the capacity of schools serving Katrina evacuees presents a maintenance-of-effort issue. The Assistant Secretary's response is included in its entirety as an Attachment.

## **OIG CONCLUSION**

Based on the Assistant Secretary's response, we consider the recommendation resolved. It will be closed upon receipt of the results of ETA's actions as described in the response.

This final Management Letter is submitted for appropriate action. We request a response within 60 days describing actions taken in response to the recommendation.

If you have any questions concerning this Management Letter, please contact John Riggs, Regional Inspector General for Audit, in Dallas at (972) 850-4003.

Attachment

cc: Steven Law  
Deputy Secretary

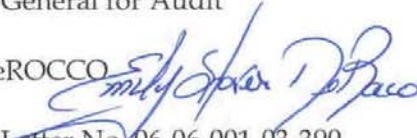
Joseph Juarez  
Regional Administrator

Larry Temple  
Director, Texas Workforce Commission



DEC 15 2005

MEMORANDUM FOR: ELLIOT P. LEWIS  
Assistant Inspector General for Audit

FROM: EMILY STOVER DeROCCO 

SUBJECT: Draft Management Letter No. 06-06-001-03-390  
Items to Consider for Effective Implementation of the  
National Emergency Grant Awarded to the Texas Workforce  
Commission for Hurricanes Katrina and Rita Relief

This is in response to the referenced Office of Inspector General (OIG) Draft Management Letter regarding issues that have been identified by your office related to a review of the Hurricanes Katrina and Rita National Emergency Grant (NEG) awarded to Texas. We appreciate the information provided and will work with the Regional Office in Dallas and Texas to find solutions to the issues raised in your memorandum.

A Katrina Team has been organized by the Office of National Response to assist Regional Offices and impacted states resolve questions or concerns as they arise. Members of this team will also participate with the ETA monitoring teams going to states with NEG Katrina grants. A review has been completed in Mississippi, is being scheduled for Louisiana, and will be scheduled for Texas and other states with Katrina NEG projects. The following are some preliminary comments on the issues raised by the OIG--

- We agree that additional information sharing will be required during the early phases of FEMA and Red Cross financial assistance, as well as for UI/DUA benefits, to enable the issuance of needs-related payments for Hurricane Katrina evacuees, authorized under the Dislocated Workers Flexibility Act. ETA will work to help resolve this issue as expeditiously as possible.
- ETA will quickly review Texas' modification request to the NEG project for an extension of the 6-month limits for disaster relief employment for Katrina evacuees and Rita victims, and for public sector employment for Katrina evacuees.

- The modification to the Texas Katrina evacuee grant to permit the inclusion Hurricane Rita response was approved to reduce administrative burden. However, due to the special authority under the Dislocated Workers Flexibility Act for those impacted by Katrina and the desire to record how the system responded to it, the grantee will track services for the two disasters separately. The funding awarded was consistent with Texas' estimates of the number of Katrina and Rita affected individuals that would be served, which can be modified as appropriate. Therefore, it is not clear that a priority system between the two groups is necessary. For all NEG disaster grants, ETA's policy is that priority for participation is given to the individuals who lost their jobs, either temporarily or permanently, as a result of the covered disaster.
- For Hurricane Katrina, the Dislocated Workers Flexibility Act also authorized public sector employment for Katrina evacuees. This is in addition to the disaster relief employment authorized under Workforce Investment Act (WIA) section 173(d)(1)(A). TEGL No. 16-03, Change 4, indicates ETA policy that priority should be given to employment that benefits other evacuees impacted by Katrina, e.g., teachers' aides in schools where evacuee students are enrolled. Projects should concentrate on those areas where public service needs increased beyond the capacity of public employees employed by the affected local governments prior to the disaster.

ETA does not believe that this precludes tutoring or other assistance for students who are not Katrina evacuees for a subsidized employee hired as described in the OIG letter. ETA will work with Texas to resolve any ambiguity. Further, it is not clear that Katrina evacuees hired in subsidized public sector jobs to increase the capacity of school systems accommodating Katrina evacuees presents an issue related to maintaining its previous efforts. Further, if the system could benefit from additional staff for which there were no funds, then the use of public sector employment to help meet that need would also be appropriate under the limited provisions of the Dislocated Worker Flexibility Act for Katrina.

Thank you again for your letter. We look forward to receiving your report. If there are additional questions or clarification is required, please contact Douglas F. Small, Administrator, Office of National Response at 202-693-3876.