

**GPRA Performance Measures Audit  
of the Dislocated Worker (DW), Trade  
Adjustment Assistance (TAA), and  
North American Free Trade  
Agreement - Transitional Adjustment  
Assistance (NAFTA-TAA) Programs**

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## **ABBREVIATIONS AND ACRONYMS**

BRS	Basic Readjustment Services
BWI	Bureau of Workforce Investment
CAIP	Community Adjustment and Investment Program
CBO	Community-Based Organization
CFR	Code of Federal Regulations
CMD	Contract Monitoring Department
CY	Calendar Year
DHHS	Department of Health and Human Services
DHUD	Department of Housing and Urban Development
DNEG	Division of National Emergency Grants
DOL	U.S. Department of Labor
DTAA	Division of Trade Adjustment Assistance
DRP	Disaster Recovery Plan
DW	Dislocated Worker
DWD	Wisconsin Department of Workforce Development
DWS	Utah Department of Workforce Services
EEO	Equal Employment Opportunity
ES	Employment Service
ESD	Washington State Employment Security Department
ETA	Employment and Training Administration
FISCAM	Federal Information System Controls Audit Manual
FM	Field Memorandum
FY	Fiscal Year
GAL	General Administrative Letter
GAO	United States General Accounting Office
GPRA	Government Performance and Results Act
IMIS	Integrated Management Information System
JTPA	Job Training Partnership Act
LWDB	Local Workforce Development Board
MIS	Management Information System
NADBANK	North American Development Bank
NAFTA	North American Free Trade Agreement
NAFTA-TAA	NAFTA-Transitional Adjustment Assistance
NEG	National Emergency Grant
NPR	National Performance Review
NRG	National Reserve Grant
NSG	National Stakeholder Group

## **ABBREVIATIONS AND ACRONYMS**

OCFO	Office of the Chief Financial Officer
OAP-DSS	Office of Adult Programs - Division of Systems Support
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSOS	One Stop Operating System
PC	Personal Computer
PIC	Private Industry Council
PL	Public Law
PY	Program Year
RRA	Rapid Response Assistance
RRU	Rapid Response Unit
SDA	Service Delivery Area
SPIR	Standardized Program Information Report
SPR	Social Policy Research Associates
TAA	Trade Adjustment Assistance
TAPR	Trade Act Participant Report
TRA	Trade Readjustment Allowance
TEGL	Training and Employment Guidance Letter
TEIN	Training and Employment Information Notice
TWC	Texas Workforce Commission
TWIST	The Workforce Information System of Texas
USC	United States Code
UC	Unemployment Compensation
UI	Unemployment Insurance
WARN	Worker Adjustment and Retraining Notification Act
WDA	Workforce Development Area
WIA	Workforce Investment Act
WIASRD	WIA Standardized Record Data System
WIB	Workforce Investment Board
WIMS	Wisconsin Information Management System



## **EXECUTIVE SUMMARY**

The Government Performance and Results Act (GPRA) of 1993 mandated performance measurement by Federal agencies and established the framework for “systematically holding Federal agencies accountable for achieving program results.” In the language of the Job Training Partnership Act (JTPA) of 1982, as amended, the Workforce Investment Act (WIA) of 1998, the Trade Act of 1974, as amended, and the NAFTA Implementation Act of 1993, Congress described the results it expects programs for dislocated workers and other employment and training programs to produce. The two primary results specified by the Congress are 1) increased employment, retention, and earnings, and 2) increased educational and occupational skills.

The objectives of the audit were to assess:

1. Federal, state and contractor monitoring of program information and the general controls over the state systems that process program information for the three programs;
2. ETA compliance with GPRA and other requirements; and
3. ETA’s direction and management related to these programs.

Audit work was performed in Pennsylvania, Washington, Utah, Wisconsin, and Texas for the period October 1, 1998 through July 30, 2000.

### **Federal, State, and Contractor Monitoring**

We reviewed Federal, state and contractor policies and procedures for monitoring the collection, review, and editing of program performance information for these programs. We found that the primary contractor that assists ETA with program information for these programs did not perform onsite monitoring. We also found that the monitoring policies, systems, and procedures in the five states we visited provided for regular and comprehensive monitoring of program performance and results information. However, Federal monitoring of these programs needs to be significantly strengthened.

### **Recommendation**

We recommend the Assistant Secretary for Employment and Training ensure that the Office of Adults, Dislocated Workers, and TAA implement the plans for the

reinstitution and improvement of ETA monitoring of the DW, TAA and NAFTA-TAA programs in accord with the plans outlined by the Directors of the Division of Adults and Dislocated Workers, the Division of National Emergency Grants, and the Division of Trade Adjustment Assistance (see Objective 1, page 15).

### **General Controls Over State Systems that Process Program Information**

Audit work in the sample states included using the six major categories of general controls and control elements, enumerated in the Federal Information System Controls Audit Manual (FISCAM), as the basis for assessing whether appropriate computer-related controls were in place over the systems that process program information for the three programs under audit. However, available resources did not permit the testing of the general controls during normal system operations.

This assessment was based primarily on discussions with personnel throughout the entities, observations of computer-related operations, and reviews of state policies and procedures. Based on our discussions, observations and the documentation provided, we determined that the six entities general controls were adequate.

### **Meeting GPRA and Other Requirements**

Our assessment of compliance with GPRA and other related requirements found that:

1. the mission statements for ETA's Division of Adults and Dislocated Workers and Division of Trade Adjustment Assistance were process oriented and not consistent with the purpose statements in the programs' authorizing legislation;
2. the external goals, strategies, targets and external performance measures for each program were consistent with the program's purpose(s) but not consistent with the existing mission statements which need to be revised;
3. internal performance measures had not yet been identified but were reported to be under development; and
4. the existing linkages between funding and goals and between costs and results are not adequate to meet current requirements.

## **Recommendations**

We recommend the Assistant Secretary for Employment and Training ensure that the Office of Adults, Dislocated Workers, and TAA take the following actions:

1. Revise the mission statements for the Division of Adults and Dislocated Workers and the Division of Trade Adjustment Assistance, (see Objective 2, page 21);
2. Continue the development of internal performance measures for the Office of Adults, Dislocated Workers and TAA, and the Divisions of Adults and Dislocated Workers, National Emergency Grants, and Trade Adjustment Assistance (see Objective 2, page 23); and
3. Develop, in conjunction with the Office of Financial and Administrative Management and the Office of the Chief Financial Officer, the linkages between resources and goals as well as costs and results required by current legislation and directives (see Objective 2, page 26).

## **ETA Direction and Management**

Since the audit period included the transition period from program operations under the JTPA to program operations under the WIA, our assessment of ETA direction and management included information related to this major transition. We found that the states we visited were highly complimentary about ETA regional office help. However, they also expressed concerns about the clarity and consistency of ETA national office direction and procedures for 1) WIA implementation, 2) national emergency grants, and 3) TAA and NAFTA-TAA petitions. ETA officials wanted to respond to the state's concerns in the context of the draft report. Therefore, the state's comments and ETA's responses are presented in attachment 7.

In implementing the GPRA, we found that ETA has successfully created and maintained effective intergovernmental cooperation while 1) establishing program goals, targets and measures, 2) developing and implementing strategies, and 3) designing monitoring and reporting mechanisms.



## **BACKGROUND**

### **Why We Did This Audit**

This audit was included in the OIG work plan as a part of a series of audits designed to assess the quality of compliance with GPRA and other requirements by DOL agencies, the quality of individual programmatic mission statements, performance goals, strategies and measures, the reliability of the performance information reported for DOL programs, and DOL agency direction to the entities on which it relies to promote program results.

### **Three Programs Serve Dislocated Workers**

During the last 20 years, Congress established three employment and training programs to address worker dislocations caused by layoffs and plant closings due to domestic economic cycles and the impacts of international trade. They are the Dislocated Worker (DW), Trade Adjustment Assistance (TAA), and North American Free Trade Agreement - Transitional Adjustment Assistance (NAFTA-TAA) programs.

### **Federal Program Administration**

These three programs are administered by ETA's Office of Adults, Dislocated Workers and TAA. Within that office there are three divisions:

1. the Division of Adults and Dislocated Workers,
2. the Division of National Emergency Grants, and
3. the Division of Trade Adjustment Assistance.

The Division of Adults and Dislocated Workers has primary responsibility for the formula program for dislocated workers under the JTPA and the WIA. The Division of National Emergency Grants has primary responsibility for the Secretary of Labor's discretionary funds for dislocated workers. The Division of Trade Adjustment Assistance has primary responsibility for the TAA and NAFTA-TAA programs.

## **The Dislocated Worker Program**

The DW program was initially authorized by Title III of the JTPA (Public Law (P.L.) 97-300, dated October 1982, as amended). The DW program was continued, beginning on July 1, 2000, by Chapter 5 of WIA (P.L. 105-220, dated August 1998) beginning on July 1, 2000.

Under the WIA, assistance to dislocated workers is continued through a separately funded program. Participant eligibility criteria are nearly identical to those under the JTPA's DW program, except that the long term unemployed are no longer defined as eligible dislocated workers. However, displaced homemakers have been elevated in status from "optional" under JTPA to an eligible target group under WIA. The long-term unemployed may receive services from WIA's adult program component.

The DW program is administered by ETA in partnership with the states. For FY 1999, \$1.4 billion was appropriated to serve dislocated workers and for FY 2000 the amount was \$1.5 billion.

Adults and dislocated workers obtain core services, such as initial assessment and job search, through a locally-established one-stop delivery system. Individuals who meet the definition of "dislocated worker" may be enrolled in the DW program, if they have not been able to obtain employment after they have received core services and have been determined in need of more intensive services. Intensive services include specialized assessments, diagnostic testing, development of an individual employment plan, and case management for those seeking training.

Eighty percent of the funds appropriated for this program must be allocated among states according to the legislative formula. JTPA authorizes Governors to allocate dislocated worker funds among several sets of activities. Up to 40 percent may be reserved for state activities and substate grantees in need. Up to 10 percent may be reserved by the Governor for allocation among substate grantees on the basis of need. A minimum of 50 percent is to be allocated among substate areas based on a formula prescribed by the Governor.

The remaining 20 percent of the funds appropriated are reserved for the Secretary to fund the activities including (1) mass layoffs, (2) industry-wide projects, (3) multistate projects, (4) special projects, and (6) demonstration projects.

The amounts reserved for use by the Secretary also may be used to provide services whenever the Secretary determines that an emergency exists with respect to a distressed industry or a distressed area. The funds may also be used for staff training or technical assistance and training of rapid response staffs.

### **The Trade Adjustment Assistance (TAA) and North American Free Trade Agreement Transitional Adjustment Assistance (NAFTA-TAA) Programs**

#### The TAA Program

The TAA program is a Federal entitlement program established under the Trade Act of 1974, as amended, and provides aid to workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports. The appropriation for the TAA program was \$320 million for FY 1999 and \$349 million for FY 2000.

Workers whose employment is adversely affected by increased imports may apply for TAA. TAA offers a variety of benefits and reemployment services to assist unemployed workers prepare for and obtain suitable employment. Workers may be eligible for training, job search and relocation allowances, income support and other reemployment services. A petition for TAA may be filed by a group of three or more workers, their unions, or a company official. With DOL certification, workers may apply for benefits.

#### The NAFTA-TAA Program

The NAFTA-TAA program is authorized under the NAFTA Implementation Act (P.L. 103-182, Subchapter D, Section 250, Establishment of Transitional Assistance Program). The program covers workers who are laid off or who are forced to work part-time as a direct result of increased imports from Mexico and Canada or of a shift of U.S. production to those countries. It also covers those that are threatened with job loss or reduced work hours for those reasons. The appropriation for NAFTA-TAA was \$66 million for FY 1999 and \$66 million for FY 2000.

The NAFTA-TAA program provides benefits associated with training, job search, relocation allowance, and other reemployment services. NAFTA-TAA/TRA can provide weekly cash benefits. The NAFTA-TAA program is administered by the ETA. States serve as agents to the Labor Department in administering the program.

A petition for NAFTA-TAA may be filed by a group of three or more workers, their employer, union or community-based organization. Investigation of workers' eligibility under the NAFTA-TAA program is the responsibility of the governor of the state where the company is located and ETA's Division of Trade Adjustment Assistance. With DOL certification, workers may apply for benefits. Petitioning workers who do not meet the eligibility requirements under the NAFTA-TAA program have their petition immediately reviewed under the TAA to determine if they qualify for benefits under the Trade Act.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

The three objectives of this performance audit were to:

1. Assess the Federal, state and contractor monitoring over the collection, review, editing, compilation and transmission of program information for dislocated worker programs, and general controls states have in place over the automated systems that process program information for these programs;
2. Determine whether ETA is in compliance with GPRA and other requirements with regard to its administration of these programs; and
3. Determine whether ETA has, in administering programs for dislocated workers, provided clear and consistent direction and maintained intergovernmental cooperation with the other entities on which it relies to promote program results.

### **Scope**

Audit work at the Federal level focused on 1) Federal monitoring of programs for dislocated workers, 2) ETA's compliance with GPRA and other requirements, and 3) on the quality of ETA's direction, assistance and cooperation with the other entities on which it relies to promote program results.

Audit work in the states focused on state program monitoring policies, practices and procedures, and the identification and documentation, but not the testing, of the internal controls over the state systems that process program information for the three programs. Because the audit was designed to focus on state level data and systems, the scope did not include any work related to ETA's national reporting systems for dislocated worker programs which are the SPIR and TAPR reporting systems. The period covered by the audit was October 1, 1998 through July 30, 2000. The five states selected were Pennsylvania, Washington, Utah, Wisconsin, and Texas.

### **Methodology**

The methodology included interviews with staff and the review of documentation in 1) ETA's Office of Adults, Dislocated Workers and TAA, Office of Financial and Administrative Management, and Office of Technology and Information Systems, 2) the offices of Social Policy Research Associates (SPR), ETA's contractor, and 3) the state and local offices that operate and monitor each program in five states selected.

It also included selecting one high volume dislocated worker local office in each state and tracing a random sample of individual participant information for about 35 dislocated workers from the state's central MIS to the participant's case file in the selected local office. The sample of dislocated worker case files audited was composed of approximately 65 percent DW participants and 35 percent TAA and NAFTA-TAA participants. In addition, we reviewed the authorizing legislation, implementing regulations, mission statements, and budgets for each program. It also included the review of ETA's strategic and performance plans for fiscal years 1999 and 2000. Fieldwork began on May 8 and concluded on August 17, 2000. This audit was conducted in accordance with the Government Auditing Standards, applicable to performance audits, issued by the Comptroller General of the United States.

## **CRITERIA**

The primary legislative criteria used for this audit were:

- C the Chief Financial Officers Act of 1990
- C the Government Performance and Results Act of 1993,
- C the Job Training Partnership Act (29 United States Code (U.S.C.) 1501 et seq.),
- C the Workforce Investment Act of 1998,
- C the Trade Act of 1974, as amended (19 U.S.C. 2271-2321),
- C North American Free Trade Implementation Act of 1993, and
- C Worker Adjustment and Retraining Notification Act (Public Law 100-379-Aug. 4, 1988).

Additional guidance included the following:

- Office of Management and Budget (OMB) Circular A-11, Part 2 - Preparation and Submission of Strategic and Annual Performance Plans
- OMB Circular A-123, Management Accountability and Control, June 21, 1995
- OMB Circular A-130, Management of Federal Information Resources
- GAO's Federal Information System Controls Audit Manual (FISCAM)
- Standards for Internal Control in the Federal Government (GAO/AIMD-00.21.3.1)
- Federal Register, 20 CFR Part 617, Entitled "Trade Adjustment Assistance for Workers Under the Trade Act of 1974"
- Federal Register, 29 CFR 90, Entitled "Certification of Eligibility to Apply for Worker Adjustment Assistance"
- Statement of Federal Financial Accounting Standards Number 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, July 1995
- OMB Bulletin No. 00-04, Entitled "Integrating the Performance Plan and Budget," June 2000

# RESULTS

## **Objective 1**

*Assess Federal, state and contractor monitoring over the collection, review, editing, compilation and transmission of program information for dislocated worker programs, and the general controls states have over the automated systems that process program information for these programs.*

### **I. Program Monitoring**

In reviewing ETA monitoring policies, practices, and procedures, we found that the quality and quantity of ETA monitoring had declined during recent years. We also found that ETA had plans to significantly improve its monitoring. We also found that, although current ETA monitoring and the greatly expanded and strengthened program monitoring it has planned for dislocated worker programs will include some program data review and verification, ETA is relying on its large new Data Validity and Verification Project to provide the broad program data validation needed to support reported program results.

We found that the primary contractor (SPR) that processes program information for ETA does not do any direct monitoring of the states, although it does scan and review the information submitted and work with the states to improve data quality.

In addition, we found that the five states in our sample have monitoring policies, practices and procedures in place that provide for regular, thorough and comprehensive monitoring of the collection, review, and editing of program performance information.

#### Federal-ETA Program Monitoring

*DW Program:* Although ETA had conducted Federal monitoring of the formula grants for services to dislocated workers (including program information) in the past, that monitoring had gradually declined over time. However, ETA regional offices have continued to provide technical assistance and guidance, and to assist states in resolving program-related problems.

At a recent meeting between the Director of the DW Program and the Regional Office Directors of Adult Services, agreement was reached that the reinstatement of routine, periodic monitoring of the formula grants for services to dislocated workers was a top priority. These officials also agreed on the need for a *national* monitoring/review guide and process to provide consistency. Plans call for a national monitoring framework to be in place by the second quarter of FY 2001. During the interim, since states are now operating the DW program under the WIA, and until the national monitoring guide and process are finalized, regional offices are using a 90-item checklist dealing primarily with WIA governance issues, which covers key WIA program components.

National Emergency Grants (NEGs)/National Reserve Grants (NRGs): Twenty percent of the funds appropriated for the DW program are reserved for the Secretary to fund various special projects,



including emergencies in distressed industries or distressed areas. Two types of monitoring reviews are conducted for every NEG by ETA regional office staff. The first type is a 90-day review of grant implementation. Later, a midpoint review of grant implementation is conducted. The midpoint monitoring includes a review of program participant files.

If the national office travel budget and workflow permit, national office staff may also participate. If there is a problem with the grant project, the national office staff generally does participate. Reports are prepared for all monitoring reviews and forwarded to the Division of National Emergency Grants (DNEG). A matrix for the analysis of all monitoring results is being developed by the DNEG for FY 2001. The information in the matrix is expected to provide an overall picture of progress and problems and may reveal training and/or technical assistance needs.

*TAA and NAFTA-TAA Programs:* The last comprehensive monitoring guide for the TAA Program was issued in March of 1991. That monitoring guide did not cover NAFTA-TAA because it was not yet in existence. However it did provide for a full review of the TAA Program in each state and did reflect the 1988 amendments to the Trade Act. The guide included a review of the administration of the program, a specific review of TAA records, and a determination about how effectively the states were coordinating the TAA program with other programs for dislocated workers.

During the ETA reorganization for the WIA, a brand new limited monitoring guide was developed and issued for use in January 2000. This guide covers the review of state efforts to validate the TAA and NAFTA-TAA program performance information which is forwarded to ETA. Since January, all ETA regions have conducted at least one state review and several have conducted two state reviews. A working group of national and regional office staff, in consultation with an independent contractor, is now working to develop a full program monitoring instrument for the TAA and NAFTA-TAA programs. In addition, the national office is promoting regular “roundtables” where Federal and state officials responsible for all programs serving dislocated workers can discuss problems, solutions, and improvements.

#### ETA’s Data Validity and Verification Project

ETA representatives provided information and documentation about the subject project during the period of our audit. ETA has undertaken this project in response to GAO’s draft report on the DOL Annual Performance Plan, and the OIG final report entitled Fair Presentation of Employment and Training Program Performance. According to the current plans, the data validation and verification activities, when fully implemented, could provide a valuable and necessary compliment to Federal and state monitoring of the collection, review, editing, compilation, and transmittal of program performance information.

ETA has budgeted \$850,000 to develop a comprehensive agency-wide data validation and verification system designed to ensure data integrity and reduce inconsistencies across programs. The primary focus on the project is on performance data, especially the data used for GPRA measures. It includes processes for defining reporting requirements clearly and consistently and for verifying reported data. Although absolute data integrity is not attainable at any cost, ETA plans to achieve a reasonable and acceptable level of error at a reasonable and sustainable cost.

The project is currently under development and is being reviewed and refined by senior management.

The specific goals of the Data Validity and Verification Project are:

- C improved data quality that relates to WIA goals and outcome measures,
- C wider access to and more effective use of performance-related data,
- C more responsive reporting and performance measurement systems through investments in technology to provide access to information,
- C improved coordination of ETA's WIA performance measurement efforts through the use of common specifications, tests, and reviews of state procedures and controls to determine if the system is functioning as intended,
- C specialized analysis and technical assistance where problems are identified, and
- C additional support for continuous improvement.

### Contractor Monitoring

In meetings with SPR, ETA's contractor for processing state program information for the three programs covered by this audit, we learned that while SPR does not go out to the states to see how they collect, review, edit, compile and transmit program information, SPR does screen the information received from the states to determine whether it is "clean" enough to process. SPR then provides feedback to the states and Service Delivery Areas (SDAs) on the quality of the data received. If the data has too much missing information or too many errors, it is returned to the states/SDAs and SPR provides technical assistance to them to fill in the missing information and correct errors. This allows for the quality of the program information to be improved before it is processed by SPR.

### Program Monitoring by the States

We found that the program monitoring systems and procedures in place in the five states selected for review had many common characteristics. Among them were the following:

- C all states, with the exception of Washington and Wisconsin, entered program information on line through Personal Computers (PCs) (Washington and Wisconsin forward the program information to a data entry person that serves a particular geographic area of the state for entry into the automated system),
- C all states use preformatted screens,
- C all states have some type of management review of a sample or a percentage of program information before it is entered into the Management Information System (MIS),
- C in Washington and Wisconsin, the data entry person also performs an additional review of the program information prior to entry into the system,
- C every state's system that processes programmatic information has an extensive array of automated edit checks,
- C all states generate exception reports either biweekly, monthly or quarterly, that go to the office originating the information for review and resolution,
- C program information from local offices is compiled by the computer system in each state that processes program information,

- C compiled program information for the state is reviewed by the state MIS staff and program management staff,
- C all states forward DW Program participant information to the data contractor annually and forward TAA and NAFTA-TAA Program participant information to the contractor quarterly,
- C all states have extensive program monitoring systems and procedures in place,
- C all states use monitoring guides for all monitoring,
- C all states generate monitoring reports,
- C all states have reports reviewed and/or signed by state officials,
- C all states forward reports to local offices and stakeholders for corrective action where needed, and
- C all states had a state audit function and three of the states reported that their state auditors regularly conduct program audits which include the validation of program information.

### Conclusion

The quality and quantity of ETA monitoring for these three programs overall have declined during recent years but ETA has plans to significantly improve its monitoring. In addition, ETA is initiating a long-term project to provide regular and consistent data validation for the program performance information being reported to ETA by the states.

ETA's primary contractor (SPR) that processes program information forwarded by the states does not conduct onsite monitoring of program information collection and processing in the states. However, SPR does screen and analyze the information submitted by the states and works with the states to correct errors, obtain missing information and check on any inconsistencies and outliers.

The monitoring policies, practices and procedures in place in the states in our sample provide for regular, thorough and comprehensive monitoring of the collection, review, and edit of program performance information. In addition, state program monitoring is supported in each state by the work of the state auditors. In three of the five states visited,

Washington, Texas and Utah, state monitoring is enhanced by limited data validation and audit activities performed by the state auditors.

### **Recommendation**

We recommend the Assistant Secretary for Employment and Training ensure that the Office of Adults, Dislocated Workers, and TAA implement the plans for the reinstatement and improvement of ETA monitoring of the DW, TAA and NAFTA-TAA programs in accord with the plans outlined by the Directors of the Division of Adults and Dislocated Workers, the Division of National Emergency Grants, and the Division of Trade Adjustment Assistance.

### **Auditee Response**

ETA noted that it is developing work plans, which when implemented this year, will improve the monitoring of dislocated worker programs. These work plans are being developed by the Office of Adult Services - which includes the Divisions of Adult and Dislocated Workers, National Emergency Grants, and Trade Adjustment Assistance - in consultation and coordination with the regional offices of ETA. In general, monitoring activities planned for the coming year will emphasize performance monitoring and targeting technical assistance to ensure the achievement of performance goals.

ETA noted that page 24 of the draft report indicated that the audit period (October 1998-July 2000) was a transition period from JTPA to WIA. In fact, ETA pointed out that JTPA was going through a close out, and ETA was working to develop WIA strategic and unified plans and assist states to be ready on July 1, 2000. Thus, ETA "monitoring" activities were focused accordingly.

### **OIG Conclusion**

The OIG looks forward to the implementation of the work plans to reinstitute and/or strengthen Federal monitoring of the programs for dislocated workers administered by ETA. Please provide a description of the national framework for monitoring the dislocated worker program and copies of the *national* monitoring/review guide and process that will provide consistency for the monitoring of the DW program. In addition, please provide documentation of the matrix for the analysis of all monitoring results for national emergency grants and a description of the process for identifying training and technical assistance needs. We request that you also forward a copy of the full program monitoring instrument for the TAA and NAFTA-TAA programs when finalized, and a summary report regarding the results of the national office "roundtables."

## **II. Internal Controls Over State Systems**

In assessing the internal controls over the state systems that process program information for the three programs under audit we used the Federal Information System Controls Audit Manual (FISCAM). The FISCAM is a tool developed by the General Accounting Office (GAO) to assist auditors in reviewing internal controls over computer-based information systems. The manual is designed for the evaluation of general controls over information systems that support agency business operations. General controls are the structure, policies, and procedures that apply to an entity's overall computer operations. In particular, the manual aids auditors in evaluating internal controls over the integrity, confidentiality and availability of data maintained in an entity's information systems. The manual's evaluation components cover the following six areas that auditors need to consider when evaluating an agency's general internal controls:

- C Entitywide Security Program Planning and Management,
- C Access Control,
- C Application Software Development and Change Control,

- C System Software,
- C Segregation of Duties, and
- C Service Continuity.

Within each of these areas are a series of critical elements necessary to ensure the effectiveness of the entity's overall internal control.

In addition to lengthy and detailed interviews with information technology and program operations staff, we examined documentation provided by each state agency regarding the control policies and procedures for their current systems. However, we did not test the controls in place to determine their effectiveness during actual system operation.

We found that all sample states had controls that meet FISCAM standards in place over their existing systems that handle program performance information. Moreover, all states, with the exception of Wisconsin, were moving to implement, or had already implemented at the time of our visits, new and significantly improved program performance information systems to handle program operations under the WIA. In each case, the state representatives explained how their new systems would be significantly superior to the old systems as far as system capabilities and reliability are concerned, and would have even better, state-of-the-art controls. All states were preparing to or had already abandoned their existing systems except for Wisconsin which indicated that development of their new system would most likely take another year.

Although Pennsylvania and Wisconsin did not have a formalized process for risk assessment, we found they do periodically conduct risk assessments during the year. We found that Texas' Disaster Recovery Manual did not identify or list the critical and sensitive functions. Further, in the TWC Emergency Plan and the State of Texas Emergency Plan, a number of pages that should have contained important information were blank. Steps to prevent and minimize potential damage and interruption were missing in the Texas DP Disaster Recovery Plan. The Contingency Plan provided by the Texas Agency was not complete and was not comprehensive. In addition, the TWC was not able to provide documentation that the Contingency Plan had been tested or that it had been appropriately adjusted following testing.

### Validation of Participant Information to Case Files

In order to determine whether information on individual participants' characteristics, histories, services and outcomes was being accurately and timely captured and recorded by each state's MIS, we selected a high volume dislocated worker office in each state.

For that one office in each state, we asked the state to produce a computer print out (from their central MIS) of all information for each DW, TAA, and NAFTA-TAA participant served by that office. We selected a random sample of approximately 35 participants (about 65 percent DW and 35 percent TAA and NAFTA-TAA program participants). We compared the information in each participant's case file with the information for that participant in the state's MIS. Aside from very minor clerical errors, (e.g., selective service status), and occasional changes in forms, we found that

the information in each participant's case file describing what happened to that person as a program participant exactly matched the information produced by the state's MIS for that participant.

### Conclusion

Based upon our review of a limited random sample of dislocated worker participant files in each state and the comparison of file information with the information recorded in the state's MIS for that participant, we found that the information in the sample participant case files exactly matched the information produced by the state's MIS for those participants.

## **Objective 2**

*Is ETA in compliance with GPRA and other requirements with regard to its administration of the DW, TAA, and NAFTA-TAA programs?*

### **Meeting GPRA and Other Requirements**

In order to meet GPRA and other requirements:

- I. ETA program office/division mission statements, need to be consistent with the purpose and intended results outlined in the program's authorizing legislation,
- II. the internal and external performance measures as well as the goals and strategies need to be consistent with the authorizing legislation and the mission statement, and
- III. ETA needs to integrate its budget with its Annual Performance Plan so that budget authority and outlay estimates are associated insofar as possible with each goal, and the budget accounts that finance each goal are identified.

### **I. Program Office/Division Mission Statements**

ETA's Office of Adults, Dislocated Workers, and TAA provides leadership for the design, development and administration of employment and training services for adults, dislocated workers, and incumbent workers; pilots, demonstrations, evaluations and research projects; and investigations relating to TAA. (See ETA organization chart in attachment 3.)

The office is composed of three divisions. They are the Division of Adults and Dislocated Workers, the Division of Trade Adjustment Assistance, and the Division of National Emergency Grants. The two divisions that have responsibility for the DW, TAA and NAFTA-TAA program operations are Adults and Dislocated Workers and Trade Adjustment Assistance.

Based on a comparative analysis of the authorizing legislation with the division's mission statements provided by ETA, we found the following:

1. The mission statement for the Division of Adults and Dislocated Workers (see attachment 4):
  - a) is not consistent with the purposes stated in the Job Training Partnership Act or the Workforce Investment Act which continues the program,
  - b) is process-oriented, and
  - c) does not focus on achieving the intended results of program operations as

outlined in the authorizing legislation.

2. The mission statement for the Division of Trade Adjustment Assistance (see attachment 5):
  - a) is generally consistent with the purposes stated in the Trade Act,
  - b) is process-oriented, and
  - c) does not focus on achieving the intended results of program operations.

#### Division of Adults and Dislocated Workers

When comparing the language of the authorizing legislation with the mission statement for the Division of Adult and Dislocated Worker Programs, we found that the division's mission statement was focused on processes, systems, and activities instead of on achieving the outcomes specified in the authorizing legislation.

While we recognize that ETA does not directly operate programs at the local level, ETA and its partners remain equally responsible for achieving the intended results specified in the legislation. While managing strategically, working collaboratively, implementing systems, and administering programs may be sound internal goals, they are not the intended results Congress specified in the legislation under which funds were provided to ETA.

Both the JTPA , the original authorizing legislation for the DW Program, and the recent WIA legislation that replaced the JTPA, have clear statements of purpose and identify specific "results" expected to occur from program operations as shown below:

Section 2 of the JTPA states: "It is the purpose of this act to establish programs to prepare youth and adults facing serious barriers to employment for participation in the labor force by providing job training and other services that will result in increased employment and earnings, increased educational and occupational skills, and decreased welfare dependency, thereby improving the quality of the work force and enhancing the productivity and competitiveness of the Nation."

Title I, Subtitle B, Section 106 of the WIA states: " The purpose of this subtitle is to provide workforce investment activities, through statewide and local workforce investment systems, that increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants, and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the nation."

#### Division of Trade Adjustment Assistance

We found that the division's current mission statement was focused on processes, systems, and activities instead of on achieving the outcomes intended to result from program operations.

Section 2101 of the Trade Act of 1974 states its purposes which include "1) fostering the economic



growth of and full employment in the United States, 2) harmonizing, reducing and eliminating barriers to trade, 3) establishing fairness and equity in international trading relations, 4) providing adequate procedures to safeguard American industry and labor against unfair or injurious import competition, **and assisting** industries, firms, **workers** and communities **to adjust to changes in international trade flows**, 5) opening up market opportunities for United States commerce, and 6) providing fair and reasonable access to products of less developed countries in the United States market.” The language most relevant to the TAA Program (highlighted above) is found in item 4, i.e., “assisting industries, firms, workers and communities to adjust to changes in international trade flows.”

The TAA program provides for reemployment services and cash benefits for individuals who have been separated from employment due to foreign imports. Regulations at 20 CFR Part 90, provide for the prompt and effective disposition of workers’ petitions for assistance.

The Trade Act of 1974 and the North American Free Trade Implementation Act of 1993 do not contain statements of purpose and expected outcomes that are as explicit as those presented above for the JTPA and WIA. This makes the development of an adequate mission statement more challenging. However, in order to manage for results, the Division of Trade Adjustment Assistance needs a mission statement that clearly identifies the outcomes/results that the division and its programs were created to accomplish.

The divisions’ current mission statement itemizes activities and processes that the division is to perform, but does not identify the outcomes expected and intended to result from these activities and processes. In fact, one could interpret these statements to mean that ETA has no responsibility for achieving the results enumerated in the law. While managing strategically, working collaboratively, conducting investigations, preparing reports, issuing determinations, and developing policies and directives may be processes necessary to accomplishing the mission, they are not the mission. More specifically, they are not the outcomes/results for which the program was created or the funds provided. Therefore, we believe the mission statement for the division needs to be revised to focus ETA employee attention on their responsibility for achieving the results/outcomes specified in the authorizing legislation.

The OIG recognizes that the primary purpose of an organization’s mission statement is to focus the efforts of all employees on achieving the specific results/outcomes the

organization/program was created to accomplish, or put more simply, why it exists. We believe that the current mission statements do not meet that purpose.

## Conclusion

The mission statements for the ETA divisions did not articulate the mission or purpose of the respective programs as stated in each program’s authorizing legislation. Instead, the existing mission statements were process-oriented and were focused on *internal* processes rather than the outcomes/results specified in law. Therefore, the division mission statements were not consistent with the authorizing legislation’s purpose and were not focused on achieving the intended results of program operations as outlined in the authorizing legislation.

## **Recommendation**

We recommend the Assistant Secretary for Employment and Training ensures that the Office of Adults, Dislocated Workers, and TAA revise its own mission statement and the mission statements for the Division of Adults and Dislocated Workers and the Division of Trade Adjustment Assistance to focus employee attention on achieving the outcomes specified in the authorizing legislation as intended and expected to result from these programs' operation.

### **Auditee Response**

ETA indicated that its Office of Adult Services is consulting with its Office of Human Resources on the review of mission statements. ETA noted that the reviews undertaken will be consistent with the agency's overall initiative to implement Baldrige principles.

### **OIG Conclusion**

The OIG appreciates the efforts ETA is making to implement Baldrige principles and anticipates receiving revised mission statements for the Office of Adults, Dislocated Workers, and TAA, and its divisions, that articulate the mission of these offices' programs as specified in the legislation that created them. As outlined in law, the mission of the programs funded under the WIA is to increase the employment, retention, and earnings of participants, and to increase occupational skill attainment by participants. The mission of the programs funded under the Trade Act/NAFTA Implementation Act is to assist workers and communities to adjust to changes in international trade flows.

## **II. Program Performance Goals, Strategies, and Measures**

### Internal Performance Measures

At the present time, the Office of Adults, Dislocated Workers & TAA, and the Divisions of Adults and Dislocated Workers, National Emergency Grants, and Trade Adjustment Assistance, have not formally established internal performance measures. However, staff reported that internal measures are currently under development. ETA representatives have concurred with the OIG suggestion that some potential internal measures could be based on several of the internal processes and activities that are described in the existing inadequate mission statements for the two divisions that manage the DW, TAA, and NAFTA-TAA Programs. ETA staff also reported that time limits of 60 days for making determinations on TAA petitions and 40 days for making determinations on NAFTA-TAA petitions are embodied in the trade programs' legislation and are also included in staff performance standards.

### External Performance Measures

We found that the external performance measures for the DW, TAA, and NAFTA-TAA Programs are adequate and results oriented because they are designed to measure the intended and expected results of program operations as outlined in the authorizing legislative language, presented in attachment 6. The external goals and measures for the last two fiscal years for all three programs are presented in attachment 7.

### Strategies

ETA strategies for accomplishing its goals are sound and consistent with the authorizing legislation as well. For its FY 1999 goals, ETA developed three primary strategies. First, the agency planned for continuous improvements in the levels and quality of employment and earnings outcomes for participants by integrating all available funding sources to support assistance to dislocated and trade-impacted workers. Second, ETA sought to expand the capacity of the delivery system to provide responsive, high quality services to participants by: a) supporting capacity building initiatives, and b) promoting continuous improvement strategies to enhance performance. Third, ETA sought to improve effectiveness by: a) expanding outreach efforts to ensure early intervention assistance for all dislocated and trade-impacted workers, b) issuing timely determinations of worker eligibility to apply TAA for NAFTA-TAA services and benefits, and c) providing timely oversight to all program activities.

ETA's primary strategy for accomplishing its FY 2000 goals is its support for proposed legislation which will extend TAA adjustment assistance for two years and create a single consolidated program that would 1) extend eligibility for TAA for workers affected by shifts of production to any country, 2) increase the cap for training to \$150

million per year, 3) encourage early enrollment in training by establishing a time limit which workers must enroll in training following certification or date of layoff, 4) modify waiver-from-training criteria, and 5) establish an adjustment assistance contingency fund to ensure that resources are available to pay for unexpected increase in benefit costs to eligible workers.

### Conclusion

Currently, internal performance measures for the ETA offices responsible for the three programs within the scope of this audit do not exist, but are under development. The external performance goals, strategies, and measures for the three programs that serve dislocated workers are adequate and results oriented, and are consistent with the intended outcomes stated in each program's authorizing legislation. However, they are not consistent with the two divisions' mission statements (as discussed in section A above). As called for in the legislation, the goals and measures focus on maximizing reemployment and wage replacement through community adjustment, retraining benefits, and core employment services. The external performance measures show whether displaced workers are obtaining reemployment, and whether their new jobs substantially replace the wages they earned prior to their dislocation.

### **Recommendation**

We recommend the Assistant Secretary for Employment and Training ensure that the Office of Adults, Dislocated Workers, and TAA continue the development of internal performance measures for itself, and for its divisions of Adults and Dislocated Workers, National Emergency Grants, and Trade Adjustment Assistance.

### **Auditee Response**

ETA concurred with the recommendation, with the understanding that there are currently internal measures in effect for both TAA/NAFTA and NEG. ETA noted that these measures include work processing deadlines stipulated either in legislation or current policy. Development of comprehensive internal measures for the adults, dislocated workers and trade programs will occur within the Baldrige organizational performance framework.

### **OIG Conclusion**

The OIG looks forward to ETA's implementation of the Baldrige organizational performance framework and to receiving copies of the formalized internal performance measures for the Office of Adults, Dislocated Workers, and TAA, and its respective divisions.

### **III. Integrating Program Budgets with Annual Performance Plans**

Although for Fiscal Year 2000 ETA has mentioned its budget requests in the discussion of its performance goals and vice-versa, we found that many of the types of important linkages between funding and goals called for in recent legislation and OMB directives have not yet been established for these three programs.

#### Criteria for Linking Funding and Goals

The Chief Financial Officers Act of 1990 includes among the functions of chief financial officers “. . . the development and reporting of cost information” and “the systematic measurement of performance.” The Government Performance and Results Act of 1993 mandated performance measurement by Federal agencies and established the framework for “. . . systematically holding Federal agencies accountable for achieving program results.”

In September 1993, in his report to the President on the National Performance Review (NPR), the Vice President recommended that the Federal Accounting Standards Advisory Board issue a set of cost accounting standards for all Federal activities. Those standards were to provide a method for identifying the unit cost of all government activities. In July of 1995, the Federal Accounting Standards Advisory Board issued Statement of Federal Financial Accounting Standards Number 4, Managerial Cost Accounting Concepts and Standards for the Federal Government.

#### Managerial Cost Accounting Standard

The cost accounting standard states that in managing Federal government programs, cost information is essential for performance measurement. The standard also states that comparing costs with expected benefits will provide feedback to budgets and assist in controlling and reducing costs and in estimating future costs. In addition, it states that cost information is necessary in establishing strategic goals and that measuring and reporting the cost of actual performance against established goals is essential to assess governmental accountability.

#### Integrating the Performance Plan and Budget

On June 6, 2000, OMB issued Bulletin No. 00-04, entitled “Integrating the Performance Plan and Budget.” The Bulletin states, “As a part of preparation for the FY 2002 Budget, agencies will be asked to submit an integrated Annual Performance Plan with goals based on current service levels, associating budget authority and outlay estimates insofar as possible with each goal.” It further states, “Budget authority and outlay estimates will be associated with the goals, and the budget accounts that finance them will be identified.”

The bulletin also states that during the next twelve months, agencies should be taking steps to build on the progress achieved in implementing the GPRA by:

1. integrating performance planning and budgeting,
2. budgeting for resources where they are used,
3. developing greater organizational accountability for program results,
4. improving the content and usefulness of agency strategic and performance plans,
5. insuring that the annual program performance reports meet GPRA requirements and are of satisfactory quality,
6. deepening understanding of how results are achieved, and
7. using performance measures to improve program management.

## Review of DW, TAA, and NAFTA-TAA Budget Documents Performance Plans, & Performance Report

### Budget Documents

In reviewing the budget documents for the DW program, we found that for FY 1999, no mention was made of the DW program's performance goals in the program's budget justification. However, in the FY 2000 budget documents, the DW goals for reemployment and wage replacement were mentioned.

For the TAA and NAFTA-TAA programs, the FY 1999 budget documents made no mention of the two programs' performance goals. However, in the FY 2000 budget documents, the TAA and NAFTA-TAA goal for reemployment was mentioned.

### Performance Plans

In the performance plans for these programs for FY 1999 and FY 2000, the budget request for each program was mentioned.

### Performance Report

In the FY 1999 performance report, within the discussion of the results of the DW program, no mention was made of the funding for that program. However, within the discussion of the results of the TAA and NAFTA-TAA programs, funding was mentioned.

### Conclusion

We noted that ETA has made an initial effort to begin the process of linking resources with goals by mentioning program goals in the FY 2000 budget documents for these programs and by mentioning budget requests in the discussion of program goals. Also,

funding was mentioned in the FY 1999 performance report for the TAA and NAFTA-TAA programs. However, much remains to be done to establish the types of important linkages between funding and goals called for in recent legislation and OMB directives.

ETA needs to continue to work toward integrating performance planning and budgeting and improving its annual program performance reports. For example, in developing future performance plans, ETA needs to present prior costs as well as budget requests and outlay estimates with its strategic goals for individual programs. In addition, in presenting the results of program operations in the annual performance report, ETA needs to present the costs of the actual, specific results that were achieved in relationship to each goal. Further, ETA needs to identify the specific budget accounts that are involved with the strategic goals, and with the actual performance results.

### **Recommendation**

We recommend the Assistant Secretary for Employment and Training ensures that ETA and its Office of Adults, Dislocated Workers, and TAA, in conjunction with the Office of Financial and Administrative Management and the Office of the Chief Financial Officer, develop the linkages between resources and goals as well as costs and results required by current legislation and directives.

The Office of the Chief Financial Officer (OCFO) has several pilot projects ongoing to implement cost accounting at the agency or program level. ETA should work with the OCFO to develop a managerial cost accounting system for ETA that will enable ETA to match costs with results. The OIG's Office of Performance and Financial Accountability Audits is available to assist in these efforts.

ETA advised that discussions with the OCFO were ongoing to determine how the OCFO could assist in implementing managerial cost accounting in ETA. ETA elected not to participate in the early DOL managerial cost accounting pilots because of the passage of the WIA which caused significant program changes, and because of other financial management priorities which were of greater immediate concern.

### **Auditee Response**

ETA concurred with the recommendation to integrate its performance plans and budgets. ETA noted that its Office of Financial Management and Office of the Chief Financial Officer have agreed to develop two pilot studies that will provide a model that may be applicable ETA-wide in establishing the linkages called for in the recommendation.

ETA stated that it looks forward to working with the OIG, specifically in the design and development of monitoring programs which aim to enhance the total performance

management, as well as the pilot design to better integrate performance and budget. ETA believes these initiatives will not only improve performance as defined in WIA, Sec. 136, Performance Accountability System, but address the spirit and letter of the Government Performance and Results Act.

### **OIG Conclusion**

The OIG recognizes the initial discussions between ETA's Office of Financial Management and the Office of the Chief Financial Officer to develop two pilot studies. Please provide reports on the implementation and results of the two pilot studies and on the application of those results on an ETA-wide basis. In addition, please provide copies of the budget documents and performance plans which reflect the integration of performance planning with budgeting as described in OMB Bulletin No. 00-04, entitled "Integrating the Performance Plan and Budget" and in other OMB directives issued prior to ETA's response.



### **Objective 3**

*Is ETA providing clear and consistent direction, assistance, and oversight, and maintaining intergovernmental cooperation with the entities on which it relies to promote program results?*

#### **I. Clear and Consistent Direction, Assistance and Oversight**

In implementing workforce development programs, including the subject programs, ETA is responsible for providing 1) clear and consistent direction, 2) assistance, and 3) oversight to other organizations on which it relies to promote results, while addressing:

- C the other organizations' managerial and technical capacity and implementation costs,
- C conditions requiring local or state flexibility, and
- C any impacts from crosscutting Federal programs.

We found that the states we visited, although highly complimentary about ETA regional office help, expressed concerns about the clarity and consistency of ETA national office direction, and about ETA procedures with regard to 1) Workforce Investment Act (WIA) implementation, 2) national reserve grants/national emergency grants (NRGs/NEGs), and 3) TAA and NAFTA-TAA petitions. ETA chose to respond to the concerns expressed by the states. The comments voiced by the states and ETA's responses to those comments are included in attachment 7.

It should be noted that since the audit period included the period of transition from program operations under the JTPA to program operations under the WIA, and at the specific request of the Director of the Office of Adult Services, our assessment of ETA direction and management included information about ETA direction to other entities prior to, during, and subsequent to the transition, on July 1, 2001, from operations under the JTPA to operations under the WIA.

**Providing Clear and Consistent Direction** while addressing the other organizations' managerial and technical capacities and implementation costs:

For JTPA:

- C ETA's approach begins with a shared understanding (with the other organizations) of the program goals, objectives, and performance measures.
- C Then, ETA issues Training and Employment Information Notices (TEINs), Training and Employment Guidance Letters (TEGLs), and Field

Memoranda (FMs) to program operators to assure consistent policy direction.

- C It reinforces the important policy directions by providing national and regional training and conferences.
- C Finally, it compliments the formal notices and training with interactive web pages (US Workforce.Org, and doleta.gov) that provide program policy, directions, and frequently asked questions and a bulletin board. These web sites also include linkages with Federal, regional, state, community-based organizations (CBOs), and related public interest groups' web pages.

For WIA:

- C ETA has created an intraagency Technical Assistance and Training Coordinating Group, which provides long term strategies for addressing the system's technical assistance needs.
- C ETA uses the normal formal policy announcements and provides specific training for high priority areas such as financial training, individual training accounts, and consumers' reports.
- C Specifically, there is WIA financial reporting training in six regions for state and Federal staff from October through November 2000, and training in individual training accounts and eligible training providers in seven regions from November through March 2002.
- C ETA is also developing an improved "e-government" design, which will include partners to be digitally compatible, promote the use of standards, and web based management information systems (MISs).
- C These actions are expected to provide clear direction for all the major stakeholders.

For TAA/NAFTA-TAA:

- C To match the DW reporting under the WIA, the TAA and NAFTA-TAA performance reporting will be revised to use wage records for determining reemployment status and wage replacement for terminated participants.
- C DTAA also issues formal guidance to the regions and states in the form of TEINs, TEGs, Field Memoranda (FM), and GALs.

- C DTAA reinforces the important policy directions by providing regional training and conferences.
- C DTAA's web page provides program information, downloadable petition forms, information on all investigations, including determinations and effective dates, and links to other related Federal, state, and private web pages.

**Providing Clear & Consistent Direction** while addressing conditions requiring local or state flexibility:

For JTPA:

- C ETA has provided statutory waivers to the states. When and where states believe additional flexibility is needed, they may request waivers from statutory and regulatory requirements as described in 20 CFR 661.400. Waivers were first used for JTPA in 1996 and were used to improve process and outcomes
- C The process used by ETA is similar to the process used by the Department of Health and Human Services (DHHS) in the early stages of welfare reform. There are two types of waivers, general and work-flex (where states want to give waivers to certain areas or SDAs).

For WIA:

- C The statute and regulations provide for increased flexibility as one of the primary principles of the law; the legislation also provides that states may waive Statutory and Regulatory authority to improve the statewide systems (20 CAR 661.400).

**Providing Clear & Consistent Direction** while addressing impacts from crosscutting Federal programs:

For JTPA:

- C ETA has used ad hoc workgroups from DHHS, Family Support Services, Department of Housing and Urban Development (DHUD), and Education to discuss respectively common targeted population, use of resources, and sharing reports and studies.

For WIA:

- C Under the WIA program, ETA has created an intra-agency Technical Assistance and Training Coordination group, (multi Departmental group) which provides long term strategies for addressing unified state planning, reporting, performance measures, and agreement models for sharing resources within the one stop career centers. This group also addresses cross cutting issues.
- C The One-Stop career centers include the Memorandum of Agreements from the respective state agencies, which address crosscutting issues, resources, and common issues. We trust this will successfully serve our customers of all adults, dislocated workers, and youth.

For TAA/NAFTA-TAA:

- C DTAA maintains close links with other Federal agencies and their adjustment assistance efforts. These include the Departments of Treasury [Community Adjustment and Investment Program (CAIP) and North American Development Bank (NADBANK) program], Commerce (Adjustment Assistance for Firms and Industries), and Education (coordinate Pell grants with TAA training for import-impacted workers).
- C DTAA also participates in the One-Stop activities, including memoranda of understanding, that address crosscutting issues, resources, and common issues.

**Providing Assistance** while addressing the other organizations' managerial and technical capacity and implementation costs, conditions requiring local or state flexibility, and impacts from crosscutting Federal programs:

For JTPA:

- C ETA's approach in providing assistance to DW program operators begins with the identification of weaknesses in program operations from the performance standards, Governors' Reports and SPIR data.
- C The ETA national or regional office monitor and/or discuss weaknesses with program operators.
- C After assessing problem areas, the regional offices provide technical assistance in a variety of ways:

- S providing related states' experiences,
- S providing training, and
- S developing conferences/clinics which address common problems (often reporting) among state or regional areas.

For WIA:

- C ETA has provided assistance to state and local agencies by planning and implementing conferences at the national, regional, and local levels for all partners involved. These have included pre-regulation discussions/forums, regulation training for all stakeholders, and continuing special training and assistance in such areas as financial reporting, individual training accounts, consumers report cards, and related challenging new aspects of the program.

For TAA/NAFTA-TAA:

- C ETA's approach in providing oversight to TAA and NAFTA-TAA program operators begins with the identification of weaknesses in program operation gleaned from performance reporting and program reviews.
- C After assessing problem areas, the national and regional offices provide technical assistance in a variety of ways:
  - providing related states' experiences and best practices
  - providing training, and
  - developing conferences and roundtables among states and regions
- C Early in FY 2000, DTAA formed a Trade Act Taskforce of national, regional, and state TAA and NAFTA-TAA staff and representatives from other related national DOL components to formally address WIA integration issues and any shortcomings in current program operations.

**Providing Oversight** while addressing the other organizations' managerial and technical capacity and implementation costs, conditions requiring local or state flexibility, and impacts from crosscutting Federal programs:

For JTPA:

- C ETA's approach in providing oversight for the DW program has used primarily the performance standards for the DW program.
- C The regional offices have used the respective performance standards,

Governor's reports and SPIR data to identify performance needs

improvement and then, usually work in partnership with the states to work through local SDA oversight and assistance.

For WIA:

- C ETA is developing plans for review and oversight under the general direction of the Field Operations staff, in coordination with the respective national and regional Adult and DW program staff.
- C This include reports on the "Status of State/Local WIA Implementation" monthly reports, as well as planned reports covering the performance accountability measures discussed above.
- C In addition, ETA is embarking on a "Baldrige Assessment" which is a quality improvement program aiming to examine policy direction and its deployment for the seven key areas. Many state and local agencies are also developing quality initiatives such as the Baldrige program to improve oversight, operations, and outcomes.

For TAA/NAFTA-TAA:

- C ETA's approach in providing oversight to TAA and NAFTA-TAA program operators employs the results of program reviews and performance reports to promptly begin any needed corrective action.
- C Regional office will conduct regular program reviews of their states in order to identify performance that needs improvement and provide all possible technical assistance and other resources to bring about needed improvements.
- C DTAA is also participating fully in the ETA Baldrige Initiative to improve the quality of program performance and participant services throughout the TAA/NAFTA-TAA system.

Conclusion

ETA's approach in providing 1) clear and consistent direction, 2) assistance, and 3) oversight to the organizations on which it relies to promote results has been generally successful in most areas. Assistance by the ETA regional offices was praised by the states. Based on the responses provided by ETA to the comments made by the states (see attachment 8), ETA is continuing to make improvements in policies and processes based on such feedback.

## II. Creating and Maintaining Effective Intergovernmental Cooperation

In implementing workforce development programs, including the subject programs, ETA is responsible for creating and maintaining effective intergovernmental cooperation with the entities on which it relies to promote program results while:

- C setting program goals, targets, and measures,
- C developing and implementing strategies to achieve the goals, and
- C designing monitoring and reporting mechanisms.

We found that the Office of Adults, Dislocated Workers and TAA, and its operating divisions, have successfully created and maintained effective intergovernmental cooperation during these activities

**Creating and Maintaining Effective Intergovernmental Cooperation** while setting goals, targets, and measures

For JTPA:

- C ETA formed a National Stakeholder Group (NSG) to discuss the development, review and analysis of ETA's Strategic Plan. The NSG, in turn, created work groups to develop and report suggestions and comments regarding the goals, targets and measures used in GPRA and annual plans.
- C ETA regional offices have conducted similar stakeholder meetings on the GPRA plan for their region. These meetings then produce draft goals, targets and measures or suggest modifications to those proposed.
- C ETA did not formally place the regions and states under GPRA goals. Instead, GPRA goals were announced in the Governors' Reports for PY 1996 and 1997 which went out in February/March of the next calendar year (CY). However, strategies were discussed with the stakeholders.

For WIA:

- C ETA has developed an extensive network of partnerships, which have been used to develop final Regulations (August 2000), design unified planning among agencies, negotiate measures and targets and reporting systems, and develop strategies to achieve them. The partnerships include related federal agencies, state and local agencies, community-based organizations, and public interests groups.

- C ETA has developed strategies to achieve WIA's 17 performance measures in a partnership manner -- for the measures where some baseline data exists, target retention and wage measures were negotiated with stakeholders for three years. For the measures without prior baseline data, FY 2000 will serve as the baseline year for those measures. Stretch goals have been established calling for a one-to-two percent increase over prior performance.
- C ETA has developed "desired performance levels' for FY 2004" for adult, DW and TAA programs, in selected wage and retention measures, which will be adjusted based upon the agreed negotiated levels with the state agencies for PY 2000. These are recorded in DOL's Strategic Plan 1999-2004.

For TAA/NAFTA-TAA:

- C ETA has based the TAA and NAFTA-TAA goals for Fiscal Years 1999 and 2000 on JTPA Title III goals since a) prior to FY 1999, TAA and NAFTA-TAA did not collect performance information, and b) the Title III dislocated worker goals represented a reasonable starting point for the trade-related programs, which also served dislocated workers.

**Creating and Maintaining Effective Intergovernmental Cooperation** while developing and implementing strategies to achieve the goals

For JTPA:

- C ETA formed a NSG to discuss the development, review and analysis of ETA's Strategic Plan. The NSG, in turn, created work groups to develop and report suggestions and comments regarding the means and strategies.
- C ETA had regional offices conduct similar stakeholder meetings on the GPRA plan for their region. These meetings then produce draft means and strategies or suggest modifications to those proposed.

For WIA:

- C ETA developed extensive collaboration with the public interest groups, community based organizations, and state and local agencies on the strategies soon after the Law was passed in August 1998.
- C ETA conducted national, regional and partnership meetings, workshops,



and clinics to develop common strategies for best practices and unique strategies for their respective localities.

**Creating and Maintaining Effective Intergovernmental Cooperation** while designing monitoring and reporting mechanisms

For JTPA:

- C JTPA had three basis vehicles for monitoring and reporting results; the first was the JTPA performance standards, second was the “Governor’s Report Cards,” and the third was the development and deployment of the SPIR data book for national, state/local SDA results.
- C ETA implemented Section (106(a)) of the JTPA by designing and implementing sophisticated regression-based performance standards for the 640 SDAs, for adult and dislocated worker programs. These standards were locally adjusted by social/economic variables to provide accountability and cost effectiveness without undue federal intervention. SDAs had to meet or exceed its performance standards to be eligible for incentive awards; conversely, those SDAs which did not meet them for a certain period were required to have special technical assistance or reorganization.
- C For the past few years, ETA complemented the performance standards by working in partnership with a steering committee of state staff to develop the comparison of all 640 local offices’ results, as adjusted by the regression model. This enabled the local, state and Federal staff to monitor and review programs to see how each local ranked nationally with other local SDAs.
- C Finally, ETA distributed SPIR reports in hard cover, and CD ROM, covering participant services and outcome information for national, state/local SDAs. ETA also published the outcomes in the Secretary’s Employment and Training Report for the Congress, annually.

For WIA:

- C ETA has gone through an extensive process of stakeholder consultation in regards to the WIA reporting system including that for dislocated workers. This process began with a series of stakeholder meetings that culminated in the publication of a consultation paper which was issued in March 1999. ETA continued with a public meeting with WIA early implementing states and other interested states in May 1999. ETA continued development of the WIA measures in consultation with the

early WIA implementation states through several meetings in 1999 and 2000. This process continues with recent meetings in September 2000 with partners such as National Governors' Association, National Association of Counties, etc. to examine state reporting policy and requirements.

- C WIA incentives and sanctions' requirements are specified in 20 CFR 666.200. ETA has distributed formal guidance on the procedures required to meet the requirements of the statute and regulations. ETA is developing a program monitoring and review process that takes into account the specific needs of the respective states. The regional Offices of Adult Services have the lead role in the monitoring and reporting on results.
- C In addition, ETA has in place a data validity and verification project, with a contractor on board, that is addressing data validity among many WIA title I programs.
- C Finally, ETA will be relying on the state UI wage records system to provide key required outcome measures for the first time. This should improve the objectivity and reliability of the data.

For TAA/NAFTA-TAA:

- C To match the DW reporting under the WIA, the TAA and NAFTA-TAA performance reporting will be revised to use wage records for determining reemployment status and wage replacement for terminated participants.
- C TAA and NAFTA-TAA participant data reporting will also come under the ETA data validity project mentioned above.

### Conclusion

Through the actions and practices described above, ETA has created and maintained effective intergovernmental cooperation in 1) establishing goals, targets and measures, 2) developing and putting in place means and strategies to achieve the goals, and 3) monitoring and reporting on results.

# **ATTACHMENTS**

**FEDERAL INFORMATION SYSTEM CONTROLS AUDIT MANUAL (FISCAM)  
GENERAL CONTROLS THAT HELP ENSURE PROPER SYSTEM OPERATIONS  
CHAPTER 3, SECTION 1 - ENTITYWIDE SECURITY PROGRAM PLANNING AND MANAGEMENT (SP)**

Critical Elements	PA		WA		WI		UT		TX		Comments
	Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
SP-1 Periodically assess risks		X	X			X	X		X		The Pennsylvania and Wisconsin agencies do not have formalized procedures for risk assessments on a regular basis, but these states periodically conduct informal risk assessments.
SP-2 Document an entity-wide security program plan	X		X		X		X		X		Although no state agency was familiar with the requirements of OMB Circular No. A-130, and no state agency had assembled in one single place all of the documents comprising an entitywide security program plan, all state agencies had developed and documented the individual components of an entitywide security program plan.
SP-3 Establish a security management structure and clearly assign security responsibilities	X		X		X		X		X		
SP-4 Implement effective security-related personnel policies	X		X		X		X		X		
SP-5 Monitor the security program's effectiveness and make changes as needed	X		X		X		X		X		
Overall assessment of entity-wide security program planning and management	X		X		X		X		X		

**FEDERAL INFORMATION SYSTEM CONTROLS AUDIT MANUAL (FISCAM)  
 GENERAL CONTROLS THAT HELP ENSURE PROPER SYSTEM OPERATIONS  
 CHAPTER 3, SECTION 2 - ACCESS CONTROL (AC)**

Critical Elements	PA		WA		WI		UT		TX		Comments
	Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
AC-1 Classify information resources according to their criticality and sensitivity	X		X		X		X		X		
AC-2 Maintain a current list of authorized users and their access authorized	X		X		X		X		X		
AC-3 Establish physical and logical controls to prevent or detect unauthorized access	X		X		X		X		X		
AC-4 Monitor access, investigate apparent security violations, and take appropriate remedial action	X		X		X		X		X		
Overall assessment of access controls	X		X		X		X		X		

**FEDERAL INFORMATION SYSTEM CONTROLS AUDIT MANUAL (FISCAM)**  
**GENERAL CONTROLS THAT HELP ENSURE PROPER SYSTEM OPERATIONS**  
**CHAPTER 3, SECTION 3 - APPLICATION SOFTWARE DEVELOPMENT AND CHANGE CONTROL (CC)**

Critical Elements	PA		WA		WI		UT		TX		Comments
	Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
CC-1 Processing features and program modifications are properly authorized	X		X		X		X		X		
CC-2 Test and approve all new and revised software	X		X		X		X		X		
CC-3 Control software libraries	X		X		X		X		X		
Overall assessment of application software development and change control	X		X		X		X		X		

**FEDERAL INFORMATION SYSTEM CONTROLS AUDIT MANUAL (FISCAM)  
 GENERAL CONTROLS THAT HELP ENSURE PROPER SYSTEM OPERATIONS  
 CHAPTER 3, SECTION 4 - SYSTEM SOFTWARE (SS)**

Critical Elements	PA		WA		WI		UT		TX		Comments
	Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
SS-1 Limit access to system software	X		X		X		X		X		
SS-2 Monitor access to and use of system software	X		X		X		X		X		
SS-3 Control system software changes	X		X		X		X		X		
Overall assessment of system software	X		X		X		X		X		

**FEDERAL INFORMATION SYSTEM CONTROLS AUDIT MANUAL (FISCAM)  
GENERAL CONTROLS THAT HELP ENSURE PROPER SYSTEM OPERATIONS  
CHAPTER 3, SECTION 5 - SEGREGATION OF DUTIES (SD)**

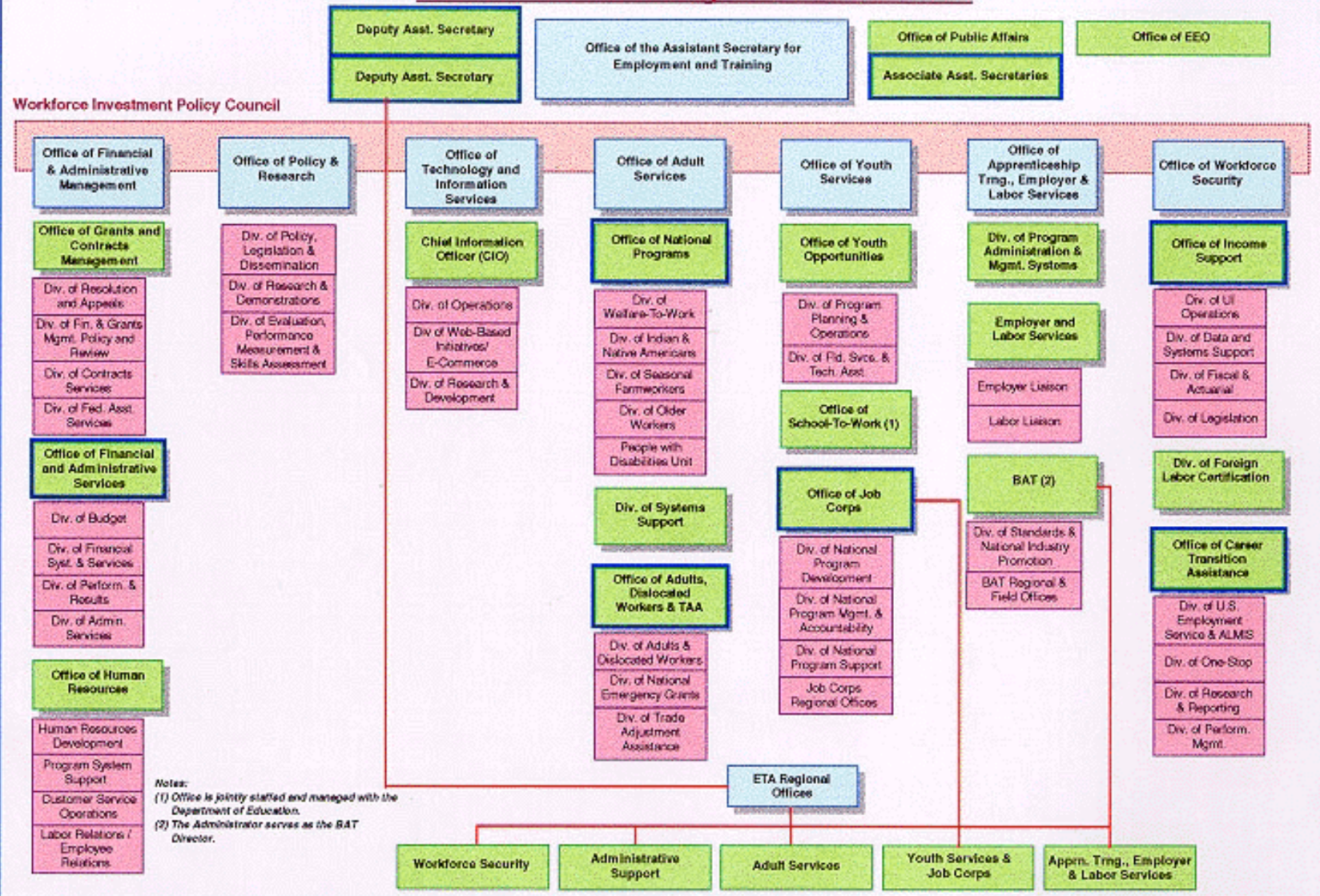
Critical Elements	PA		WA		WI		UT		TX		Comments
	Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
SD-1 Segregate incompatible duties and establish related policies	X		X		X		X		X		
SD-2 Establish access controls to enforce segregation of duties	X		X		X		X		X		Also see chart 3-2 entitled Access Control (AC) and chart 3-5 entitled Segregation of Duties (SD)
SD-3 Control personnel activities through formal operating procedures and supervision and review	X		X		X		X		X		Also see chart 3-1 entitled Entitywide Security Program Planning and Management, Item SP-4 – security-related personnel policies.
Overall assessment of segregation of duties	X		X		X		X		X		



FEDERAL INFORMATION SYSTEM CONTROLS AUDIT MANUAL (FISCAM)  
GENERAL CONTROLS THAT HELP ENSURE PROPER SYSTEM OPERATIONS  
CHAPTER 3, SECTION 6 - SERVICE CONTINUITY (SC)

Critical Elements	PA		WA		WI		UT		TX		Comments
	Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		Are Controls in Place?		
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
SC-1 Assess the criticality and sensitivity of computerized operations and identify supporting resources	X		X		X		X			X	In Texas' DP Disaster Recovery Manual dated 5/17/00, the page(s) listing critical or sensitive functions were blank and these functions were not identified. Also, in the TWC emergency plan and the State of Texas emergency plan, a number of pages were left blank.
SC-2 Take steps to prevent and minimize potential damage and interruption	X		X		X		X			X	These steps were not included in the Texas DP Disaster Recovery Plan provided. Some steps were included in the Texas Emergency Plan that was provided.
SC-3 Develop and document a comprehensive contingency plan	X		X		X		X			X	The contingency plan provided by the Texas agency was not complete and was not comprehensive.
SC4 Periodically test the contingency plan and adjust it as appropriate	X		X		X		X			X	The Texas Workforce commission was not able to provide documentation to show that the contingency plan had been tested or that it had been adjusted following testing.
Overall assessment of service continuity	X		X		X		X			X	On the basis of the above weaknesses, we determined that Texas' plans for service continuity were not adequate.

## ETA Nationwide Reorganization Structure



**MISSION STATEMENT**

**THE DIVISION OF ADULTS AND DISLOCATED WORKERS**

The Division of Adults and Dislocated Workers' mission statement is to contribute to: implementing a national workforce system that provides America's workers, including youth that have recently entered or are about to enter the workforce, with the information, advice, job search assistance, income maintenance, and training they need to get and keep good jobs, which involves employers and labor in defining the needs of the system, and which provides employers with skilled workers; managing strategically in order to ensure high performance by program operators, greater public accountability, service quality, and customer satisfaction; and working collaboratively with partners and stakeholders in business, labor and state, and local governments by: designing, developing, and administering employment and training services for adults, dislocated workers, and incumbent workers; designing, develop and administer pilots, demonstrations, evaluations, and research projects; and working collaboratively with Office of Adult Programs' - Division of Systems Support (OAP - DSS) in the development of strategic plans and budgets, regulatory interpretation and policy guidance, performance management and continuous improvement systems and initiatives, technical assistance strategies, and customer service strategies to promote achieving results and customer satisfaction.

**MISSION STATEMENT**

**THE DIVISION OF TRADE ADJUSTMENT ASSISTANCE**

The Division of Trade Adjustment Assistance (TAA)'s mission statement is: to implement a national workforce system that provides America's workers, including youth that have recently entered or are about to enter the workforce, with the information, advice, job search assistance, and training they need to get and keep good jobs, which involves employers and labor in defining the needs of the system, and which provides employers with skilled workers. Manage strategically in order to ensure high performance by program operators, greater public accountability, service quality and customer satisfaction; and work collaboratively with partners and stakeholders in business, labor and state and local governments by: carrying out the Office of Adult Programs' responsibilities under the Trade Act of 1974 including the conduct of investigations, preparation of reports and issuance of determination, as well as the development of policies and directives regarding the delivery of services to workers adversely affected by trade.

**EXPECTED PROGRAM RESULTS**  
**AS OUTLINED IN AUTHORIZING LEGISLATION**

The intended results of the DW program as outlined in law:

JTPA: "...that will result in increased employment and earnings, increased educational and occupational skills, and decreased welfare dependency, thereby improving the quality of the work force and enhancing the productivity and competitiveness of the Nation."

WIA: "...that increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants, and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the Nation."

The intended results of the TAA & NAFTA-TAA programs as outlined in law:

Trade Act: "to provide adequate procedures to safeguard American industry and labor against unfair or injurious import competition, and to assist industries, firms, workers and communities to adjust to changes in international trade flows."

**PERFORMANCE GOALS AND MEASURES**  
**FOR THE DW, TAA, AND NAFTA-TAA PROGRAMS**

The DW Program:

FY 1999 Performance Goals:

- C 74% of program terminees will be employed at an average replacement wage of 93% at termination, and
- C 76% will be employed one quarter after program exit at an average wage replacement rate of 97%.

FY 1999 Performance Measures:

- C Percentage of program terminees employed
- C Wage Replacement Rate (Average wage after terminating the program as a % of previous wage)
- C Percentage of individuals reemployed one quarter after terminating the program
- C Wage Replacement Rate (Average wage one quarter after terminating the program as a % of previous wage)

FY 2000 Performance Goals:

- C 75% of individuals leaving the program will be employed, in good jobs paying an average of 93% of previous wage, and
- C 76% will be employed one quarter after leaving the program in jobs paying an average of 97% of previous wage.

FY 2000 Performance Measures:

- C Percentage of individuals reemployed after exiting the program.
- C Wage Replacement Rate (Average wage after exiting the program as a % of previous wage).
- C Percentage of individuals reemployed one quarter after exiting the program.

- C Wage Replacement Rate (Average wage one quarter after exiting the program as a % of previous wage)

TAA & NAFTA-TAA Programs

FY 1999 Performance Goal:

- C 72% of program participants will be reemployed at termination.

FY 1999 Performance Measure

- C percentage of program participants who terminated during FY 1999 who were reemployed at termination.

FY 2000 Performance Goals:

- C 72% of program participants will be reemployed at termination, and
- C program participants who terminate will achieve, on average, at least 80% of their pre-separation wage.

FY 2000 Measures:

- C percentage of program participants who terminated during FY 2000 who were reemployed at termination, and
- C average wage at termination as a percentage of the average wage at qualifying separation.

**STATE COMMENTS ON**  
**ETA DIRECTION, ASSISTANCE, & OVERSIGHT**  
**WITH ETA RESPONSES**

**Comments from States Grouped by Subject**

During the audit team's visits to the states, each state agency was offered the opportunity to provide comments and/or recommendations to ETA about the clarity and consistency of the direction ETA provides as well as the assistance and oversight it provides.

The following are the statements made by state representatives in the five states included in our sample. In some cases, more than one state provided the same comment and/or recommendation. ETA chose to respond to each state comment within this report. Therefore, following each state comment, is the response to that comment provided by ETA.

**Regional Office Support**

State Comment: "Support and assistance from ETA regional offices has been strong, very welcome, and much appreciated."

ETA Response: None

**Common Definitions/Reporting Requirements**

State Comment: "ETA promised reporting requirements and common definitions with the new legislation (WIA). However,

C the reporting requirements were issued too late for early WIA implementers since they were already operating under WIA, and

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C the common definitions that would have greatly facilitated accountability and flexibility have not been issued.”

ETA Response: ETA was reluctant to issue more formal reporting requirements during the interim final regulations which were relevant during the early states’ WIA implementation. It preferred to wait until after the Final Regulations were issued. This would enable the state/local agencies, and the multiple partners to comment on these issues, before final decisions were made. Negotiations with partners, although time consuming, is expected to provide a better performance system in the long run.

ETA and its partner programs have compiled the “Unified Plan, Planning guidance for State Unified Plan under Section 501 of the WIA” as a means for states to integrate program planning. The next step is to examine reporting systems for common definitions that could simplify multi-agency reporting. However this remains complex because of specific legal requirements in the respective programs.

### National Emergency Grants (NEGs)

State Comment: “ETA direction is not always clear. ETA policy on NEGs is not always written (and therefore not known) and the basis for some of the areas questioned cannot be found in law. However, the primary issue with NEGs is not in the application process or the items ETA will not fund. It is in the processing time for new applications, and especially for modifications.”

ETA Response: ETA policy guidance on NEG grant applications, standards, and policy is clear and broadly available to eligible applicants. This guidance is available from regulations implementing the WIA and from ETA national and regional offices.

The final rules and regulations which set policy guidance for the NEG grants is found at 20 CFR Part 671 as published in the Federal Register on Friday, August 11, 2000. These regulations are comprehensive in defining the basic policy framework for NEG grants. However, NEGs are funded through the Secretary of Labor's discretionary account and, as a matter of law, the Secretary is given broad discretion and flexibility in determining the standards that govern NEG grant awards, in general, and the terms and conditions that may apply to an award decision in a specific case. Thus NEG guidance should not be expected to be exhaustive and the items that are fundable under the NEG program may change over time. Grant requirements can change in response to Secretarial priorities and every application holds the potential of requiring guidance that is specific to the questions or issues that it raises.

With respect to processing times for new applications and grant modification requests, the NEG program is currently meeting its processing time standard for new applications and significant progress continues in reducing the processing time for grant modifications. The processing time standard calls for processing new grant applications in 45 days and grant modification requests in 30 days. The comment may have referred to processing times prior to July 2000 when a successful effort to reduce the backlog was undertaken.

The Office of Adult Services (OAS) is taking steps to use computer-based technology to enhance process management as part of an ETA Baldrige quality initiative. Additional staff are also being hired. Reduced processing times and better case management are expected to result from the use of technology and access to additional staff time.

State comment: "There seems to be no consistent guidance or template for NEGs which causes numerous problems with the resulting differences."

ETA Response: The above response is applicable to this comment. Further, ETA's regional office and the OAS at the national level are available to applicants to clarify issues of grant policy or application procedures. The OAS is unaware of grant award decisions that contradict, or could be perceived as contradicting, a consistent application of NEG policy and procedures.

State Comment: "The criteria for awarding NEG funds and NEG administrative procedures are no longer clear. It is imperative that ETA issue new NEG guidelines developed in the spirit of WIA quickly. At present, obtaining and using NEG funds is problematic due to processing delays and policy confusion."

ETA Response: As indicated in response to other similar state comments, the criteria for awarding NEG funds and the administrative procedures governing the review of new applications and grant modifications are clear and can be found in the WIA's implementing regulations and in the guidelines which applied to applications under the National Reserve Account (NRA) program. NRA guidelines have been extended to apply temporarily to the NEG program until the development of NEG guidelines is concluded. ETA regional offices have been informed of the extension of NRA guidelines and have been requested to inform prospective applicants.

The fact that 19 new applications and 80 grant modification requests have been received since July 1, 2000, the effective date of the WIA and the NEG program, indicates that states are aware of and are using appropriate guidelines.

A Federal-State work group has met to consider what updating of the program's guidelines is required to conform with the WIA's principles and purpose. The group will continue its work during the first quarter of calendar year 2001. The new guidelines are expected to be issued in June 2001.

State Comment: “ETA should move to incremental funding of all NEG’s.”

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ETA Response: ETA has, in fact, funded NRA and NEG grants incrementally for more than a decade.

State Comment: “Although emergency grants generally have a two week turnaround, getting funds for “Rapid Response” can take up to nine months and averages 3-6 months. The prevailing question is, “Will the client still be there when the rapid response funds are received?”

ETA Response: The commentator appears to equate “rapid response” with the training and related services provided to dislocated workers through NEG grants in cases of plant closings and mass layoffs. Pursuant to the WIA and JTPA, “rapid response” is a required activity assigned by law to the state. “Rapid response” must occur before an applicant can apply for NEG funds and are timed for delivery very early in the dislocation event.

“Rapid response” activities are primarily informational, designed to give dislocated workers information about the range of workforce development services available to them and how to gain access to those services. “Rapid response” services do not involve the delivery of training services. Training services and related services, for those who need them to become re-employed, can be funded through NEG grants when local formula funds are insufficient to meet the demand for training.

Funding for “rapid response” is reserved by the state out of its dislocated worker formula allotment. The provision of “rapid response” services may be by the state, local, or contractor staff.

“Rapid response” activities are not an allowable funding activity under NEG. The Governor can elect to use the state’s discretionary funding to start services.

Funding for training and re-employment services associated with worker dislocations that occur because of plant closings, mass lay-offs and emergencies created by natural disasters are funded from resources reserved to the Secretary of Labor. Thus “rapid response” and NEG grants have different funding sources.

The prevailing standard for processing NEG applications that request funds to provide services in response to a plant closing or mass lay-off is 45 days from the receipt of the application by the OAS. The standard for the OAS/NEG office is to forward the recommendation to the Secretary within 30 days from receipt of a complete application.

### The WIA

State Comment: “Linking incentive funds or loss of funds to performance is a good idea.”

ETA Response: Regulations at 20 CFR Part 66 address this issue in detail.

State Comment: “Under WIA, new systems should be designed starting with the customer and working back from there, not the opposite approach.”

ETA Response: Regulations at 20 CFR Parts 652 and Parts 660 through 671 provide policy framework for the WIA Principles listed in the regulation’s Section I, Background. “The reformed system is intended to be customer-focused, to help Americans access the tools they need to manage their careers...” In addition, the national office, within the Workforce Excellence Program is initiating the Baldrige Program to assure that the focus is on the customer.

State Comment: “ETA national and regional offices need to explore new leadership models for implementing the new public policies under WIA.”

ETA Response: WIA is a decentralized program with strong roles for local and state boards and the private sector; thus WIA is looking for strong local and state models for leadership within the framework of national pilots and demonstrations.

State Comment: “Written requests to ETA for clarification of WIA performance issues have gone unanswered.”

ETA Response: ETA’s regional and national offices intend to respond to issues in a rapid and effective manner. However, when responding to policy issues such as performance, the issue is often more complex than originally understood. This requires staff work in consultation with the participant state/local agency, research and recommendations, and finally Policy Council review and approval.

State Comment: “The negotiation process to establish WIA levels of performance is somewhat frustrating. The national ETA office apparently provides “ranges” of acceptable performance to regional ETA officials who cannot share such “ranges” with the states. When the states have actual data on which to base future levels of performance, they are rejected. If ETA is serious about partnering with the states to provide exceptional service to job seekers, they should be forthcoming in sharing boundaries imposed on them with their partners. After all, states disclose all data to ETA prior to negotiations. Can ETA do the same?”

ETA Response: The negotiation process with limited actual, empirical experience has proven challenging to all parties concerned. With experience and feedback from the states/local offices, ETA expects that the process will be improved over time.

### TAA and NAFTA-TAA Petitions

State Comment: “Regarding TAA petitions, when you have overlapping time periods, it would be much better if ETA amended one of the petition’s time periods to conform to the other – or start the subsequent petition when the original petition runs out, because with two different time periods, the administration of benefit payments becomes a nightmare. Why should the time periods be different when it is the same employer and the same work.”

ETA Response: For all petitions received, there is a formal screening process that identifies other petitions and investigations that relate to the same worker group. This screening process includes both programs, TAA and NAFTA-TAA. This process has been in place for over four years. If there happens to be a determination issued that overlaps a previous determination for the same worker group, that is a result of simple human error, not a systematic problem. In any such rare case, the state or region should notify the national office. The later determination will promptly be amended to eliminate the overlap.

State Comment: “All certifications should be sent to the states. Currently NAFTA-TAA certifications are faxed to the states but trade certifications are sent to the ETA regions. With the lag times in forwarding from the regions to the states, the states are often the last to know when a petition has been certified.”

ETA Response: It is already a significant burden on staff time and resources to send the NAFTA-TAA determinations to the states. Also, we need to rely on our regional partners to help us administer the programs, and forwarding the TAA determinations to the states is one such function. Finally, we are timely posting all determination documents, both TAA and NAFTA-TAA on our website so states and any other interested parties may obtain these documents themselves.

State Comment: “ETA needs to look at the timing of certification determinations and continue to work toward making simultaneous determinations for TAA and NAFTA-TAA.”

ETA Response: This comment may contradict a recommendation from a recent GAO study that DTAA take steps to improve the timeliness of petition determinations. Moreover, focusing on making simultaneous determinations for matching TAA and NAFTA-TAA investigations can result in one or the other exceeding the statutory time limit.

State Comment: “ETA asks the states at the end of the year to spend NAFTA-TAA funds rather than TAA funds for workers who have been certified eligible under both petitions. Instead, there should be a clear directive issued that this is permissible throughout the program year.”

ETA Response: This comment is one we don’t quite understand. DTAA allocates both TAA and NAFTA-TAA funds to the states. The states expend the funds according to the law, the regulations, and applicable directives. DTAA does not require states to spend particular funds at particular times of the year.

State Comment: “ETA should propose and obtain legislation that makes the following change:

The initial first year UI benefit claim should be exhausted before a client can draw TRA. If the participant re-qualifies for UI in a subsequent benefit year, they should have the *option* of drawing TRA or UI because in many cases the UI benefit is so low that the client cannot sustain him/herself in training and their reemployment plan fails.”

ETA Response: This is a comment that the national office has not heard before. In order to obtain such legislation, ETA would have to pursue not only legislation that amends the Trade Act, but also legislation



that

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amends both Federal and state UI laws, which would require a tremendous effort to correct what is evidently a rare and minor problem.

State Comment: “ETA should make the quarterly 563 reports for each petition cumulative instead of for that quarter only.”

ETA Response: We are often required to provide reports derived from the 563 data on a quarterly basis. The reporting requirements for the 563 are driven by the need for current program data for internal management and budget projection purposes and to respond to frequent requests from Congress and the Administration for detailed, timely information.

#### Clear, Consistent Direction/Regulations

State Comment: “There is a lack of clear direction from ETA often accompanied by sudden and significant changes in direction.”

ETA Response: See overall response below.

State Comment: “Continuous improvement is needed regarding the quality and clarity of regulations.”

#### ETA Overall

Response: ETA does not know the specifics of the lack of direction issue. The basic policy themes published in Interim Final Rule (April 15, 1999) are generally supported in the WIA Final Rules, published on August 11, 2000. ETA has negotiated complex issues such as the performance management system with representatives of state agencies, public interest groups, community based organizations, and other partners. Trying to develop and implement policies which have long-term implications is the challenge the states and

ETA must address together.

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By doing this in an orderly process, ETA aims to affect continuous improvement in policy, processes, and outcomes.

### Conclusion

ETA's approach in providing 1) clear and consistent direction, 2) assistance, and 3) oversight to the organizations on which it relies to promote results has been generally successful in most areas. Assistance by the ETA regional offices was praised by the states. Based on the responses provided by ETA to the above comments, ETA is continuing to make improvements in policies and processes based on such feedback.

U.S. Department of Labor

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



MAR 16 2001

MEMORANDUM FOR: JOHN J. GETEK

Assistant Inspector General  
for Audit

FROM:

*Raymond J. Uhalde*  
RAYMOND J. UHALDE  
Deputy Assistant Secretary

SUBJECT:

Response to Draft Audit Report, No. 23-01-001-030330  
GPRA Performance Measures Audit of the Dislocated Worker, Trade  
Adjustment Assistance, and North American Free Trade Agreement  
Transitional Adjustment Assistance Programs

Thank you for the opportunity to comment on the subject draft report. We especially appreciated the opportunity to work with your staff as they conducted fact-finding work in ETA's national and regional offices, and in the five states that were included in the audit. We understand that this OIG audit is part of a series of audits designed to assess the quality of DOL's compliance with the GPRA requirements.

We were encouraged by a number of the report's positive findings related to dislocated worker programs and their compliance with the GPRA. These findings include the fact that customer outcome data maintained by the states audited met relevant standards of accuracy and comprehensiveness, ETA's management of dislocated worker programs was in general compliance with GPRA requirements with the exceptions that are the subject of the report's recommendations, and ETA has maintained good intergovernmental relations with states. These findings suggest that there is a sound foundation on which to build to achieve full compliance with GPRA requirements.

We are in general agreement with the four (4) recommendations made to ETA's Assistant Secretary. ETA will take the following actions to with respect these recommendations:

**OIG recommendation #1:** Implement the plans for the re-institution and improvement of ETA monitoring of the DW, TAA, and NAFTA-TAA programs in accord with the plans outlined by the respective Directors of the Division of Adults and Dislocated Workers, the Division of national Emergency Grants, and the Division of Trade Adjustment Assistance.

**ETA Action:** ETA is developing work plans, which when implemented this year, will improve our monitoring of dislocated worker programs. These work plans are being developed by the Office of Adult Services - which includes the Division of Adult and Dislocated Workers, National Emergency Grants, and Trade Adjustment Assistance - in consultation and coordination with the regional offices of ETA. In general, monitoring activities planned for the coming year will emphasize performance monitoring and targeting technical assistance to ensure the achievement of performance goals.

The OIG noted in page 24 of the report that the audit period (October 1998-July 2000) was a transition period from JTPA to WIA. In fact, JTPA was going through a close-out, and ETA was working to develop WIA strategic and unified plans and assist states to be ready on July 1, 2000. Thus, ETA "monitoring" activities were focused accordingly.

**OIG recommendation #2:** Revise the mission statements for the Division of Adults and Dislocated Workers and TAA to focus employee attention on achieving the outcomes specified in the authorizing legislation as intended and expected to result from these programs' operations.

**ETA Action:** The Office of Adult Services is consulting with this agency's Office of Human Resources on the review of mission statements. Such reviews undertaken will be consistent with the agency's overall initiative to implement Baldrige principles.

**OIG recommendation #3:** Continue the development of internal measures for the Office of Dislocated Workers and TAA, and the Divisions of Adults and Dislocated Workers, NEG, and Trade Adjustment Assistance.

**ETA Action:** We concur with the recommendation, with the understanding that there are currently internal measures in effect for both TAA/NAFTAA and NEG. These measures include work processing deadlines stipulated in either legislation or current policy. Development of comprehensive internal measures for the adults, dislocated workers and trade programs will occur within the Baldrige organizational performance framework.

**OIG recommendation #4:** Develop in conjunction with the Office of Financial and Administrative Management and the Office of the Chief Financial Officer, the linkages between resources and goals as well as costs and results required by current legislation.

**ETA Action:** ETA concurs with the recommendation to integrate performance and budget in its annual program performance plans. ETA's Office of Financial Management and Office of the Chief Financial Officer have agreed to develop two pilot studies that will provide a model that may be applicable ETA-wide in establishing the linkages called for in the recommendation.

In summary, we look forward to working with the OIG, specifically in the design and development of monitoring programs which aim to enhance the total performance management, as well as the pilot design to better integrate performance and budget. We believe these initiatives will not only improve performance as defined in WIA, Sec. 136, Performance Accountability System, but address the spirit and letter of the Government Performance and Results Act.