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Highlights

Highlights of GAO-03-239, a report to Congressional Requesters

November 2002

WORKFORCE INVESTMENT ACT

States' Spending Is on Track, but Better Guidance Would Improve Financial Reporting

Why GAO Did This Study

The administration has twice proposed reducing the Workforce Investment Act's (WIA) budget, citing large amounts of states' unspent funds carried over from the prior year. However, in light of current economic conditions, state and local workforce officials have expressed a need for more funds, not less. GAO was asked to assess whether the Department of Labor's spending information is a true reflection of states' available funds. GAO examined the spending rate for states, what Labor does to determine how states are managing their spending, and what factors affect states' WIA expenditure rates.

What GAO Recommends

GAO is recommending that Labor collaborate with states to clarify its definition of obligations and include this information in determining states' available funds. Labor should share spending benchmarks and promising practices to help states and localities better manage their spending.

In comments on a draft of GAO's report, Labor generally agreed with our recommendations regarding better definitions and guidance, and sharing promising practices. However, Labor disagreed with GAO's findings and recommendations relating to the importance of considering obligations in addition to expenditures.

www.gao.gov/cgi-bin/getrpt?GAO-03-239.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Sigurd Nilsen at (202) 512-7215.

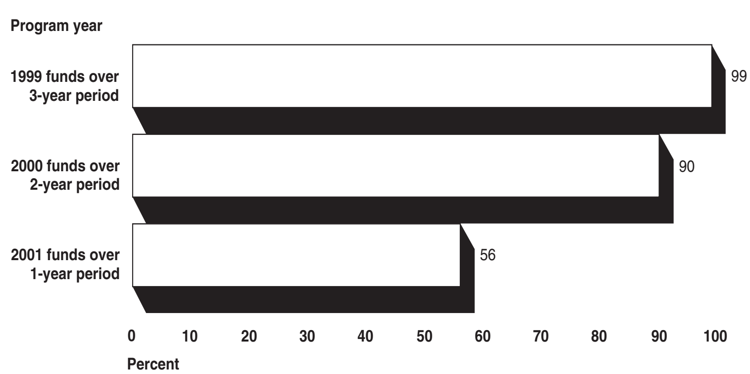
What GAO Found

States are spending their WIA funds much faster than required under the law, according to GAO's analysis of Labor's data. By the end of program year 2001, states had spent virtually all funds allocated in 1999 as well as 90 percent of 2000 funds and 56 percent of 2001 funds. By contrast, Labor's estimate suggests a slower pace of spending because it is based on all available funds, including those only recently distributed. Even though 44 percent of program year 2001 funds are being carried over into program year 2002, many of these funds may have already been committed at the point of service delivery. Furthermore, because of reporting inconsistencies, Labor's data do not accurately reflect funds that have been obligated—long-term commitments made by states and local areas on behalf of WIA customers. For a truer picture of available funding, both expenditures and obligations must be considered. But, because Labor lacks consistent data on obligations, it focuses only on expenditures to gauge budgetary need and overestimates funds states have available to spend.

Labor compares state expenditures against its benchmarks to determine how states manage their spending, to target guidance and assistance efforts, and to formulate next year's budget request. But Labor does not often communicate these benchmarks to states. Despite active monitoring and additional guidance, state and local officials remain confused by some of Labor's financial reporting requirements. They seek more definitive guidance and the opportunity to share promising strategies to help them better manage spending.

Financial reporting delays result from lengthy spending approval and contract procurement procedures—lasting as long as 8 months—and untimely service provider billing. Also, yearly funding fluctuations affect states' and local areas' willingness to commit resources in the long term and inhibit workforce system planning. Some states and localities have implemented strategies to overcome these factors and better manage their WIA spending.

Percentage of WIA Funds Expended as of June 30, 2002



Source: GAO's analysis of Labor's financial data files for program years 1999, 2000, 2001.