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# EMPLOYMENT AND TRAINING PROGRAM GRANTS

## Labor Has Outlined Steps for Additional Documentation and Monitoring but Assessing Impact Still Remains an Issue

Statement of George A. Scott, Director  
Education, Workforce, and Income Security Issues





Highlights of [GAO-08-1140T](#), a testimony before the Subcommittee on Employment and Workplace Safety, Committee on Health, Education, Labor, and Pensions, U.S. Senate

### Why GAO Did This Study

Since 2001, Labor has spent nearly \$900 million on the High Growth Job Training Initiative (High Growth), Community-Based Job Training Initiative (Community Based), and the Workforce Innovation in Regional Economic Development (WIRED). This testimony addresses 1) the intent of the grant initiatives and the extent to which Labor will be able to assess their effects; (2) the extent to which the process used competition, was adequately documented, and included key players; and (3) what Labor is doing to monitor individual grantee compliance with grant requirements. This testimony is based on GAO's May 2008 report (GAO-08-486) and additional information provided by the agency in response to the report's recommendations. For that report, GAO reviewed Labor's strategic plan, documents related to evaluations of the initiatives, internal procedures for awarding grants, relevant laws, and monitoring procedures, and conducted interviews.

### What GAO Recommends

In May 2008, GAO recommended that Labor take steps to ensure that it can evaluate the initiatives' impact, document compliance with statutory program requirements for noncompetitive grant awards, and develop and implement a risk-based monitoring approach for WIRED grants. Labor documented steps to implement the last two recommendations. This statement contains no new recommendations.

To view the full product, including the scope and methodology, click on [08-1140T](#). For more information, contact George Scott (202)512-7215, [scottg@gao.gov](mailto:scottg@gao.gov).

## EMPLOYMENT AND TRAINING PROGRAM GRANTS

### Labor Has Outlined Steps for Additional Documentation and Monitoring but Assessing Impact Still Remains an Issue

#### What GAO Found

According to Labor officials, the grant initiatives were designed to shift the focus of the public workforce system toward the training and employment needs of high-growth, in-demand industries, but Labor will be challenged to assess their impact. Under the initiatives, Labor awarded 349 grants totaling almost \$900 million to foster this change. However, the grant initiatives were not fully integrated into Labor's strategic plan or overall research agenda, so it is unclear what criteria Labor will use to evaluate their effectiveness. Labor lacks data that will allow it to compare outcomes for grant-funded services with those of other federally funded employment and training services. GAO recommended that Labor take steps to ensure that it could evaluate the initiatives' impact, but its response to our recommendation suggests that conditions remain much as they were when GAO did its audit work.

While grants under all three initiatives are now awarded competitively, the initial noncompetitive process for High Growth grants was not adequately documented. Community Based and WIRED grants have always been awarded competitively, but more than 80 percent of High Growth grants were awarded without competition. Labor could not document criteria used to select the noncompetitive High Growth grants or whether these grants met internal or statutory requirements. In response to the report recommendation, Labor modified review forms used in its noncompetitive process to include documentation of statutory requirements; however, GAO has not evaluated the sufficiency of these changes. Another issue related to the process was that meetings Labor held to identify solutions for industry workforce challenges did not include the vast majority of local workforce investment boards.

Labor provides some monitoring for grantees under all three initiatives and uses a risk-based monitoring approach for the High Growth and Community Based grants. However, when GAO conducted its audit work there was no risk-based monitoring approach for WIRED, and therefore recommended that Labor establish one. In response to the report recommendation, Labor documented steps it has taken to put a monitoring approach in place for WIRED grants. GAO has not reviewed the sufficiency of these steps.

**Number of Grants and Funds Awarded Competitively and Noncompetitively, Fiscal Years 2001- 2007 (Dollars in millions)**

Grant Initiative	Number of Grants	Competitively awarded amount	Noncompetitively awarded amount	Totals by grant initiative
High Growth	166	\$31.8	\$263.8	\$295.6
Community Based	142	250.0	0	250.0
WIRED	41	324.0	0	324.0
<b>Total</b>	<b>349</b>	<b>\$605.8</b>	<b>\$263.8</b>	<b>\$869.6</b>

Source: GAO analysis of U.S. Department of Labor grants data.  
 Note: Total dollar amount varies from Labor's reported figure due to rounding.

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Madam Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the High Growth Job Training (High Growth), the Community Based Job Training (Community Based), and the Workforce Innovation in Regional Economic Development (WIRED) initiatives. Since 2001, the Department of Labor (Labor) has spent almost \$900 million on these three employment and training grant initiatives to address what it perceived as shortcomings in the one-stop service delivery system.<sup>1</sup> My testimony today focuses on (1) the intent of the grant initiatives and the extent to which Labor will be able to assess their effects; (2) the extent to which the process used competition, was adequately documented, and included key players; and (3) what Labor is doing to monitor individual grantee compliance with grant requirements. My testimony today is based primarily on findings from our May 2008 report,<sup>2</sup> and additional information provided by the agency in response to the report's recommendations. Those findings were based on multiple methodologies including a review of Labor's strategic plan, documents related to evaluations of the initiatives and their purpose, internal procedures for awarding grants, relevant laws, and monitoring procedures. We also interviewed relevant Labor officials and persons with recognized workforce and training expertise. We conducted that performance audit from May 2007 to May 2008 in accordance with generally accepted government auditing standards.

In summary, according to Labor officials, the grant initiatives were designed to shift the focus of the public workforce system toward the training and employment needs of high-growth, in-demand industries, but Labor will be challenged to assess their impact. The grant initiatives were not fully integrated into Labor's strategic plan or overall research agenda, making it unclear what criteria Labor will use to evaluate their effectiveness, and Labor lacks data that will allow it to compare outcomes for grant-funded services to those of other federally funded employment and training services. We recommended that Labor take steps to ensure that it could evaluate the impact of the initiatives. Labor's response to our

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<sup>1</sup>Federally funded training and employment services are delivered through what is known as the one-stop system, which was developed under the Workforce Investment Act (WIA) of 1998 and is governed by state and local workforce investment boards. Sixteen categories of programs, funded by four federal agencies, deliver their services through this system. Under WIA, Labor has general responsibility and oversight of the one-stop system.

<sup>2</sup>GAO, *Employment and Training Program Grants: Evaluating Impact and Enhancing Monitoring Would Improve Accountability*, GAO-08-486. (Washington, D.C.: May 7, 2008.)

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recommendation suggests that conditions remain much as they were when we did our audit work. While grants under all three initiatives are now awarded competitively, more than 80 percent of High Growth grants were awarded without competition. Moreover, Labor could not document criteria used to select the noncompetitive High Growth grants or whether these grants met internal or statutory requirements. In response to a report from its Inspector General, Labor took steps to strengthen the noncompetitive process, but these procedures did not explicitly require documentation of compliance with statutory program requirements. In response to our recommendation, Labor modified its review forms used in its noncompetitive process to include such documentation. We have not reviewed the sufficiency of these changes. Another issue related to the process was that meetings Labor held to identify solutions for industry workforce challenges did not include the vast majority of local workforce investment boards, even though WIA makes these boards central to the workforce system. Finally, Labor provides some monitoring for grantees under all three initiatives and uses a risk-based monitoring approach for the High Growth and Community Based grants. When we conducted our audit work, there was no risk-based monitoring approach for WIRED, and we recommended Labor establish one. In response to our recommendation, Labor documented steps it has taken to put a monitoring process for WIRED in place. We have not reviewed the sufficiency of these steps.

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## Background

When it was enacted in 1998, WIA created a new, comprehensive workforce investment system designed to change the way employment and training services are delivered. Under WIA, each state designates local workforce investment areas across the state. Each local area is governed by local workforce investment boards that make decisions about the number and location of one-stop career centers, where partner programs make their services and activities available. Local boards are required to promote employers' participation in the workforce investment system and assist them in meeting hiring needs. Training services provided must be directly linked to occupations in demand in the local area. WIA requires states and localities to track the performance of WIA-funded activities and Labor to hold states accountable for their performance in the areas of job placement, employment retention, and earnings change.

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The Employment and Training Administration (ETA) oversees the High Growth, Community Based, and WIRED grant initiatives. The vast majority of these grants are awarded under a provision of WIA,<sup>3</sup> which provides authority for demonstration, pilot, multiservice, research, and multistate projects, and a provision of the American Competitiveness and Workforce Improvement Act (ACWIA),<sup>4</sup> which provides authority for job training grants funded by the H-1B visa program.<sup>5 6</sup>

Labor is required to conduct impact evaluations of its programs and activities carried out under WIA, including pilot and demonstration projects.<sup>7</sup> While impact evaluations make it possible to isolate a program's effect on participants' outcomes, there are several ways to conduct them, including experimental and quasi-experimental methods.<sup>8</sup> In 2004<sup>9</sup> and 2007,<sup>10</sup> GAO

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<sup>3</sup>29 U.S.C. § 2916.

<sup>4</sup>29 U.S.C. § 2916a.

<sup>5</sup>This program imposes a fee on employers that hire foreign workers to fill positions in specialized professions such as computer technology.

<sup>6</sup>The High Growth Job Training Initiative was funded under both WIA and ACWIA provisions; the Community Based Job Training Grants were funded under the WIA provision, and WIRED grants were funded under ACWIA. The High Growth grants were awarded under WIA as pilots and demonstrations. The WIA provision requires that grants provide direct services to individuals, include an evaluative component, and are made to entities with recognized expertise. The ACWIA provision requires Labor to identify industries and economic sectors projected to experience significant growth. In addition, the ACWIA provision requires Labor to use H-1B funds to award grants to entities to provide job training and related activities, ensure that grants are equitably distributed geographically, and ensure that training activities funded by such grants are coordinated with the workforce investment system.

<sup>7</sup>This includes activities carried out under section 171.

<sup>8</sup>In evaluating the impact of programs, outcome data from the program are compared with a baseline. Considered the most rigorous method for conducting impact evaluations, the experimental method randomly assigns participants to two groups—one that receives a program service (or treatment) and one that does not (control group). The resulting outcome data on both groups are compared, and the difference in outcomes between the groups is taken to demonstrate the program's impact. In a quasi-experimental approach, program participation is not randomly assigned, but outcome data for individuals who participated in a program are compared with others who did not.

<sup>9</sup>GAO, *Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help*, GAO-04-657 (Washington, D.C.: June 1, 2004).

<sup>10</sup>GAO, *Veterans' Employment and Training Service: Labor Could Improve Information on Reemployment Services, Outcomes, and Program Impact*, GAO-07-594 (Washington, D.C.: May 24, 2007).

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recommended that Labor comply with WIA requirements to conduct an impact evaluation of WIA services to determine what services are most effective for improving employment-related outcomes. Labor agreed with our recommendation. In December 2007, the agency announced it had begun a quasi-experimental evaluation—an impact evaluation that does not use a control group—of the WIA Adult and Dislocated Worker programs, with a final report expected in November 2008.

Federal law recommends, but does not require, that all grants be awarded through competition. The Federal Grant and Cooperative Agreement Act encourages competition in grant programs, where appropriate, to ensure that the best possible projects are funded.<sup>11</sup> In addition, Labor’s own guidance governing procurement and grant operations—the Department of Labor Manual Series—states that competition is recommended, unless one or more of eight exceptions apply.<sup>12</sup> Further, a guide on improving grant accountability developed by the Domestic Working Group Grant Accountability Project recommends grants be awarded competitively because competition facilitates accountability, promotes fairness and openness, and increases assurance that grantees have the systems in place to efficiently and effectively use funds to meet grant goals.<sup>13</sup>

Effective monitoring is also a critical component of grant management. The Domestic Working Group’s suggested grant practices state that financial and performance monitoring is important to ensure accountability and the attainment of performance goals. Labor monitors most grants through a risk-based strategy based on its *Core Monitoring Guide*. A key goal is to determine compliance with specific program requirements. In addition, entities receiving Labor grants are subject to the provisions of the Single Audit Act if certain conditions are met.<sup>14</sup> A single audit is an organization-wide audit that covers, among other things, the

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<sup>11</sup>31 U.S.C. § 6301(3).

<sup>12</sup>Department of Labor Manual Series 2-836(G)—Exclusions and Exceptions to Competitive Procedures for grants and cooperative agreements.

<sup>13</sup>The Domestic Working Group Grant Accountability Project, *Guide to Opportunities for Improving Grant Accountability*, October 2005. The group was composed of representatives from federal, state, and local audit organizations, including Labor’s inspector general.

<sup>14</sup>*OMB Circular A-133*, which implements the Single Audit Act (31 U.S.C. §§7501-7507), requires nonfederal entities that expend \$500,000 or more in federal funds to have a single or program-specific audit conducted for that year.

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recipient's internal controls and its compliance with applicable provisions of laws, regulations, contracts, and grants.

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## Grants Are Intended to Change the Workforce System, but Labor Will Be Challenged to Evaluate Their Impact

According to Labor officials, the grant initiatives are designed to change the focus of the public workforce system to emphasize the employment and training needs of high-growth, high-demand industries, but Labor will be challenged in assessing their impact. For the three grant initiatives, Labor awarded 349 grants totaling almost \$900 million that were intended to bring about this change by identifying the workforce and training needs of growing, high-demand industries; engaging workforce, industry, and educational partners to develop innovative solutions to workforce challenges, such as worker shortages; leveraging a wide array of resources to fund the solutions; and integrating workforce and economic development to transform regional economies by creating good jobs. However, 7 years after awarding the first grant, Labor will be challenged to evaluate the effect of the grants. We recommended that Labor take steps to ensure that it could, but its response to our recommendation suggests that conditions remain much as they were when we did our audit work.

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## Labor Said the Grants Are Designed to Make the Workforce System More Focused on High-Growth, High-Demand Industries

According to Labor officials, the High Growth, Community Based, and WIRED initiatives are designed to collectively change the focus of the workforce investment system by giving greater emphasis to the employment and training needs of high-growth, high-demand industries. They characterized High Growth as a systematic change initiative designed to make the system more demand-driven (i.e., focused on the needs of growing and high-demand industries) and to make the system's approach to workforce development more strategic by engaging business, industry, and education partners to identify workforce challenges and solutions.<sup>15</sup> As a related effort, the Community Based grants were designed to build the training capacity of community colleges for high-growth, high-demand occupations. The goal of third grant initiative, WIRED, was to "catalyze" the creation of high-skill and high-wage opportunities for workers within

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<sup>15</sup>According to Labor, the High Growth initiative included several key steps prior to awarding the grants and is ongoing through dissemination of grant results. Key steps included: identification of high-growth, high-demand industries; industry scans to understand the size, trends, and scope of each industry; industry executive forums to hear workforce challenges; workforce solutions forums to develop solutions to address these challenges; investments in workforce solutions (i.e., grants) for industry-identified challenges and follow-on competitive opportunities; and dissemination strategies for High Growth products.

the context of regional economies, to test models for integrating workforce and economic development, and to demonstrate that workforce development is a key driver in transforming regional economies. From 2001 through 2007, Labor awarded 349 grants totaling almost \$900 million for these initiatives (see table 1).

**Table 1: Total Number and Amount of Grants Awarded by Labor, 2001-2007**

Grant initiative	Number of grants	Amount
High Growth	166	\$295,522,793
Community Based	142	250,000,000
WIRED	41	323,999,944
<b>Total</b>	<b>349</b>	<b>\$869,522,737</b>

Source: GAO analysis of U.S. Department of Labor grants data.

Labor officials said a number of indicators show that the initiatives are changing the system. According to Labor, they have seen a “system-shift” in the approach to implementing workforce solutions through an increase in demand-driven topics at conferences since the roll out of the initiatives. Labor said this shift has been driven by partnerships between the workforce investment system, business, industry, and educators using the High Growth framework. Labor also said it is seeing demand-driven strategies in state and local strategic plans and in states using their own money to fund High Growth-like projects. Labor pointed out that the system has evolved to the point where high performing local workforce boards with demand-driven practices are mentoring lesser performers. Lastly, Labor said the content on its Web site, Workforce3 One, was also evidence of change. For example, Labor held an interactive seminar broadcast on this site to train participants to use an online tool to share curricula developed through the initiatives.

However, experts identified a number of challenges states face in pursuing demand-driven practices. These included insufficient funding, limited flexibility in how funds can be used, statutory requirements to target services to certain groups of workers, and the need to respond to local economic conditions. Commenting on workforce boards’ ability to form strategic partnerships, one expert noted that there are no funds to support such endeavors and no performance standards to measure them. With regard to regional economic development, experts said boards are structured around local areas, not regions, regional economies are highly variable, regional governance structures can make achieving buy-in



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difficult and that rural areas can be particularly challenged in pursuing regional approaches.

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### Seven Years After Awarding the First Grant, Labor Will Be Challenged to Evaluate Their Impact

Despite the money invested and emphasis placed on these initiatives, Labor did not fully integrate them into its strategic plan or ETA's research plan from the start. The Government Performance and Results Act states that strategic plans shall contain strategic goals and objectives, including outcome-related, or performance goals, and objectives for an agency's major functions and operations.<sup>16</sup> However, the strategic plan includes performance goals only for the Community Based initiative. High Growth and WIRED—the two initiatives where Labor spent the most money—are mentioned in the strategic plan, but not specifically linked to a performance goal; therefore, it is unclear what criteria Labor will use to evaluate their effectiveness. Moreover, the data needed to assess the performance of these initiatives are not specified. Labor officials said the strategic plan did not address the initiatives because it focuses on budget issues. Just as the initiatives are not fully integrated into the strategic plan, neither are they fully integrated into ETA's research plan, which cites plans for future evaluations, but it does not specify an assessment of their impact. In responding to recommendations made in our May 2008 report, Labor said only that it would consider inclusion of the initiatives in its next 5 year research agenda due for revision in 2009.

Not fully incorporating the initiatives into its strategic or research plans may have limited Labor's ability to collect consistent outcome data. Labor said that, prior to 2005, it consistently collected data from grantees on the number of participants enrolled in and completing training funded under High Growth—the only one of the three grant initiatives operating at that time. However, it did not collect performance outcomes similar to those being collected for its other training and employment services.<sup>17</sup>

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<sup>16</sup>5 U.S.C. § 306.

<sup>17</sup>While acknowledging that reporting practices for High Growth were not established fully at the initiative's outset, officials said this was because the nature of the initiative posed inherent challenges in developing a common reporting and performance model: each grant was different, with different training models for different populations; some grants were for training, others were for capacity building. Labor said that as it became clear that more rigorous procedures for reporting were needed, it took the necessary steps to address the problem.

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Labor will face challenges in obtaining the data necessary to make meaningful comparisons. In 2005, Labor instituted what were called common measures to assess the effectiveness of one-stop programs and services. The common measures include participant employment outcomes, earnings, and job retention after receiving services. At the time, Labor could not require High Growth and Community Based grantees to provide data on the common measures because it did not have Office of Management and Budget (OMB) approval. In anticipation of OMB approval, starting in 2006, Labor included information on the common measures in all new solicitations for High Growth and Community Based grants, notified grantees of its goal for standardizing performance reporting, and provided technical assistance to help grantees prepare for it. Labor also encouraged grantees to work with local workforce system partners to leverage their experience in tracking and reporting performance outcomes. According to Labor, it has an OMB approved reporting format in place and expects data collection to begin in early program year 2008. However, because some of the first grantees have already completed their projects, obtaining information about workers that have left the program may prove difficult and costly. According to Labor, it can collect common measures for WIRED grantees, but it has not yet done so.<sup>18</sup>

As a result, Labor may not have consistent data for individuals participating in the programs funded under the grant initiatives. In addition, it may lack data that will allow it to compare outcomes for individuals served by grant-funded programs with those served by employment and training programs offered through the one-stop system. Having comparable outcome data is important because the goal of an impact evaluation is to determine if outcomes are attributable to a program or can be explained by other factors.

Labor has some plans underway to evaluate the initiatives but may face challenges drawing strong conclusions from them. Labor has conducted an evaluation of the implementation and sustainability of 20 early High Growth grantees. It is now evaluating the impact of the training provided by High Growth grantees. Labor anticipated the final report in December 2008, but now expects it in spring 2009. Labor experienced a number of

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<sup>18</sup>Labor developed a proposed approach to collect and report the common measures for WIRED grants using the existing state WIA performance system, but, as of November 2007, it had not yet collected them.

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challenges in evaluating the initiatives. These include having to limit its evaluation to only 6 grantees of 166, because only 6 had sufficient participants to ensure a statistically significant evaluation. They also include problems gaining access to workers' earnings data and inconsistent outcome data from grantees.

Labor officials said they plan to conduct a comprehensive evaluation of the Community Based initiative. The first phase of the evaluation will examine the extent to which the Community Based grants addressed the stated workforce objectives and challenges funded projects were intended to address, as well as document the role of business and the workforce investment system in the overall success of the grants, according to Labor. This phase will also include an examination of the feasibility of performing an impact evaluation and will be completed in late 2008. Depending on the results of this phase, Labor officials said an impact evaluation will begin in 2009.

For its evaluation of the WIRED initiatives, Labor says it is examining the implementation and cumulative effects of WIRED strategies, including change in the number and size of companies in targeted high-growth industries and whether new training led to job placement in the targeted industries. It contracted with the Berkeley Policy Associates to conduct the evaluation for the first 13 grantees, and a final report is expected by June 2010. It also contracted with Public Policy Associates to similarly evaluate the 28 remaining WIRED grantees.

Labor officials said these initiatives are not included in the agency's broader WIA impact study. According to Labor, none of the three initiatives is considered to be a research project or designed to compare participant outcomes with the participant outcomes achieved under WIA. Labor said it does not plan to include them in the assessment of the impact of WIA services because the initiatives have their own independent evaluations.

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## The Initial Noncompetitive Process Was Not Adequately Documented and Did Not Include Key Players

While Labor now awards grants under all three grant initiatives competitively, initially almost all High Growth grants were awarded without competition. Labor also did not document the criteria for selecting noncompetitive High Growth grants or whether they met Labor's internal requirements or the requirements of the laws under which the grants are authorized. In response to recommendations we made in our May 2008 report, Labor said it had modified its noncompetitive process so it now includes documentation of statutory program requirements. We have not evaluated the sufficiency of the modified forms for ensuring statutory compliance. Another issue with the process was that meetings Labor held to identify workforce solutions did not include most of the state and local workforce investment boards.

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## All Three Types of Grants Are Now Awarded Competitively, but the Vast Majority of High Growth Grants Were Awarded Without Competition

The Community Based and the WIRED grants have always been awarded through a competitive process but, until 2005, Labor did not award High Growth grants competitively even though federal law and Labor's internal procedures recommend competition. While Labor had discretion in awarding High Growth grants without competition, the extent to which it did so raises questions about how Labor used this method of awarding grants. Competition facilitates accountability, promotes fairness and openness, and increases assurance that grantees have systems in place to meet grant goals. Yet Labor chose to award 83 percent of the High Growth grants, which represented almost 90 percent of the funds, without competition between fiscal years 2001 and 2007 (see table 2). Congress required that High Growth grants funded by H-1B fees be awarded competitively for fiscal years 2007 and 2008.<sup>19</sup> Prior to that time, there were no provisions requiring Labor to award High Growth grants competitively.

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<sup>19</sup>This requirement did not apply to grants awarded under the WIA provision authorizing High Growth grants.

**Table 2: The Number of High Growth Grants and Funds Awarded Competitively and Noncompetitively between Fiscal Years 2001 and 2007 (Dollars in millions)**

Fiscal year	Number of noncompetitive grants	Funds awarded noncompetitively	Number of competitive grants	Funds awarded competitively	Summary of grants and funds awarded noncompetitively
2001	1	\$2.8	0	0	100% of grants and funds
2002	7	14.7	0	0	100% of grants and funds
2003	15	30.3	0	0	100% of grants and funds
2004	37	77.4	0	0	100% of grants and funds
2005	55	86.7	12	\$12	82% of grants and 88% of funds
2006	21	50.5	0	0	100% of grants and funds
2007	1	1.4	17	19.8	6% of grants and 7% of funds
<b>Total</b>	<b>137</b>	<b>\$263.8<sup>a</sup></b>	<b>29</b>	<b>\$31.8<sup>a</sup></b>	<b>83% of grants and 89% of funds</b>

Source: GAO analysis of U.S. Department of Labor grants data.

Notes: The fiscal year was calculated based on the start date of the grant. Labor awards grants by program year rather than fiscal year, which is from July 1 through June 30 of each year.

<sup>a</sup>Total dollar amount varies from Labor's reported figure due to rounding.

Labor said that it used a noncompetitive process to promote innovation. They also said that they awarded grants without competition to save the time it would have taken to solicit grants through competition. In hindsight, they said they could have offered the High Growth grants competitively earlier because they recognized that the number of noncompetitive awards created a perception that the process was unfair. They said, however, that they always intended to award later grants competitively.

In contrast to the High Growth grants, the Community Based and WIRED initiatives have always been awarded through competition. These funding opportunities were announced to potential applicants through a solicitation for grant application that listed the information that an application must include to compete for funding. These applications were then reviewed and scored by a knowledgeable technical panel. These solicitations were also reviewed by Labor attorneys for compliance with procurement and statutory program requirements for awarding grants, according to officials.

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## Labor Did Not Document the Criteria for Selecting Noncompetitive High Growth Grants or Whether They Met Labor's Internal Requirements or Requirements of the Law

Because the initial High Growth process was noncompetitive, documenting the decision steps was all the more important to ensure transparency. However, Labor was unable to provide documentation of the initial criteria for selecting grantees. As a result, it did not meet federal internal control standards, which state that all transactions and other significant events need to be clearly documented and that the documentation should be readily available for examination.<sup>20</sup> In addition, it was unable to document that it met the statutory requirements for the laws authorizing the grants. Finally, according to Labor's Inspector General, it did not adequately document that it had followed its own procedures for awarding grants without competition.

Labor did not document the criteria used to select the early noncompetitive High Growth projects. Labor officials told us there were no official published guidelines specific to High Growth grants, only draft guidelines, which were no longer available. In addition, Labor officials told us that generally they were looking for grantees that pursued partnerships and leveraged resources, but that attributes they sought changed over time. Labor published general requirements for noncompetitive grants in 2005 and updated them in 2007. Officials said these were not requirements, only guidelines for the kinds of information Labor would find valuable in evaluating proposals.

In addition, while Labor said that it had discretion to award high growth grants non-competitively under the WIA provision authorizing demonstrations and pilot projects<sup>21</sup> and under ACWIA before 2007, they could not document that the grants fully complied with the requirements of these provisions. For example, WIA requirements include providing direct services to individuals, including an evaluative component, and being awarded to private entities with recognized expertise, or to state and local entities with expertise in operating or overseeing workforce investment programs.<sup>22</sup> Officials said that they were certain they had ensured that the projects met all statutory requirements but acknowledged they did not document that the requirements were met.

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<sup>20</sup>GAO, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

<sup>21</sup>29 U.S.C § 2916.

<sup>22</sup>29 U.S.C § 2916(b)(1) and 29 U.S.C § 2916(b)(2)(B).

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Labor's Inspector General found the agency did not always document that it followed its own procedures or always obtained required review and approval before awarding grants noncompetitively. Labor officials said most of the noncompetitive grant proposals were presented to Labor's Procurement Review Board<sup>23</sup> for review and approval allowed under exceptions for proposals that were unique or innovative, highly cost-effective, or available from only one source.<sup>24</sup> However, in 2007, Labor's Inspector General reviewed a sample of the noncompetitive High Growth grants awarded between July 2001 and March 2007 and found that 6 of the 26 grants, which should have undergone review, were awarded without prior approval from the review board. Furthermore, they found that Labor could not demonstrate that proper procedures were followed in awarding the High Growth grants without competition.<sup>25</sup>

Although they were unable to provide documentation, Labor officials said they used considerable rigor in selecting grant recipients under the noncompetitive process. Similar to a competitive process, the noncompetitive grant proposals were highly scrutinized and reviewed to ensure they made best use of scarce resources. They said that, in most cases, staff created abstracts to highlight strengths and weaknesses, and multiple staff and managers participated in reviews and decision-making. In addition, Labor officials strongly disagreed with the majority of the Inspector General's findings. They said they followed established procurement practices as required but agreed that additional documentation would be valuable.

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<sup>23</sup>Labor's Procurement Review Board is responsible for reviewing various acquisition activities, including most unsolicited grant proposals, and recommending approval or disapproval to the department's Chief Acquisitions Officer.

<sup>24</sup>Department of Labor Manual Series 2-836(G)—Exclusions and Exceptions to Competitive Procedures for grants and cooperative agreements. There are five additional exceptions listed for awarding noncompetitive grants: (1) a noncompetitive award is authorized or required by statute; (2) the activity is essential to the satisfactory completion of an activity presently funded by DOL; (3) it is necessary to fund a recipient with an established relationship with the agency for a variety of reasons; (4) the application for the activity was evaluated under the criteria of the competition for which the application was submitted, was rated high enough to have been selected under the competition, and was not selected because the application was mishandled; and (5) the Secretary determined that a noncompetitive award is in the public interest.

<sup>25</sup>U.S. Department of Labor Office of Inspector General—Office of Audit, *High Growth Job Training Initiative: Decisions for Non-competitive Awards Not Adequately Justified*, 02-08-201-03-390 (Nov. 2, 2007).

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In response to the Inspector General's report, Labor took steps to strengthen the noncompetitive process. These included developing procedures to review noncompetitive grant proposals for criteria including support of at least one of ETA's strategic goals and investment priorities. The procedures also required ETA to document that required procedures are followed and that required review and approval is obtained before awarding grants noncompetitively. However, the newly developed procedures did not explicitly identify the statutory program requirements for which compliance should be documented. In response to a recommendation in our May 2008 report, Labor provided modified forms used in the noncompetitive process to include statutory program requirements and said that grant officers and program officials must confirm that the proposed grant is in compliance with these requirements. We have not evaluated the sufficiency of the modified forms for ensuring statutory compliance or reviewed how grant and program officers confirm compliance using the forms.



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## Labor's Process for Identifying Industry Workforce Challenges Did Not Include the Majority of Workforce Investment Boards

The vast majority of workforce boards—which oversee the workforce investment system—were not included in the meetings that served as incubators for grant proposals. After identifying 13 high-growth/high-demand sectors,<sup>26</sup> Labor held a series of meetings between 2002 and 2005 with industry executives and other stakeholders to identify workforce challenges and to develop solutions to them.<sup>27</sup> According to Labor, they first held meetings with industry executives—executive forums—for 13 sectors to hear directly from industry leaders about the growth potential for their industries and to understand the workforce challenges they faced. Second, they hosted a series of workforce solutions forums for 11 of the sectors, which brought together industry executives (often those engaged in human resources and training activities) with representatives from education, state and local workforce boards, or other workforce-related agencies.<sup>28</sup> However, a review of Labor's rosters for the solutions forums shows that while there were more than 800 participants, 26 of the almost 650 local workforce boards nationwide were represented, and these came from 15 states. (See fig. 1.)

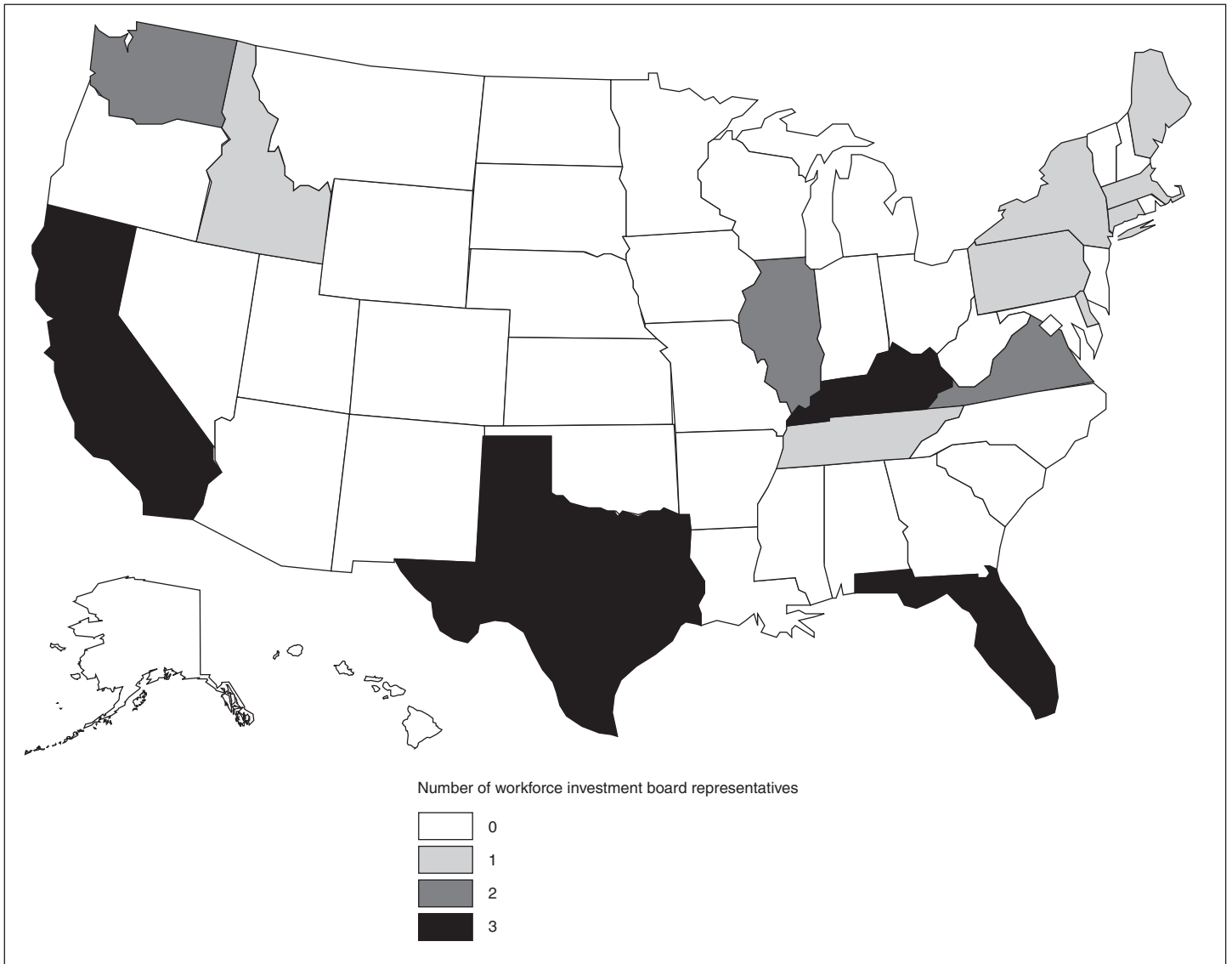
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<sup>26</sup>Labor identified a 14th sector—Homeland Security—in 2005 and did not hold an executive or solutions forum for this sector, according to officials.

<sup>27</sup>Labor conducted industry scans of the size, trends, and scope of certain industries to understand the industries and any known challenges. In this process, they identified high-growth/high-demand industries that have a high-demand for workers. Officials said that they did not intend to identify all high-growth industry sectors in the economy, but to provide a framework for the process to be used at the state and local levels.

<sup>28</sup>Solutions forums were not held for the information technology and retail sectors.

**Figure 1: Number of Workforce Investment Boards and States with Participants at Solutions Forums**



Sources: GAO analysis of U.S. Department of Labor data on solutions forums participants; map, Art Explosion.

Further only 20 of the 50 states had their state workforce investment board or other agency represented (see table 3).<sup>29</sup>

**Table 3: Industry Sector Solutions Forums and the Number of Participants**

Industry sector solutions forum	Total number of participants at each solutions forum	Local workforce investment board participation	State workforce investment board or other state agency participation
Advanced manufacturing	61	3	0
Aerospace	40	1	0
Automotive	216	6	9
Biotechnology	29	4	6
Construction	86	5	2
Energy	26	0	1
Financial services	99	3	4
Geospatial technology	41	1	2
Health	155	6	10
Hospitality	57	3	3
Transportation	19	2	2
<b>Total</b>	<b>829</b>	<b>34<sup>a</sup></b>	<b>39<sup>b</sup></b>

Source: GAO analysis of U.S. Department of Labor data on solutions forums participants.

<sup>a</sup>The numbers for local workforce investment board participation do not total 26 because 2 workforce investment boards participated in more than one solutions forums; the remaining 24 participated in only one. Also, some local workforce investment boards had more than one representative.

<sup>b</sup>The numbers for state workforce investment board or other state agency participation do not total 20 because several states attended more than one forum and some states had more than one agency represented.

Labor officials said they went to great lengths to include workforce system participants in solutions forums. Officials said they asked state workforce agencies to identify a state coordinator to interface with Labor, work collaboratively with industry partners, and identify potential attendees for executive and solutions forums. Further, the state coordinators were to help Labor communicate with the workforce system about High Growth activities and were kept updated through routine conference calls and

<sup>29</sup>Some states had representatives from the state workforce investment board participating, and some states had a workforce-related agency such as those involved in employment and/or economic development.

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periodic in-person meetings, according to Labor. Labor officials also said the Assistant Secretary and other senior officials traveled frequently, speaking to workforce system partners at conferences to gather information about innovative practices. Labor officials said, even with these efforts, they found only a few workforce boards operating unique or innovative demand-driven programs.

However, most workforce board officials we spoke to in our site visits reported becoming aware of the meetings and the grant opportunities after the fact, even though they were pursuing the kinds of innovative practices the meeting was supposed to promote. Some state board officials said that they were often unaware that grants had been awarded, and at least one local workforce board said it became aware of a grant only when the community college grantee approached it for assistance in getting enough students for their program. In addition, officials in states we visited said they had been developing and using the types of practices that Labor was seeking to promote at the meetings.

Being present at the meetings could have been beneficial to workforce boards. Labor officials acknowledged that when meeting participants suggested a solution to an employment challenge that they deemed innovative and had merit, they encouraged them to submit a proposal for a grant to model the solution. In addition, officials said that, in some cases, they provided applicants additional assistance to increase the chances that the proposal would be funded.

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## Labor Uses a Risk-Based Monitoring Approach for High Growth and Community Based Grants and Has Documented Steps for Monitoring WIRED Grants

For all three grant initiatives, Labor has a process to resolve findings found in single audits, collects quarterly performance information, and provides technical assistance as a part of monitoring. In addition, it has a risk-based monitoring approach for High Growth and Community Based grants.<sup>30</sup> When we conducted our audit work, there was no risk-based monitoring approach for WIRED. In response to our recommendation, Labor has documented steps it has taken to put a monitoring approach in place for WIRED grants.

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## Labor Has a Process to Ensure Grantees Resolve Findings in Single Audits, Collects Quarterly Performance Information, and Provides Technical Assistance

Labor said it has a process to work with grantees, including High Growth, Community Based, and WIRED to resolve findings in single audits. However, Labor's Inspector General reported that Labor does not have procedures in place for grant officers to follow up with grantees with past due audit reports to ensure timely submission and thus proper oversight and correction of audit findings. The Inspector General recommended that Labor implement such procedures, and Labor has done so, but the finding remains open because Labor's Inspector General has not yet determined if the procedures adequately address the recommendation.<sup>31</sup>

As part of its monitoring, Labor requires High Growth, Community Based, and WIRED grantees to submit quarterly financial and performance reports. Financial reports contain information, such as total amount of

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<sup>30</sup>Labor's risk-based monitoring strategy differs from single audits. Entities receiving Labor grants are subject to the provisions of the Single Audit Act if certain conditions are met. The Single Audit Act established the concept of the single audit to replace multiple grant audits with one audit of a recipient as a whole. As such, a single audit is an organization-wide audit that covers, among other things, the recipient's internal controls and its compliance with applicable provisions of laws, regulations, contracts, and grants. In contrast, Labor's risk-based approach focuses on the readiness and capacity of the grantee to operate the grant including compliance with laws, regulations, and specific program requirements.

<sup>31</sup>U.S. Department of Labor—Office of Inspector General, report prepared by KPMG LLP, *Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2007*, 22-08-006-13-001 (Washington, D.C.: Mar. 20, 2008).

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grant funds spent and amount of matching funds provided by the grantee. Performance reports focus on activities leading to performance goals, such as grantee accomplishments and challenges to meeting grant goals. Labor officials said they review these reports and follow up with grantees if there are questions. Labor officials acknowledge, however, that they are still working to ensure the consistency of performance reports provided by High Growth and Community Based grantees and are working with OMB to establish consistent reporting requirements. In addition, while the finding was not specific to these three grants, Labor's Inspector General cited high error rates in grantee performance data as a management challenge.<sup>32</sup> Labor is taking steps to improve grant accountability, such as providing grantee and grant officer training.

All grantees receive technical assistance from Labor on how to comply with laws and regulations, program guidance, and grant conditions. For example, Labor issued guides for High Growth and Community Based grantees that include information on allowable costs and reporting requirements. In addition, Labor officials said they trained national and regional office staff to address grantees' questions and help High Growth and Community Based grantees obtain assistance from experts at Labor and other grantees. Labor officials said they hold national and regional High Growth and Community Based grantee orientation sessions for new grantees, present technical assistance webinars and training sessions focused on specific high-growth industries, assist grantees with disseminating grant results and products, such as curricula, and set up virtual networking groups of High Growth grantees to encourage collaboration.

Labor officials told us they have teams who provide technical assistance to each WIRED grantee including weekly contact. During these sessions, Labor staff work with WIRED grantees on grant management issues, such as costs that are allowed using grant funds. Labor staff provide additional assistance through conference calls, site visits, and documentation reviews. In addition, Labor officials said they have held five webinars on allowable costs and provided grantees with a paper on allowable costs in July 2006, which was updated in July 2007. Finally, Labor officials explained that they made annual site visits for the first 13 WIRED grantees in spring and summer of 2007 to discuss implementation plans and progress toward plan goals. In addition, Labor staff said they have

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<sup>32</sup>This observation was based on audits of three Labor grantees during fiscal year 2007.

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reviewed the implementation of the remaining WIRED grants to ensure that planned activities comply with requirements of the law. However, none of these reviews resulted in written reports with findings and corrective action plans.

Labor has spent \$16 million on contracts to provide technical assistance, improve grant management, administration, and monitoring, and to assist Labor with tasks such as holding grantee training conferences. The larger of these contracts focus on providing technical assistance to WIRED grantees. For example, one contract valued at over \$2 million provides WIRED grantees assistance with assessing regional strengths and weaknesses and developing regional economic strategies and implementation plans. Another grant, valued at almost \$4 million, provides a database and geographic information system<sup>33</sup> that WIRED grantees can use to facilitate data analysis and reporting, among other things.

While these monitoring and technical assistance efforts are useful to help grantees manage their grants, they do not provide a risk-based monitoring process to identify and resolve problems, such as compliance issues, in a consistent and timely manner.

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### Labor Provides Risk-Based Monitoring for High Growth and Community Based Grants and Has Documented Steps for Monitoring WIRED Grants

Labor uses a risk-based strategy to monitor High Growth and Community Based grant initiatives. For these initiatives, it selects grantees to monitor based on indications of problems that may affect grant performance. Labor's risk-based approach to monitoring most grants reflects suggested grant practices. Suggested grant practices recognize that it is important to identify, prioritize, and manage potential at-risk grant recipients for monitoring given the large number of grants awarded by federal agencies. Through this process, Labor staff determine if grantee administration and program delivery systems operate, the grantee is in compliance with program requirements, and information reported is accurate.

Labor's risk-based monitoring strategy involves conducting site visits based on grantees' assessed risk-levels and availability of resources, among other things.<sup>34</sup> These site visits include written assessments of

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<sup>33</sup>A geographic information system is a computer application used to store, view, and analyze geographical information, especially maps.

<sup>34</sup>Labor's grant monitoring plans are to reflect any program-specific monitoring requirements as well as specific requirements for on-site visits to grantees with new grants and those rated "at-risk" through the risk assessment process.

grantee’s management and performance and compliance findings and requirements for corrective action. For example, Labor’s site visit guide includes questions about financial and performance data reporting systems, such as how well the grantee maintains files on program participants.<sup>35</sup>

Labor has monitored about half of the High Growth grants and over one-quarter of the Community Based grants. Labor officials said these monitoring efforts have resulted in a number of significant findings which have generally been resolved in a timely manner. (See table 4.) For example, during a November 2006 site visit of a Community Based grantee, Labor identified three findings: incomplete participant files, failure to follow internal procurement procedures, and missing grant partnership agreements. Similarly, during a site visit in spring 2006 to a High Growth grantee, Labor found that the grantee did not accurately track participant information and reported incorrect information on expenditures, among other things. As of September 2007 Labor said these findings had been resolved (see table 4).

**Table 4: Status of Risk-Based Monitored Grants as of September 30, 2007**

Status	High Growth	Community Based
Findings resolved	38	13
Findings not yet resolved	10	5
No findings	31	21
<b>Total monitored</b>	<b>79</b>	<b>39</b>

Source: GAO analysis of U.S. Department of Labor grants monitoring data.

As another part of Labor’s risk-based monitoring strategy, Labor’s internal requirements specify that Labor staff are to make site visits to all new grantees, including High Growth, Community Based, and WIRED, within 12 months of beginning grant activity and to new grantees rated as “at risk” within 3 months. Labor officials said they consider “new grantee” site visits to be orientation visits and had not made visits to most new grantees. They said they broadly interpret this requirement to include a variety of methods of contact and generally use teleconference and video conference training sessions rather than site visits, based on the

<sup>35</sup>Employment and Training Administration, U.S. Department of Labor, *Core Monitoring Guide* (Washington D.C.: April 2005).



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availability of resources. For example, Labor calls each new Community Based grantee to schedule new grantee training. Labor is taking steps to update its internal requirements to better reflect the purpose of the new grantee monitoring.

According to Labor, in response to a recommendation we made in our May 2008 report, it has initiated the process for monitoring the financial and administrative requirements of the WIRED grants. Labor says it developed a WIRED Supplement to the *Core Monitoring Guide* which it is using to conduct reviews of WIRED grants. Labor also stated that it is developing a schedule of reviews that will provide for the monitoring of all WIRED grants prior to September 30, 2008, to be followed by reviews of remaining WIRED grants.

Labor said the monitoring reviews are being conducted by four teams of ETA staff, consisting of experienced Regional Office financial staff, National Office staff, and the Federal Project Officers assigned to the grant. All of the teams have been provided training to maximize the results of the initial review. ETA will utilize standard procedures for issuance and resolution of any monitoring report issues.

While Labor has said it has taken steps to implement our recommendation on documentation and monitoring, we have not assessed the sufficiency of those efforts. Labor has said it is taking steps to ensure that it can evaluate the impact of the initiatives, and this is an area that warrants continued oversight.

Madam Chairman, this completes my prepared statement. I would be happy to respond to any questions you or other Members of the Subcommittee may have at this time.

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## GAO Contact and Staff Acknowledgments

For further information regarding this testimony, please contact me at (202) 512-7215. Individuals making key contributions to this testimony include Patrick di Battista, Julianne Hartman Cutts, Karen A. Brown, and Nancy Purvine, Senior Analysts, and Stephanie Toby, Analyst. Jean McSween provided methodological assistance, and Jessica Botsford provided legal assistance. The team also benefited from key technical assistance from Susan Aschoff, Pat L. Bohan, Paul Caban, Jessica Orr, Michael Springer, and Charles Willson.

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# Related GAO Products

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*Workforce Investment Act: Additional Actions Would Improve the Workforce System.* [GAO-07-1061T](#). Washington, D.C.: June 28, 2007.

*Veterans' Employment and Training Service: Labor Could Improve Information on Reemployment Services, Outcomes, and Program Impact.* [GAO-07-594](#). Washington, D.C.: May 24, 2007.

*Workforce Investment Act: Employers Found One-Stop Centers Useful in Hiring Low-Skilled Workers; Performance Information Could Help Gauge Employer Involvement.* [GAO-07-167](#). Washington, D.C.: December 22, 2006.

*National Emergency Grants: Labor Has Improved Its Grant Award Timeliness and Data Collection, but Further Steps Can Improve Process.* [GAO-06-870](#). Washington, D.C.: September 5, 2006.

*Discretionary Grants: Further Tightening of Education's Procedures for Making Awards Could Improve Transparency and Accountability.* [GAO-06-268](#). Washington, D.C.: February 21, 2006.

*Workforce Investment Act: Labor and States Have Taken Actions to Improve Data Quality, but Additional Steps Are Needed.* [GAO-06-82](#). Washington, D.C.: November 14, 2005

*Workforce Investment Act: Substantial Funds Are Used for Training, but Little Is Known Nationally about Training Outcomes.* [GAO-05-650](#). Washington, D.C.: June 29, 2005.

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*Workforce Investment Act: Employers Are Aware of, Using, and Satisfied with One-Stop Services, but More Data Could Help Labor Better Address Employers' Needs.* [GAO-05-259](#). Washington, D.C.: February 18, 2005.

*Public Community Colleges and Technical Schools: Most Schools Use Both Credit and Noncredit Programs for Workforce Development.* [GAO-05-4](#). Washington, D.C.: October 18, 2004.

*Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help.* [GAO-04-657](#). Washington, D.C.: June 1, 2004.

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*National Emergency Grants: Labor Is Instituting Changes to Assess Performance, but Labor Could Do More to Help.* [GAO-04-496](#). Washington, D.C.: April 16, 2004.

*Workforce Investment Act: Labor Actions Can Help States Improve Quality of Performance Outcome Data and Delivery of Youth Services.* [GAO-04-308](#). Washington, D.C.: February 23, 2004.

*Workforce Investment Act: One-Stop Centers Implemented Strategies to Strengthen Services and Partnerships, but More Research and Information Sharing Is Needed.* [GAO-03-725](#). Washington, D.C.: June 18, 2003.

*Workforce Training: Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers.* [GAO-03-353](#). Washington, D.C.: February 14, 2003.

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