U.S. Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY…

Highlights of Report Number: 02-04-204-03-330, to the Assistant Secretary for Employment and Training. September 30, 2005

WHY READ THE REPORT

The Trade Adjustment Assistance Reform Act of 2002 established new mechanisms by which certain Trade Adjustment Assistance (TAA) participants, as well as eligible Pension Benefit Guaranty Corporation (PBGC) pension recipients, could receive assistance in covering the cost of health insurance coverage. The primary mechanism for such assistance is a 65 percent Federal tax credit administered by the Internal Revenue Service. The credit became available on an advance basis on August 1, 2003. The Act also established an additional mechanism, which was intended to be used as a Bridge and Gap during the IRS's HCTC advance option implementation and enrollment processes, by authorizing the use of National Emergency Grant (NEG) funds under WIA. This report discusses what barriers limited program participation and how NEG funds continue to go underutilized.

WHY OIG DID THE AUDIT

The OIG conducted a performance audit to answer the following questions:

- Did a significant number of potentially eligible individuals avail themselves of the program and were appropriated funds being utilized?
- What were the barriers that resulted in low individual participation?
- Why did most states not participate in the HCTC Bridge and Gap programs?
- Did states comply with pertinent provisions set forth in the Trade Adjustment Assistance Reform Act of 2002, Employment and Training Administration (ETA) implementation guidance, and Federal laws and regulations?

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

http://www.oig.dol.gov/public/reports/oa/2005/02-05-204-03-330.pdf

September 2005

HEALTH COVERAGE TAX CREDIT BRIDGE AND GAP PROGRAMS

WHAT OIG FOUND

- Participant and expenditure levels in the Bridge and Gap programs were low. Nationally, at June 30, 2004, Bridge and Gap participant levels were 4.8 percent of the potentially eligible population, and expenditure levels were less than 7 percent of appropriated funds.
- Several barriers led to low participation. The primary barriers included: participant's share of premium cost, up-front participant cost, most states not electing to participate in the program, effective exclusion of the PBGC population, program awareness, overall program complexity, and lack of timely processing of NEG grants.
- Lack of communication between states and the IRS-HCTC, which left unchecked, could lead to Federal funds being at risk.
- Instances where ETA grant management policy needs reinforcement to ensure grants are operating as intended and that Federal funds are being used efficiently.

WHAT OIG RECOMMENDED

We recommended that the Assistant Secretary:

1. Conduct an immediate needs assessment of NEG funds.
2. In consultation with state officials, Federal lawmakers and partnering Federal agencies develop remedies to identified barriers.
3. Work with nonparticipating states to address identified barriers to enhance participation.
4. Work with IRS-HCTC office to implement a consistent system of communication between the states and the IRS-HCTC and ensure that proper controls are instituted to safeguard Federal funds. Reinforce ETA grant management policies, which require monitoring and assessments on a regular basis to ensure compliance with grant provisions and Federal laws and regulations.

ETA generally agreed with our recommendations and provided potential remedies pertaining to excess funds. ETA also acknowledged the need to address several other recommendations however; specific action plans were not provided.