



December 20, 2005

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

FROM: 
ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Management Letter No. 06-06-003-03-390
Grant Implementation Issues
National Emergency Grant No. EM-15067-05-60
Issued to the Louisiana Department of Labor for
Hurricane Katrina Relief

INTRODUCTION

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

BACKGROUND

On August 29, 2005, Hurricane Katrina hit the Louisiana, Mississippi, and Alabama coasts, resulting in a national disaster. In response to this disaster, on September 2, 2005, ETA awarded the State of Louisiana a National Emergency Grant (NEG) to create 10,000 temporary jobs for dislocated workers. The \$62.1 million grant, administered by the Louisiana Department of Labor (LDOL), had an initial release of \$20.7 million.

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

SCOPE

During the period of October 24 through November 3, 2005, we performed work at the LDOL, 2 Local Workforce Investment Areas (LWIAs), and 6 temporary jobs worksites (3 for each LWIA) out of the total of 257 worksites operated by the LWIAs we visited. The worksites were established to provide public service employment to evacuees in two Southern Louisiana parishes. These worksites included participants working at local government offices, private non-profit entities, evacuation shelters, schools, and faith-based organizations. We interviewed 26 of the 1,308 NEG participants at the LWIAs we visited.

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

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

RESULTS

Positive Issues:

- Local worksite officials commended DOL for the expeditious manner in which funds were made available under the NEG. Local officials also cited that the authority to use attestations initially for eligibility determinations helped to quickly implement the recovery effort.
- State monitoring and assistance teams were providing oversight and assistance to the local areas.
- Local boards were maintaining adequate documentation and oversight to ensure proper administration of the NEG participants.
- Local area worksites were actively overseeing and monitoring their grant activities.
- All job worksites and job positions were allowable and all participants interviewed met eligibility criteria.

Potential Worksite and Long-Term Assistance Issues:

- **Local officials need guidance on allowable temporary employment.**

Local officials were not clear as to what constitutes appropriate work activities for NEG participants once the need for direct “humanitarian assistance to evacuees” decreases. Some work activities we reviewed did not relate directly to hurricane relief. These included grounds-keeping, facilities maintenance, landscaping, and child care (caring for children of local residents). Although these activities complied with amended program provisions that allow for employment with any public sector employer, local officials expressed that they need additional guidance because non-hurricane-related activities may become more prominent as shelters and other relief centers cease to function.

- **Local officials are concerned about transitioning clients to regular WIA activities.**

Because LDOL has imposed a 12-week employment maximum on NEG public service employment (PSE) jobs, which will be reached in the near future, and because of lack of communication regarding future funding, local officials expressed a major concern about transitioning clients to regular WIA activities.

We interviewed participants at NEG worksites and determined there is a mix of participants who 1) plan to return to their former residences, 2) have decided that they will not return, and 3) still do not have enough information about what will happen with their homes as a basis for their decisions to stay or return.

- 1) For those planning to return to their previous residence, many would prefer to retain their current employment status (beyond 12 weeks) to provide stability for their families. The LDOL-imposed 12 week maximum on NEG PSE will be reached in the near future.
- 2) For participants who have decided to remain in their current locality, regular WIA activities leading to permanent employment is the desired next step. Local officials want definitive guidance on program options for participants following the NEG temporary jobs, which will end in the next month.
- 3) For the other participants, it could still be a substantial period of time before they can decide what they will do in the long run. Even though some employers in the hurricane-affected areas are returning to operation, housing and transportation issues overshadow their feasibility in returning employees to the area.

The different scenarios represented above reflect the challenges in providing more long-term assistance.

- **There does not appear to be any long-range plan for the evacuees.**

The main issue concerning the transition period is the lack of definitive planning. There are many circumstances that do not fit within normal guidelines, such as when a person is no longer considered an evacuee. Local area staff is unsure as to what funding streams will best serve these individuals, and what additional funding may be obtained. Also, because activities have been focused on the NEG expenditures, unspent regular WIA funds have accumulated.

Another factor to consider in long-term assistance to the affected areas is the economic impact to areas such as Baton Rouge. The area's population has increased significantly since the hurricane. However, the huge influx of new residents has vastly outstripped the availability of jobs, pushing the region's unemployment up significantly. The fact that many of the evacuees may stay in the area long-term makes this a more pressing problem.

- **Concerns over NEG funds distribution were expressed.**

We heard concerns that NEG funds were not equitably distributed to local areas. One local area indicated that they could have served hundreds more evacuees, but were limited by funding constraints when they knew that other areas had not used the funding they were allotted.

- **Some participants may have continued to receive Disaster Unemployment Assistance (DUA) payments after starting public service employment positions under the NEG.**

According to both participants and LWIA officials, in some cases DUA payments continued after participants entered into NEG temporary jobs.

RECOMMENDATION

We recommend the Assistant Secretary for Employment and Training evaluate the issues raised in this Management Letter to determine how they might be addressed by ETA and/or State officials, particularly as they relate to the communication of NEG expectations, and options for transitioning participants to strategies aimed at increasing their long-term employment outcomes.

AGENCY RESPONSE

In response to the draft Management Letter, the Assistant Secretary for Employment and Training stated that a Katrina Team had been organized by the Office of National Response to assist impacted states in resolving questions, and to participate in monitoring the states' activities. The Assistant Secretary specifically agreed to: provide technical assistance to states and local

communities to proactively develop strategies for returning affected individuals to the workforce; work with the State on the issue related to the within-State distribution of funds; and continue to provide guidance to the states regarding allowable temporary employment situations and other employment options. The Assistant Secretary's response is included in its entirety as an Attachment.

OIG CONCLUSION

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

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

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

Attachment

cc: Steven Law
Deputy Secretary

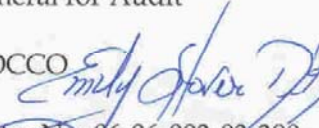
Joseph Juarez
Regional Administrator

John Warner Smith
Louisiana Secretary of Labor



DEC 15 2005

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

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

- We agree that the planning and assistance for many, if not most, Katrina evacuees will be long term, and that the future is uncertain for many. However, in order to return the individuals to the workforce, either where they are currently located or in the areas of their former residences, a proactive workforce investment plan must be developed strategically as well as individually. ETA will provide technical assistance to states and local communities to accomplish this, including using a variety of resources, e.g., Workforce Investment Act (WIA) formula adult, dislocated worker, and youth funds, as well as other DOL grants they may have that can be leveraged or reprogrammed.

- The issue related to the distribution of funds by Louisiana needs to be resolved by the state, and ETA will work with them on this. It is our current understanding that the initial distribution was based upon local areas that were operational at the time of the funds distribution; however, the state is both the grantee and the primary Project Operator under NEG disaster projects. This permits the grantee to make adjustments to funding decisions, as required by the immediate needs on the ground. Generally, additional NEG resources are released when enrollments and accrued expenditures document the need for additional funds.
- We believe that TEGL No. 16-03, Change 4, related to NEG projects for Katrina evacuees helps to address some of the issues raised regarding the duration of temporary employment and types of temporary employment specifically authorized to respond to Katrina. There are also additional employment options, such as work experience, on-the-job training, and temporary unsubsidized employment. These options could be available under the NEG, or while an individual is being assisted with WIA formula funds, to help them find or qualify for permanent employment. Again, ETA is providing guidance to states on these questions, and will continue to do so.

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