U.S. Department of Labor

Office of Inspector General—Office of Audit

# OFFICE OF AUDIT WORKPLAN
# FISCAL YEAR 2009
# ADDENDUM

**March 2009**

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

# American Recovery and Reinvestment Act
# Audit Work Plan as of March 27, 2009

The *American Recovery and Reinvestment Act of 2009* (ARRA) provided more than $40 billion to the Department of Labor in four areas:

> Unemployment benefits - $35 billion (estimated),
> Employment and Training - $4.5 billion,
> Job Corps construction and rehabilitation - $250 million, and
> Departmental oversight - $80 million.

The Office of Inspector General (OIG) received a separate appropriation of $6 million to carry out oversight activities of the expenditure of these funds. The OIG's plan for oversight is to conduct work in phases over the period during which Recovery Act funds will be expended.

Phase One will address how DOL is planning its administration and oversight. This will include assessing how DOL will account for Recovery Act funds, provide guidance to states and grantees, establish performance measures for Recovery activities, and develop required reporting.

Phase Two will focus on how DOL awards funds to grantees and contractors. Of the $4.5 billion in grants, approximately $3.5 billion is formula and $1 billion is discretionary. Formula funds must be awarded by March 19, 2009. Discretionary funds must be awarded by June 30, 2010. The OIG will look particularly at how discretionary grants are selected. During this phase the OIG will also review contract award decisions by Job Corps.

Phase Three will assess how grantees and contractors performed and what was accomplished with Recovery Act funding. Formula grant funds must generally be spent by 2011, while discretionary grant funds will generally be spent through 2013. The OIG will audit states' utilization and accounting for the Federal share of unemployment benefits. Funding for unemployment benefits is through December 2009. Finally, the OIG will audit construction and rehabilitation contracts awarded by Job Corps. Job Corps funding is available through June 2010. This phase will also include a review of DOL's oversight of grantees and contractors.

The following sections describe the audits which the OIG plans to initiate during the second half of FY 2009. The audits are organized by phase. In FY 2009, the OIG will initiate only audits related to Phases One and Two.

## PHASE ONE AUDITS

***Accounting for American Recovery and Reinvestment Act of 2009 Funds***

Director: Schwartz Ongoing

Background: The Department of Labor received more than $40 billion under the ARRA to expand unemployment benefits, increase employment and training opportunities, build and rehabilitate Job Corps Centers, enforce worker protection laws, and coordinate activities related to the infrastructure and unemployment insurance investments under the Act. Both the ARRA and OMB guidance contain provisions requiring Federal agencies to account separately for ARRA funds. The DOL has also issued instructions to its agencies on how to account for and report on ARRA-related obligations and expenditures.

Objectives/Key Questions: Do DOL agencies receiving ARRA funds have adequate systems in place to account for and report obligations and expenditures as required by Federal law and OMB guidance? Have DOL agencies provided timely and sufficient guidance to States and other recipients on financial accounting and reporting requirements related to ARRA funds they receive?

***Reporting Performance Under the American Recovery and Reinvestment Act of 2009***

Director: Schwartz Ongoing

Background: ARRA requires agencies and other recipients of ARRA funds, as well as Federal agencies with non-monetary responsibilities (e.g., enforcement of worker protection laws), to report regularly on their financial and non-financial activities. Both the ARRA and OMB guidance require agencies to establish accountability measures and report publicly on related outcomes.

Objectives/Key Questions: What performance measures has DOL established for its ARRA activities? Do agencies' risk management plans comply with OMB guidance? Has DOL provided adequate guidance to agencies, States, and other recipients on how to report outcomes for these measures? Does DOL have an adequate plan to ensure the accuracy of reported data?

***Federal Additional Compensation (FAC) Benefits under the American Recovery and Reinvestment Act of 2009***

Director: Schwartz (Contractor) New

Background: Title II, Section 202 of the ARRA authorizes a new temporary Federal Additional Compensation (FAC) program, which increases the Weekly Benefit Allowance (WBA) for unemployment benefits by $25 per week through December 31, 2009—estimated to cost $9.3 billion. The increase in benefits applies to persons receiving Trade Readjustment Allowances, Disaster Unemployment Benefits, regular Unemployment Compensation, Extended Benefits, or Emergency Unemployment Compensation.

Objectives/Key Questions: Did States increase the weekly benefit amount by $25, as required by ARRA? How did States choose to make the FAC payments? Have States designed systems to comply with FAC-related provisions in ARRA and guidance issued by OMB and DOL's Employment and Training Administration? Are States' systems adequate to separately account for and accurately report the required FAC data to DOL?

***Outreach on COBRA Provisions in the American Recovery and Reinvestment Act of 2009***

Director: Allberry New

Background: The ARRA provides eligible unemployed workers premium reductions and other options for health benefits under the *Consolidated Omnibus Budget Reconciliation Act of 1985*, also known as COBRA. Eligible individuals pay only 35 percent of their COBRA premiums; the remaining 65 percent is reimbursed to the provider through a tax credit. DOL's Employee Benefits Standards Administration (EBSA) has responsibility for ensuring compliance with COBRA. DOL has publicly reported on www.recovery.gov that EBSA has responded to more than 24,000 inquiries about the changes.

Objectives/Key Questions: Has EBSA established adequate procedures to ensure it complies with COBRA provisions under ARRA? Does EBSA have a plan to ensure it consults with the Departments of Treasury and Health and Human Services to provide adequate "outreach consisting of public education and enrollment assistance related to premium reduction…" both to workers and employers, as required by ARRA? Has EBSA established a process to provide expedited review of denials of request for premium assistance, as ARRA requires?

***Flexibility to Provide Training to Priority Populations Under the American Recovery and Reinvestment Act of 2009***

Director: Schwartz (Contractor) New

Background: Title VIII of the ARRA gives local workforce areas and discretionary grantees special contracting authority to expedite the ability to provide quality training services. ARRA authorizes local Workforce Investment Boards (WIBs) to contract with community colleges and other institutions of higher education, or other eligible training providers--including those that offer registered apprenticeship training--for a class size (or set number of students) so long as participants can continue to choose the skill training that works best for them (i.e., customer choice). Congress's intent was to "accelerate the ability of the public workforce investment system to provide training in high-demand occupations" to "priority populations most heavily impacted by the recession." These targeted groups include: the unemployed, underemployed, ex-offenders, and older workers with "particular challenges in regaining employment."

Objectives/Key Questions: What are States' plans to use the special contracting authority under ARRA to provide training to priority populations, as Congress intended? Has DOL provided States, local WIBs, and discretionary grantees with timely and adequate guidance on how to use this contracting flexibility, as provided by Congress? Has DOL established adequate oversight procedures to monitor whether local WIBs used this contracting flexibility to ensure priority populations had access to skills training which met their needs?

***Paid Work Experience for Youth in Workforce Investment Act Programs***

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| Director: | TBD<br>(Contractor) | New |

Background: The ARRA provided the Department of Labor with $1.2 billion for Workforce Investment Act (WIA) grants to States for youth activities, including summer employment for youth. The additional funds can also be used for year-round employment programs that reflect work and education (including remediation) across emerging industries, such as energy efficiency, environmental protection, and other sectors which promise good jobs. Youth employment programs under WIA may be either paid or unpaid. A key priority for Congress under ARRA was that States and local workforce areas use a significant portion of the $1.2 billion to create "a robust" summer jobs program for youth in 2009 and year-round employment programs. To expand the number of unemployed youth who could obtain summer jobs, Congress increased eligibility up to 24 years of age.

Objectives/Key Questions: Do State and local workforce areas' plans for WIA youth programs under ARRA include paid summer and year-round employment? To what extent are local workforce areas using additional WIA funds under ARRA to create year-round paid employment opportunities for eligible youth? Has DOL provided sufficient guidance and technical assistance to ensure the funds were used mainly to create paid work experiences for youth participants in the summer of 2009?

***Expenditures for WIA Services under the American Recovery and Reinvestment Act of 2009***

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| Director: | TBD<br>(Contractor) | New |

Background: The ARRA includes $1.75 billion for DOL to award additional WIA funds to states for the WIA adult ($500 million) and dislocated worker programs ($1.25 billion).

In enacting the ARRA, Congress intended that additional funding for WIA adults and dislocated workers be used to provide direct delivery of services to priority populations that include the unemployed, underemployed, ex-offenders, and "older workers who often have particular challenges in regaining employment." WIA adult and dislocated workers funds may also be used to provide adult basic or English language education through community colleges, community-based organizations, and other "high quality" public programs so long as they are in connection with skills training to prepare workers for a job.

Objectives/Key Questions: How do States and local workforce areas plan to spend their allocation of WIA adult and WIA dislocated worker formula funds? Does DOL have an adequate monitoring plan for expenditures to ensure funds were spent primarily on direct training and employment services to adults and dislocated workers who belong to the priority populations identified by Congress?

**PHASE TWO AUDITS**

***Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors***

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| Director: | Schwartz<br>(Contractor) | New |

Background: Under the ARRA, DOL received $750 million for training workers and placing them in high growth and emerging industry sectors. The majority of the funds ($500 million) are targeted to activities to prepare workers for “green jobs”—careers in renewable energy industries and the remaining funds are supposed to target training for careers in health care. Congress intends for grantees to serve priority populations—the unemployed, underemployed, ex-offenders, and “older workers who often have particular challenges in regaining employment.” Grantees are also expected to engage in strategic partnerships involving business and labor, community colleges, state and local workforce boards, elected officials, economic development groups, and related stakeholders; and industry sector-based approaches to developing workforce training and career pathway initiatives

The DOL OIG previously reported weaknesses in DOL’s process for awarding grants under the $235 million High Growth Job Training Initiative. OIG found grantees failed to achieve major performance goals; success could not be determined because goals were so unclear; and DOL disseminated training and employment strategies not yet assessed as effective.

Objectives/Key Questions: Did ETA select grantees on the basis of merit-based criteria, as required by OMB’s guidance on responsible spending under ARRA? Did grantees include serving priority populations, as Congress intended? Did grantees engage in strategic partnerships and sector-based approaches to skills training, including career path initiatives? Did the grant agreements include measurable objectives and outcomes so ETA and the public can determine the “value” of the investments?

***Job Corps Contracts***

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| Director: | Hill | New |

Background: Under the ARRA, the Office of Job Corps (OJC) received $250 million which must be used primarily for construction of new Job Corps centers and rehabilitation of existing ones. The OJC works with DOL’s Office of the Assistant Secretary for Administration and Management (OASAM) in awarding contracts since OASAM has procurement authority for OJC. However, OJC monitors the financial and performance activities of contractors. A March

20, 2009, Presidential Memorandum includes several requirements to ensure transparency and accountability in how Federal departments and agencies award contracts and grants with ARRA funds. For example, agencies must use merit-based decision making in making awards and communicate in writing with registered lobbyists.

Objectives/Key Questions: Did DOL select contractors on the basis of merit-based criteria, as required by the March 20, 2009, Presidential Memorandum on responsible spending under ARRA? Did the contracts include measurable objectives, time lines, and outcomes so DOL and the public can determine the "value" of the investments?