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

BRIEFLY…

Highlights of Report Number: 18-10-003-03-390, Recovery Act: The U.S. Department Of Labor Needs To Evaluate Its Role In The Health Coverage Tax Credit (HCTC) Program.

WHY READ THE REPORT

The Recovery Act designated $150 million for use by the Department's Health Coverage Tax Credit (HCTC) National Emergency Grants (NEG) program which provides for the cost of qualifying health insurance coverage for eligible Trade Adjustment Assistance (TAA) participants and Pension Benefit Guaranty Corporation (PBGC) recipients until they can be enrolled in the Internal Revenue Service's (IRS) HCTC program. The Employment and Training Administration (ETA) is responsible for administering the HCTC NEG program.

As of December 3, 2009, 3 grants totaling $8 million of the appropriated $150 million had been awarded to 6 states. The report discusses the Department's role in the HCTC program and the need for the full $150 million given the program's low participation.

WHY OIG DID THE AUDIT

Our audit objectives were to answer the following questions:

1) What is the status of states applying for, and using Recovery Act funds under the HCTC NEG program?

2) What outreach did ETA conduct to inform states of the availability of funds?

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/2010/18-10-003-03-390.pdf.

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WHAT OIG FOUND

The TAA-certified eligible workers increased 58 percent in FY 2009 to 201,000, and PBGC total participants encompass 744,000 retirees. However, states have generally neither applied for nor used HCTC NEG Recovery Act funds. As of December 3, 2009, 3 grants totaling $8 million of the appropriated $150 million have been awarded to 6 states and no expenditures have been reported.

While ETA conducted various outreach activities, these outreach efforts were not completely effective as 31 percent of non-participating states were not aware of the Recovery Act HCTC NEG program. ETA did not contact states to assess their HCTC NEG funding needs and provide guidance to states on changes made to the HCTC NEG program by the Recovery Act. It is crucial that ETA issue guidance to ensure states are aware and knowledgeable of the policies and guidelines for the availability and use of HCTC NEG funds under the Recovery Act.

Low participation in HCTC NEG may have resulted from factors outside of ETA's control. Namely, enhancements to IRS' HCTC program such as reduced enrollment wait time, and the PBGC population was unknown to enable targeted outreach. Moreover, ETA's lack of urgency to provide effective outreach and issue guidance may be attributed to the apparent conflict of ETA's interpretation of HCTC NEG funds as no-year money and the Recovery Act's clear message that funds should be expended expeditiously by the end of fiscal year 2010.

As a result of the low participation, eligible individuals are not being served by the HCTC NEG program and funds were not spent as quickly as the Recovery Act intended. Therefore, $142 million of funds may be better used if management took action to evaluate and strengthen the HCTC NEG program.

WHAT OIG RECOMMENDED

We made five recommendations to the Assistant Secretary of Employment and Training to address low participation in the HCTC NEG program.

ETA generally agreed with the recommendations and will pursue efforts to improve implementation of the HCTC NEG. In its response to the draft report, ETA took exception to our conclusion that HCTC NEG funds are not available indefinitely. This not withstanding, our primary concern was ETA has not determined the need for the full $150 million given the low participation in the program.