EMPLOYMENT AND
TRAINING
ADMINISTRATION

RECOVERY ACT: ETA NEEDS TO STRENGTHEN
MANAGEMENT CONTROLS TO MEET
YOUTHBUILD PROGRAM OBJECTIVES

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

BRIEFLY…

Highlights of Report Number 18-11-001-03-001 to the Assistant Secretary of Employment and Training Administration, issued March 31, 2011.

WHY READ THE REPORT

The Office of Inspector General (OIG) conducted a performance audit of Employment and Training Administration's (ETA) effectiveness in administering the YouthBuild program. The YouthBuild Transfer Act of 2006 transferred the program from the Department of Housing and Urban Development to DOL. The YouthBuild program provides educational and job training opportunities within the construction industry for at-risk youth who are ages 16-24, are school dropouts, and are disadvantaged.

Since beginning the administration of the program, ETA has awarded 290 grants to 226 grantees totaling $280 million. Of these grants, 75 were funded under the American Recovery and Reinvestment Act (ARRA) and 215 were non-ARRA grants. As of March 31, 2010, ETA reported a total of 12,483 participant enrollments (enrollees) and 5,975 participants who exited (exiters) the program.

WHY OIG CONDUCTED THE AUDIT

We conducted the audit to answer the following questions:

1. Did ETA ensure eligible participants received allowable training and services?

2. Did ETA ensure YouthBuild program core objectives and performance measures were met?

3. Were allegations in the hotline complaints against two YouthBuild grantees valid?

We sampled 543 participants served by 27 grantees and evaluated ETA's controls for determining participants' eligibility and reporting performance outcomes.

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/2011/18-11-001-03-001.pdf

March 2011

RECOVERY ACT: ETA NEEDS TO STRENGTHEN MANAGEMENT CONTROLS TO MEET YOUTHBUILD PROGRAM OUTCOMES

WHAT OIG FOUND

ETA did not always ensure eligible participants received allowable training and services. Officials at 10 of 27 grantees did not enroll eligible youth ages 16 to 17. Conversely, we estimate 20 percent of participants served may be ineligible. We estimate $5.7 million of direct program costs were expended on these potentially ineligible participants.

ETA officials reported they met performance goals for participants obtaining degrees/certificates, recidivism of youth offenders, and literacy and numeracy gains. However, ETA did not meet program performance goals for placement or retention. In addition, we estimate ETA and the grantees could not support the reported outcomes of 10 percent of the exiters.

Other deficiencies were identified in reporting enrollment and exit data and in providing participants with resources to obtain industry-recognized certificates after completing occupation skills training. Furthermore, seven grantees could not demonstrate that they met the 25 percent matching funds requirement. We attributed these results to a lack of effective ETA and grantee oversight and inadequate policies and procedures.

Finally, based on our audit work, allegations against two grantees could not be substantiated.

WHAT OIG RECOMMENDED

We recommended that the Assistant Secretary for ETA determine how youth ages 16 to 17 are best served. In addition, ETA should develop and implement controls to ensure that program eligibility and reporting requirements are met; grantee agreements include performance goals; participants receive industry-recognized certificates; and the increased number of affordable permanent housing units is measured. We also questioned costs associated with ineligible participants and undocumented matching funds.

In response to our draft report, ETA generally agreed with our findings and recommendations. However the Assistant Secretary stated local grantees have flexibility under the YouthBuild Transfer Act and Solicitation for Grant Applications to determine which ages among eligible youth they will serve based upon locally determined factors. Also, these low-income youth may choose other options, such as WIA youth formula program services through the One-Stop Career Center network in their local areas.

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U.S. Department of Labor   Office of Inspector General
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March 31, 2011

Assistant Inspector General's Report

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The Office of Inspector General conducted a performance audit of the Employment and Training Administration's (ETA) effectiveness in administering the YouthBuild program. YouthBuild provides educational and job training opportunities within the construction industry for at-risk youth who are ages 16-24, are school dropouts, and are members of at least one of the disadvantaged groups (youth offender, foster youth, low-income youth, youth who are individuals with disabilities, children of an incarcerated parent, or migrant youth).

In September 2006, the YouthBuild Transfer Act of 2006 (Transfer Act) authorized a transfer of the YouthBuild program to the Department of Labor (DOL). ETA administers the program under a provision added to the Workforce Investment Act. The DOL assumed grant administration for all DOL-awarded YouthBuild grants beginning in Fiscal Year 2007. Since beginning the administration of the program, DOL has awarded 290 grants to 226 grantees totaling $280 million. Of these grants, 75 were funded under the American Recovery and Reinvestment Act (ARRA) and 215 were non-ARRA grants. As of March 31, 2010, ETA reported a total of 12,483 participant enrollments (enrollees) and 5,975 participants who exited (exiters) the program.

We conducted the audit to determine whether (1) ETA ensured eligible participants received allowable training and services; (2) ETA ensured that YouthBuild program core objectives and performance measures were met; and (3) allegations in the hotline complaints against two YouthBuild grantees were valid.

To accomplish our audit, we reviewed ETA's practices, policies, and procedures for administering the grant process. We sampled 543 participants (270 enrollees and 273 exiters) served by 27 grantees (see Exhibit 1) and reviewed documentation to evaluate the adequacy of ETA controls for determining participant eligibility and reporting performance outcomes. We analyzed grantee financial and performance data as well as outcome measures.

The audit covered the period July 1, 2007, through December 31, 2010. Audit work was performed at grantee worksites in Alabama, California, Florida, Illinois, Massachusetts, Mississippi, Oklahoma, and Rhode Island.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our objectives, scope, methodology, and criteria are detailed in Appendix B.

Results In Brief

ETA did not always ensure eligible participants received allowable training and services. Officials at 10 of 27 grantees did not enroll eligible youth ages 16 to 17 due to concerns that these youth were more susceptible to worksite injury and had more limited employment potential than older youth. Conversely, based on the results of our statistical sample, we estimate that 2,534 (or 20 percent) of the 12,483 participants served between July 1, 2007, and March 31, 2010, may be ineligible — mostly due to insufficient documentation to support their status as low income, disadvantaged, or school dropout. We estimate $5.7 million of direct program costs were expended on the potentially ineligible participants. Additionally, we estimate that 1,803 otherwise eligible participants had not complied with Federal law requiring military selective service registration.

ETA officials reported they met performance goals for participants obtaining degrees/certificates, recidivism of youth offenders, and literacy and numeracy gains, but did not meet program performance goals for placement or retention. Only 43 percent of youth who exited the program were placed in jobs or other educational programs compared to the goal of 70 percent; while 64 percent of those youth attaining placement retained employment or stayed in school compared to the goal of 75 percent. There were 10 of 14 (or 71 percent) grantees who had substantially completed their grants, who did not meet placement performance goals as of December 31, 2010.

In addition, we estimate ETA and the grantees could not support the reported outcomes for 605 of the total 5,975 (or 10 percent) participants who exited the program. There were other deficiencies identified in reporting enrollment and exit data at 14 grantees, as well as for 2 grantees that did not provide exiters with industry recognized certificates after they completed occupational skills training. Furthermore, 7 grantees did not track, report, or could not demonstrate that they met the 25 percent funds matching requirement.

We attributed these results to a lack of effective grantee oversight and inadequate policies and procedures. In addition, in reviewing ETA's monitoring of grantee activities, we found that required site visits were not consistently performed, and even when

performed, did not detect weaknesses that directly impacted the program's outcomes. Furthermore, grant agreements did not always include performance goals and DOL has not issued regulations for the program, which according to some grantees, contributed to confusion and hampered them in meeting program requirements.

Finally, we evaluated eight allegations made in two hotline complaints. Based on our audit work, the allegations could not be substantiated.

Recommendations

To better ensure the YouthBuild program meets program objectives, we recommended that the Assistant Secretary for Employment and Training determine how youth ages 16 to 17 are best served. In addition, ETA should develop and implement controls to ensure that program eligibility and reporting requirements are met; grantee agreements include performance goals; participants receive industry recognized certificates after completing occupation skills training; and the increased number of affordable permanent housing units as a result of the program is measured. We also questioned costs associated with ineligible participants.

In response to our draft report, the Assistant Secretary for ETA generally agreed with the recommendations; however, she disagreed the program does not serve the 16 to 17 year old youth, stating that local grantees have flexibility under the YouthBuild Transfer Act and Solicitation of Grant Application (SGA) to determine which ages among eligible youth they will serve based upon locally determined factors, including safety concerns and State compulsory education laws.

We acknowledge there are legitimate safety concerns for all youth on construction sites, regardless of their age. We think the Act does consider safety as well as many other factors and concluded youth ages 16 to 24 can participate effectively in the program. As we noted, a third of the grantees in our sample intentionally excluded youth ages 16 to 17, and if left unchecked, other grantees could do the same without consequence. As a result, youth ages 16 to 17 may suffer by being denied opportunities to obtain educational and employment skills through the YouthBuild program. Overall, we believe the report fairly presents program activities we reviewed.

The Assistant Secretary's response is included in its entirety in Appendix D.

RESULTS AND FINDINGS

Objective 1 — Did ETA ensure eligible participants received allowable training and services?

> *Eligible participants were not always provided allowable training and services, while other eligibility requirements could not be supported.*

Finding 1 — YouthBuild program could do more to provide opportunities to Youth ages 16 to 17.

Officials at 10 of 27[1] (or 37 percent) grantees sampled excluded youth ages 16 to 17 from the YouthBuild program. Grantees who excluded youth ages 16 to 17 from the program cited reasons such as (1) liability costs related to the increased potential for youth to sustain worksite injuries, (2) the youth maturity level or life experience to successfully complete the program, and (3) the difficulty of participants in meeting certain performance benchmarks, especially job placements, retention, and passage of the General Education Development (GED) exam.

ETA's Solicitation for Grant Applications (SGA) allowed grantees to decide who to serve within the youth group population without consequence for excluding specific members of the youth population. The SGA states, "Organizations are not required to serve the entire age group population between 16 and 24, but all participants must fall within this range." While not mentioned by grantees, ETA officials contend that workplace restrictions hamper serving youth ages 16 to 17. For example, ETA officials pointed to the National Institute for Occupational Safety and Health (NIOSH)[2] recommendations that restrict the work of youth under the age of 18 on construction sites. In addition, ETA officials indicated the Transfer Act does not require all youth within the age population to be served in the program.

ETA identified 3,220 youth in the YouthBuild population (or approximately 25 percent of our universe) who were ages 16 to 17. However, grantees that excluded youth ages 16 to 17 denied those youth opportunities to obtain educational and employment skills, which could have helped them contribute to their community in a productive and meaningful way as the Transfer Act intended. See *Exhibit 2* for grantees who excluded youth ages 16 to 17.

Finding 2 — Grantee intake processing controls did not ensure sufficient documentation was obtained to verify participants met eligibility requirements.

Grantees lacked effective controls to ensure that only eligible participants received program services. Based on the results of our testing of 270 enrollees and 273 program exiters in a sample of 27 grantees, we found 103 participants enrolled by 21 grantees that did not meet program eligibility requirements. Specifically, 57 (or 21 percent) enrollees and 46 (or 17 percent) participants exiting the program did not meet program requirements to verify eligibility — mostly due to insufficient documentation to support low income, disadvantaged, and school dropout status. We are 95 percent confident that 2,534 (or 20 percent) of the 12,483 in our population of reported enrolled

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[1]See Exhibit 1 for List of Sampled Grantees.
[2]NIOSH is the Federal agency responsible for conducting research and making recommendations for the prevention of work-related injury and illness.

participants were ineligible.[3] Table 1 provides an analysis of grantees/participants eligibility requirements not met.

Table 1: Grantees/Participants Who Did Not Substantiate Meeting Eligibility Requirements		
Deficiencies Identified	Participants	Grantees*
School Dropout	45	11
Low Income Disadvantaged Status	36	15
Disadvantaged Status & School Dropout	13	5
25 Percent Exception Rule	7	4
Foster Care Disadvantaged Status	1	1
Re-enrollment Requirement Not Met	1	1
Total Ineligibles/Grantees	**103**	**37**

*11 Grantees had more than one type of deficiency; therefore, the total number of grantees shown exceeds the total number (21 of 27 grantees) where eligibility requirements were not met.

The Transfer Act provides that eligible YouthBuild participants must be:
   (i)   ages 16 to 24 on the date of enrollment;
   (ii) an individual with a disadvantaged status;[4] and
   (iii) a school dropout.[5]

In addition, the Transfer Act allows up to 25 percent of participants (25 percent exception rule) to be individuals who do not meet the disadvantaged status or educational need requirements but who are basic skills deficient.

ETA provides guidance in its "Book of Knowledge" on the types of documentation that can be utilized to verify participant eligibility, including their low income status. For example, participants may provide pay stubs, bank statements (direct deposit), employer statement/contact information, tax returns, and public assistance records to verify income status. A birth certificate or other forms of state documents may be used to verify the participant's age; and school records or an applicant's statement may be provided as support for a participant's dropout status.

According to ETA officials and the YouthBuild MIS Training Manual, only unsuccessful exiters may be re-enrolled in the program. We identified five individuals, one within our sample that reportedly completed the program successfully under a 2007 grant and re-enrolled under the 2009 grant. The grantee re-enrolled the participant so that they could attain their GED.

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[3]We are 95 percent confident that at least 1,311 enrollees and as many as 3,757 enrollees were ineligible.
[4]The term "disadvantaged status" means youth from low income families, youth in foster care (including youth aging out of foster care), a youth offender, a youth with a disability, a child of incarcerated parents, or a migrant youth. The term "low-income families" means those families whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families.
[5]Per Training and Employment Guidance Letter 11-09 – The YouthBuild program may serve an individual who dropped out of school and re-enrolled in an alternative school, if that re-enrollment is part of a sequential strategy.

Grantee officials stated they failed to obtain documents to verify participants' eligibility because they believed the documents were not required, documents could not be located, or the documents were inadvertently not collected. We found grantees lacked formal procedures and effective oversight of participant eligibility intake processes to ensure program eligibility requirements were met. For example, 17 of the 27 (or 63 percent) grantees reviewed did not have effective verification procedures for the accuracy of information used in eligibility determinations or proper management review of various eligibility determinations.

We identified a total of $214,124 in questioned cost related to 103 ineligible participants, and we estimate that $5.7 million could have been put to better use if funds were expended on eligible participants.[6] See *Exhibit 3* Attributes for Projections and *Exhibit 4* for Schedule of Questioned Costs resulting from providing services to ineligible participants.

In addition, 38 of 270 (or 14 percent) sampled participants enrolled by 19 grantees did not meet the eligibility requirements due to noncompliance with Federal law requiring military selective service registration. We estimate that 1,803 of the 12,483 (or 14 percent) participants in our population did not meet this requirement.[7] The Transfer Act was incorporated as a separate section in the Workforce Investment Act of 1998 (WIA). Section 189 (h) of the WIA requires the Secretary to ensure each individual participating in any program or activity established under WIA to comply with the Military Selective Service Act by presenting and submitting to registration. Grantee officials admitted they did not ensure that all program candidates were registered for selective service prior to enrollment, and others stated a lack of awareness of the requirement.

We attributed deficiencies to the sampled grantees' lack of effective oversight and inadequate policies and procedures. At 26 of 27 (or 96 percent) of the grantees, we found deficiencies related to eligibility determination processes. In addition we found that ETA lacked effective monitoring of grantee operations. Furthermore, at 8 of 27 (or 30 percent) sampled grantees, ETA monitoring site visits were not consistently performed. Of the 19 grantees that received a monitoring site visit, only 6 received a visit during their first year of operation even though onsite monitoring was essential for ensuring that grantee controls are designed and implemented effectively. Furthermore, only 7 of the 19 monitoring site visits detected control weaknesses that directly impacted the program's outcome regarding participant eligibility determinations and for reporting program/participant achievements. Finally, DOL has not issued regulations for the program, which according to some grantees interviewed, contributed to confusion about program requirements and hampered them in meeting program goals.

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[6]We are 95 percent confident that at least $2,065,487 and as much as $9,296,491 in costs could have been put to better uses on eligible participants.
[7]We are 95 percent confident that at least 584 enrollees and as many as 3,021 enrollees are ineligible.

Objective 2— Did ETA ensure that YouthBuild program core objectives and performance measures were met?

ETA's controls were not effective for ensuring all core objectives and program measures were met.

Finding 3 — ETA lacked effective controls to ensure that grantees met two of five program performance measures.

ETA met three of the five established program performance measures for YouthBuild grantees who substantially completed their initial grant award. ETA officials reported they met performance goals for participants attaining degrees/certificates, recidivism of youth offenders, and literacy and numeracy gains, but did not meet the program performance goals for placement or retention.[8] Only 43 percent of youth who exited the program were placed in jobs or other educational programs compared to the goal of 70 percent; while 64 percent of those youth attaining placement retained employment or stayed in school compared to the goal of 75 percent. Table 2 shows the goals and actual outcomes for the five program performance measures as of December 31, 2010.

Table 2: Analysis of YouthBuild Performance Measures		
Program Measures	**Goal**	**Actual**
Placement in Education or Employment	70%	43.46%
Retention of Education or Employment	75%	63.58%
Literacy and Numeracy Gains	50%	50.28%
Credential Attainment	50%	61.30%
Recidivism of Youth Offenders	<20%	11.72%

Our sample included 14 of 27 grantees, who substantially completed their grants. For 10 of 14 (or 71 percent) grantees, placement goals had not been met as of December 31, 2010. Grantee officials stated grant goals for placement and retention were not met mostly due to the downturn in the economy.

While ETA contended that all grantees were aware of the program's performance goals, 2 of 14 (or 14 percent) sampled grant agreements did not specify placement goals. Of the remaining 12 grantee agreements, 5 specified placement goals that were below ETA's program goal levels. Furthermore, 10 of the 12 (or 83 percent) grantees did not achieve the placement goals specified in their grant agreements, which were below ETA's program goal levels.

For the retention goal, 6 of 14 (or 43 percent) sampled grant agreements did not specify a particular goal. Of the remaining 8 grantee agreements, 5 specified retention goals that were below ETA's program levels. Furthermore, 7 of the 8 (or 88 percent) grantees did not achieve the retention goals specified in their grant agreements. When grantees'

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[8]This refers to 96 percent of participants exiting as of December 31, 2010, from the 2007 grants awarded.

goals are not stated or are below those of ETA, it undermines ETA's ability to ensure program goals are met. *See Exhibit 5* for grantees who did not meet performance goals.

According to the YouthBuild Project Director, since grantees were still serving youth in the program, an increase in actual outcome percentage could result. In addition, the Director stated that program year 2007 grantees were allowed no-cost extensions from October 15, 2010, to September 30, 2011. ETA contends an accurate analysis of the program year 2007 grantees' performance will not be available until November 2011.[9] However, given that 96 percent of participants have exited the program as of December 31, 2010, we conclude it is unlikely that a significant change in reported outcomes will occur.

Finding 4 — Improvements are needed to ensure that reported performance data are accurate or supported.

Deficiencies found indicate a lack of ETA and grantee controls over the reported program/participant achievements. We estimate that 605 (or 10 percent) of the 5,975 participants exited had overstated reported outcomes due to insufficient documentation for achievements or ineligibility for the program.

We found 14 of 273 (or 5 percent) participant files lacked documentation to support reported outcomes, such as employment verification forms, payroll records, GED certificates, or high school diplomas. As a result we estimate that 286 of 5,975 (or 5 percent) exiters did not have sufficient documentation to support their reported outcomes.[10] We also found 10 grantees reported outcomes for 18 program exiters that did not meet program eligibility. As a result, we estimate 319 of 5,975 (or 5 percent) participants' outcomes are overstated because of outcomes reported for ineligible participants.[11]

In addition, we identified deficiencies in 14 of 27 (or 52 percent) grantees reported outcomes on their March 31, 2010, Quarterly Performance Reports (QPR). To illustrate:

- Ten grantees incorrectly reported a total of 36 participants either as enrollees or exiters on their QPR. For example, one grantee reported a total of 24 enrollees when the actual number was 32 enrollees. Another grantee reported 90 enrollees when the actual number was 95 enrollees.

- Four grantees incorrectly reported 12 participants as successful completers even though they were in the program for less than 17 days; or had no measurable outcomes, such as literacy and numeracy gains or educational credentials.

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[9]Programs (grantees) are allowed up to three quarters following a participant's exit to achieve the credential attainment measure. Retention in employment and education applies to those who are placed in the first quarter after exit and is calculated for three quarters following exit.

[10]We are 95 percent confident that at least 14 and as many as 600 exiters in our population did not have adequate support for the performance data reported. See *Exhibit 3* for details.

[11]We are 95 percent confident that performance outcomes for at least 93 exiters and as many as 545 exiters are overstated because of ineligible participants. See *Exhibit 3* for details.

The grantees' officials provided various reasons for the performance data inconsistencies. For example, four grantees contended they were unaware of program requirements due to unclear guidance, and other grantees contended that documentation for placement verification was not available at the time of the review. We attribute deficiencies to the sampled grantees lack of formal procedures and effective oversight over the reporting of program outcomes to ensure program outcomes were accurately reported.

In addition, ETA officials stated that they have developed and implemented a Case Management Information and Performance System to ensure that reliable performance data are available for the YouthBuild program and perform quarterly desk reviews and site visits. However we found ETA's oversight did not ensure grantees' outcome reporting processes accurately reported performance data nor were achievements adequately supported.

Inaccurate performance data casts doubt on the validity of the reported program outcomes, challenges the ability to evaluate program effectiveness, and distorts the results program officials use as a basis for making key funding decisions. See *Exhibit 6* for grantees who reported inaccurate performance data or lacked support for outcomes.

Finding 5 — Participants did not always receive industry-recognized certificates after completing occupational skill training.

ETA lacked effective oversight to ensure grantees provided adequate training for 140 participants to earn industry-recognized certificates. Our sample included 2 of the 27 grantees that did not provide any of their exiters industry-recognized certificates after completing occupational skills training. Specifically, 62 exiters at the Urban League of Broward County (ULBC) and 78 participants at the City of Greenfield YouthBuild Program did not receive industry-recognized certificates.

WIA common measures for youth suggest industry-recognized occupational skills certificate is obtained after construction training for performance measure expectations. Training and Employment Guidance Letter No.17-05 (February 17, 2006) states: ". . . the focus of the certificate measure is attainment of measurable technical or occupational skills. . ."

In addition, ETA's SGA requires applicants (grantees) to discuss the occupational skills training component of the program including where and how the training will be conducted, how the curriculum is developed, the type of industry recognized credentials that result from the training, and the involvement of industry partners in the development of the training.

The primary reason noted at the ULBC was that participants did not receive training from a qualified trainer. While at the City of Greenfield YouthBuild Program, officials did not sustain relationships with partners who were responsible for providing the

industry-recognized training. Therefore, no such qualified training was provided to their participants. The YouthBuild Project Director stated that the program's intent is for participants to receive industry-recognized credentials to be prepared for the job market. During a technical assistance review at ULBC, officials were informed that a certified construction manager was needed so the participants could receive the proper industry-recognized credentials. Also, the ETA Federal Program Officer cited the City of Greenfield for not having the required system in place to provide occupational skills development activities. However, similar reviews were not conducted at all grantees in our sample.

Due to the lack of oversight over grantees, ETA cannot ensure that all grantees are providing industry-recognized certificates to prove the participants attained technical or occupational skills; therefore, those affected participants are less likely to be competitive in the job market.

Finding 6 — ETA has not designed and implemented a process to measure the increase in the supply of affordable homes for low-income families.

ETA has not attempted to measure the increase in supply of affordable homes for low-income families that can be attributed to the program, which would address the fourth objective of the Transfer Act. Specifically, the Transfer Act Section 173A states its purpose is "to expand the supply of permanent affordable housing for homeless individuals and low-income families by utilizing the energies and talents of disadvantaged youth." Therefore, by not setting goals and tracking outputs for the increase in affordable housing units for homeless and low-income families, ETA cannot accurately measure to what extent the program is meeting this core objective.

According to the YouthBuild Project Director, ETA does not measure the program success through the number of housing units built, but rather prefers to focus on participants to receive the maximum exposure in construction skill development, education, and employment. To this point, ETA has made modifications to the program that focus on increasing the skilled workforce available for the construction trade.

As part of ETA's SGA process, grantees identify worksites they will use to train participants and those worksites are incorporated into their grant agreements. Discussions with grantees indicated that some find it more beneficial to partner with other non-profit organizations; while others develop their own worksites when providing construction training. During our audit, we noted that grantees who partnered with non-profit organizations, such as Habitat for Humanity or city housing authorities, tend to show a greater increase in the number of houses that were constructed versus grantees that financed their own worksites. However, both approaches are acceptable to ETA.

ETA contends that the number of housing units built is not the measure of success of the program, but rather it is participant training in construction skill development, education, and employment. While we conclude that ETA's focus on training, education, and skill certification addressed other core objectives of the Transfer Act, it is also clear

that expanding the supply of affordable housing units for low-income families is a core objective of the Transfer Act.

Objective 3 — Were allegations in the hotline complaints against two YouthBuild grantees valid?

Allegations of improprieties were not substantiated.

Finding 7 — The allegations of improprieties against two YouthBuild grantees were not substantiated.

We evaluated eight allegations made in the two complaints of improprieties against two YouthBuild grantees. Able Disabled Advocacy was one of our 27 statistically selected grantees and Eagle Ridge Institute was included in our review as a separate complaint. Based on our audit work at both locations, none of the eight allegations could be substantiated.

Able Disabled Advocacy, Inc. (San Diego, CA)

1. *The complaint against Able Disabled Advocacy alleged funds were misappropriated.* Specifically, the complaint alleged the Director of Information Technology spent most of his time driving the Executive Director to places, such as Costco, and creating conflict within the office. In addition, it alleged that the Director misused computer equipment designated for various programs by keeping the equipment in his home. We conducted interviews with the Executive Director, the Director of Information Technology, and the Accountant regarding the complainant's allegations.

    We tested a sample of financial transactions at this site and found the transactions to be both reasonable and supported. Also, we obtained a list of computer equipment and noted that no YouthBuild funds were used to purchase computer equipment.

Eagle Ridge Institute (Oklahoma, OK)

The complaint against Eagle Ridge Institute alleged that:

2. *The Program Director paid students every week, even when they were not present and participating in the program.* We compared the sign-in log and timesheets for 24 of the 78 participants' attendance and stipends to verify the accuracy of the information. We found three participants who received stipends but did not have sign-in sheets to support the payments; however, we were unable to associate this deficiency to the Program Director as the complainant alleged.

3*.*   *One participant was in jail for 60 days and received checks for all the weeks incarcerated.* We found five participants who were incarcerated during the program and none were found to have been paid stipends while incarcerated.

4*.*   *Participants only attended class for as little as 2 hours per day.* We found participants were required to sign in for classroom and onsite training, and for daily van transportation to attend classes. It was difficult to determine all hours/days attended because sign-in sheets were missing. According to the Program Director the agency moved during that time and participants were assigned to groups and signed in at several locations. Consequently, there was not sufficient evidence to substantiate the allegation.

5*.*   *Participants slipped out for smokes and slept through class.* We did not observe participants smoking or sleeping in classes during our site visit. However, the GED instructor interviewed stated that some of the participants are homeless and sometimes may have fallen asleep in the classroom. We were unable to gather sufficient evidence to substantiate the allegation.

6*.*   *Only 1 of 18 participants graduated.* We found 4 of the 24 (or 17 percent) students enrolled in January and March of 2008 received GED diplomas. According to the Program Director, 11 of remaining 20 students improved their educational skill levels. However, 7 of the 20 students either were only in the program for a short period or had no post-training test scores. While we have concerns that the percentage of credential attainment of 17 percent falls well below the approximate 50 percent outcome reflected program-wide, we found no evidence that substantiated program abuse.

7*.*   *One participant left the state for approximately 2 months and was still paid stipends.* We found no evidence that the participant in question was paid stipends or even enrolled in DOL's YouthBuild program during the time period alleged. In fact, the participant's file indicated she was enrolled under the HUD YouthBuild program when the allegation occurred.

8*.*   *The Program Director re-enrolled some participants for a second year although they were not eligible*. We did not find any of the 24 participants that successfully completed the program re-enrolled in the program. Participants are allowed to re-enroll in the YouthBuild program if they were unsuccessful exiters under a previous grant.

As stated above, none of the eight allegations could be substantiated.

Finding 8 — Grantees could not always demonstrate the 25 percent matching funds requirements were met.

ETA lacked effective oversight to ensure that grantees met the 25 percent matching funds requirement. We found 7 of 27 (or 26 percent) sampled grantees did not put the

necessary emphasis on tracking and reporting the matching requirements. Because aligning resources and leveraging funding are key components of success under the YouthBuild grant, ETA implemented the matching requirement. However, 7 grantees did not track, report, or could not demonstrate that the 25 percent matching requirement was met. Grantees typically reported the value of the use of buildings, instructors provided by charter schools (partners), and receipts of goods and services provided by non-profit organizations to satisfy their matching requirements. However, none of the 7 grantees clearly documented they met $768,356 in matching funds or the in-kind contributions requirement. As a result of the seven grantees failure to provide proof of the grant matching requirements, we noted an unsupported or unreported matching amount of $768,356. See *Exhibit 7* for grantees who could not demonstrate the 25 percent match.

Federal Register Volume 73, page 58658 (Solicitation for Grant Application) states:

> Applicants must provide cash or in-kind resources equivalent to at least 25 percent of the grant award amount as matching funds. Neither prior investments nor Federal resources may count as match….Upon completion of the grant, if the matching funds are found to be an unallowable cost, the amount of DOL grant funds may be decreased on a dollar-for-dollar basis.

The grantees acknowledged they have a matching requirement, but attribute their lack of compliance to not having a mechanism in place for tracking the match amount. Grantees are required to report their matching efforts on their quarterly financial report. Although ETA reviews these documents as part of their desk monitoring function and reported detection and follow up on the lack of compliance, we found seven grantees that did not report the amount, and there was no indication that ETA followed up. For example, two grantees operated the program for more than 6 months, had not reported matching information, or made an effort to collect such information.

Because the seven grantees failure to demonstrate a process in place and evidence to support having met the grant matching requirements, we identified $768,356 of unsupported matching funds. ETA officials stated these grants do not expire until June 30, 2012, and at that time will determine any costs that are disallowed during the closeout should the grantee fail to meet the required match levels. We conclude the lack of effective grantee processes in place and ETA monitoring of grantee compliance does not ensure all program funds are timely made available and may put at risk the recovery of federal grant funds and grantees meeting the program objectives.

RECOMMENDATIONS

We recommend the Assistant Secretary for the Employment and Training
Administration:

1. Determine how to best serve youth ages 16 to 17 who are excluded from the
    YouthBuild program.

2. Develop and implement controls to ensure that program eligibility and reporting
    requirements are met.

3. Recover the $214,124 in questioned cost associated with ineligible participants.

4. Develop and implement controls to ensure (1) performance goals are included in
    grant agreements; and (2) grantees are meeting program goals through the
    oversight of stated goals in grantee agreements.

5. Develop and implement controls to ensure performance measures are accurately
    reported.

6. Develop and implement controls to ensure participants receive
    industry-recognized certificates after completing occupation skills training,

7. Develop a process to measure the increased number of affordable permanent
    housing units as a result of the program.

8. Ensure grantees are appropriately meeting the program's 25 percent matching
    fund requirements.

We appreciate the cooperation and courtesies that ETA personnel extended to the
Office of Inspector General during this audit. OIG personnel who made major
contributions to this report are listed in Appendix [E].

Elliot P. Lewis
Assistant Inspector General for Audit

Exhibit

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Exhibit 1

List of Sampled Grantees Audited

	Grantee	City	State
1	Able-Disabled Advocacy, Inc.	San Diego	CA
2	Aletheia House*	Birmingham	AL
3	Century Center for Economic Opportunity	Gardena	CA
4	City of Greenfield YouthBuild Program	Greenfield	CA
5	City of Jacksonville, Florida	Jacksonville	FL
6	City of Peoria Workforce Development Department	Peoria	IL
7	City of Sanford YouthBuild	Sanford	FL
8	Coalition for Responsible Community Development*	Los Angeles	CA
9	Community Teamwork, Inc.*	Lowell	MA
10	Emerson Park Development Corporation*	East St. Louis	IL
11	Fresno County Economic Opportunities Commission*	Fresno	CA
12	Hale Empowerment and Revitalization Organization, Inc.*	Greensboro	AL
13	Just-A-Start Corporation	Cambridge	MA
14	Lewis and Clark Community College	Godfrey	IL
15	Los Angeles Communities Advocating for Unity, Social Justice (LA CAUSA)	Los Angeles	CA
16	M S Action for Community Education*	Greenville	MS
17	San Diego Imperial Counties Labor Council	San Diego	CA
18	San Gabriel Valley Conservation Corps	El Monte	CA
19	Southwest Florida Workforce Development Board, Inc.	Fort Myers	FL
20	Springfield Urban League, Inc.	Springfield	IL
21	The Metropolitan Area Advisory Committee Project*	Chula Vista	CA
22	United Methodist Children's Home*	Mt. Vernon	IL
23	Urban League of Broward County*	Fort Lauderdale	FL
24	Urban League of Rhode Island	Providence	RI
25	West Jackson Community Development Corporation	Jackson	MS
26	WorkNet Pinellas, Inc.*	Clearwater	FL
27	YouthBuild USA	Somerville	MA

* 11 Grantees who accepted ARRA funds.

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Exhibit 2

Grantees Who Excluded Youth Ages 16 to 17

	Grantee	City	State
1	Alethia House	Birmingham	AL
2	Century Center for Economic Opportunity	Gardena	CA
3	City of Jacksonville	Jacksonville	FL
4	City of Peoria Workforce Development Department	Peoria	IL
5	Fresno County Economic Opportunities Commission	Fresno	CA
6	Just-A-Start Corporation*	Cambridge	MA
7	San Diego Imperial Counties Labor Council	San Diego	CA
8	Southwest Florida Workforce Development Board	Ft. Meyers	FL
9	Urban League of Broward County	Ft. Lauderdale	FL
10	WorkNet Pinellas, Inc.	Clearwater	FL

* Excluded only 16 year olds

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Exhibit 3

Attributes for Projections

Attributes for Projections	Type of Error			
	A	**B**	**C**	**D**
Universe Size	12,483	12,483	5,975	5,975
Sample Size	270	270	273	273
Number of Cases with Errors Identified in Sample	57	38	14	18
Point Estimate of Percentage of Cases in Universe with Errors	20.30%	14.44%	4.78%	5.34%
Point Estimate of Cases with Errors	2,534	1,803	286	319
Projected Percent of Lower Limit Cases in Universe	10.50%	4.68%	0%	1.56%
Lower Limit Estimate of Cases with Errors in Universe	1,311	584	0	93
Projected Percent of Upper Limit Cases in Universe	30.10%	24.20%	10.05%	9.12%
Upper Limit Estimate of Cases with Errors in Universe	3,757	3,021	600	545
Point Estimate of Financial Impact	$5,680,989	-----	-----	-----
Lower Limit Estimate of Financial Impact	$2,065,487	-----	-----	-----
Upper Limit Estimate of Financial Impact	$9,296,491	-----	-----	-----

Type of Error:
- A = Ineligible participants in the enrollment sample
- B = Other ineligible participants in the enrollment sample-Selective Service Registration
- C = Missing support for performance outcomes
- D = Overstated performance data because of ineligible participants

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Exhibit 4

Schedule of Questioned Costs

	Grantee Name	Total Enrolled	Participants*	Total Questioned Costs
1	Able-Disabled Advocacy, Inc	115	1	$2,619.00
2	City of Greenfield YouthBuild Program	78	7	27,670.00
3	City of Jacksonville**	32	3	0.00
4	Coalition for Responsible Community Development	18	4	10,747.79
5	Community Teamwork, Inc.	30	3	3,883.00
6	Emerson Park Development Corporation	136	6	7,654.04
7	Hale Empowerment and Revitalization Organization	95	7	8,670.13
8	Just-A-Start Corporation	26	2	8,993.00
9	LA Communities Advocating for Unity, Social Justice and Action	64	1	737.00
10	Lewis and Clark community College	23	1	2,161.55
11	M S Action for Community Education	109	10	11,870.00
12	San Gabriel Valley Conservation Corps	22	1	1,885.00
13	Sanford / Seminole County YouthBuild	26	1	600.00
14	Springfield Urban League, Inc.	62	14	15,543.36
15	SW Florida Workforce Develop.	109	5	37,323.93
16	The Metropolitan Area Advisory Committee Project	37	3	8,794.00
17	United Methodist Children's Home	101	5	8,294.71
18	Urban League of Broward County	94	2	9,180.00
19	Urban League of Rhode Island	67	9	20,360.75
20	WorkNet Pinellas, Inc.	35	15	25,496.79
21	YouthBuild USA	164	3	1,640.00
	Totals	**1,443**	**103**	**$214,124.05**

* Includes individuals from both the enrollee and the exiter samples
** Grantee serves inmates and does not provide wages or stipends

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Exhibit 5

Grantees Who Did Not Meet Performance Goals (1 of 2)

Placement in Education or Employment

	Grantee	Goal Per Grant Agreement*	Grantee Outcome per 12/31/10 QPR	Not Met
	Analysis of Goals for 2007 Grants			
1	Able-Disabled Advocacy, Inc.	53	31	X
2	Aletheia House***	81.00%	63.41%	X
3	City of Greenfield YouthBuild Program***	N/A	14.29%	N/A
4	Community Teamwork, Inc.	49	27	X
5	Emerson Park Development Corporation**	30.00%	63.64%	
6	Fresno County Economic Opportunities Commission***	70.00%	54.90%	X
7	Just-A-Start Corporation**	79	42	X
8	Los Angeles Communities Advocating for Unity, Social Justice	36	36	
9	Southwest Florida Workforce Development Board***	34	17	X
10	United Methodist Children's Home	75.00%	41.18%	X
11	Urban League of Broward County	80.00%	43.33%	X
12	Urban League of Rhode Island	30	10	X
13	West Jackson Community Development Corporation	N/A	70.59%	N/A
14	YouthBuild USA	100	50	X
	Total Grantees that Did Not Meet Placement Goal			**10**

QPR = December 31, 2010 Quarterly Performance Report
N/A = Information not available. Goal not specified in grant agreement.
*   = If available in the grant agreement, used the number of participants projected to meet the goal rather than the percentage of participants.
** = Two grantees had participants who had not exited as of March 31, 2010.
*** = No activity for four grantees for the period ended December 31, 2010; therefore, we used the Quarterly Performance Report as of September 30, 2010 for this analysis.

Exhibit 5

Grantees Who Did Not Meet Performance Goals (2 of 2)

Retention of Placements

	Analysis of Goals for 2007 Grants		
	Grantee	**(*) Goal Per Grant Agreement**	**Grantee Outcome per 12/31/10 QPR**	**Not Met**
1	Able-Disabled Advocacy, Inc.	45	25	X
2	Aletheia House***	83.00%	75.00%	X
3	City of Greenfield YouthBuild Program***	N/A	20.00%	N/A
4	Community Teamwork, Inc.	N/A	0.00%	N/A
5	Emerson Park Development Corporation**	15.00%	14.29%	X
6	Fresno County Economic Opportunities Commission***	65.00%	78.57%	
7	Just-A-Start Corporation**	N/A	93.75%	N/A
8	Los Angeles Communities Advocating for Unity, Social Justice	30	23	X
9	Southwest Florida Workforce Development Board***	26	9	X
10	United Methodist Children's Home	80.00%	52.38%	X
11	Urban League of Broward County	75.00%	53.85%	X
12	Urban League of Rhode Island	N/A	20.00%	N/A
13	West Jackson Community Development Corporation	N/A	77.14%	N/A
14	YouthBuild USA	N/A	66.00%	N/A
	Total Grantees that Did Not Meet Retention Goal			**7**

QPR = December 31, 2010 Quarterly Performance Report
N/A = Information not available. Goal not specified in grant agreement.
*   = If available in the grant agreement, used the number of participants projected to meet the goal rather than the percentage of participants.
** = Two grantees had participants who had not exited as of March 31, 2010.
*** = No activity for four grantees for the period ending December 31, 2010; therefore, we used the Quarterly Performance Report as of September 30, 2010 for this analysis.

Exhibit 6

Grantees Who Reported Inaccurate Performance Data or Lacked Support for Outcomes

	Grantee	Type of Errors Reported			
		Number of Participants Enrolled / Exited	**Participants Reported as Successful Completers**	**Performance Outcomes of Participants Not Program Eligible**	**Unsupported Participant Performance Outcomes**
1	Able-Disabled Advocacy, Inc.			X	
2	City of Greenfield YouthBuild Program	X			
3	City of Jacksonville	X	X	X	
4	City of Sanford YouthBuild	X	X		
5	Coalition for Responsible Community Development	X			
6	Community Teamwork, Inc.	X			
7	Emerson Park Development Corporation	X			X
8	Hale Empowerment and Revitalization Organization		X	X	
9	M S Action for Community Education	X		X	X
10	Southwest Florida Workforce Development			X	
11	Springfield Urban League	X		X	X
12	The Metropolitan Area Advisory Committee			X	X
13	United Methodist Children's Home			X	X
14	Urban League of Broward County	X	X		
15	Urban League of Rhode Island			X	X
16	West Jackson Community Development Corp.	X			X
17	YouthBuild USA			X	X
	Total Grantees	**10**	**4**	**10**	**6**

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Exhibit 7

Grantees Who Could Not Demonstrate 25 Percent Match

	Grantee	Did Not Track, Report or Support
1	Century Center for Economic Development	$179,522
2	City of Sanford YouthBuild	26,758
3	Emerson Park Development Corporation	131,476
4	LA Communities Advocating for Unity, Social Justice	180,865
5	The Metropolitan Area Advisory Committee Project	104,078
6	United Methodist Children's Home	108,682
7	WorkNet Pinellas, Inc.	36,975
	Total	**$768,356**

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Appendices

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Appendix A

Background

The YouthBuild Transfer Act (Transfer Act) enacted on September 22, 2006, transferred the YouthBuild program from the U.S. Department of Housing and Urban Development (HUD) to the U.S. Department of Labor (DOL), and amended the Workforce Investment Act of 1998 (WIA) Title I by adding section 173 A, to subtitle D. The Employment and Training Administration (ETA) administers the program under a provision added to the WIA. The DOL assumed grant administration for all DOL-awarded YouthBuild grants beginning in FY 2007. YouthBuild provides educational and job training opportunities within the construction industry for at-risk youth who are between the ages of 16-24, are school dropouts, and are members of at least one of the eligibility groups (youth offender, foster youth, low-income youth, youth who are individuals with disabilities, children of an incarcerated parent, or migrant youth).

The transfer was an effort to address concerns about overall program quality, and better align the program with existing youth workforce and training programs under WIA. The Transfer Act outlines four core objectives. The first three objectives address assisting economically disadvantaged youth to (1) obtain the education and employment skills necessary to achieve economic self sufficiency, (2) provide youth opportunities for meaningful work and service to their communities, (3) and develop leadership skills. The fourth objective addresses the expansion of affordable housing for low-income families and homeless individuals.

The program targets at-risk youth. According to the Transfer Act, an individual may participate in a YouthBuild program only if the individual is:

> (i) ages 16 to 24 on the date of enrollment;
> (ii) an individual with a disadvantaged status;[12] and
> (iii) a school dropout.[13]

However, up to 25 percent of participants may be individuals who do not meet the income or educational need requirements but who are basic skill deficient, despite attainment of a secondary school diploma, General Education Development (GED) credential, or other State-recognized equivalent. Eligible participants should be offered full-time participation in the program from 6 to 24 months.

To evaluate performance, the ETA uses five measures (1) placement in employment or education; (2) employment retention rate; (3) attainment of a degree or certificate; (4) literacy and numeracy gains; and (5) youth offenders' recidivism rate. ETA also

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[12]The term "disadvantaged status" means youth from low income families, youth in foster care (including youth aging out of foster care), a youth offender, a youth with a disability, a child of incarcerated parents, or a migrant youth. The term "low-income families" means those families whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families.
[13]Per Training and Employment Guidance Letter No. 11-09 - The YouthBuild program may serve an individual who dropped out of school and re-enrolled in an alternative school, if that re-enrollment is part of a sequential strategy.

established enrollment goals for each YouthBuild grantee but they are not considered an outcome measure.

Since beginning the administration of the YouthBuild program in 2007, DOL has awarded 290 grants to 226 grantees for approximately $280 million. The first of these grants were awarded on October 15, 2007. Of these grants, 75 were funded under the American Recovery and Reinvestment Act (ARRA) and 215 were non-ARRA grants. See Table below for more details.

YouthBuild Program Budget Activities					
	Non ARRA (in thousands)		ARRA (in thousands)		
Program Year (PY)	Funding	No. of Grants	Funding	No. of Grants	Grant Period
2007	$93,681	96	0	0	10/15/07 to 10/14/10
2008	8,875	11	0	0	07/21/08 to 07/20/11
2009	105,159	108	$72,238	75	07/01/09 to 06/30/12

Note: Grant awards in PY 2008 were based on PY 2007 competition after ETA received additional funding. Total amount of the award is $279,953,000 (approx. $280 million).

Both ARRA and non-ARRA grants are used to fund the same training and services in the YouthBuild program. However, Section 1512 (c) of the ARRA requires grant recipients report on the use of ARRA funds, including financial and programmatic information no later than 10 days after the end of each quarter calendar.

YouthBuild grants are competitively awarded and provide at-risk youth "a second chance" through education and employment-skills training. As of March 31, 2010, ETA reported a total of 12,483 participant enrollments (enrollees) and 5,975 participants who exited (exiters) the program. YouthBuild grants cover a 3-year period, with the first 2 years focusing on education and training, and the 3rd year reserved for follow-up activities.

ETA indicated that several program improvements were made to the program in the areas of performance, grant administration and oversight, technical assistance efforts, and increased intra-agency collaboration. For example, ETA contended they have:

▪ Established performance goals for grantees including enrollment, placement in education and employment, credential attainment, literacy/numeracy gains, retention in education and employment, and recidivism. These measures were not tracked by HUD.

▪ Responded to a GAO recommendation to provide multiple years of funding for YouthBuild programs and developed the competitive process for award grants.

- Worked collaboratively with the Office of Apprenticeship to complete the YouthBuild Apprenticeship Pilot including the YouthBuild Apprenticeship Guide, and the Office of Federal Contract Compliance Programs to create employment opportunities for YouthBuild graduates.

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Appendix B

Objectives, Scope, Methodology, and Criteria

Objectives

Our audit objectives were to answer the following questions:

1. Did ETA ensure eligible participants received allowable training and services?

2. Did ETA ensure YouthBuild program core objectives and performance measures were met?

3. Were allegations in the hotline complaints against two YouthBuild grantees valid?

Scope

The audit covered ETA and grantees' practices, policies, and procedures over the YouthBuild program between July 1, 2007, and March 31, 2010. Our testing and audit work was performed at ETA in Washington, D.C., and at grantees worksites in 8 states: Alabama, California, Florida, Illinois, Massachusetts, Mississippi, Oklahoma, and Rhode Island. In all, we visited 27[14] randomly selected grantees from a universe of 223 who reported data during our audit period. In addition, we extended our scope to include program measures for the period ended December 31, 2010.

In addition, our audit focused on two separate complaints against (1) Able Disabled Advocacy, Inc., San Diego, California; and (2) Eagle Ridge Institute, Oklahoma City, Oklahoma.

Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our audit objectives, we identified ETA's written policies and procedures over the YouthBuild program; analyzed ETA's oversight responsibilities and their efforts to ensure grantees' accountability and compliance; and obtained Federal Project Officer monitoring reports for selected grantees and identified performance and management issues and what corrective actions had been taken.

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[14]We visited one additional grantee to address a complaint, Eagle Ridge Institute that was not part of our statistical sample.

We developed a statistical sampling plan to test the 223[15] YouthBuild grantees and the ETA reported data between July 1, 2007 and March 31, 2010. We used both attribute and variable sampling at a 95 percent confidence level to estimate the monetary impact of grantees that enrolled and exited participants who did not meet eligibility and/or program-outcome requirements. We designed a 3-stage stratified cluster sample, with the grantees assigned to 1 of 26 clusters based on geographic location. The 26 clusters were stratified into two strata, with one stratum containing clusters with less than $10 million in grant funds, and the second stratum containing those with greater than $10 million. We randomly selected 3 clusters from each stratum and then randomly selected a total of 27 grantees from 6 randomly selected clusters. For each grantee, we randomly selected a sample of program enrollees and a sample of program exiters. In total, we selected a statistical sample of 543 participants; tested a total of 270 enrollees of 12,483, and 273 exiters from 5,975, served by the 27 grantees. The results of our tests of enrollees and exiters were projected to their respective universes.

At each grantee location, we performed the following work:

- Identified controls over activities and costs, cash management, eligibility and program services, matching funds reporting, and equipment and real property.

- Tested program costs to determine whether costs were allowable, allocable, reasonable, and properly reported.

- Reviewed administrative costs to ensure that costs did not exceed the 15 percent statutory limitation.

- Calculated the average cost per participant to assess whether the average cost was within the normal range for YouthBuild programs.

- Determined if at least 75 percent of participants met the disadvantaged status or educational requirement for eligibility.

- Tested samples of program enrollees and exiters to ensure that grantees enrolled eligible participants, did not serve participants using multiple YouthBuild grants, provided necessary and allowable services, and reported outcomes accurately.

- Identified the training and services provided to enrollees to ensure they were in accordance with YouthBuild legislative and Solicitation for Grant Application guidelines. Additionally, ensured that participants were provided leadership and community service opportunities, and whether some of those work opportunities led to an increase in the supply of affordable housing for low income families or homeless individuals.

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[15] Of the 226 grantees who were awarded 290 grants, 223 grantees reported program activities during our audit period. The 223 grantees were awarded a total of 287 grants (213 non-ARRA grants and 74 ARRA grants). For our purposes, we combined the grant awards and outcome data for those grantees who received multiple grants.

- Identified grantees that did not serve 16-or 17-year-old-youth.

- Ensured that DOL funds were properly accounted for if the program was supplemented with other financial resources.

- Determined if the grantee met the 25 percent matching requirement or was on track to do so.

- Determined if construction costs exceeded the 10 percent limitation.

- Determined if the grantee operated a mental toughness program, and if so, assessed the program to ensure it was consistent with ETA guidelines.

In planning and performing our audit, we considered whether internal controls significant to our audit objectives were properly designed and placed in operation. This included the review of documentation to evaluate the adequacy of ETA controls for determining participant eligibility and reporting outcomes and the grantees' policies and procedures as they related to the YouthBuild program. We confirmed our understanding of these controls through interviews and review and analysis of documentation. We evaluated the adequacy of internal controls used by ETA for reasonable assurance that YouthBuild grantees were operating and reporting financial expenditures and results in compliance with federal regulations and guidance. We evaluated grantees' controls for reasonable assurance that controls were in place over areas such as program eligibility, appropriateness and allowability of services, cash management, property and equipment, and matching costs. Our consideration of internal controls would not necessarily disclose all matters that might be significant deficiencies. Because of inherent limitations in internal controls, misstatements or noncompliance may nevertheless occur and not be detected.

To achieve the assignment's objectives we relied on the computer-processed data contained in YouthBuild Management Information System (MIS) System. We assessed the reliability of the data by (1) performing various testing of required data elements; (2) interviewing ETA and YouthBuild grant officials knowledgeable about the data; and (3) reviewing Quarterly Performance Reports (QPRs) data and outcome measures, and controls for preparing the QPRs. Based on these tests and assessments, we concluded the data was sufficiently reliable to use in meeting the audit objectives.

We also evaluated allegations of improprieties made against two grantees — one grantee from our original sample and one additional grantee — as a result of separate complaints. The results from the complaints are discussed separately in the report. Specifically, as it relates to:

Able Disabled Advocacy, Inc

To determine whether the complaint had merit regarding the misuse of program funds and computer equipment, we interviewed program officials, reviewed program transactions during the period from October 15, 2007, through March 31, 2010, and tested 20 transactions to ensure that each was allowable and adequately supported. We reviewed equipment purchases to identify whether any YouthBuild funds were used to purchase computer equipment. We obtained an inventory of computer equipment at the agency and discussed the list and the operations of the Information Technology (IT) department with the Director of IT and assessed his understanding of the department. We also reviewed personnel costs charged to the YouthBuild grants.

Eagle Ridge Institute

We focused on program activities related to the 2007 grant award as the complaint suggested. We interviewed the Program Director to respond to issues specific to the complaint. We selected 24 of the 78 participants enrolled in the program and performed tests specific to the allegations. We also reviewed participant files, compared the sign-in log and timesheets for 24 participants' attendance and stipends to verify the accuracy of the information. We also observed participants during class hours to detect any unusual activities.

Criteria

We used the following criteria to perform this audit:

- YouthBuild Transfer Act of 2006
- Workforce Investment Act of 1998
- Solicitation for Grant Application (YouthBuild Grants)
- The American Recovery and Reinvestment Act of 2009
- Training and Employment Guidance Letter No.17-05 (February 17, 2006)
- Training and Employment Guidance Letter No. 11-09 (December 4, 2009)
- "Book of Knowledge" issued by the Employment and Training Administration

Acronyms and Abbreviations

ARRA   American Recovery and Reinvestment Act

DOL   Department of Labor

ETA   Employment and Training Administration

GED   General Education Development

GAO   General Accountability Office

HUD   Housing and Urban Development

IT   Information Technology

NIOSH   National Institute for Occupational Safety and Health

OIG   Office of Inspector General

PY   Program Year

QPR   Quarterly Performance Report

SGA   Solicitation for Grant Application

Transfer Act   YouthBuild Transfer Act of 2006

ULBC   Urban League of Broward County

WIA   Workforce Investment Act of 1998

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Appendix D

ETA Response to Draft Report

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

MEMORANDUM FOR: ELLIOT P. LEWIS
                              Assistant Inspector General for Audit
                              Office of Inspector General

FROM: JANE OATES
                              Assistant Secretary for
                              Employment and Training Administration

SUBJECT: Response to Draft Report No. 18-11-001-03-001
                              "Recovery Act: ETA Needs to Strengthen Management Controls to
                              Meet YouthBuild Program Objectives"

Thank you for the opportunity to comment on the draft audit report referenced above. As you know, the Employment and Training Administration (ETA) assumed responsibility for the administration of the YouthBuild program from U.S. Department of Housing and Urban Development (HUD) in 2006. Since then, ETA has held three grant competitions and awarded # grants. The first cohort of ETA YouthBuild grants, which was awarded in 2007, has recently ended. The 2009 cohort of YouthBuild grants was awarded in July 2009 and is about mid-way through its period of performance. The 2010 cohort of YouthBuild grants was awarded on March 15, 2011.

The Office of Inspector General's (OIG) audit report of YouthBuild provides ETA with valuable information that we will use to continuously improve the YouthBuild program. However, ETA would like to use this opportunity to provide information and correct some characterizations of the findings included in the audit report that lead to what we believe is a misrepresentation of ETA's management of the YouthBuild program.

ETA supports continuous improvement of the stewardship of its discretionary grants with respect to supervisory reviews and documentation of grantee monitoring activities and our management of discretionary grants reflect this principle. We continue to build on ETA's quality assurance procedures, training and guidance to staff through the development of internal agency management procedures and annual performance expectations. These include the consistent use of Grants Electronic Management System (GEMS) by all Federal Project Officers and a quarterly review by management of reports in GEMS that verify the completion of critical steps in the monitoring process, including completion of Desk Reviews, Risk Assessments, and reports of on-site visits.

ETA includes the following responses to the recommendations contained in the OIG Audit Report:

Recommendation 1: Determine how to best serve youth ages 16 to 17, who are excluded from the YouthBuild program.

YouthBuild provides an opportunity for low-income young people ages 16 – 24 to acquire high school diplomas or GEDs, learn construction related occupational skills, and help their communities by building affordable housing. Youth ages 16 and 17 can and are being served by many YouthBuild grantees; the OIG audit report states that among eligible youth ages 17 through 24, about "25 percent of youth served by the sampled grantees were between the ages of 16 and 17". Local grantees have flexibility under the YouthBuild Transfer Act (P.L.109–281) and the Solicitation for Grant Application (SGA) to determine which ages among eligible youth they will serve in the local program. These grantee decisions are based upon locally determined factors, including safety concerns related to National Institute for Occupational Safety and Health (NIOSH) recommendations that restrict the work of youth under the age of 18 on construction sites, and State compulsory education laws which require students to remain in high school until 18 years of age. For these reasons, a grantee may not allow 16 to 17 year olds access to YouthBuild for safety or other considerations; however, these low-income youth may choose to access Workforce Investment Act (WIA) youth formula program services through the One-Stop Career Center network in their local areas.

Recommendation 2: Develop and implement controls to ensure that program eligibility and reporting requirements are met.

ETA agrees. Similar to other grantees, YouthBuild grantees must be thorough in determining whether a youth is eligible to enroll in the program and in collecting and retaining sufficient documentation of eligibility. ETA's grant management process includes a number of components in both the National Office and Regional Offices which provide oversee individual grants, including YouthBuild. Regional grant oversight includes risk assessment at the start of each YouthBuild grant, grant review which is comprised of desk and onsite reviews as well as financial report reviews; and technical assistance to help grantees correct performance or compliance problems. ETA will use the OIG's information and information from its grant reviews to determine what technical assistance may be required to improve YouthBuild grantees' eligibility determination and documentation procedures.

On Site Monitoring

The OIG audit report notes that on-site monitoring is not occurring consistently. There are established criteria for conducting on-site visits to grantees, which includes one onsite visit during the period of performance. (See Attachment A.) The expectation articulated in the Regional Administrator's standards is that each grant receives a desk review every quarter, and that onsite program and performance review takes place during the mid-point of a grant's period of performance based upon the availability of resources. Federal Project Officers review grantee performance outcomes, financial information, and program narratives during quarterly desk reviews. YouthBuild grants are three-year grants with onsite reviews generally scheduled during the second year depending upon such factors as travel funds, workload, and agency priorities. However, grants that are designated "at risk" by the Regional Office – for example, a grantee that has been awarded its first federal grant – may receive an initial onsite visit early in the grant period. Due to increased grant oversight workloads and funding constraints, ETA is developing an enhanced, more in-depth approach to quarterly desk and financial reviews to strengthen regional grant oversight.

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Selective Service

The OIG report noted that some YouthBuild grantees were unaware of the selective service requirement, and that others did not ensure that all program candidates were registered for selective service <u>prior</u> to enrollment. ETA notes that selective service registration for 18 year old males is part of the formal YouthBuild enrollment process. All YouthBuild participants are entered into the Web-based Case Management and Performance Management Information System by grantees. The Web-based Case Management and Performance MIS contains an error message (shown below) that is displayed whenever a grantee attempts to enroll an 18 year-old male and does not check the "yes" box indicating that the program candidate is registered for Selective Service.

<u>**Error**</u>

Participant cannot continue with assessment [final step of enrollment] until Selective Service registration has been completed.

The assessment screen contains a hyperlink to the Selective Service registration site which allows grantees to check the young man's status and if not registered, to do so immediately.

ETA will issue guidance to remind YouthBuild grantees about this requirement and the type of documentation that is required to positively affirm a participant's Selective Service registration. In addition, ETA also will include this information in the YouthBuild "Book of Knowledge", which includes all YouthBuild MIS and reporting requirements.

Regulations

ETA believes that substantial progress has been made to establish regulations for the YouthBuild program. The OIG audit report states that "DOL has not issued regulations for the program." However, the Notice of Proposed Rulemaking (NPRM) for the YouthBuild program was published for public comment in the <u>Federal Register</u> on August 27, 2010. ETA staff are drafting the Final Rule while continuing to analyze some of the more complex comments received in response to the NPRM. The final rule will be published once the rulemaking process is complete.

Recommendation 3: Recover the $214,124 in questioned cost associated with ineligible participants.

ETA plans to review each grantee's participants identified by the OIG during the audit as "missing eligibility documentation". As part of the standard process, grantees will have an opportunity to provide the missing documentation. Any costs associated with participants who are deemed ineligible after ETA review will be recovered through standard ETA procedures.

Recommendation 4: Develop and implement controls to ensure that grantees are meeting program goals through the oversight of stated goals in grantee agreements.

ETA has a "three tiered approach" for developing and measuring program goals. The first tier is based upon each grantee's Statement of Work which contains the activities and performance

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information for which the grantee is held accountable. If performance outcomes are not specified in the grant application, they are negotiated after the grant award.

The second tier is that of the Government Performance Results Act (GPRA) goals. The GPRA goals for the YouthBuild program, along with the actual results from the 2007 cohort of grantees, are listed in the following chart:

Performance Measure	GPRA Goal	Actual Results for 2007 grantees as of December 31, 2010
Placement in Education & Employment	38 %	42.70 %
Credential Attainment	41 %	60.71 %
Literacy/Numeracy Gains	32 %	50.25 %

The third tier is the program performance goals set for the overall YouthBuild program and represent aggregate performance goals -- not individual grantee goals. The YouthBuild goals since its transfer to DOL to the present are:

- Placement in Education & Employment 70%
- Credential Attainment 50%
- Literacy/Numeracy Gains 50%
- Recidivism 20%
- Retention in Education & Employment 75%

ETA believes that these ambitious aggregate goals have, and will continue, to motivate YouthBuild grantees to strive for greater performance outcomes. ETA staff and the YouthBuild technical assistance contractor provide ongoing technical assistance to grantees to help them achieve these goals.

To track grantee performance, ETA developed and implemented a Case Management Information and Performance System to ensure that reliable performance data are available for the YouthBuild program. ETA also provides technical assistance when performance issues are identified. To that end, ETA has (1) provided 17 MIS training sessions, (2) created a data pilot program which helped grantees focus on the use of the real-time participant data for decision making and program improvement, (3) produced a monthly newsletter focused on how to use program data, and (4) offered several data management Webinars. In addition, through its technical assistance contract, ETA provides a help-desk to answer all data related and MIS questions.

Recommendation 5: Develop and implement controls to ensure performance measures are accurately reported.

ETA agrees with the OIG on the need for strong accountability. However, ETA believes that it has a system in place through its grant management process to determine whether performance is accurately reported. Documentation is examined during on-site monitoring visits and questioned when there is insufficient documentation. See Appendix A. In addition to on-site monitoring visits where case files are examined, quarterly performance reports are routinely monitored by both ETA FPOs and National staff in order to detect data anomalies or data entry errors.

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Recommendation 6: Develop and implement controls to ensure participants receive industry-recognized certificates after completing occupation skills training.

ETA believes that the necessary controls, as outlined in Appendix A, are in place to ensure that participants receive industry-recognized credentials. As a result of these controls, ETA had identified prior to the OIG audit the two grantees cited in the OIG audit report for failing to ensure YouthBuild participants acquired industry-recognized credentials and initiated technical assistance to each grantee to improve participant outcomes. This includes upgrading the skills of YouthBuild construction trainers. For example, since 2008, ETA has provided 16 training opportunities for YouthBuild grantee construction trainers to acquire certification, which enables the trainers to help participants complete training programs and acquire the necessary skills and levels that result in the award of industry recognized credentials.

Recommendation 7: Develop a process to measure the increased number of affordable permanent housing units as a result of the program.

ETA agrees with this recommendation and has modified the YouthBuild quarterly narrative report to include information on the number of affordable houses or apartments built or renovated. To gather baseline data, we are collecting this information for the cohort of 2007 grantees that completed their grant period of performance.

Recommendation 8: Ensure grantees are appropriately meeting the program 25 percent matching fund requirements.

ETA and the OIG agree that meeting matching requirements is an important requirement for grantees; it also brings additional resources and commitment to the local YouthBuild program. ETA specifies matching requirements in each YouthBuild grant agreement; it has provided extensive training to YouthBuild grantees during grantee orientation sessions and webinars and through written materials on match requirements and the proper documentation and valuation of match costs throughout the life of the grant. ETA informed grantees about these training resources in Training and Employment Notice (TEN) 49-08 and 39-09. ETA reviews grantee progress toward meeting the match requirement after the review of the ETA 9130 financial reports and also, during on-site reviews. YouthBuild grantees that are slow to report or are not reporting match receive technical assistance. It is important to point out, that grantee compliance with match requirements is not measured until the period of performance has ended. ETA has standard operating procedures for YouthBuild grantee closeout, and compliance with the match requirements is addressed during closeout. If the grantee has failed to meet the required match, costs are disallowed as specified in the grant agreement. ETA will review current guidance on match and as necessary, issue a new TEN to remind grantees of their responsibility to track and report match on an ongoing basis inform them about the consequences of failure to comply.

Recommendation 9: Make a final determination concerning the $768,626 in questioned costs associated with undocumented matching funding and recover amounts undocumented.

We appreciate the OIG auditors identification of several YouthBuild grantees with potential cost concerns; we reviewed these grants, and note that they do not expire until June 30, 2012.

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Consistent with ETA's policy to review costs when the period of performance has ended, ETA believes that the $768,356 the OIG auditors have stated as unreported or unsupported is an *estimate* of what are *potential* disallowed costs if the grantees do not fully comply with the match requirements. Thus, ETA requests that this recommendation be deleted or restructured to accurately describe the potential issue. ETA plans to review the identified grantees with questioned costs and provide additional technical assistance to help the grantees properly report match and apprise them of the potential for disallowed costs related to match requirements. ETA will determine any costs that are disallowed during closeout should the grantee fail to meet the required match levels.

We believe that this response addresses the OIG audit report findings and responds to the recommendations.

cc: Edward C. Hugler

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APPENDIX A – ETA Monitoring Procedures

National Office Activities

In response to a GAO Report (GAO-07-82, dated February 28, 2007) titled "YouthBuild Program: Analysis of Outcome Data Needed to Determine Long-Term Benefits", ETA has, in addition to the established ETA grant oversight structure that exists to monitor all grantees, taken numerous steps to improve the management, oversight, performance, and administration of the YouthBuild program. These steps have included the development of a Web-based Case Management and Performance Management Information System, a multifaceted approach to technical assistance which includes the use of Webinars, conferences, and a Web-based Community of Practice. In addition, since January 2010, ETA has provided each grantee with a contracted technical assistance coach, who provides both phone and on-site technical assistance that is designed to improve program performance.

The National Office Program staff works closely with the Federal Project Officers (FPOs) in the ETA regional offices to coordinate all technical assistance and grantee support. The National Office hosts a new grantee orientation for each new cohort of grantees, which reinforces expectations, goals and objectives of the grant award. In order to help determine national technical assistance focus areas, ETA developed a YouthBuild Program Assessment Tool that guides national and regional staff in conducting on-site monitoring reviews and in determining individual grantee technical assistance needs. The tool contains guidance and expectations for the YouthBuild participant enrollment processes, including the collection of documentation to support eligibility requirements. Grantees are provided with this guide prior to their on-site monitoring review so that they can complete self-assessment in preparation for their FPO's review.

Regional Office Activities

Regional Federal Project Officers (FPOs) are responsible for conducting both on-site and desk reviews of grantees. Once the grantee has received the grant award package, the FPO makes contact with the grantee to provide an overview/discussion of all the requirements contained in the award package and other YouthBuild specific guidance. The grant requirements are discussed in detail in order to ensure that grantees understand their administrative and programmatic responsibilities. This also provides the opportunity for grantees to ask questions about ETA's expectations.

Employment and Training Order 1-03 (ETO1-03) on grants management and the Uniform Administrative Requirements establish protocols to be followed from award to close out. An established ETA Core Monitoring Guide is used by the FPOs to guide all on-site monitoring of ETA grant programs. The Core Monitoring Guide provides a consistent framework and starting point for all on-site grant monitoring responsibilities by ETA and was developed based on the premise that there are essential core functions that must be in place in order for any grantee to operate an ETA grant within the boundaries of acceptable practices that are established primarily

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by law, regulation, and/or government-wide rule.[1] On a quarterly basis, FPOs in the regional offices conduct a desk review to examine all aspects of the grant award. Grantees determined to be "at risk" are identified in the Grants Electronic Management System (GEMS) and a "visit" is required (on site, phone contact or expanded "desk review/audit".) Before going on site, FPOs monitor the required quarterly progress narrative updates and performance reports and are in contact with grantees as necessary. Documentation requirements are examined during on-site monitoring visits and questioned when they are insufficiently met. In addition, the contracted technical assistance coaches that are assigned to each grantee provide the FPOs with monthly reports that summarize phone and on-site coaching and highlight any grantee issues.

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[1] Page 51 of the Core Monitoring Guide outlines specifics with regard to documentation on participant eligibility and examining participant eligibility and monitor documentation on of the primary responsibilities included in the guide.

Appendix E

Acknowledgements

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