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REPORT TO THE
EMPLOYMENT AND TRAINING
ADMINISTRATION

COVID-19: THE EMPLOYMENT AND TRAINING ADMINISTRATION NEEDS TO IMPROVE OVERSIGHT OF GRANTS AWARDED IN TEXAS

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BRIEFLY...

COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in Texas

Why We Did the Audit

The Employment and Training Administration (ETA) awards grants to states, local governments, and other entities to provide opportunities to individuals with significant barriers to employment to enter into high-quality jobs and careers, as well as to help employers hire and retain skilled workers.

From October 2018 through September 2021, ETA awarded 2,093 grants—totaling approximately $16 billion—to grant recipients in all 50 states, the District of Columbia, and U.S. territories. During this time, the COVID-19 pandemic created many challenges for ETA job training programs. For instance, the suspension of in-person services and the transition to providing services remotely, which impacted ETA's ability to provide services to the public.

For this audit, we focused on grant recipients and subrecipients located in the State of Texas and we conducted work to answer the following question:

> Did ETA grant recipients and subrecipients in the State of Texas utilize grant funds for the intended purposes during the COVID-19 pandemic?

To answer this question, we analyzed grant recipient and subrecipient funding data and Workforce Innovation and Opportunity Act (WIOA) eligibility requirements for select grants issued prior to and during the COVID-19 pandemic. In addition, we reviewed federal, state, and grant recipients' requirements, as well as supporting documentation for grant recipients and subrecipients. We also interviewed ETA, state, and grant recipients' and subrecipients' staff.

What We Found

We found ETA grant recipients and their subrecipients in Texas used grant funds to provide career, training, and support services to the intended population during the COVID-19 pandemic. However, ETA did not ensure these grant recipients and subrecipients: (1) efficiently used grant funds, (2) spent grant funds in compliance with federal guidelines, and (3) adequately documented career and training services provided to eligible participants. We determined that, during our audit period, the cost per program participant in Texas was 64 percent higher than the national average, and we identified approximately $9.9 million in administrative expenditures for one local area that was reported to ETA as direct program costs. Also, we found grant funds were spent on construction costs without proper review and approval from ETA—in violation of WIOA—and executive salary costs were charged as direct program costs instead of administrative costs.

These issues occurred because ETA lacked sufficient financial information and did not effectively utilize the information it did have to ensure grant recipients and subrecipients used funds efficiently. Also, ETA did not establish controls to monitor program trends or require grant recipients to transparently report spending. Lastly, ETA lacked clear guidance and did not effectively monitor grant recipients and subrecipients to ensure they adequately documented services provided.

As a result of our findings, we estimated Texas could put as much as $218 million in future WIOA statutory grant funding to better use. Further, we identified over $1 million in questioned costs associated with construction, payroll, and indirect cost charges. Without effective oversight, program participants are at risk of not obtaining the necessary skills to enter high-quality jobs and careers, and ETA cannot ensure that grant funds are being spent efficiently.

What We Recommended

We made ten recommendations to improve the efficiency and oversight of ETA grants. Specifically, we recommended ETA improve controls for monitoring financial data, require transparent reporting, increase technical assistance and guidance, and remedy more than $1 million in questioned costs. ETA agreed with all our recommendations.

Read the Full Report

For more information, go to: https://www.oig.dol.gov/public/reports/oa/2026/19-26-003-03-391.pdf.

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INSPECTOR GENERAL'S REPORT

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This report presents the results of the U.S. Department of Labor (Department or DOL) Office of Inspector General's (OIG) audit of the Employment and Training Administration's (ETA) employment and training funds awarded to grant recipients and subrecipients located in the State of Texas before and during the COVID-19 pandemic. This report is one of three audits conducted across selected states. The other two states in the audit series are New Jersey[1] and New York.[2]

ETA awards employment and training grants under the Workforce Innovation and Opportunity Act (WIOA) to states, local governments, and other entities to provide individuals with significant barriers to employment the opportunity to enter into high-quality jobs and careers, as well as to help employers hire and retain skilled workers. The grants are either: (1) statutory grants, which are noncompetitive grants required by WIOA to be given to the state or outlying area based on statistical criteria, or (2) discretionary grants awarded based on competitive selection and eligibility. Recipients of ETA's grant awards, such as states, can allocate some or all of these funds to other entities known as subrecipients.[3]

[1] COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in New Jersey, Report No. 19-23-016-03-391, (September 28, 2023), available at: https://www.oig.dol.gov/public/reports/oa/2023/19-23-016-03-391.pdf
[2] COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in New York, Report No. 19-25-008-03-391, (September 26, 2025), available at: https://www.oig.dol.gov/public/reports/oa/2025/19-25-008-03-391.pdf
[3] A subrecipient is a non-federal entity that receives a sub-award from a pass-through entity to carry out part of a federal program. It does not include an individual who is a beneficiary of the program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency.

WIOA requires ETA to provide grant funds to the states each fiscal year for adult, youth, and dislocated worker programs. The amount each state receives is based on a statutory formula that considers the percentage of unemployed and disadvantaged within a state.[4]

In March 2020, the COVID-19 pandemic created many challenges for ETA's job training programs across the nation. Grant recipients and subrecipients were met with barriers, which included stay-at-home orders and other mandated safety protocols to reduce the spread of the virus. These barriers impacted the ability of grant recipients and subrecipients to provide services to eligible participants until alternative methods, such as online and virtual services, were established. ETA also used enhanced desk monitoring reviews when on-site reviews were not feasible or cost effective. For this audit, we focused on Texas because it received the second highest amount of formula (herein also referred to as statutory) grant funds associated with WIOA. Specifically, we conducted work to answer the following question:

> Did ETA's grant recipients and subrecipients in the State of Texas utilize grant funds for the intended purposes during the COVID-19 pandemic?

To answer this question, we focused on grant recipient and subrecipient funding and WIOA grant eligibility requirements from October 1, 2018, through September 30, 2021. Our scope covered select grants issued prior to and during the COVID-19 pandemic. During this timeframe, ETA awarded approximately $16 billion through 2,093 grants in all 50 states, the District of Columbia, and U.S. territories. Approximately 80 employment and training grants amounting to over $1 billion were awarded to organizations within Texas. Our audit examined three statutory grants and one discretionary grant totaling more than $584 million, or over 50 percent of those awards made in Texas. See Appendix A for additional details on scope and methodology.

Grant Awards Selected for Review

We obtained a list of employment and training grants from October 1, 2018, through September 30, 2021, from ETA and performed a risk-focused data analysis to identify the highest value statutory grants awarded, highest value discretionary grants awarded, total grants awarded by state, and entities within the state receiving the most awards. We selected Texas because it fell in the high range of all recipients of federal grant funds, receiving 80 employment and training grants totaling over $1 billion (see Exhibit 1).

[4] WIOA Sections 132(b)(1)(B), 132(b)(2)(B), and 127(b)(1)(C).

For our review, we judgmentally[5] selected three statutory WIOA grants awarded to the Texas Workforce Commission (TWC) and one Scaling Apprenticeship Through Sector-Based Strategies (Scaling Apprenticeship) grant awarded to a nonprofit. The award amount for the four grants totaled over $584 million (see Table 1).

Table 1: Selected Grants Awarded Within Scope Period, 2018 to 2021

Project Title	Grant Type	Period	Award Amount
WIOA Formula	Statutory	4/1/19–6/30/22	$194,824,643
WIOA Formula	Statutory	4/1/20–6/30/23	$181,654,173
WIOA Formula	Statutory	4/1/21–6/30/24	$196,085,054
Scaling Apprenticeship	Discretionary	7/15/19–7/14/23	$12,000,000
Total			**$584,563,870**

Source: Grant data provided by ETA

The WIOA statutory grants awarded to TWC were intended to provide employment, education, training, and support services to individuals to match them with employers offering high-quality positions. WIOA grant recipients utilize local workforce development boards to provide program oversight to ensure the appropriate use, management, and investment of funds to maximize performance outcomes. In addition, the boards are responsible for selecting training and career service providers (subrecipients) within their local areas. Training and career services provided under the WIOA statutory grants included assistance in improving literacy skills, childcare, transportation, career planning, and skill upgrading and retraining.

As background, WIOA spending can generally be broken down into three different cost categories: administrative, training, and career services. Administrative costs are expenditures incurred in the performance of administrative functions and in carrying out activities not related to the direct provision of services. These costs are subject to certain caps that limit these expenditures. Training costs are expenditures for different types of training for participants. ETA requires grant recipients to document training type (e.g., truck driving, carpentry) and the associated costs. Career services costs make up the remainder of the costs.

[5] Judgmental sampling is a non-probability sampling technique in which the sample members are chosen based on the auditor's knowledge and experience.

WIOA defines career services as a set of three types of support for individuals seeking employment or career advancement:

1. basic career services, such as outreach and initial skill assessment;
2. individualized career services, such as in-depth assessments, individualized employment plans, and career counseling; and
3. follow-up services, such as counseling for those placed in unsubsidized employment.

ETA also includes support services as a career services cost for reporting purposes.

The Scaling Apprenticeship grant was intended to help participants obtain apprenticeship training in various high-demand medical occupations. Examples of these occupations included medical assistants, surgical technicians, paramedics, and certified nursing assistants. The services provided included classroom learning, paid work-based training, and support services.

Grant Recipient and Subrecipient Oversight

According to the Office of Management and Budget's (OMB) Circular No. A-123, agencies are ultimately responsible for the services and processes provided by third-party service organizations and "must monitor the process as a whole to make sure it is effective.[6]

As the federal awarding agency, ETA was responsible for ensuring the $584 million in funds it disbursed to these grant recipients were used as intended. In turn, the statutory and discretionary grant recipients were required to meet grant, program, and government-wide requirements, as well as have systems, policies, and procedures in place for any subrecipients of these funds to similarly meet these requirements.[7]

[6] OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control (July 15, 2016), available at: https://www.whitehouse.gov/wp-content/uploads/legacy_drupal_files/omb/memoranda/2016/m-16-17.pdf
[7] 2 C.F.R. § 200.332

RESULTS

We found ETA grant recipients and their subrecipients in Texas used grant funds to provide career, training, and support services to the intended population during the COVID-19 pandemic. However, ETA did not ensure grant recipients and subrecipients: (1) efficiently used grant funds, (2) spent grant funds in accordance with WIOA and federal regulations, and (3) adequately documented that career and training services were provided to eligible participants.

These issues occurred because ETA lacked sufficient financial information and did not effectively utilize the information it did have to adequately monitor grant recipients and subrecipients. Also, ETA did not establish controls to monitor program trends or require grant recipients to transparently report spending. Lastly, ETA lacked clear guidance and did not effectively monitor grant recipients and subrecipients to ensure they adequately documented services provided.

As a result, ETA could not demonstrate that as much as $218 million was efficiently used to serve participants. Further, we identified over $1 million in questioned costs associated with construction, payroll, and indirect cost charges (see Exhibit 2).

ETA Lacks Sufficient Financial Information and Did Not Effectively Utilize Available Data to Ensure WIOA Grant Recipients and Subrecipients Used Funds Efficiently

ETA lacked sufficient financial information and did not effectively utilize the information it did have to ensure WIOA statutory grant recipients and subrecipients used funds efficiently. Nationally, we calculated that, from Program Year (PY) 2017 through PY 2023,[8] the average WIOA cost per participant increased 174 percent and spending on career services increased 25 percent while spending on training participants had fallen 10.6 percent. During our audit period, the cost per participant in Texas was 64 percent higher than the national average. We also identified approximately $9.9 million in administrative expenditures for one local area that the grant recipient reported to ETA as direct program costs.

[8] ETA defines a "Program Year" as July 1 through June 30 of the following year per Training and Employment Guidance Letter No. 03-17 (September 12, 2017), available at: https://www.dol.gov/agencies/eta/advisories/training-and-employment-guidance-letter-no-03-17

WIOA places an obligation on ETA and its grant recipients to ensure an optimal return on investment of federal funds.[9] Because ETA did not establish controls to monitor statutory grant program trends as part of its oversight process— and further did not collect and analyze supporting information on grant recipient and subrecipient spending related to administrative and career services costs—it could not demonstrate that grant funds were used efficiently to obtain an optimal return on investment.

National Statutory Grant Program Trends

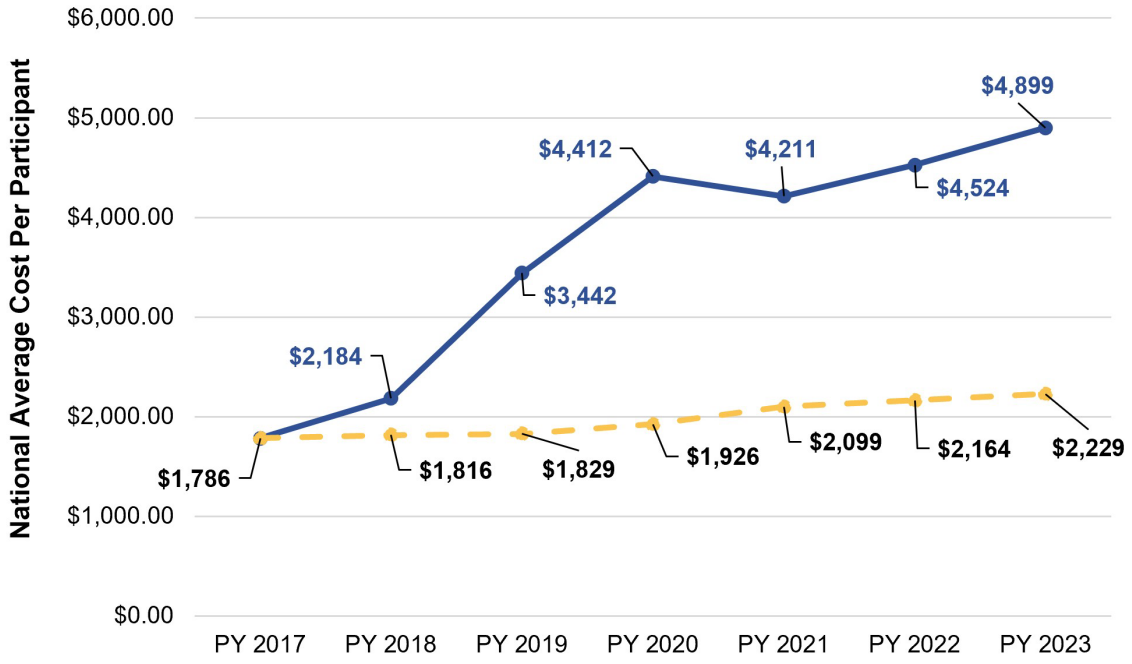
We analyzed national WIOA statutory grant data for the period before, during, and after the pandemic and identified concerning program trends related to the: (1) cost per participant and (2) career services and training expenditures. These trends raise questions about whether ETA is obtaining an optimal return on its WIOA investments.

National Cost Per Participant Trends

From PY 2017 through PY 2023,[10] we found the national average cost per participant increased 174 percent, from $1,786 to $4,899. Inflation alone did not account for this significant increase. The cumulative inflation rate[11] over this 7-year period was 22.80 percent. Had the cost per participant risen at the same rate as inflation, the cost per participant in PY 2023 would have been approximately $2,229 as opposed to $4,899 (see Figure 1).

[9] WIOA Section 116(b)(3)(A)(iv)(v)(III)
[10] We analyzed 7 years of WIOA data to better identify long-term program trends and patterns in the national data, which is available at: https://www.dol.gov/agencies/eta/performance/results-archive#quarterly-reports.
[11] We used the Consumer Price Index for All Urban Consumers (CPI-U), as published by the Bureau of Labor Statistics, for our analysis. This is the broadest and most widely used measure of inflation.

Figure 1: National Average Cost Per Participant and Cost Per Participant Adjusted for Inflation, PY 2017 through PY 2023

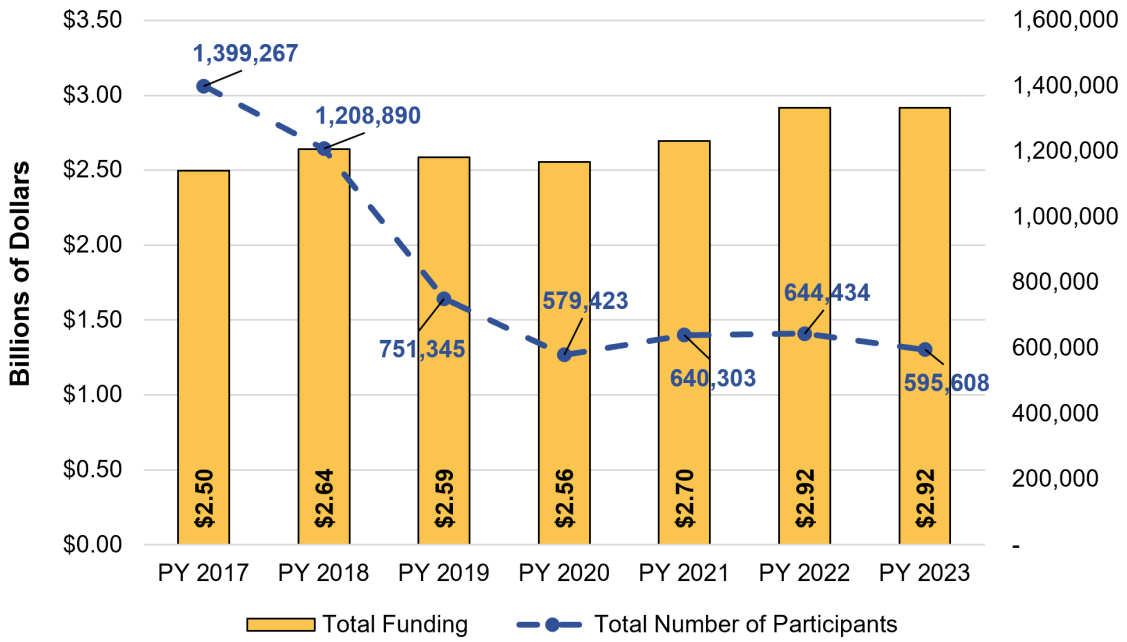


Source: OIG analysis of ETA-9130 Financial Report data, WIOA National Performance Summaries, and the Bureau of Labor Statistics' Consumer Price Index data

During this time period, the number of participants served decreased 57 percent—from 1.3 million to 596,000. At the same time, grant funding gradually increased 16.7 percent (see Figure 2). We used these two factors to determine the average cost per participant.[12]

[12] Our analysis did not account for participants who may have been served by more than one program (i.e., adult and dislocated worker) in 1 year. Therefore, the number of participants served is likely overstated and, similarly, cost per participant is likely understated. However, this should not affect the overall trends identified.

Figure 2: National Funding and Number of Participants Served, PY 2017 through PY 2023



Source: OIG analysis of ETA-9130 Financial Report data and WIOA National Performance Summaries

ETA noted it issued guidance in August 2017 clarifying the requirements for reporting participants served and indicated this could explain the decline in participants during this time to some extent. While we agree this clarifying guidance may have had an impact on the number of participants served in PY 2017 compared to PY 2016, it should not have had any impact on the decline observed after PY 2018.

Unlike with WIOA discretionary grant awards, ETA does not establish a minimum number of participants to be served with WIOA statutory funds given to the states. WIOA requires ETA to provide allotments to the states each fiscal year to fund the adult, youth, and dislocated worker programs. The allotment amount is based on a statutory formula that considers the states' percentage of unemployed and disadvantaged individuals. This percentage estimates the number of people in the target population.

Without analyzing the number of participants served against the target population or establishing a minimum number of participants to be served by each grant, ETA is limited in its ability to determine the cause of the decreased number of participants being served by the WIOA programs. For example, if ETA determined the decrease was caused by lack of demand due to a corresponding

decrease in the target population, it could request less funding from Congress. Alternatively, if that decrease was not reflected in the target population, that would potentially indicate eligible individuals do not know about the programs or they may be experiencing barriers to accessing the programs.

Although the cost per participant significantly increased from PY 2017 through PY 2023, ETA did not monitor this trend. In response to our 2023 report on grant oversight in New Jersey,[13] ETA indicated that establishing a "maximum cost per participant or similar metric…would run counter to the priorities of serving low-income individuals with multiple barriers to employment who need individualized services to meet their specific needs." However, without monitoring the cost per participant as part of its overall program oversight, ETA is missing an opportunity to not only gain insight into how funds are being spent but also to compare trends and potentially identify best practices or emerging issues across states to ensure funds are spent efficiently.

National Career Services and Training Expenditure Trends

From PY 2017 through PY 2023, we found, despite the significant decrease in participants served, overall spending on career services increased more than 25 percent. We also found that career services had steadily grown as a percentage of overall program costs. In PY 2017, career services made up 64.2 percent of program costs and, by PY 2023, career services had grown to 69.2 percent. At the same time, training decreased from 25.9 percent of program costs to 19.8 percent.

As an example, in PY 2023, the national average grant recipients' participant spending per category was approximately as follows:

- $3,389 on career services,
- $971 on training, and
- $539 on administrative costs.

Additionally, we were unable to further analyze the $3,389 per participant spent on career services in PY 2023 because ETA does not require grant recipients to report the specific costs incurred for each type of career services. It is notable that ETA developed a tool for states to calculate the cost per participant for use in the WIOA annual performance report. This tool includes several different categories, as defined by WIOA, that states should use to calculate career services costs: (1) basic career services; (2) individualized career services;

[13] COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in New Jersey, Report No. 19-23-016-03-391 (September 28, 2023), available at: https://www.oig.dol.gov/public/reports/oa/2023/19-23-016-03-391.pdf

(3) supportive services; (4) follow-up services; and (5) other. However, ETA does not require grant recipients to report financial information at the same level of category detail. Accordingly, it is unclear to ETA which specific services participants are using or why these expenditures are substantially growing. Due to the significant cost associated with career services and the lack of transparent reporting, we are concerned that administrative or unnecessary costs could be reported under this category and ETA would not know.

Texas Statutory Grant Program Trends

During our audit period, for the three WIOA statutory grants that we audited, we found trends in Texas similar to the national program trends. We analyzed Texas statutory grant data and identified concerning program trends related to the: (1) cost per participant and (2) career services expenditures. Like the national trends, the Texas trends raise further questions about ETA's return on its WIOA investments.

Cost Per Participant Trends

We determined that, from PY 2019 through PY 2021,[14] TWC served 84,538 participants at an average cost per participant of $6,556, which was 64 percent higher than the national average cost per participant of $3,977.

ETA did not establish any goals regarding the number of participants to be served, nor did it establish controls to effectively monitor statutory grant spending to ensure efficient use of funds. Based on these costs, we estimate that ETA could save as much as $218 million[15] in WIOA statutory grant funding by ensuring more efficient use of grant funds, such as by performing data analytics on grant spending and performance data and by establishing goals for participants served.

Texas Career Services Expenditure Trends

We also found TWC's career services costs comprised 74 percent of overall program costs. This was more than 5 percent higher than the national average

[14] We analyzed Texas' WIOA data for PY 2019 through PY 2021 to align with the audit period of the specific grants we reviewed.
[15] The $218 million in funds for better use was calculated based on the Texas cost per participant minus the national cost per participant and then multiplied by the number of Texas participants served. The number of participants served was based on Texas' Workforce Case Management System, which was higher than the number of participants served that TWC reported to ETA. For details, see the Other Observation section of this report.

for the audit period. Specifically, on a cost per participant basis, TWC incurred the following average costs:

- $4,849 on career services,
- $1,151 on training, and
- $556 on administrative costs.

While we were unable to determine the specific expenses incurred for career services, we did review career services as part of our participant case file testing. TWC reported that all 60 participants tested received both individualized and basic career services, 10 adult participants received supportive services, and 6 youth participants received follow-up services. Basic career services included intake, eligibility determination, initial assessment, and job search assistance. Examples of the individualized career services we saw included employment development plans, comprehensive objective assessments, and short-term work readiness services. However, based on our review of the case files, we found 11 participants had no documentation for individualized career services and 2 participants had no documentation for basic and individualized career services. Examples of the most common unsubstantiated individual career services expenses we found included comprehensive objective assessments and short-term work readiness services.

WIOA sets performance accountability expectations by placing an obligation on ETA and states to ensure an optimal return on investment for federal funds. In addition, federal internal control standards[16] state that management should perform ongoing monitoring, which includes trend analysis and data analytics. Management should also set targets for performance.

To strengthen oversight, ETA must ensure it has controls in place to effectively monitor statutory grant program trends such as changes in costs and participants served. Obtaining more detailed information on career services costs would improve oversight by allowing ETA to better understand and monitor what specific services grant funds are spent on. Ultimately, obtaining and effectively reviewing appropriate financial information would improve overall program accountability, ensure funds are being spent efficiently, and improve return on investment.

[16] Government Accountability Office, Standards for Internal Control in the Federal Government, GAO-14-704G (September 10, 2014), available at: https://www.gao.gov/products/gao-14-704g

Administrative Costs

TWC did not report the complete administrative costs incurred by the WIOA statutory grant programs. We found approximately $9.9 million in administrative expenditures in one local area that TWC reported to ETA as program costs. This occurred because WIOA regulations allow grant subrecipients who served participants to report administrative expenditures as program costs. As a result, ETA and other stakeholders are unaware of the complete administrative costs incurred by the WIOA statutory grant programs in Texas.

TWC, as the grant recipient in the State of Texas, was responsible for overseeing 28 local workforce development boards. The local workforce development board sets the strategic direction for the regional workforce system and guides each area's workforce agenda. Each local workforce development board represents a local area that contracts with local service providers, contractors, and community partners to provide administrative, career, and training services to run the WIOA program.

WIOA includes two distinct administrative cost limitations. First, it allows a state (grant recipient) to spend up to 5 percent of the grant award for the administrative costs of state-wide activities. In addition, the local workforce development board is allowed to spend no more than 10 percent of the amount allocated to the local area for administrative costs.

WIOA defines administrative costs as expenditures incurred by state and local boards, direct recipients, local grant recipients, local fiscal agents or local grant subrecipients, and one-stop operators.[17] These expenditures are associated with the performance of administrative functions[18] and in carrying out activities that are not related to the direct provision of workforce investment services (including services to participants and employers).

WIOA-supporting regulations established by ETA further state that costs incurred for functions and activities of subrecipients—those not included in the above definition—are program costs, except for those subrecipients who are solely performing administrative functions.[19] As such, any subrecipient who serves participants can report their administrative costs as program costs, exempting them from any WIOA administrative cost limitations.

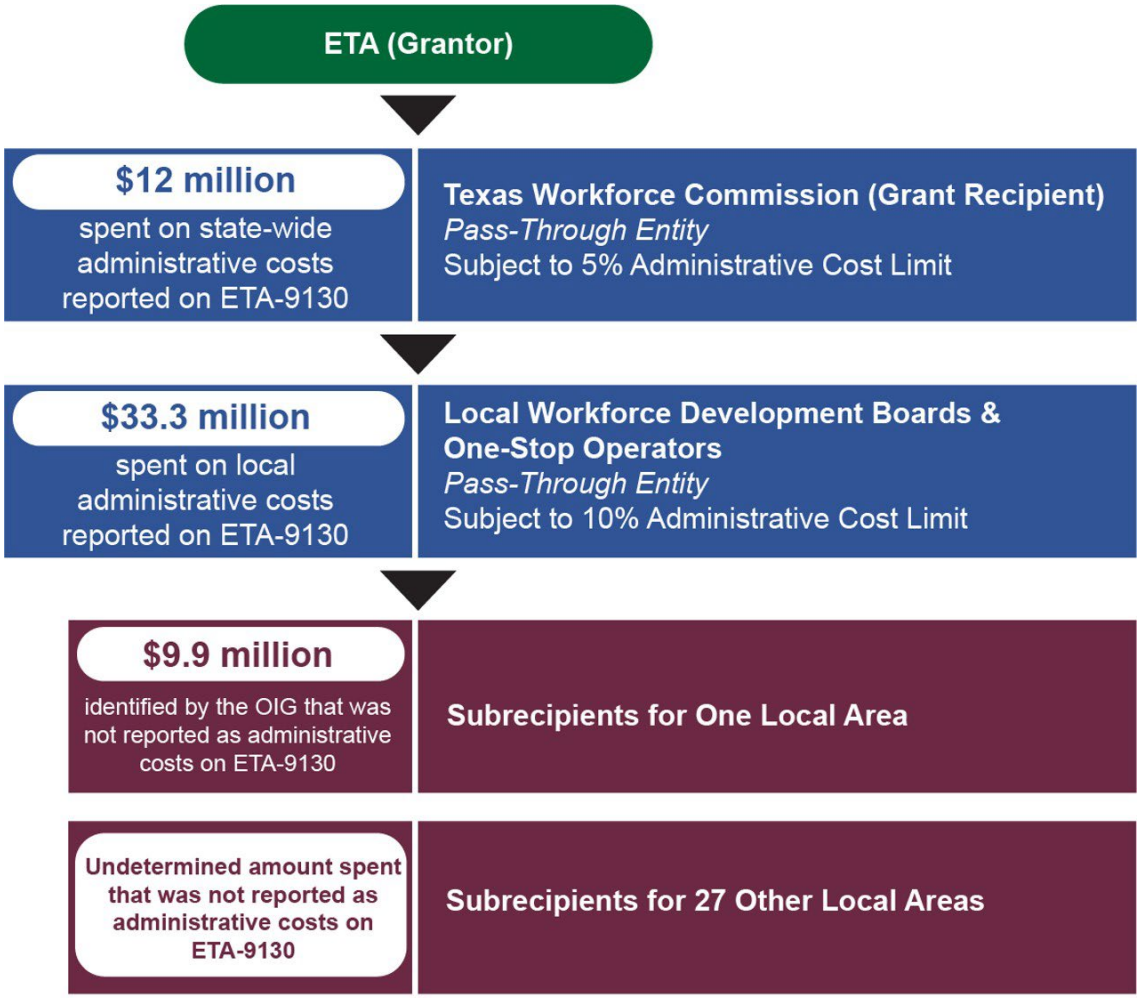
[17] WIOA Section (3)(1)
[18] WIOA regulations state that the costs of administration are costs associated with performing functions including but not limited to accounting, payroll, procurement, property management, and audit functions.
[19] 20 C.F.R. § 683.215(c)(1) and (4)

As part of its reporting process, ETA requires WIOA statutory grant recipients to submit quarterly financial reports on Form ETA-9130, which include total administrative expenditures. From PY 2019 through PY 2021, TWC reported $12 million in administrative expenditures, which was under the 5 percent limitation. It also reported $33.3 million in administrative expenditures for its 28 local workforce development boards, which was under the 10 percent limitation. TWC reported a total of $45.3 million in administrative expenditures during the audit period.

We found the grant subrecipients we reviewed in one local area incurred $9.9 million in administrative expenses, which was approximately 22 percent of the total $45.3 million in administrative costs reported for the entire state. Because these grant subrecipients did not solely perform administrative functions nor were they an entity covered by WIOA's definition of administrative costs, TWC reported these expenses to ETA as program costs on ETA-9130. TWC had 27 additional local areas whose subrecipients' administrative expenditures were also reported as program costs on ETA-9130.

To provide appropriate oversight and accountability, costs must be accurately reported and monitored. Because ETA-established WIOA regulations allow subrecipients to report administrative costs as program costs, administrative costs were significantly underreported in the WIOA statutory grant programs in Texas. To determine if grant funds are being spent efficiently, ETA must be able to monitor and assess the complete administrative costs incurred by the WIOA statutory grant programs in Texas. This includes costs associated with the administrative expenditures of the state, local workforce development boards, and all subrecipients in the 28 local areas that served participants (see Figure 3).

Figure 3: Texas' Administrative Cost Structure



Source: Financial data provided by grant recipient and subrecipient

We found WIOA statutory grant funds are at risk of being spent for unintended purposes due to: (1) the multi-tiered structure of how the funds are awarded to grant recipients, pass-through entities, and subrecipients and (2) the incomplete reporting of administrative costs for subrecipients. Moreover, these factors inhibit ETA's ability to ensure an optimal return on investment for WIOA statutory grant funds. While the multi-tiered structure is statutorily required, complete and accurate reporting of administrative costs would allow ETA and other stakeholders—such as Congress and the public—to better monitor the true costs of administering the WIOA statutory grant programs.

ETA Did Not Ensure Its WIOA Grant Recipient and Subrecipients Spent Funds in Compliance with WIOA and Federal Regulations

We found TWC and its grant subrecipient's spending of more than $1 million of its statutory grant funds was not in accordance with WIOA and federal regulations. Specifically, the subrecipient spent grant funds on construction-related costs without proper ETA review and approval, which is required by ETA regulations. Further, the subrecipient did not retroactively adjust indirect costs charged to the grant using the final negotiated indirect cost rate as required by federal regulations. Also, in violation of WIOA, TWC charged a portion of the State Board director's salary as direct program costs instead of administrative costs. These issues occurred because ETA did not establish adequate controls for approving construction costs and it did not effectively monitor its grant recipients and subrecipients to ensure compliance with WIOA and federal regulations. As a result, grant funds were spent on unapproved activities, indirect costs were overcharged to the grant, and administrative costs were not properly accounted for.

During our review of the TWC grant subrecipient's expenses, we identified a remodeling and renovation project for newly leased buildings to accommodate staff and serve participants. This project included seven locations and involved building conference rooms and restrooms, adding vocational rehabilitation areas, installing wiring and equipment for security, and adding new furniture for staff and customers. The amounts budgeted for each location ranged from $200,000 to almost $1.4 million, for a total budget of $5,569,370 (see Table 2).

Table 2: TWC Grant Subrecipient's Remodel and Renovation Project Budget Summary

Location	Budget	Details
1	$1,399,407	Only planning activities were completed for this project (architectural, etc.) because the project was cancelled before buildout was approved by TWC.
2	$1,199,918	Build out a career office space in a newly leased commercial building including offices, resource room, conference room, and restroom spaces. Install necessary wiring and equipment for audiovisual, security, etc. and install furniture to support staff and customer usage of the space.

Location	Budget	Details
3	$1,083,000	Build out a career office space in a commercial building including offices, resource room, conference room, and restroom spaces. Install necessary wiring and equipment for audiovisual and security and install furniture to support staff and customer usage of the space.
4	$796,519	Remodel existing career office space to add Vocational Rehabilitation to the location.
5	$613,000	Remodel existing career office space to add Vocational Rehabilitation to the location.
6	$277,526	Remodel existing career office space to add Vocational Rehabilitation to the location and replace old furniture, equipment, etc.
7	$200,000	Complete newly leased office space for the Financial Aid Payment Office and back-office career office staff. Install necessary wiring and equipment for audiovisual, security, etc. and install furniture to support staff usage of the space.
Total	**$5,569,370**	

Source: Project budget summary provided by grant subrecipient

From October 1, 2019, through September 30, 2022, the subrecipient incurred a total of $4,637,552 in construction-related costs for this project. This resulted in $998,253 of that amount being directly charged to the WIOA grants. The construction costs charged to the WIOA grants were not approved by ETA.

According to ETA regulations, "WIOA title I funds must not be spent on construction, purchase of facilities or buildings, or other capital expenditures for improvements to land or buildings, except with the prior written approval of the Secretary."[20] In addition, Office of Management and Budget Guidance for Grants and Agreements states that capital expenditures are expenditures that make additions, improvements, renovations, or alterations to capital assets that materially increase their value or useful life.[21] This guidance also requires prior written approval of the federal agency for capital expenditures for improvements to land, buildings, or equipment that materially increase their value or useful life.[22]

[20] 20 C.F.R. § 683.235
[21] 2 C.F.R. § 200.313
[22] 2 C.F.R. § 200.439

Grant recipients are ultimately responsible to ensure their subrecipients comply with federal regulations and guidance. In this case, TWC did not obtain ETA's written approval for its subrecipient's construction costs because it did not believe these costs were capital expenditures.

We provided ETA the project budget summary and accompanying details and ETA stated that, from the costs shown, the related costs did not materially increase the capital assets' value or useful life. Rather, the subrecipient customized the space and the furniture, equipment, and supplies in it to support the function for which they were using it.

However, based on the details provided by the subrecipient and the significant amount of money budgeted, we determined this project included capital expenditures that required ETA approval. Adding offices and restrooms to a building should materially increase the value or useful life of the building. While remodeling might not always qualify as a capital expenditure, spending hundreds of thousands of dollars to remodel a single location could materially increase the value or useful life of the building.

Because TWC did not follow federal regulations and guidance for capital expenditures, the WIOA grants were charged $998,253 for unapproved construction costs incurred by the subrecipient—which we identified as questioned costs. This occurred because ETA did not establish adequate controls for approving construction costs. Specifically, it allowed grant recipients to determine whether construction-related expenses required ETA approval. Although ETA has issued guidance[23] that addresses construction and capital expenses, this guidance did not specifically clarify how to determine if an expenditure materially increases the value or useful life of a capital asset. Further, ETA did not establish a dollar threshold for construction projects for which grant recipients would need to obtain approval from ETA. An established dollar threshold could have prevented the situation with TWC's subrecipient.

In addition, we questioned $23,719 in indirect costs that the same subrecipient overcharged to the WIOA grants from PY 2019 through PY 2022. The subrecipient used a provisional billing rate and did not adjust its charges once a final rate was determined. This occurred because the subrecipient did not adhere to federal regulations,[24] which stated that once a final rate is negotiated, billings and charges to federal awards must be adjusted if the final rate varies from the provisional rate. In response to our finding, the subrecipient indicated it would complete this adjustment process going forward.

[23] Training and Employment Guidance Letter No. 03-19 (July 15, 2019), available at: https://www.dol.gov/agencies/eta/advisories/training-and-employment-guidance-letter-no-03-19
[24] 48 C.F.R. § 52.216-7(d)(2)(v)

Finally, we found an instance in which the grant recipient did not properly account for its administrative costs. We determined $14,581 of Texas' State Workforce Development Board's Executive Director salary was charged as a direct WIOA Youth program expense. WIOA requires the State Board director and staff to be funded with administrative funds with a limit of 5 percent for administrative costs. TWC agreed that the Executive Director's salary should have been charged as administrative costs pursuant to their allocation method established for the Office of Governor. ETA must provide sufficient oversight of its grant recipients to ensure expenditures comply with WIOA and federal regulations.

ETA's Grant Recipients and Subrecipients Did Not Consistently Document They Provided Career or Training Services to Eligible Participants

We found statutory and discretionary grant recipients and subrecipients did not demonstrate they provided career or training services to eligible participants. Specifically, we did not find supporting documentation of these services in participant case files. This occurred because ETA lacked clear guidance to ensure proper documentation of services and ETA did not effectively monitor grant recipients and subrecipients to ensure they documented services as required by their grant agreements. If grant recipients and subrecipients cannot document that they provided career and training services to participants, ETA cannot ensure grant funds are being spent as intended.

Statutory Grant Recipients and Subrecipients

During our audit, we reviewed information from TWC's largest local workforce development board. The board worked with 12 subrecipients to provide career services and job training to eligible participants. We randomly sampled 60 participants from 6 different statutory grant subrecipients to determine if the subrecipients documented that they provided WIOA career services to participants. We found 23 out of 60 cases where TWC reported to ETA that participants received a career service, but the case files did not contain adequate supporting documentation of the career service received.

This occurred because ETA's guidance allowed grant recipients to substantiate the services they provided to participants with only a checkbox in their case management systems. This guidance contradicted ETA's Core Monitoring Guide that the agency uses to monitor grant recipients. The Core Monitoring Guide

requires reviewing documentation—such as assessments and individual employment plans—to ensure certain services were provided.

ETA stated that for some basic career or self-service activities, the lowest acceptable form of documentation may be the contemporaneous case management system record itself (e.g., a checkbox). Further, ETA stated that for more substantive services (e.g., detailed individual career planning, training services), more substantive third-party documentation was required, such as contracts, invoices, attendance records, or detailed case notes. However, ETA did not provide any policy document that was more specific than these statements. On the other hand, ETA did provide WIOA data validation guidance;[25] yet, the guidance stated that electronic records, such as a checkbox, were sufficient to support all WIOA services other than training.

For our review of the statutory grants, we accepted checkboxes for basic career services; but, for individualized career services, we required more substantive documentation such as case notes. Individualized career services that were not documented included comprehensive assessments and individual employment plans.

Discretionary Grant Recipient

For our review of the discretionary grant, we randomly sampled 30 participants and identified 15 instances where the case file lacked required documentation of training services. According to the grant agreement, employer partners—responsible for training participants while they worked—were required to use competency checklists to ensure participants obtained the skills necessary to retain employment. In addition, the grant agreement required these checklists, and any additional notes regarding the participant's progress, to be maintained in the case file. We found these competency checklists were missing from 15 case files.

Both statutory and discretionary grant recipients and subrecipients did not adequately document they provided career or training services to eligible participants because ETA lacked clear guidance and did not enforce the grant agreement's documentation requirements. OMB Circular No. A-123 states that federal agencies are ultimately responsible for the services and processes provided by third-party service organizations and "…must monitor the process as a whole to make sure it is effective." In addition, federal regulations[26] state that

[25] Training and Employment Guidance Letter No. 23-19 (June 18, 2020), available at: https://www.dol.gov/agencies/eta/advisories/training-and-employment-guidance-letter-no-23-19
[26] 2 C.F.R. § 200.332

the federal agency is responsible for monitoring a pass-through entity's oversight of first-tier subrecipients.

To strengthen oversight, ETA must provide clear guidance and effectively monitor grant recipients to ensure recipients and subrecipients adequately document the career services and job training funded by ETA grants. A crucial common goal of these grants was to provide job readiness and training to participants. Without proper documentation, participants may be at risk of not obtaining the necessary skills to enter high-quality jobs and careers.

OTHER OBSERVATION: GRANT RECIPIENT'S REPORTING OF PARTICIPANTS SERVED

During the course of our work, we observed an issue related to our audit that ETA should be aware of but that otherwise did not rise to the level of a finding. Specifically, for the WIOA statutory grants reviewed, we determined the grant recipient inaccurately reported the number of participants served to ETA from PY 2019 through PY 2021.

This occurred because: (1) TWC's legacy case management system—The Workforce Information System of Texas (TWIST)—did not sufficiently identify participants served and (2) non-local workforce development board grant subrecipients did not have access to TWIST to report the number of participants they served. Accurate performance reports are essential for ETA to monitor and provide technical assistance to grant recipients when needed.

During our audit, TWC was in the process of transitioning from TWIST to its new Workforce Case Management System. We compared the number of participants served recorded in TWC's new system to the number originally reported to ETA through TWIST and found TWC underreported the number of participants served from PY 2019 through PY 2021 by approximately 6 percent for the WIOA statutory programs (see Table 3). TWC officials stated that the difference was caused by how the new case management system captured the participant's Period of Participation, which directly affected the number of participants served as identified by the system.

Table 3: Texas' Number of Participants Served from PY 2019 through PY 2021

Program Year	Number of Participants Reported to the OIG via Workforce Case Management System	Number of Participants Reported to ETA via TWIST	Percentage Change
2019	28,803	27,892	-3.16%
2020	24,013	22,874	-4.74%
2021	31,722	29,041	-8.45%
Total	**84,538**	**79,807**	**-5.60%**

Source: Participant data obtained from TWC's Workforce Case Management System and ETA-9169 State-wide Performance Reports

In addition, during the audit period, non-local workforce development board subrecipients did not have direct access to TWIST to report the number of participants they served. In certain instances, the grant recipient or the local board subrecipient would enter this data into TWIST on behalf of the non-local board subrecipient. However, all other participants served by non-local board subrecipients remained unreported. We were unable to estimate the total number of unreported participants served by these non-local board subrecipients but noted that these subrecipients received approximately 2.7 percent or $14,109,820 of the WIOA statutory grant funds from TWC. TWC officials stated that the new Workforce Case Management System will allow non-local board subrecipients to directly access the system and report participant data.

Finally, we found an instance in which a local grant subrecipient overreported 39 participants served with WIOA and other ETA grant funding. The local board was responsible for monitoring the program and assigning staff to manage contract activities and the subrecipient was responsible for providing support services to help participants succeed in the labor market. Local board officials stated that, although staff entered these participants into TWIST, they could not find any documentation to demonstrate that these 39 participants received any supportive services. We could not find any evidence that WIOA funding was spent on these participants, indicating that they should not have been reported as served.

As this observation did not rise to the level of a finding, we have not provided recommendations related to the observation in this report. However, we encourage ETA to ensure its grant recipients and subrecipients understand how to accurately count participants served in accordance with WIOA reporting requirements. Accordingly, accurate participant counts will improve the quality of the performance data ETA relies on for grant oversight.

CONCLUSION

While we found ETA grant recipients and their subrecipients in Texas used grant funds to provide career, training, and support services to the intended population during the COVID-19 pandemic, ETA lacked effective oversight of its grants. Specifically, ETA did not ensure that its grant recipients and subrecipients: (1) efficiently used grant funds, (2) spent grant funds in compliance with federal guidelines, and (3) documented career and training services were provided to eligible participants.

These issues occurred because ETA lacked sufficient financial information and did not effectively utilize the information it did have to ensure grant recipients and subrecipients used funds efficiently. As a result of our findings, we identified over $1 million in questioned costs and as much as $218 million in funds for better use. Without improvements to its grant oversight, ETA cannot ensure that grant funds are being spent efficiently and that program participants gain the necessary skills to secure high-quality employment.

OIG'S RECOMMENDATIONS

To address the issues identified and improve the efficiency of ETA grant programs, we recommend the Assistant Secretary for Employment and Training:

1. Develop and implement controls to ensure more efficient use of statutory grant funds, which should include performing data analytics on grant spending and performance data.

2. Establish and implement procedures to collect and analyze detailed financial data on career services expenditures, which should include identifying the reason for the growth in career services.

3. Develop and implement controls to ensure ETA leadership and other stakeholders are aware of the complete administrative costs—including those of workforce entities currently exempt from reporting administrative costs—incurred by the WIOA statutory grant programs.

4. Develop guidance for grant recipients and subrecipients to clarify how to determine if an expenditure materially increases the value or useful life of a capital asset.

5. Establish a dollar threshold for construction projects over which grant recipients need to obtain approval from ETA.

6. Remedy the $998,253 in questioned costs associated with construction.

7. Remedy the $23,719 in questioned costs due to not reconciling the provisional rate with the final indirect cost rate.

8. Remedy the $14,581 in questioned costs associated with the Texas State Board director's salary expense charged directly to the statutory grant programs.

9. Develop guidance that clarifies what documentation is required to support individualized career services provided to participants by grant recipients and subrecipients.

10. Ensure ETA officials responsible for monitoring grant recipients enforce the documentation requirements in their grant agreements.

Analysis of Agency's Comments

In response to a draft of this report, ETA agreed with all our recommendations to strengthen its monitoring of grant recipients and subrecipients to ensure grant funds are spent efficiently. ETA also provided additional context regarding some of the OIG's conclusions in the report. We reviewed the agency's response; however, it did not result in any changes to our reported results or conclusions. A synopsis of ETA's concerns and our corresponding responses follows:

- ETA noted that the OIG's discussion about "cost per participant" did not fully consider the decentralized structure of the public workforce system and its partnerships with local entities, both of which significantly affect how participant costs are calculated.

    - Our analysis of cost per participant was not intended to take every factor into consideration. Rather, it was a high-level analysis intended to demonstrate overall trends that would indicate further detailed analysis should be performed by ETA to identify causes of those trends.

- ETA noted that the OIG's recommendations for more detailed reporting on career services and administrative costs could increase administrative burden and expenses for grant recipients. This heightened reporting requirement may unintentionally reduce the resources available for

participant services, which would detract from the shared goal of maximizing service delivery to participants using WIOA funds.

  - We acknowledge ETA's concern regarding potential reporting burdens on grant recipients and subrecipients; however, our recommendations do not prescribe a specific reporting mechanism. They are intended to increase transparency and strengthen accountability over WIOA formula grant funds, which should be achievable without reducing resources for participants.

- ETA noted that the OIG's assessment of "construction-related" costs may not accurately reflect whether these expenditures actually increased the value or useful life of capital assets. ETA stated that many costs were for customizing spaces to support specific functions, rather than materially enhancing the building. Furthermore, ETA stated only an independent third-party appraisal can definitively determine if such changes significantly increase a building's value or lifespan.

  - The OIG agrees with ETA that only an independent, third-party appraisal can definitively determine if construction-related costs increase the value or useful life of capital assets. However, ETA's current policy allows grant recipients to make that determination without such an appraisal and regardless of cost. Additionally, neither ETA nor the grant recipient provided any evidence showing these costs did not increase the value or useful life of the capital assets involved.

The agency's response to the draft report is included in its entirety in Appendix B. We appreciate the cooperation and courtesies ETA extended to us during this audit and we look forward to working with ETA personnel to ensure the intent of the recommendations is addressed.

Laura B. Nicolosi
Assistant Inspector General for Audit

EXHIBIT 1: EMPLOYMENT AND TRAINING GRANTS AWARDED TO ENTITIES IN TEXAS

Table 4: List of 80 Employment and Training Grants Awarded in Texas

Count	Grant Number	Grant Project Type[27]	Total Obligation Amount
1	AA-32205-18-55-A-48	Program Year 2018 Allotment for the WIOA Youth Program	$210,692,263
2	AA-36348-21-55-A-48	WIOA Formula Grants Youth/Adult/Dislocated Workers*	$196,085,054
3	AA-33258-19-55-A-48	WIOA Formula Grants Youth/Adult/Dislocated Workers*	$194,824,643
4	AA-34797-20-55-A-48	WIOA Formula Grants Youth/Adult/Dislocated Workers*	$181,654,173
5	DW-34652-20-60-A-48	Covid-19-TX-Disaster Recovery	$39,685,179
6	EM-31141-17-60-A-48	TX-Disaster~2017 Hurricane Harvey	$36,000,000
7	TA-32680-19-55-A-48	Trade Adjustment Assistance Program	$31,488,463
8	AD-36273-21-60-A-48	Program Year 2021 Planning Guidance and Allotments for Senior Community Service Employment Program	$22,541,816
9	AD-35222-20-60-A-48	Program Year 2020 Planning Guidance and Allotments for Senior Community Service Employment Program	$22,498,589
10	TA-34472-20-55-A-48	Trade Adjustment Assistance	$21,445,067
11	TA-36077-21-55-A-48	Trade Adjustment Assistance	$18,512,885
12	HG-33032-19-60-A-48	Scaling Apprenticeship Through Sector-Based Strategies*	$12,000,000
13	HG-33039-19-60-A-48	Scaling Apprenticeship Through Sector-Based Strategies	$12,000,000
14	HG-35908-21-60-A-48	H-1B One Workforce Grant Program	$10,000,000
15	AP-36513-21-60-A-48	State Apprenticeship Expansion	$10,000,000
16	AP-35110-20-60-A-48	Building State Capacity to Expand Apprenticeship Through Innovation	$9,450,000
17	AP-36645-21-75-A-48	Registered Apprenticeship Technical Assistance Centers of Excellence	$6,995,940
18	AP-33514-19-60-A-48	Apprenticeship State Expansion	$5,441,041
19	DW-32812-19-60-A-48	Dislocated Worker Grant	$5,385,952

[27] Grant Project Type with an asterisk (*) denotes sampled grants.

Count	Grant Number	Grant Project Type[27]	Total Obligation Amount
20	AC-35442-20-60-A-48	National Farmworker Jobs Program	$5,281,950
21	AC-36723-21-60-A-48	National Farmworker Jobs Program	$5,118,941
22	HG-22614-12-60-A-48	H-1B Technical Skills Training Grants	$4,947,159
23	AP-35089-20-60-A-48	Youth Apprenticeship Readiness Grant Program	$4,470,000
24	AD-36251-21-60-A-48	Program Year 2021 Planning Guidance and Allotments for Senior Community Service Employment Program	$4,454,019
25	AD-35197-20-60-A-48	Program Year 2020 Planning Guidance and Allotments for Senior Community Service Employment Program	$4,437,729
26	AP-27829-15-60-A-48	American Apprenticeship Initiative	$4,292,955
27	HG-29356-16-60-A-48	H-1B Tech Hire Partnership Grants	$3,995,180
28	DW-36209-21-60-A-48	TX Winter Storms 2021 - Disaster Recovery Dislocated Worker Grants	$3,120,612
29	AP-30091-16-60-A-48	Apprenticeship USA State Expansion Grants	$2,874,430
30	DW-37894-22-60-A-48	TX Fort Hood - Employment Recovery Dislocated Worker Grants	$2,677,470
31	DW-35501-20-60-A-48	National Dislocated Worker Grants Program Guidance	$2,500,000
32	HG-35902-21-60-A-48	H-1B Rural Healthcare Grant Program	$2,286,892
33	HG-30124-17-60-A-48	America's Promise Job Driven Grant Program	$2,000,000
34	AC-35451-20-60-A-48	National Farmworker Jobs Program	$1,629,902
35	AC-36732-21-60-A-48	National Farmworker Jobs Program	$1,579,601
36	DW-36200-21-60-A-48	Covid-19-TX-Acs-Employment Recovery	$1,561,667
37	YB-34289-19-60-A-48	Youthbuild	$1,500,000
38	YF-32164-18-60-A-48	Reentry Projects	$1,500,000
39	PE-33580-19-60-A-48	Reentry Projects	$1,500,000
40	PE-33593-19-60-A-48	Reentry Projects	$1,500,000
41	YB-36468-21-60-A-48	Youthbuild	$1,500,000
42	YF-32169-18-60-A-48	Reentry Projects	$1,500,000
43	YB-36459-21-60-A-48	Youthbuild	$1,499,962

Count	Grant Number	Grant Project Type[27]	Total Obligation Amount
44	YB-36450-21-60-A-48	Youthbuild	$1,499,714
45	AC-36392-21-60-A-48	National Farmworker Jobs Program	$1,428,809
46	PE-27389-15-60-A-48	Training to Work 3 - Adult Reentry	$1,360,000
47	PE-33594-19-60-A-48	Reentry Projects	$1,225,502
48	YB-34291-19-60-A-48	Youthbuild	$1,100,000
49	YB-31079-17-60-A-48	Youthbuild	$1,100,000
50	YB-31080-17-60-A-48	Youthbuild	$1,100,000
51	YB-32975-18-60-A-48	Youthbuild	$1,099,995
52	AC-36727-21-60-A-48	National Farmworker Jobs Program	$1,067,856
53	AB-34999-20-60-A-48	Program Year 2020 Funding Allotments and Instructions for the Indian and Native American Section 166 Programs	$1,065,233
54	AC-35443-20-60-A-48	National Farmworker Jobs Program	$1,049,022
55	YB-34295-19-60-A-48	Youthbuild	$1,048,156
56	HG-34353-20-60-A-48	Apprenticeships: Closing the Skills Gap	$1,000,000
57	YB-36437-21-60-A-48	Youthbuild	$921,217
58	AB-36662-21-60-A-48	Program Year 2021 Funding Allotments and Instructions for the Indian and Native American Section 166 Programs	$897,042
59	AB-33557-19-60-A-48	Program Year 2019 Funding Allotments and Instructions for the Indian and Native American Section 166 Programs	$868,878
60	YB-32946-18-60-A-48	Youthbuild	$845,448
61	AC-35450-20-60-A-48	National Farmworker Jobs Program	$828,016
62	AB-35001-20-60-A-48	Program Year 2020 Funding Allotments and Instructions for the Indian and Native American Section 166 Programs	$805,169
63	AC-36728-21-60-A-48	National Farmworker Jobs Program	$802,462
64	AC-35441-20-60-A-48	National Farmworker Jobs Program	$798,040
65	AC-36726-21-60-A-48	National Farmworker Jobs Program	$782,626
66	DW-36864-21-60-A-48	Career Dislocated Worker Grants	$758,013

Count	Grant Number	Grant Project Type[27]	Total Obligation Amount
67	AB-36664-21-60-A-48	Program Year 2021 Funding Allotments and Instructions for the Indian and Native American Section 166 Programs	$680,745
68	MH-36724-21-60-A-48	National Farmworker Jobs Program	$676,947
69	AB-33543-19-60-A-48	WIOA, Indian and Native American Program	$659,565
70	AB-32452-18-60-A-48	WIOA, Indian and Native American Program	$654,219
71	MH-35400-20-60-A-48	National Farmworker Jobs Program	$653,474
72	YF-32167-18-60-A-48	Reentry Projects	$575,208
73	AC-36195-21-60-A-48	National Farmworker Jobs Program	$491,436
74	AB-36705-21-60-A-48	Program Year 2021 Funding Allotments and Instructions for the Indian and Native American Section 166 Programs	$395,278
75	AB-35000-20-60-A-48	Program Year 2020 Funding Allotments and Instructions for the Indian and Native American Section 166 Programs	$390,207
76	AB-33938-19-60-A-48	Program Year 2019 Funding Allotments and Instructions for the Indian and Native American Section 166 Programs	$382,862
77	AB-32416-18-60-A-48	WIOA, Indian and Native American Program	$379,697
78	AC-36729-21-60-A-48	National Farmworker Jobs Program	$312,536
79	AC-35449-20-60-A-48	National Farmworker Jobs Program	$245,597
80	PE-33447-19-60-A-48	Fidelity Bonding Demonstration Grants	$100,000
Total Funds Awarded			**$1,144,478,503**

Source: OIG-generated based on information collected during the audit

EXHIBIT 2: FUNDS FOR BETTER USE AND QUESTIONED COSTS

Table 5: Funds For Better Use[28]

Description	Amount
WIOA Formula Grant (TWC)	$218,046,201
Total Funds For Better Use	**$218,046,201**

Source: OIG analysis based on grant financial data provided by ETA

Table 6: Questioned Costs[29]

Description	Amount
Unapproved Construction Costs	$998,253
Indirect Costs Overcharge	$23,719
State Board Director Salary Mischarge	$14,581
Total Questioned Costs	**$1,036,553**

Source: OIG analysis based on financial data provided by grant recipients and subrecipients

[28] As defined by the Inspector General Act of 1978, as amended, "funds for better use" means funds that could be used more efficiently or achieve greater program effectiveness if management took certain actions. These actions include reduction in future outlays and deobligation of funds from programs or operations.

[29] As defined by the Inspector General Act of 1978, as amended, "questioned costs" include alleged violations of law, regulations, contracts, grants, or agreements; costs not supported by adequate documentation; or the expenditure of funds for an intended purpose that was unnecessary or unreasonable.

EXHIBIT 3: ACCESSIBLE DATA TABLES

The following table is an accessible data table for Figure 1.

Accessible Data Table 1:
National Average Cost Per Participant and Cost Per Participant Adjusted for Inflation, PY 2017 through PY 2023

Program Year	Cost Per Participant	Cost Per Participant Adjusted for Inflation
PY 2017	$1,785.76	$1,785.76
PY 2018	$2,184.16	$1,816.12
PY 2019	$3,442.29	$1,828.83
PY 2020	$4,412.21	$1,925.76
PY 2021	$4,211.49	$2,099.08
PY 2022	$4,524.09	$2,164.15
PY 2023	$4,898.81	$2,229.07

The following table is an accessible data table for Figure 2.

Accessible Data Table 2:
National Funding and Number of Participants Served, PY 2017 through PY 2023

Program Year	Total Funding	Total Number of Participants
PY 2017	$2,498,757,359.82	1,399,267
PY 2018	$2,640,406,322.27	1,208,890
PY 2019	$2,586,349,118.41	751,345
PY 2020	$2,556,538,359.47	579,423
PY 2021	$2,696,627,864.54	640,303
PY 2022	$2,915,474,485.12	644,434
PY 2023	$2,917,770,392.03	595,608

APPENDIX A: SCOPE AND METHODOLOGY

Scope

The audit covered grant recipient and subrecipient funding and grant eligibility requirements from October 1, 2018, through September 30, 2021. Our scope included select grants issued prior to the COVID-19 pandemic (2019) and during the period of the COVID-19 pandemic (2021). We obtained a list of employment and training grants from October 1, 2018, through September 30, 2021, from ETA and performed a risk assessment identifying the highest value statutory grants awarded, highest value discretionary grants awarded, total grants awarded by state, and entities within the state receiving the most awards.

We selected the State of Texas for our audit because it received one of the highest amounts in total awards of all federal funds. The State of Texas received 80 employment and training grants totaling over $1 billion. We judgmentally selected three WIOA formula grants awarded to TWC and one discretionary grant awarded to a nonprofit totaling over $584 million (51 percent) from this universe to review, as follows:

- Statutory: TWC received three WIOA formula grants for the period of April 1, 2019, to June 30, 2024, totaling $572,563,870 (98 percent of grants reviewed).

- Discretionary: A nonprofit received a $12,000,000 grant (2 percent of grants reviewed) for the Scaling Apprenticeship through Sector-Based Strategies program for the grant period of July 15, 2019, to July 14, 2023. The goal of the grant was to serve 7,500 participants in obtaining apprenticeship training in various high-demand occupations. Examples of the types of apprenticeship activities included medical assistants and certified nursing assistants.

We interviewed personnel within ETA's headquarters, Office of Workforce Investment, and Office of Grants Management. We also interviewed other ETA officials and grant recipient and subrecipient officials. Additionally, we reviewed supporting documentation for the grant recipients and subrecipients, as well as information provided by ETA.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To answer our audit objective, we did the following:

- reviewed public laws, United States Code, and ETA guidance related to grants;
- interviewed ETA headquarters and regional office personnel to learn about the WIOA formula grant program and the Scaling Apprenticeship grant program;
- obtained the listing of ETA employment and training grants and analyzed the subject matter to obtain the number of grants that were awarded during the audit period;
- interviewed TWC formula and discretionary grant recipients and subrecipients, including nonprofit grant recipients, regarding their positions within each entity and their experiences during the COVID-19 pandemic pertaining to serving the participants;
- analyzed data in grant recipient reporting systems to determine the financial and performance activities of the selected grants;
- analyzed financial and performance information from July 1, 2017, through June 30, 2023, to identify program trends in the national data; and
- analyzed requirements for enrolling participants and entering in partnerships as specified in the Scaling Apprenticeship grants.

Reliability Assessment

We assessed the reliability of both the statutory and discretionary grant recipients' and subrecipients' financial and participant data by: (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing agency officials knowledgeable

about the data. We determined that the data was sufficiently reliable for the purposes of this report, unless otherwise reported.

Internal Controls and Risk Assessment

In planning and performing our audit, we considered ETA's internal controls relevant to our audit objective by obtaining an understanding of those controls and assessing control risks relevant to our objective. During our planning and substantive phases, we considered the internal control elements of control environment, risk assessment, control activities, information and communication, and monitoring. We then evaluated relevant controls.

The objective of our audit was not to provide assurance of the internal controls; therefore, we did not express an opinion on ETA's internal controls. Our consideration of internal controls for administering the accountability of the program would not necessarily disclose all matters that might be significant deficiencies. Because of the inherent limitations on internal controls, or misstatements, noncompliance may occur and not be detected.

Selection of Grants

We applied a non-statistical sampling approach in selecting the largest three WIOA formula grants and one of the largest discretionary grants within Texas. This method was used to ensure consistency in audit approach with two similar OIG reports:

- COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in New Jersey, Report No. 19-23-016-03-391 (September 28, 2023) and

- COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in New York, Report No. 19-25-008-03-391 (September 26, 2025).

Selection of Grant Subrecipients

We applied a non-statistical sampling approach in selecting the largest one WIOA formula grant subrecipient. We analyzed all the selected grant recipients' subrecipients' funding and participants' service levels and selected the one entity (awarded $124,500,627) that reported the highest percentage of sub-awards and highest percentage of participants served.

We applied a non-statistical sampling approach in selecting one of the secondary subrecipients (awarded $54,579,387) that reported the highest percentage of

sub-awards and highest percentage of participants served. Participants were enrolled at this secondary subrecipient level.

Financial Transaction Sampling

We applied non-statistical sampling to select financial transactions to verify compliance with Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The WIOA formula grants sample included 20 financial transactions at the grant recipient level, 10 financial transactions at the grant subrecipient level, and 30 financial transactions at the secondary subrecipient level. The discretionary grant sample included 40 financial transactions. We applied non-statistical sampling to select the payroll and non-payroll financial transactions based on auditor's judgment of risk and materiality.

Participant Sampling

We applied statistical sampling to randomly select 60 participants served by WIOA formula grant secondary subrecipients to verify eligibility and services received per WIOA regulations. We applied statistical sampling to randomly select 30 participants served by the discretionary grant recipient to verify eligibility and services received per the American Competitiveness and Workforce Improvement Act of 1998.

Criteria

- Inspector General Act of 1978, October 12, 1978
- American Competitiveness and Workforce Improvement Act of 1998, October 21, 1998
- Workforce Innovation Opportunity Act, January 3, 2014
- Coronavirus Aid, Relief, and Economic Security Act, March 27, 2020
- 48 C.F.R. Part 42, 704 Billing Rates, amended January 3, 2017
- 20 C.F.R. Chapter V, Parts 677, 678-679, and 683 (April 1, 2017 Edition)
- 2 C.F.R. Part 200, amended October 18, 2021
- Government Accountability Office, Standards for Internal Control in the Federal Government, September 10, 2014
- Office of Management and Budget Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, M-16-17, July 15, 2016
- Scaling Apprenticeship through Sector-Based Strategies, Funding Opportunity Announcement, FOA-ETA-18-08, Amendment One, posted July 18, 2018

- Employment and Training Administration, Core Monitoring Guide, August 2018
- Employment and Training Order No. 1-24, Grant Management Policies and Responsibilities, December 4, 2023
- Employment and Training Order No. 3-19, Real Property Under the Employment and Training Administration Funded Grants, July 15, 2019
- Employment and Training Order No. 3-21, Enhanced Desk Monitoring Review Guidance, November 3, 2020

Prior Relevant Coverage

During the last 5 years, the OIG has issued three reports of significant relevance to the subject of this report, as follows:

1. COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in New York, Report No. 19-25-008-03-391 (September 26, 2025), available at: https://www.oig.dol.gov/public/reports/oa/2025/19-25-008-03-391.pdf;

2. COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in New Jersey, Report No. 19-23-016-03-391 (September 28, 2023), available at: https://www.oig.dol.gov/public/reports/oa/2023/19-23-016-03-391.pdf; and

3. ETA's Management of Workforce Development Grants: Key Concerns, Report No. 09-22-001-03-001 (March 31, 2022), available at: https://www.oig.dol.gov/public/reports/oa/2022/09-22-001-03-001.pdf.

APPENDIX B: AGENCY'S RESPONSE TO THE REPORT

The agency's response to our draft report follows.

U.S. Department of Labor

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

May 28, 2026

MEMORANDUM FOR: LAURA B. NICOLOSI
Assistant Inspector General for Audit

FROM: HENRY MACK, ED.D.
Assistant Secretary for Employment and Training

SUBJECT: Response to Draft Report – *COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in Texas,* Report No. 19-26-XXX-03-391

The Department of Labor's (Department) Employment and Training Administration (ETA) appreciates the opportunity to respond to the above-referenced draft report from the Office of Inspector General (OIG). ETA shares the OIG's goal of ensuring states use Workforce Innovation and Opportunity Act (WIOA) funding effectively and that they maximize the amount of services provided and individuals served under these programs. ETA also appreciates many of the changes the OIG made from a prior version of this report in response to ETA's comments. However, ETA believes further context is necessary regarding some of the OIG's conclusions in the draft report that informed the OIG's recommendations.

Specifically, while ETA appreciates the OIG's concerns raised in its "cost per participant" discussion, and agrees that the public workforce system should, in general, reach more participants and deliver better outcomes for the amount of funding received, the resulting narrative does not fully consider and discuss the devolved nature of the public workforce system set forth in the statute. It also does not acknowledge other key aspects, such as extensive partnerships with various local entities. These factors can, and do, impact the calculation of participant costs.

In addition, ETA appreciates the intent behind the OIG wanting more detailed and granular reporting associated with career services and administrative costs, which is aligned with ETA's need to capture adequate detail on administrative costs. However, ETA wants to assess if requiring grant recipients to report at the level of granularity contemplated by the OIG would increase the administrative burden and associated costs on grant recipients and may have the unintended consequence of limiting participant services as state and local areas operationalize this reporting. This would run counter to ETA and the OIG's shared goal of states using WIOA funds to provide more services to a greater number of participants, rather than more funds spent on administrative costs. This broad concern has informed ETA's approach to addressing the OIG's recommendations below.

Further, during the course of this audit, ETA advised the OIG that from the "construction-related" costs shown to the Agency by the OIG, ETA could not conclude that the related costs materially increased the capital assets' value or useful life. In fact, many of the costs appear to be customizing the space with the furniture/equipment/supplies to support the specific function for which it was

being used. In the draft report, the OIG indicates it "determined this project included capital expenditures that required ETA approval" as "Adding offices and restrooms to a building **should** materially increase the value or useful life of the building." and "...spending hundreds of thousands of dollars to remodel a single location **could** materially increase the value or useful life of the building." While ETA understands and appreciates the OIG's viewpoint, the only definitive way to determine if the changes materially increased the value or useful life of the building in question is through an independent third-party appraisal.

Finally, ETA notes the following for the OIG's consideration prior to issuing the final report:

- On page 34, the *COVID-19: The Employment and Training Administration Needs to Improve Oversight of Grants Awarded in New Yor*k report was issued on September 26, 2025, not September 28, 2025.

Responses to the OIG Recommendations

Please find below each of the OIG's recommendations contained in the draft report, followed by ETA's response to each of the recommendations.

Recommendation 1: Develop and implement controls to ensure more efficient use of statutory grant funds, which should include performing data analytics on grant spending and performance data.

ETA Response: ETA concurs with this recommendation. ETA has recently developed a beta version of a Grantee Health tool for Federal Project Officers (FPO) to use in assessing overall grant expenditures and program enrollments. Results are based on a rolling four-quarter view and include a rating to help FPOs identify when a grant recipient's results are inside a typical operating range ("in range") or outside that range. ETA is currently refining the beta version to provide an online tool for use by all FPOs to ensure more efficient use of WIOA formula grant funds. ETA anticipates finalizing the tool and sharing it with all FPOs by September 2026. This tool will complement the existing controls on statutory grant funds, such as regular grant risk assessments, reviews of expenditure requests, and monitoring.

Recommendation 2: Establish and implement procedures to collect and analyze detailed financial data on career services expenditures, which should include identifying the reason for the growth in career services.

ETA Response: ETA concurs with this recommendation. The current ETA-9130 financial reporting forms do not collect information on career services expenditures, only training expenditures, which is required by statute. Because any new data collection creates reporting burden for respondents, ETA plans to seek public comment on ways to capture information on career services expenditures, and based on that input, may also pilot data collection on career services expenditures before changing reporting requirements for all grant recipients. ETA also notes that while this potential data collection may produce useful data, it will not document a causal relationship between career services and a particular reason for career services growth.

Recommendation 3: Develop and implement controls to ensure ETA leadership and other stakeholders are aware of the complete administrative costs—including those of workforce entities currently exempt from reporting administrative costs—incurred by the WIOA statutory grant programs.

ETA Response: ETA concurs with this recommendation. Entities described in WIOA sec. 3(1) and 20 CFR 683.215 can incur administrative costs when performing administrative functions when carrying out activities under WIOA title I and therefore are required to report administrative costs on the applicable ETA-9130 financial reporting form. ETA will provide technical assistance to grant stakeholders to ensure they are aware which workforce entities may incur administrative expenses, as identified in the WIOA administrative provisions, and to ensure that financial reports are complete and accurate. It is noted that subrecipients are an entity that may incur administrative costs, as prescribed in the WIOA administrative provisions, and that these subawards may include costs that are programmatic and administrative.

To ensure that ETA and its leadership are aware of the administrative costs incurred at not only the state level but also the local level, ETA will analyze current financial and programmatic data to ensure that any administrative costs reported are within the administrative threshold as prescribed by WIOA statute, and produce internal summaries of administrative costs at the state and local level for ETA and its leadership. ETA's regional offices will alert states of instances where administrative costs exceed the prescribed threshold.

Recommendation 4: Develop guidance for grant recipients and subrecipients to clarify how to determine if an expenditure materially increases the value or useful life of a capital asset.

ETA Response: ETA concurs with this recommendation. As prescribed in 20 CFR 683.235, WIOA title I funding must not be spent on construction, purchase of facilities or buildings, or other capital expenditures for improvements to land or buildings, except with the prior written approval of the Secretary.

ETA will clarify technical assistance materials to demonstrate how grant recipients are to determine and evaluate if an expenditure for construction would result in capital improvement to a real property. ETA notes that the requirement for prior approval for capital improvements is described in Training and Employment Guidance Letter (TEGL) No. 03-19, *Real Property Under Employment and Training Administration-Funded Grants*.

In addition, ETA will ensure that the state and local areas review TEGL No. 03-19 and ETA will update its **S**trategies for sound grant management that is built around four cornerstones: **M**onitoring, **A**ccountability, **R**isk mitigation, and **T**ransparency (SMART) training materials on WorkforceGPS related to this subject.

Recommendation 5: Establish a dollar threshold for construction projects over which grant recipients need to obtain approval from ETA.

ETA Response: ETA concurs with this recommendation. The Uniform Guidance, at 2 CFR 200.439(b)(1) and (3), identifies that capital expenditures for buildings and land, or for improvements to land or buildings which materially increase their value or useful life are unallowable as direct charges, except with prior written approval of the Federal awarding agency or pass-through entity.

The responsibility of evaluating all construction costs, using ETA funds, lies with the grant recipient. Before any construction costs can be incurred, the grant recipient is responsible for alerting its FPO and providing evidence or demonstrating to ETA that any proposed construction costs would either result in a material increase in the value or useful life of any real property or not. ETA proposes to address this recommendation by creating a grant term and condition that grant recipients are responsible to contact their FPO before incurring any construction costs. The grant recipient's evidence should come from a third party, such as an appraiser, and should demonstrate if these costs would result in a capital improvement and therefore would need Grant Officer approval. It should also be noted that all grant agreements are accompanied by ETA's grant terms and conditions.

ETA will provide technical assistance to grant stakeholders to ensure they are aware when an expenditure results in the capital improvement of a capital asset. ETA notes that the requirement for prior approval for capital improvements is described in TEGL No. 03-19. In addition, ETA will ensure that the state and local areas review TEGL No. 03-19 and access training materials on real property, such as those contained in ETA's SMART training on WorkforceGPS.

Recommendation 6: Remedy the $998,253 in questioned costs associated with construction.

ETA Response: ETA concurs with this recommendation. ETA respectfully requests that the OIG provide ETA with specific information related to these questioned costs, so that ETA can follow its audit resolution process. Initial and final determinations will be issued to the grant recipient in question, per the process outlined in the Department of Labor Manual Series (DLMS) 8 Chapter 300, to determine if there are disallowed costs subject to repayment and, if so, the amounts. Once the audit resolution process is complete, ETA will provide the OIG with a copy of the final determination and evidence of any repayment of disallowed costs, if any.

Recommendation 7: Remedy the $23,718 in questioned costs due to not reconciling the provisional rate with the final indirect cost rate.

ETA Response: ETA concurs with this recommendation. ETA respectfully requests that the OIG provide ETA with specific information related to these questioned costs, so that ETA can follow its audit resolution process. Initial and final determinations will be issued to the grant recipient in question, per the process outlined in DLMS 8 Chapter 300, to determine if there are disallowed costs subject to repayment and, if so, the amounts. Once the audit resolution process is complete, ETA will provide the OIG with a copy of the final determination and evidence of any repayment of disallowed costs, if any.

Recommendation 8: Remedy the $14,581 in questioned costs associated with the Texas State Board director's salary expense charged directly to the statutory grant programs.

ETA Response: ETA concurs with this recommendation. ETA respectfully requests that the OIG provide ETA with specific information related to these questioned costs, so that ETA can follow its audit resolution process. Initial and final determinations will be issued to the grant recipient in question, per the process outlined in DLMS 8 Chapter 300, to determine if there are disallowed costs subject to repayment and, if so, the amounts. Once the audit resolution process is complete, ETA will provide the OIG with a copy of the final determination and evidence of any repayment of disallowed costs, if any.

Recommendation 9: Develop guidance that clarifies what documentation is required to support individualized career services provided to participants by grant recipients and subrecipients.

ETA Response: ETA agrees with the spirit of this recommendation. ETA wants to validate whether grant recipients reporting the delivery of individualized career services in the Workforce Integrated Performance System are actually delivering individualized career services. However, ETA's Core Monitoring Guide (CMG) already contains tools to facilitate reviews of the services delivered and ETA staff already review case files during ETA monitoring reviews. ETA samples case files in the same manner that the OIG does. ETA also has published guidance that specifies data validation procedures for multiple data fields, including fields describing delivery of individualized career services (see Section C.03 of Attachment II of TEGL No. 23-19, Change 3, *Guidance for Validating Required Performance Data Submitted by Grant Recipients of U.S. Department of Labor (DOL) Workforce Programs*).

As an alternative to this recommendation, ETA will emphasize subrecipient service delivery practices in technical assistance and/or training to states and local areas, including providing examples of appropriate source documentation and common errors, especially where such practices can support integrated service delivery across partner programs.

Recommendation 10: Ensure ETA officials responsible for monitoring grant recipients enforce the documentation requirements in their grant agreements.

ETA Response: ETA concurs with this recommendation. ETA's monitoring policies and procedures are provided in Employment and Training Order (ETO) No. 01-24, Change 1 and the CMG, which provide the documentation sampling and reviewing requirements when monitoring grant recipients and subrecipients. ETA monitoring officials ensure that recipients and subrecipients adhere to the award's documentation requirements as listed in the program guidance and grant agreement. ETA will continue to provide extensive training on the policies and procedures for reviewing grant documentation requirements in accordance with ETO No. 01-24, Change 1 and the CMG to ETA monitoring officials through its intensive Basic Training for FPOs and ETA Academy sessions.

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