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Office of Inspector General—Office of Audit

REPORT TO THE EMPLOYMENT AND TRAINING ADMINISTRATION



ETA DID NOT SUFFICIENTLY PLAN AND EXECUTE THE AMERICAN APPRENTICESHIP INITIATIVE GRANT PROGRAM

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BRIEFLY...

ETA DID NOT SUFFICIENTLY PLAN AND EXECUTE THE AMERICAN APPRENTICESHIP INITIATIVE GRANT PROGRAM

September 30, 2021

WHY OIG CONDUCTED THE AUDIT

The Employment and Training Administration (ETA) oversees the Registered Apprenticeship Program (RAP). The RAP gives working apprentices on-the-job training, related classroom instruction, wage increases as their skills and knowledge increase, and a nationally recognized credential at program end. ETA awarded around \$175 million in grants during the American Apprenticeship Initiative (AAI) grant program to, among other goals, expand registered apprenticeships into high-growth occupations and industries that use H-1B visas to hire foreign workers. Inadequate planning and execution of a grant program can lead to difficulties assessing achievement of intended results, inaccurate data collected and reported, and monitoring challenges.

WHAT OIG DID

Given these risks, we performed an audit to determine the following:

Did ETA sufficiently plan and execute the American Apprenticeship Initiative grant program?

We analyzed various planning and execution aspects, AAI data in the grantee performance system through the quarter ending March 31, 2019, and related aspects of the RAP.

READ THE FULL REPORT

<http://www.oig.dol.gov/public/reports/oa/2021/05-21-004-03-375.pdf>

WHAT OIG FOUND

ETA did not sufficiently plan and execute the AAI grant program. Despite progress in achieving some of the program's goals, we found systemic weaknesses throughout the AAI grant program, in the execution of the grants as well as in the planning and award processes.

Execution: Most apprenticeships (88.5 percent) did not meet the specialty occupation criteria for H-1B visas, and, often, they were not in occupations using H-1B visas. As a result, ETA will have difficulty demonstrating the program has helped reduce the U.S. need for foreign workers under the H-1B visa program. Instead, ETA could have put more than \$155 million in funds to better use by having grantees create apprenticeships that either start in H-1B occupations or have career pathways leading to H-1B occupations at the end of the apprenticeship.

Planning: ETA did not sufficiently plan the program goals, metrics, and the reporting system. It violated the Paperwork Reduction Act, and the data quality issues negatively impacted aspects of a \$6.6 million contractor evaluation of the AAI grant program. ETA will have difficulty measuring success objectively for each goal and the overall grant program, monitoring the grantees, and accurately reporting on the grant program using the data.

Award: The award process had significant weaknesses, such as incorrect award amounts, incorrect timing of compliance reviews, incorrect scoring of grantee proposals, and inaccurate public reporting. These prevented ETA from correcting inaccurate scores or proposal deficiencies. ETA could have put \$4.5 million to \$10 million of funds to better use in future grant programs if it had made AAI awards adhering to its guidance.

WHAT OIG RECOMMENDED

We made seven recommendations to improve the planning and execution of future grant programs and the RAP. ETA agreed with six of the recommendations, but disagreed with one because it believed the grantees should correct data in the reporting system instead of ETA.

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INSPECTOR GENERAL'S REPORT

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The Employment and Training Administration (ETA), in collaboration with the States, oversees the Registered Apprenticeship Program (RAP). The RAP gives working apprentices on-the-job training, related classroom instruction, wage increases as their skills and knowledge increase, and a nationally recognized credential at the end of the program. The American Apprenticeship Initiative (AAI) grant program awarded around \$175 million in grants running through at least September 2020¹ to expand registered apprenticeships into high-growth occupations and industries that use H-1B visas to hire foreign workers. One of ETA's intents for the AAI grant program was to help reduce the United States' need for foreign workers under the H-1B visa program;² others included expanding apprenticeships into high-growth occupations and industries and increasing apprenticeship opportunities for underrepresented populations.

A well-planned and executed grant program should include clear and measurable program goals, well-defined metrics to allow measuring success for each program goal, and a timely reporting system incorporating appropriate internal controls. Inadequate planning and execution of a grant program can lead to difficulties assessing whether the program fully achieved its intended results, inaccuracies in the data collected and reported to Congress and the public, and challenges with monitoring the program.

¹ Some grantees received extensions through September 2021.

² The requirements for an H-1B visa are that: the non-immigrant works in a "specialty occupation," which is defined in the United States Code as an occupation requiring theoretical and practical application of a body of highly specialized knowledge, and they have attained a bachelor's or higher degree as a minimum for entry in the occupation in the United States. Examples include computer programmers, accountants, auditors, and engineers.

Given these risks, we performed an audit to determine the following:

Did ETA sufficiently plan and execute the American Apprenticeship Initiative grant program?

We determined ETA did not sufficiently plan and execute the AAI grant program. Despite ETA's progress in achieving some of the program's goals, we found systemic weaknesses throughout the AAI grant program, in the execution of the grants as well as in the planning and award processes. The weaknesses generally occurred because ETA did not sufficiently design various ETA processes with appropriate controls or provide sufficient oversight, personnel did not fully understand all the requirements, and grantees did not follow instructions.

To answer our audit question, we analyzed various planning and execution aspects of the AAI grant program; AAI data in the grantee performance system through the quarter ending March 31, 2019; and related aspects of the RAP.

RESULTS

ETA did not sufficiently plan and execute the AAI grant program. While the program showed significant progress in its goals to expand apprenticeships and improve participation of underrepresented populations in apprenticeships, we found significant weaknesses in the execution of the grants and in the planning and award processes. The weaknesses included the following:

- **Execution:** The AAI grant program was insufficiently executed to meet the program's intent to reduce U.S. reliance on H-1B visas. There were issues with creating apprenticeships in occupations that did not meet the "specialty occupation" criteria required for H-1B visas or in occupations not using H-1B visas.
- **Planning:** ETA did not sufficiently plan the AAI grant program. For example, the program goals and metrics were not well designed and the reporting system was not properly planned.
- **Award:** The award process for the AAI grant program had significant weaknesses, such as incorrect award amounts, incorrect timing of compliance reviews, incorrect scoring of grantee proposals, and reporting of overstated projections to the public about the grant program.

The weaknesses generally occurred because ETA did not sufficiently design various processes with appropriate controls or provide sufficient oversight; ETA personnel did not fully understand the approval requirements needed to collect

information from grantees; and grantees' proposals were unclear, incomplete, or inaccurate from not following instructions in the Funding Opportunity Announcement (FOA).

As a result, ETA will have difficulty demonstrating the program will help reduce the United States' need for foreign workers under the H-1B visa program. ETA could have put more than \$155 million in funds to better use by having grantees create apprenticeships that either started in H-1B occupations or had career pathways directly leading to H-1B occupations at the end of a multi-year apprenticeship. This includes \$4.5 million to \$10 million if ETA had made AAI grant awards in accordance with its FOA guidance.

THE AAI GRANT PROGRAM WAS INSUFFICIENTLY EXECUTED

ETA and the grantees did not sufficiently execute the AAI grant program in two ways to meet the program's intent to reduce the United States' reliance on foreign workers under the H-1B visa program:

- Apprenticeships in the AAI grant program were largely not in H-1B occupations; and
- Occupations in AAI apprenticeships did not always align with employers' needs as shown in H-1B visa data.

These weaknesses generally occurred because ETA did not have sufficient internal controls in its processes or provide sufficient oversight.

As a result, ETA will have difficulty demonstrating that the program has helped reduce the United States' need for foreign workers under the H-1B visa program. ETA could have put more than \$155 million in funds to better use by having grantees create apprenticeships that either start in H-1B occupations or have career pathways leading to H-1B occupations at the end of a multi-year apprenticeship.

MOST (88.5%) APPRENTICESHIPS IN THE AAI GRANT PROGRAM WERE NOT IN H-1B OCCUPATIONS

Grantees largely (88.5 percent) created apprenticeships in occupations that did not meet the "specialty occupation" criteria required in H-1B visas.

The FOA stated:

American Apprenticeship grants will fund projects across a diversity of industries and occupations for which employers are using H-1B visas to hire foreign workers. Applicants should review the attached list of industries and occupations that are using H-1B visas to hire foreign workers to assist your program alignment (see Appendix A). This list is not exhaustive and applicants are advised to also refer to the Foreign Labor Certification Data Center.

Based on our review of H-1B visas data in the FOA, we expected to see AAI grantees largely creating apprenticeships in technology occupations in the professional, scientific, and technical services industry.

However, data in the grantee reporting system showed far different results. Through the grant program's reporting period ending March 31, 2019, we found 13,385 (88.5 percent) of the 15,121 apprentices in the AAI grant program were not working in occupations meeting the H-1B "specialty occupation" criteria.³ The occupations found in the system frequently included plumbers, electricians, and bus drivers. In fact, we found AAI apprenticeships created for occupations such as housekeeping maids, tree trimmers, and a sewing machine operator, which clearly did not meet the education level of an H-1B visa occupation or appear to be a career pathway to achieving one. In addition, for another 446 apprentices, we could not determine if occupations met the "specialty occupation" criteria because of missing data.

This misalignment occurred because ETA did not provide sufficient guidance and oversight to grantees to ensure they were creating apprenticeships in H-1B occupations. Instead, ETA provided tables in the FOA showing H-1B visa data and left it to grantees to select occupations for apprenticeships. In addition, the Core Monitoring Guide used by Federal Project Officers (FPO) to monitor grantees did not include sufficient tests regarding the H-1B visas aspect of the grant program.

ETA appeared to focus more on the industry aspect than the occupation aspect and the "career pathways" available to the apprentices from these AAI occupations. However, it did not provide the OIG with the specific career pathways for the occupations we questioned. Therefore, we could not assess whether ETA provided sufficient oversight over the career pathways to H-1B

³ The Code of Federal Regulations (CFR) states an H-1B classification applies to an alien coming temporarily to the United States to perform services in a "specialty" occupation. Title 8 United States Code section 1184(i), defines "specialty occupation" as an occupation requiring theoretical and practical application of a body of highly specialized knowledge and attainment of a bachelor's or higher degree for minimum entry into the occupation.

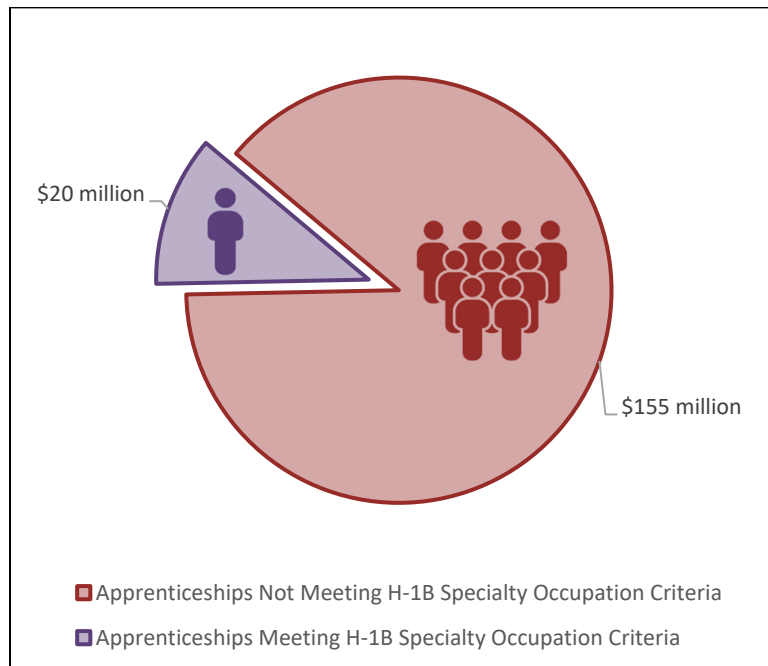
occupations or whether the career pathways would help achieve the program's intent to reduce the United States' reliance on H-1B visas.

We question whether these were valid career pathways because the reporting system data showed many AAI occupations with a starting wage near the Federal minimum wage of \$7.25 per hour and ending wages as low as \$8 per hour. Also, the system included some shipmates with a starting wage of \$5.25, lower than the Federal minimum wage, positions that clearly do not represent career pathways to H-1B occupations.

In addition, the system showed an average end wage of around \$25 per hour for those who completed the apprenticeship program, much lower than the \$72,000 salary shown on DOL's apprenticeship website as the average starting salary for an apprentice after completing an apprenticeship.

Aside from select occupations (e.g., information technology), the evidence shows the AAI grant program will not greatly reduce employers' use of H-1B visas in the near future. Given the 88.5 percent of apprentices we found who were working in non-H-1B occupations, \$155,582,864 of the more than \$175 million funds spent could have been put to better use by having grantees create apprenticeships that either start in H-1B occupations or have career pathways leading to H-1B occupations at the end of a multi-year apprenticeship (see Figure 1).

Figure 1: ETA Could Have Put More than \$155 Million of the More Than \$175 Million to Better Use



Source: OIG Analysis of ETA Data

ETA’S PLANNING DID NOT ENSURE GRANTEEES CREATED APPRENTICESHIPS IN OCCUPATIONS USING H-1B VISAS

ETA’s planning for the grant program did not ensure that grantees created apprenticeships in occupations identified in certified Labor Condition Applications (LCA), which are part of the H-1B visa application process.

Title 20 CFR 655.700(a)(3) requires employers who want to fill an occupation using an H-1B visa to submit an LCA to DOL for certification. The LCA requires specific information including the occupation, start and end dates, and place of intended employment. The LCAs show the U.S. employers’ needs in H-1B visas data since they show where and what occupations for which employers wanted to request H-1B visas.

In addition, ETA’s FOA states, “Grants under this program must focus on helping more employers and workers participate in American Apprenticeships within industries and occupations for which employers are using H-1B visas to hire foreign workers.” Therefore, the grant program was intended to reduce the number of H-1B visas in the future. To accomplish this, it would seem prudent to

create apprenticeships in the occupations for which employers had requested H-1B visas.

To verify whether this was occurring for the AAI grant program, we compared the occupation titles listed in the certified LCAs to occupation titles listed in the grantee reporting system. This would allow us to determine whether the occupations for which grantees created apprenticeships in the AAI grant program aligned with the occupations listed in certified LCAs showing the needs in the United States. Our analysis found misalignments. For example, about a third (4,748 of 15,121) of the apprentices in our analysis were working in occupation titles not requested by employers.

These misalignments occurred because the FOA did not sufficiently focus applicants on occupations with the highest need shown in LCAs and instead left it up to the grantees to determine the occupations themselves. A more effective approach would have been for ETA to analyze the H-1B visas data and direct grantees as to which occupations to focus on in the grant program.

Unfortunately, the misalignments mean the AAI grant program will not significantly reduce employers' use of H-1B visas for critical H-1B occupations in the near future.

ETA DID NOT SUFFICIENTLY PLAN KEY ASPECTS OF THE AAI GRANT PROGRAM

ETA did not sufficiently plan key aspects of the AAI grant program; specifically, the program goals and metrics were not well designed and the reporting system was not properly planned. These issues generally occurred because ETA's planning did not result in personnel sufficiently writing some parts of the FOA, allowing sufficient time for system development and obtaining required approvals, or ensuring the system had sufficient system controls. A contributing cause was ETA personnel not fully understanding all the requirements needed to collect information legally from grantees during a grant program.

As a result, ETA will have difficulty measuring success objectively for each goal and the overall grant program, monitoring the grantees, and accurately reporting on the grant program using the data. In addition, these challenges forced ETA to develop an interim reporting process until the system was ready and violate the Paperwork Reduction Act (PRA). Finally, data quality issues negatively impacted aspects of a contractor evaluation of the AAI grant program, funded by ETA at around \$6.6 million.

THE AAI GRANT PROGRAM'S GOALS AND METRICS WERE NOT WELL DESIGNED

ETA's five program goals were not measurable and could have been clearer. In addition, ETA did not properly design some of the nine performance metrics on which grantees were required to report: the metrics were not always clear, verifiable, or sufficiently linked to the program goals. Moreover, grantees did not sufficiently address the metrics in their proposals, which affects ETA's monitoring ability.

The AAI grant program's FOA included the following five program goals:

1. Support the expansion of quality and innovative American Apprenticeship training programs into high-growth occupations and industries for which employers are using H-1B visas to hire foreign workers, and related activities necessary to support such training;
2. Create career pathways that encompass American Apprenticeship programs and align American Apprenticeship with post-secondary education through innovative partnerships that leverage high-quality training and classroom-education opportunities;
3. Utilize strategies that offer innovative approaches to significantly increase apprenticeship opportunities for all American workers, particularly underrepresented populations in apprenticeship (including women and minorities); low-skilled populations; and veterans, including transitioning service members, to prepare for and successfully enter careers that provide long-term employment and family-sustaining wages in high-skill, high-growth industries;
4. Implement new and innovative public policies (at the regional, state, and local level) or public-private partnerships that increase demand for American Apprenticeship; and
5. Ensure that innovations form the basis for broader change and sustainability that encourages employers to adopt and offer American Apprenticeship opportunities.

We analyzed each program goal using the specific, measurable, achievable, relevant, and time-bound (SMART) approach, which businesses have been using to write goals and objectives since 1981. Our analysis concluded that all five goals were missing a quantifiable aspect to measure; none were time-bound other than by the program's total five-year timeframe; and they could have been written more clearly. For example, the goals did not provide an expected number of apprentices or participants or an expected percentage of participants from underrepresented populations. Therefore, ETA did not follow Title 2 CFR 200.202 (Program planning and design), which states, "the federal awarding

agency must design a program...with clear goals and objectives that facilitate the delivery of meaningful results...Program performance shall be measured based on the goals and objectives developed during program planning and design.”

In addition, the FOA included nine metrics that grantees were required to address in their proposal and report on quarterly to allow ETA to monitor grantee performance:

1. Total number of employers to benefit from this grant program;
2. Total number of promotional/outreach activities to employers;
3. Total number of newly registered American Apprenticeship programs;
4. Total number of existing registered apprenticeship programs to be expanded (e.g., adding occupations or increasing the number of apprentices registered);
5. Total number of participants to receive services under this grant (e.g., includes participants served in pre-apprenticeship, apprenticeship, and by other grant activities);
6. Total number of new apprentices registered;
7. Percentage of total participants served who would be identified as a targeted/underrepresented population for purposes of this grant;
8. Percent of apprentices served who complete their apprenticeship program (Completion Rate); and
9. Average cost per apprentice (calculated as grant funds used for direct training plus leveraged funds for direct training divided by number of apprentices to be enrolled during the life of the grant).

Similar to the program goals, we analyzed how well ETA wrote the nine metrics in terms of clarity, verifiability, relevance, and linkage to a program goal. While our analysis found the metrics were relevant, they were not always clear, verifiable, or linked directly to a program goal:

- None of the metrics could be used to objectively measure the success of three program goals. Specifically, Program Goals 1, 4, and 5 did not have any metrics by which their success could be determined;
- Two metrics (8 and 9) were not written clearly as to the timeframe (e.g., within grant period of performance or not) and whether pre-apprenticeship costs were “direct training” costs; and
- Three metrics (1, 2, and 5) lacked appropriate definitions of terms to help with tracking and verifying, such as “benefit” (e.g., only apprentices or other aspects too), “event” (e.g., mass mailing count as one or multiple events), and “other grant activities” (e.g., prepping participant for job interview but not getting job).

These weaknesses hamper ETA's ability to implement Title 2 CFR 200.301 (Performance measurement), which states, "the federal awarding agency must measure the recipient's performance to show achievement of program goals and objectives."

Finally, we analyzed how well the grantees addressed the nine metrics in their grant proposals, which became part of the grant agreement. Our analysis found various problems with how grantees addressed the metrics. Of the 46 grantees in the program, we found 9 did not address one or more metric at all in their proposal, 16 changed the wording of some metrics, and almost all incorrectly addressed 1 or more metrics. For example, grantees addressed the metric in the wrong format (count versus percentage), did not provide yearly distributions, yearly distributions did not total to the five-year total, or calculations were not verifiable or reasonable based on the data included in the proposal (e.g., same percentage each year). Some wording changes altered the intent of the metric while other errors make it difficult to monitor a single metric across all grantees.

These issues occurred for the following reasons:

- ETA wrote broad, aspirational goals that it believed in some cases were better measured through a contractor evaluation conducted after the grant program ended rather than quarterly during the grant program; and
- ETA did not properly vet the required metrics to ensure they were clear, verifiable, and tailored to address each of the program goals.

Although ETA was able to use system data to monitor progress for some of its program goals, it could not fully do this for all five program goals and therefore needed results from its contractor evaluation for those goals. Waiting to evaluate performance of program goals until after the program ended limited ETA's ability to identify program performance issues during the period of the grant program and make program corrections in real-time to put the program back on track to meet its goal(s). In addition, insufficient metrics lead to inconsistent reporting by grantees and difficulties in measuring success objectively for each goal and thus, for the overall grant program. Inconsistent reporting creates further challenges for ETA's FPOs in monitoring the grantees.

ETA DID NOT SUFFICIENTLY PLAN ITS REPORTING SYSTEM

ETA did not sufficiently plan the development of its reporting system to be ready on day one of the grant program. Further, ETA's plan did not ensure it obtained timely approval from the Office of Management and Budget (OMB) for information collected from grantees.

Two key principles⁴ in the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book) state management should design a system and related control activities to achieve objectives, respond to risks, and use quality information. To accomplish these principles, agencies would need to timely develop the system, obtain proper approvals for the system, and implement sufficient system controls in it. This would enable grantees to report and ETA to monitor grantee performance and analyze data to determine the overall success of the grant program.

However, we found ETA did not sufficiently plan its reporting system for the AAI grant program in three ways:

- The reporting system was not initially available for grantees to access, which forced ETA to develop an interim reporting process;
- The reporting system contained incomplete and inaccurate data from grantees because it was missing key system controls and because of insufficient monitoring by ETA; and
- ETA did not obtain a timely approval from OMB to collect information from AAI grantees, which led to ETA violating the PRA.

These generally occurred because ETA's planning process did not include sufficient time for developing the system with sufficient system controls and system documentation, obtaining required approvals to collect information for the grant program, and sufficiently monitoring the grantees. A contributing cause was ETA personnel not fully understanding all the requirements needed to collect information legally from grantees during a grant program. As a result, ETA had to develop an interim reporting process, it violated the PRA, and it will ultimately have challenges relying on the system's data for decision-making and for accurately reporting on the grant program using the data. Additionally, the data quality issues have negatively affected aspects of the \$6.6 million contractor evaluation of the AAI grant program.

REPORTING SYSTEM WAS NOT INITIALLY AVAILABLE TO GRANTEEES

ETA did not make the reporting system initially available for grantees to access and use during the AAI grant program due to insufficient planning. As a result, ETA had to create an interim reporting process that did not have adequate internal controls; moreover, grantees' inability to access the system delayed the input of initial participant data.

⁴ Principles 11 and 13

The AAI FOA required grantees to enter participant data (e.g., apprentice and pre-apprentice data) in the system and to complete quarterly reporting within 45 days after the end of each quarter. Thus, all grantees needed to submit their first quarterly report by February 14, 2016, 45 days after the first quarter ended on December 31, 2015.

However, the reporting system was not available to grantees on day one (October 1, 2015) of the grant program. Grantees did not start using the reporting system until May 2016, about 7 months after the program started for the 46 initial AAI grants.

This occurred because ETA's planning process did not allow sufficient time for system development. ETA personnel told us they started design of the system in July 2015, constructed it in October 2015, and deployed it in December 2015. These system development steps needed to occur much earlier for the system to be ready by the start of the grant program on October 1, 2015.

Because the system was not ready immediately, ETA developed an interim reporting process for grantees to email a Microsoft Word or Excel template with entries similar to what the grantees would submit in the system for the quarterly report. Grantees used this interim reporting process until they could access the system, and initial access varied among the grantees. However, this interim process lacked internal controls, such as logic checks, to ensure files were complete and accurate. For example, our review of some grantees' submissions during the interim process found reports with differences between the total number of participants listed in the different categories (e.g., gender, race, employment status, education, etc.) on a single submission. A well-designed reporting system would include internal controls (e.g., sums comparison checks) to ensure the counts match in the different categories, but ETA did not incorporate these type of checks in the interim reporting process.

Additionally, the untimely system delayed grantee input of participant data, such as data for program sponsors, employers, pre-apprentice providers, apprentices, or pre-apprentices. For example, for apprentices with registration dates in October 2015, grantees and program sponsors had to wait until May 2016 or later to enter this information in the reporting system.

REPORTING SYSTEM INCLUDED INCOMPLETE AND INACCURATE DATA

The grantee reporting system included incomplete and inaccurate data due to missing system controls and poor oversight by ETA. Moreover, the system documentation was inadequate.

For quarterly reports generated from system data, grantees certified that data was complete, true, and accurate. However, our analysis of data reported in the system by grantees through March 2019 found inaccurate entries, incorrect formats, blank fields, duplicate apprentice records, and fake inputs (including email addresses, phone numbers, and physical addresses). For example, we found:

- Inaccurate entries for various fields, including showing 7 participants whose ages were over 100 years of age on their start date, 6 apprentices (completers) with an ending wage of \$0.01, and 11 apprentices (cancelers) with an exit wage of \$0.00. Entering wage information incorrectly can affect reporting of average wages for the population or calculating wage increases during the apprenticeship;
- Incorrect formats for wage information entered as annual rates (or some other format) instead of the required hourly wage rate. We found 231 apprentices with incorrect formats for starting wage and 27 with the exit wage in the wrong format;
- Blank entries for important fields such as phone number (1,052 participants), email address (1,366), physical address (314), Social Security number (4,856), and starting wage (94);
- Duplicate apprentice records and contact information (e.g., phone numbers). For example, the most egregious counts of the same phone number being used for different apprentices were as many as 164, 165, and 370 instances. Even worse, the 164 instances were an obviously fake phone number (123-456-7890). In addition, we identified duplicate apprentice records using key fields such as Social Security number (SSN), apprentice number, name, phone number, email address, and physical address; and
- Fake entries for email addresses (e.g., noemail@gmail.com or nonegiven@hotmail.com), phone numbers (e.g., 000-00-0000, 000-111-2222, or 123-456-7890), and physical addresses (e.g., “000 homeless” or “000 No Response” or “Bad address” or “123 none given”). Fake entries affect the ability of ETA or its contractor to contact the participant by email, phone, or mail.

In addition, our analysis found:

- Ineligible participants in the AAI grant program. There were 336 participants with registration or start dates prior to the start of the AAI grant program (October 1, 2015), 21 participants under the age of 16, and more than 250 participants ages 16-17 without school enrollment information to ensure they were eligible;
- Incorrect use of apprentice agreements (ETA Form 671) at three grantees. We found 70 (of 142) were an incorrect version, 100 had apprentice start dates prior to their registration date, and 94 had correlation issues between the various dates (apprentice, program sponsor, and registration authority) on the agreement; and
- Insufficient use of interim credentials at three grantees. We found none of the 142 agreements indicated an interim credential would be issued to the apprentice and 24 contradicted data in the system. Interim credentials are especially important given the historical completion rate of RAPs is less than 50 percent.

These data issues occurred because missing system controls allowed grantee data entry errors, problems with grantees migrating data from the Registered Apprenticeship Partners Information Data System (RAPIDS) to the AAI reporting system, and insufficient monitoring by ETA to identify and correct errors. Also, contributing causes were the insufficient system documentation and insufficient controls in the RAP. Specifically, the system's user guide was based on an original design and not timely updated to match the actual design in use by grantees and the data dictionary did not match system fields or include all the choices available for fields.

Because of the various system issues, the system's data does not allow accurate reporting on the grant program and did not prevent eligibility issues, which led to funds not being used as intended and also to noncompliance with public law. For example, Public Law 113-76 (Consolidated Appropriations Act, 2014), SEC. 104 states:

None of the funds made available to the Department of Labor for grants under section 414(c) of the American Competitiveness and Workforce Improvement Act of 1998 may be used for any purpose other than competitive grants for training individuals over the age of 16 who are not currently enrolled in school within a local educational agency.

Similar language was in subsequent public laws.

More importantly, data quality issues affected aspects of the contractor evaluation of the AAI grant program, which was funded by ETA at around \$6.6

million. These types of data issues can lead to challenges in conducting aspects of the evaluation by the contractor. For example, the incomplete and inaccurate SSNs and contact information would affect the contractor's ability to obtain wage information from the National Directory of New Hires (NDNH)⁵ and contact apprentices with its surveys.

The data issues became so widespread during the AAI grant program that a contractor sent a memo to ETA in October 2018, three years after the grant program started, concerning data issues and the impact on its efforts, stating:

Apprentices must have (1) a Social Security [n]umber (SSN) so we can collect earnings and employment data from the National Directory of New Hires (NDNH), and (2) valid contact information so we can administer the survey...We found over 55 percent of all AAI apprentices are either missing their SSN or have invalid contact information.

The ramifications provided by the contractor in the memo included:

- “The missing data ha[ve] implications for the Apprentice Survey. In order to analyze NDNH and survey outcomes together to get a full picture of the apprenticeship experience, the evaluation team can only survey apprentices with an SSN. Further, the team will not be able to include in the survey sample participants [who] have invalid contact information. This implies that over half of the sample is ineligible for the survey due to either a missing SSN or invalid contact information;” and
- “Because missing SSNs and invalid contact information is concentrated among a few grantees, the survey sample could be skewed, with apprentices from some large grantees mostly excluded from the sample...This implies that the results from the survey would under-weight the experiences of registered apprentices...Moreover, some grantees would be completely excluded from the survey.”⁶

In response to the contractor memo, ETA sent an email in March 2019 to its six regions requesting FPOs reach out to grantees to populate the missing or invalid SSN and contact information. Those emails showed 53 percent of the more than 14,000 apprentices in the system at that time were either missing or had invalid contact information. Ultimately, these data issues negatively affected aspects of the contractor evaluation of the AAI grant program and raise concerns on the benefit of the \$6.6 million spent on an evaluation.

⁵ The Department of Health and Human Services operates the NDNH, a federally mandated repository of new hire, quarterly wage, and unemployment insurance information.

⁶ Contractor gave an example of a South Carolina grantee that had over 1,400 apprentices registered but fewer than 100 who would be eligible for the survey due to the data issues.

To verify the effectiveness of the FPOs' corrective actions, we did a limited review of data in the reporting system through March 2021, which was more than two years after ETA was notified of the issues by the contractor in October 2018. We found that problems identified by the contractor and confirmed by our audit still exist. Specifically, our review of approximately 28,000 undeleted records showed there were still 8,300 apprentices missing SSNs, 9 apprentices using a fake SSN (e.g., 123-45-6789), and 486 SSNs that were duplicates of SSNs that already existed in the system. These issues show the impact on the contractor evaluation was significant through 2021. In addition, we found records of 415 duplicate apprentices and 409 duplicate pre-apprentices, which overstate counts in the AAI grant program, affect reporting on the grant program, and impact the contractor evaluation.

***ETA DID NOT OBTAIN TIMELY APPROVAL FROM
OMB TO COLLECT INFORMATION FROM AAI
GRANTEES***

ETA did not timely obtain approval from OMB before it collected information from AAI grantees in its interim reporting process or its final reporting system. Therefore, it violated the PRA by collecting information from AAI grantees prior to OMB approval. In addition, there were differences between the fields ETA included in its submission to OMB and what it actually collected from grantees.

The United States Code⁷ requires agencies to obtain an OMB approval to collect information. OMB's website definition⁸ for information includes "grantee performance reports" and "recordkeeping requirements" and states the requirements apply to voluntary collections as well as to mandatory collections.

Our analysis found ETA violated the PRA from October 1, 2015 through May 31, 2017, because it did not obtain OMB approval until June 1, 2017. Because the AAI grant program started on October 1, 2015, ETA should have received the OMB approval by this date to collect information through its interim reporting process and its reporting system.

⁷ Chapter 3507 of 44 United States Code Chapter 35 (PRA) states: "An agency shall not conduct or sponsor the collection of information unless in advance of the adoption or revision of the collection of information...the agency has obtained from the Director a control number to be displayed upon the collection of information."

⁸ OMB website defines information as "any statement or estimate of fact or opinion, regardless of form or format, whether in numerical, graphic, or narrative form, and whether oral or maintained on paper, electronic or other media."

In addition, ETA did not provide a complete and accurate submission to OMB for approval on what it wanted to collect from grantees. In its submission, ETA provided a copy of the system's data dictionary. However, a comparison of fields listed in its submission versus the actual system showed many differences. It is important for the submissions to be complete and accurate, so the public can provide comments on the actual information the agency will collect and OMB can properly evaluate the submission for approval along with the public's comments on the collection.

These issues occurred because ETA personnel did not fully understand the requirements of the PRA, and there were insufficient internal controls in the process. First, ETA personnel thought it could collect information prior to OMB approval as long as it did not specify a certain format. However, this thinking was incorrect. Second, insufficient internal controls allowed ETA personnel to:

- Not start the submission process timely. DOL's PRA Manual provides estimated timeframes, but ETA's submissions did not adhere to it;
- Not effectively manage delays, such as the 20-month gap between the 60-day and 30-day notices. ETA said it prioritized development of Workforce Innovation and Opportunity Act guidance over this information collection;
- Not have a clear plan for identifying the information it needed to collect for the grant program. Part of the reason for the 20-month gap was that ETA revised its submission based on knowledge later gained from its contractor conducting the evaluation. ETA should have considered the evaluation needs during its initial submission; and
- Not obtain an OMB approval number prior to collecting information for a grant program.

Without OMB approval, ETA could not legally collect information from the grantees or hold grantees accountable for not reporting. Because ETA did collect the information before receiving OMB approval, it violated the PRA and is required to report violations to OMB in the information collection budget submission so OMB can report violations to Congress. Our review of OMB's reports to Congress for 2015 through 2018 found they did not include ETA's violation. In addition, we found ETA inappropriately held a grantee accountable in a monitoring report for incomplete quarterly reporting prior to obtaining its OMB approval number.

THE AWARD PROCESS FOR THE AAI GRANT PROGRAM HAD SIGNIFICANT WEAKNESSES

ETA had five significant weaknesses in its award process during the AAI grant program that negatively affected ETA's ability to score and award the AAI grants. The weaknesses included:

- Untimely grant awards,
- Incorrect grant award amounts based on requirements in the FOA,
- Incorrect timing for compliance reviews,
- Incorrect scores given to grantee proposals, and
- Inaccurate reporting to the public about the AAI grant program.

These occurred because scoring panels did insufficient reviews and ETA did not have sufficient internal controls in its processes to identify and correct mistakes.

As a result, the late compliance reviews prevented ETA from using information identified in the reviews to timely identify proposal deficiencies and either include them as a conditions of award⁹ or correct an inaccurate score given to the proposal. Instead, ETA had to send compliance letters to grantees asking for modifications or clarifications for some of the issues with the awards; other issues remained uncorrected. In addition, the inaccurate reporting can damage public trust in the government when the public later hears about errors or unmet expectations. Moreover, ETA could have put \$4.5 million to \$10 million of funds to better use in future grant programs if it had made AAI grant awards adhering to guidance in its own FOA.

UNTIMELY GRANT AWARDS

ETA's grant officers awarded 30 (of 46) grants 14-19 days after the grant's period of performance had already started. It is appropriate for awarding agencies to give the grantees the full timeframe listed in the period of performance because grantees may not have the legal right to perform work until they have a signed grant agreement from the grant officer. For example, the FOA stated, "Applicants, whether successful or not, will not be entitled to reimbursement of pre-award costs." Thus, grantees performing work prior to receiving a signed grant agreement run the risk of not being reimbursed by ETA for those pre-award activities.

⁹ An awarding agency can include a "condition of award" in a grantee's award requiring an additional action, such as submitting a grant modification to correct an issue in the grantee's proposal.

INCORRECT AWARD AMOUNTS BASED ON MINIMUM FOA REQUIREMENTS

ETA made incorrect award amounts based on minimum requirements listed in the FOA.

The FOA states:

To ensure that grant funds result in services to significant numbers of apprentices, we have established goals for the minimum numbers of apprentices to be served during the period of performance based on the amount of funds requested by the applicant (see table below)...The table below represents the minimum levels of apprentices to be served based on the funding request.

Included was a table (see Figure 2) entitled “Minimum Goals for Apprentices Served during the Grant Period Based on Funding Request” listing at least 300 apprentices served for awards under \$3 million, at least 600 apprentices served for awards between \$3 million and \$4 million, and at least 1,000 apprentices served for awards over \$4 million.

Figure 2: ETA’s FOA Table

Minimum Goals for Apprentices Served during the Grant Period Based on Funding Request	
Funding Request	Apprentices Served
\$2,500,000 – \$2,999,999..	300
\$3,000,000 - \$4,000,000..	600
\$4,000,001 - \$5,000,000..	1000

Source: ETA’s AAI FOA

Grantees provided an expected number of apprentices in their proposals by addressing one of the required metrics (“Total Number of New Apprentices Registered”). We used this information in the grant agreements to analyze whether the amount of the grant award adhered to the total each grantee listed for this required metric. Our analysis found ETA awarded eight grants at amounts larger than it should have based on the minimum requirements for apprentices listed in the FOA. Specifically, ETA made:

- Three grant awards over \$4 million, but the grantees proposed apprentice counts of less than 1,000. Therefore, their award amounts should have been between \$3 million and \$4 million; and
- Five grant awards between \$3 million and \$4 million, but the grantees proposed apprentice counts of less than 600. Therefore, their award amounts should have been under \$3 million.

These issues occurred because ETA did not have sufficient internal controls in its award process, such as compliance reviews prior to award and using “condition of awards” to correct issues with proposals. These types of issues should be caught by a compliance review completed by ETA prior to grant award and then included as a “condition of award”. However, we found this did not occur as ETA only caught one of the eight deficiencies during its compliance reviews. Because ETA did not conduct the compliance review until two months after the award, it sent a compliance letter to the grantee identifying the issue as a clarification to address rather than a required modification. Specifically, the letter stated, “Your proposal is not serving the minimum number of apprentices based on funding level. Please provide your FPO with clarification on apprenticeship outcomes.” The grantee ended up submitting a modification to increase its number of expected apprentices. However, we found the corrective action listed in the modification did not adhere to other requirements in the FOA, and, ultimately, ETA should not have allowed it as a corrective action.

Because of the incorrect award amounts, ETA wasted funds it received from H-1B visas. By matching the grantee output with the correct award amount, we calculated that ETA could have put \$4.5 million to \$10 million¹⁰ of funds to better use in future grant programs.

INCORRECT TIMING OF COMPLIANCE REVIEWS IN GRANT LIFE CYCLE

ETA did not conduct the compliance reviews for the AAI grant program at the appropriate time of the grant life cycle. Instead of conducting them prior to grant award, ETA conducted them about three months after the period of performance started for the grant program and two months after making grant awards.

This occurred because ETA had insufficiently developed internal controls for its award process. As a result, the late compliance reviews prevented ETA from using information identified in the reviews to timely identify proposal deficiencies and either include them as a conditions of award or correct an inaccurate score

¹⁰ The range is based on the award ranges provided in the FOA table.

given to the proposal. Instead, ETA sent compliance letters to grantees listing mandatory modifications and clarifications. This can cause confusion to grantees that expect to see those as a condition of award.

INCORRECT SCORES GIVEN TO GRANTEE PROPOSALS

ETA's merit review panels scored grantee proposals incorrectly for a few scoring elements, which creates a risk of making awards to the wrong applicants. Our analysis of scoring related to our findings found the scores given to proposals were incorrect. For example, the FOA instructed giving zero points to applicants proposing a goal fewer than the goal in the FOA table. However, we found ETA's scoring panel gave zero points to only two of the eight grantees that were awarded amounts more than they should have. All eight grantees should have received zero points for this scoring element.

In addition, the scoring panel provided the maximum number of points to many grantees for their metrics. However, our earlier finding on grantees not effectively addressing the metrics showed the scores for the related scoring element(s) were incorrect.

These occurred because of insufficient reviews by the scoring panels and insufficient internal controls to identify and correct the mistakes, such as the incorrect timing of the compliance reviews and the inadequacy of those reviews.

Incorrect scoring can lead to incorrect rankings when making award selections, which could lead to grantees obtaining awards that would not have normally been selected for award if scored correctly. However, we did not evaluate whether the AAI selection process was impacted by these mistakes, as it would have involved reviewing around 180 proposals—which includes those not awarded grant agreements—and attempting to reconstruct the geographic distribution aspect used in the selection process. Nonetheless, the breakdown in the scoring process has created a risk that ETA needs to improve for future grant programs to avoid making awards to the wrong applicants.

INACCURATE REPORTING TO THE PUBLIC ABOUT THE AAI GRANT PROGRAM

GAO Green Book Principle #15 states, "Management should externally communicate the necessary quality information to achieve the entity's objectives." However, ETA overstated projections of expected apprentices in

reports to the public by approximately 15 percent to 21 percent when reporting on the AAI grant program during award phase.

In September 2015, the DOL/ETA issued a news release stating, in part, “The \$175 million in American Apprenticeship Grants that the President is announcing today will help train and hire more than 34,000 new apprentices.” We found nine other files and public websites referencing this same count of 34,000, such as a White House Office of the Secretary news release on October 2016 stating, “Investing an unprecedented \$175 million in American Apprenticeship Grants. In September 2015, DOL announced \$175 million in grants...The grantees are well on their way to creating more than 34,000 new apprentices.” Similarly, a key government website¹¹ sharing DOL’s priority goals stated, “The FY 2017 target is only partially based on the \$175 million American Apprenticeship grant investment which is expected to produce 34,000 new apprentices over the five year life-time of the grants.”

However, our review of an ETA spreadsheet on AAI grant awards, six dashboard reports created by ETA from the reporting system, and the 46 AAI grant agreements showed the total expected number of new apprentices was much lower, around 27,000 to 29,000. Because of this 5,000 to 7,000 apprentice count difference, we asked ETA how it came up with the 34,000 expected total in the press release. It told us, “The figure that the OIG is referencing was included in the award press release and is based on minimum served targets/enrollment from grantees’ [Statements of Work].” However, those files were already part of our analysis and we calculated the true amount to be 28,700 apprentices, still 5,300 apprentices less than the amount publicly reported by DOL/ETA.

This issue occurred because grantee proposals were not always clear and ETA did not have sufficient oversight on its external reporting, as it inappropriately used “participants served” in its calculations, which is a much broader definition than “apprentices registered”. A contributing cause was that ETA reported the total a month prior to issuing all of the AAI grant awards. Making these type of process errors a habit puts ETA at risk of incorrectly reporting in the future. For example, a situation may arise that the compliance reviews leads to changes in the grant awards, such as what should have happened for the AAI grant program. Early reporting would prevent ETA from incorporating these changes.

This overstatement example shows how even one instance of incorrect reporting by ETA led to multiple other sources restating the overstated projections. The list went as high as the White House. Incorrect reporting leads to inaccurate

¹¹ Performance.gov is a website maintained by the federal government and shows agency priority goals, which was “Expand Registered Apprenticeships” in this case.

perceptions by Congress and the public. It can also damage public trust in the government when the public later hears about errors or unmet expectations.

ETA and its grantees risk making additional errors in future reporting on the AAI metrics unless ETA improves its internal controls over reporting. For example, a grantee could count a person who starts as a pre-apprentice and then transitions into an apprentice as two participants instead of one for Metric #5. For Metric #7, a grantee could count a single person multiple times from categories of sex, race, disability, veteran, and low-skills. One grantee had already done this in one of its AAI grant modifications.

On a larger scale, ETA risks overstating participant counts when consolidating counts from its various grant programs because it encourages grantees to leverage resources, such as co-enrollment among various ETA grant programs to increase the impact of program outcomes. For example, we saw AAI grantees leveraging resources from other ETA programs, such as YouthBuild and Job Corps, for pre-apprenticeship services. This creates a risk that ETA is counting the same participants multiple times when reporting on total participants to the public from various grant programs or core programs. For example, an ETA presentation, “Workforce System Results,” for the quarter ending March 31, 2019, reported a total of participants comprised of Core Programs, Unemployment Insurance Programs, and Other Programs. The “Other Programs” category included participants from H-1B grant programs, YouthBuild, and apprenticeships, among others. Unless ETA identifies a single system or method to capture each participant only once among its various programs, there is a strong risk of ETA reporting overstated numbers to the public in the future.

OIG’S RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training Administration:

1. Improve funding opportunity announcements for discretionary grant programs by:
 - a. Evaluating program goals using the SMART concept or a similar approach, and including required metrics that directly measure the success of each program goal, are clear, and are easily verifiable;
 - b. Having a scoring element covering completeness of applicant proposals for items requested in the announcement that reduces in points when the proposal is missing an element(s), significantly

- changes the wording of an element(s), or incorrectly addresses an element(s); and
 - c. Identifying targeted occupations in the FOA language and/or scoring elements, or requiring submission of the career pathway to an H-1B occupation as support during apprenticeship program registrations or apprentice registrations.
2. Develop standard operating procedures for discretionary grant programs, which include internal controls resulting in ETA:
 - a. Identifying information needed from grantees for participant level data, quarterly reporting, or program evaluation, prior to submitting the information collection request to OMB;
 - b. Having a complete system and supporting documentation (e.g., user guide, data dictionary, business rules) ready by day one of the grant program with appropriate system controls;
 - c. Obtaining OMB approval numbers for any new information collections prior to collecting information from grantees, verifying the reporting system fields correlate to the approved OMB information collection request, and submitting violations timely to OMB; and
 - d. Conducting compliance reviews prior to awarding grants; using the review results to change applicant scoring or include a condition of award in applicable grants; awarding each grant prior to or on the start of each grantee's period of performance; and accurately reporting to the public on the grant program.
 3. Delete or oversee the deletion of duplicate apprentice and pre-apprentice records in the AAI reporting system, and populate missing or correct inaccurate Social Security numbers and contact information if the contractor can still use updated information for its AAI grant program evaluation.
 4. Provide training to ETA personnel on the key requirements and expected timeframes in submitting information collection requests to OMB.
 5. Submit ETA's violation of the Paperwork Reduction Act to OMB in the annual information collection budget for OMB control number 1205-0528.
 6. Develop a process to perform data analysis and other sufficient checks to verify completeness and accuracy of data in ETA systems and achievement of desired outcomes during grant programs.
 7. Establish internal controls to verify participant eligibility, verify submitted ETA Forms 671 (Program Registration and Apprenticeship Agreement) are the current OMB approved version and completed correctly, and encourage use of interim credentials when the form indicates a competency or hybrid model apprenticeship.

SUMMARY OF ETA'S RESPONSE

ETA agreed with six of our recommendations and discussed corrective actions it had been making in some of these areas since the AAI grant program started. However, ETA disagreed with Recommendation 3 to delete duplicate records in the AAI reporting system, and populate missing or correct inaccurate SSNs and contact information, because it said it does not and should not edit or delete data certified by grant recipients upon submission of their quarterly reports. In addition, ETA said it implemented numerous data checks in the reporting system during the life of the AAI grants, and, after being notified that some grant recipients were not reporting SSNs, its FPOs followed up with the grant recipients to ensure data was updated and reported accurately.

We made this recommendation to ETA because, as the awarding agency, it has responsibility for the data in the reporting system and oversees the grantees. To address this issue, ETA can either correct the data itself or oversee the grantees' correction of the data. We adjusted the recommendation accordingly. In addition, we added a paragraph to the report showing significant data issues still existed through March 2021, more than two years after ETA was notified of the data issues.

ETA's full response can be found in Appendix B.

We appreciate the cooperation and courtesies ETA extended us during this audit. OIG personnel who made major contributions to this report are listed in Appendix C.



Carolyn R. Hantz
Assistant Inspector General for Audit

APPENDIX A: SCOPE, METHODOLOGY, & CRITERIA

SCOPE

Our scope for the audit included 46 grants in the AAI grant program totaling around \$175 million. Our analyses covered ETA's planning and execution of the grant program. Our analyses generally covered grantee data input into the reporting system from the start of the grant program (October 1, 2015) through the reporting period ending March 31, 2019. However, we also relied on some ETA dashboard reports providing summary grantee data from the reporting system through December 31, 2020.

We interviewed personnel within ETA headquarters from the Office of Apprenticeship, Office of Financial Administration, Office of Foreign Labor Certification, Office of Grants Management, and Office of Workforce Investment. We also interviewed personnel at ETA's Regional Office in Philadelphia, Pennsylvania, and from the National Governors Association, who provided technical assistance to AAI grantees.

We interviewed six AAI grantees: Shenandoah Valley Workforce Investment in Harrisonburg, Virginia; Minnesota Department of Employment and Economic Development in Saint Paul, Minnesota; Economic Development and Industrial Corporation in Boston, Massachusetts; William Rainey Harper College in Palatine, Illinois; Homework Hangout Club in Decatur, Illinois; and Illinois Manufacturers' Association Education Foundation, in Springfield, Illinois. We also reviewed supporting documentation at the last three grantees in this list.

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 objective.

To answer our audit objective, we did the following:

- Reviewed public laws, United States Code, and DOL/ETA guidance related to grants, apprenticeship, and the Paperwork Reduction Act;
- Interviewed ETA headquarters and regional office personnel to learn about the AAI grant program and registered apprenticeship program;

- Interviewed AAI grantees to hear about their experiences with the AAI grant program and registered apprenticeship program;
- Analyzed data in the grantee reporting system to determine how well the AAI grant program met employers' needs shown in H-1B visas data and how well grantees created apprenticeships in H-1B occupations;
- Analyzed various planning aspects of the AAI grant program, such as how well ETA developed the program goals, metrics, and reporting system;
- Analyzed various execution aspects of the AAI grant program, such as the award process and the registered apprenticeship program; and
- Performed data analytics on the entire universe of data in the grantee performance system through quarter ending March 31, 2019, to identify performance issues.

We assessed the reliability of computer-processed data. Through our testing, we found the data in the reporting system was both incomplete and inaccurate. For completeness, there were key fields with missing data. For accuracy, there were key fields with inaccurate and highly questionable data due to incorrect format, dates prior to grant program, fake contact information, et cetera. However, this was the best available data. We addressed the completeness and accuracy issues in our report and made recommendations to correct them going forward, such as adding internal controls in the system and registered apprenticeship program.

CRITERIA

We used the following key criteria to answer our audit objective:

- American Competitiveness and Workforce Improvement Act of 1998, as amended
- Immigration and Nationality Act
- Title 2, CFR Part 200
- Title 29, CFR Parts 29, 30, and 96
- Paperwork Reduction Act
- Notice of Availability of Funds and Funding Opportunity Announcement for the American Apprenticeship Initiative (FOA-ETA-15-02), December 11, 2014
- U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, September 2014

APPENDIX B: AGENCY'S RESPONSE TO THE REPORT

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210



September 28, 2021

MEMORANDUM FOR: CAROLYN R. HANTZ
Assistant Inspector General for Audit

FROM: ANGELA HANKS AH
Acting Assistant Secretary

SUBJECT: Response to the Office of Inspector General Draft Audit Report No. 05-21-004-03-375, *ETA Did Not Sufficiently Plan and Execute the American Apprenticeship Initiative Grant Program*

Thank you for the opportunity to respond to the above-referenced Office of Inspector General (OIG) draft audit report. The draft audit report provides the Employment and Training Administration (ETA) the opportunity to reflect on how the H-1B American Apprenticeship Initiative (AAI) grants have been designed and implemented, as well as how future H-1B grants can be improved.

In reviewing the OIG's draft audit report, ETA acknowledges that there is always an opportunity to improve its processes related to the planning of Funding Opportunity Announcements (FOA) and the execution of awards. Furthermore, ETA shares the OIG's view that metrics that directly measure the success of each grant program should be clear, verifiable, and aligned with the broad goals of the grant program.

It is also apparent that ETA did not fully convey its expectations for targeted industries and occupations in the AAI FOA language and/or scoring elements to help reduce America's need for foreign workers under the H-1B visa program. ETA is committed to providing clarity related to H-1B occupations and/or industries in future H-1B FOAs and has been focused on continuously improving and clarifying the intent of H-1B grants in the five years since the AAI grants were awarded.

Response to the OIG Recommendations

The OIG made recommendations based on its review of various aspects of ETA's planning and execution of the AAI grant program, AAI data in the grant recipient performance system through the quarter ending March 31, 2019, and related aspects of the Registered Apprenticeship program. Each of the OIG's recommendations contained in the draft audit report are stated below, followed by ETA's response to each.

OIG Recommendation 1: Improve funding opportunity announcements for discretionary grant programs by:

- a. Evaluating program goals using the SMART concept or a similar approach, and including required metrics that directly measure the success of each program goal, are clear, and are easily verifiable;

- b. Having a scoring element covering completeness of applicant proposals for items requested in the announcement that reduces in points when the proposal is missing an element(s), significantly changes the wording of an element(s), or incorrectly addresses an element(s); and**
- c. Identifying targeted occupations in the FOA language and/or scoring elements, or requiring submission of the career pathway to an H-1B occupation as support during apprenticeship program registrations or apprentice registrations.**

ETA Response: ETA agrees that the FOAs for discretionary grants should continually be improved. Per the AAI FOA, ETA's intent for the AAI initiative was much broader, multifaceted, and not exclusively limited to helping reduce America's need for foreign workers under the H-1B visa program. The grant program goals described in the AAI FOA are:

- Support the expansion of quality and innovative American Apprenticeship training programs into high-growth occupations and industries for which employers are using H-1B visas to hire foreign workers and the related activities necessary to support such training (see Appendix A or Foreign Labor Certification Data Center at <http://www.foreignlaborcert.doleta.gov/performance/data.cfm>);
- Create career pathways that encompass American Apprenticeship programs and align American Apprenticeship with post-secondary education through innovative partnerships that leverage high-quality training and classroom-education opportunities;
- Utilize strategies that offer innovative approaches to significantly increase apprenticeship opportunities for all American workers, particularly underrepresented populations in apprenticeship (including women and minorities); low-skilled populations; and veterans, including transitioning service members, to prepare for and successfully enter careers that provide long-term employment and family-sustaining wages in high-skill, high-growth industries;
- Implement new and innovative public policies (at the regional, state, and local levels) or public-private partnerships that increase demand for American Apprenticeship; and
- Ensure that innovation forms the basis for broader change and sustainability that encourages employers to adopt and offer American Apprenticeship opportunities.

ETA agrees that the metrics that directly measure the success of each grant program should be clear and verifiable and aligned with the broader grant program goals. ETA has been using the Specific, Measurable, Achievable, Relevant, and Timely (SMART) model for developing grant outcomes and outputs for FOAs subsequent to the publication of the AAI FOA.

With regard to the portion of the recommendation related to having a scoring element covering completeness of applicant proposals, this is just one approach ETA is currently using. Depending on the requirements of the FOA, ETA assigns point values to all scoring factors within each of the scoring sections; this is the case with most H-1B FOAs. For example, the H-1B One Workforce Grant Program (FOA-ETA-20-13,¹ published on September 24, 2020) provided points for each of the factors and sub-factors within each scoring criterion. Another approach that ETA currently uses, depending on the FOA requirements, is an enhanced pre-screen process to remove an application from further consideration in the initial stage of the review process if a critical application component is missing.

¹ https://www.dol.gov/sites/dolgov/files/ETA/grants/pdfs/H-1B_OneWorkforceGrantProgram_FOA-ETA-20-13.pdf

Finally, with regard to the last portion of the OIG’s recommendation—that ETA identify targeted occupations in the FOA language and/or scoring elements or require submission of the career pathway to an H-1B occupation as support during apprenticeship program registrations or apprentice registrations—ETA is committed to ensuring clarity in future H-1B FOAs related to H-1B occupations and/or industries. ETA has focused on continuously improving and clarifying the occupational training intents in more recent years’ H-1B FOAs. For example, in the following excerpt from the *Apprenticeships: Closing the Skills Gap* (FOA-ETA-19-09,² published on June 24, 2019), ETA clearly defines what it means for applicants to train individuals for H-1B industries and occupations and specifies two options for grant recipients to use to ensure training supports allowable occupations and industries that may be served through the grant, including specific guidance for aligning their training activities with those occupations and industries for which employers are requesting H-1B visas. Under this FOA, applicants could propose occupations that aligned with one of the two options outlined below:

- **Option 1:** *Occupations in an H-1B industry—Applicants may choose to expand apprenticeships in an H-1B industry. An H-1B industry is an industry in which the Department has certified H-1B visas for occupations in that industry. The list of H-1B industries that are acceptable for applications is found in Appendix A. These industries are the information technology (IT) and IT-related industries, healthcare, and advanced manufacturing. Applicants may propose occupations across one or more H-1B industries, target multiple occupations within an H-1B industry, or narrow their focus to a specific occupation within an H-1B industry.*
 - *If using Option 1, applicants that do not clearly identify they are serving one of the H-1B industries identified in Appendix A will be found non-responsive and will not be considered.*
- **Option 2:** *H-1B occupations – Applicants may choose to target a specific H-1B occupation(s) for which a significant number of H-1B visas have been certified, even if that occupation is not in one of the identified H-1B industries listed in Appendix A. If this occupation is not within the H-1B industries identified in Appendix A, the application must provide data showing that the H-1B occupation is one for which a significant number of H-1B visas have been certified. Applicants must use verifiable data to make this demonstration, such as data provided by [the U.S. Department of Labor’s (Department)] Foreign Labor Certification Data Center. Applicants may propose to serve more than one H-1B occupation. The Department is particularly interested in expanding apprenticeships in cybersecurity and [Artificial Intelligence] occupations.*
 - *If using Option 2, applicants that do not demonstrate they are proposing to serve an H-1B occupation and provide justification for a specific H-1B occupation(s) on the application will be found non-responsive and will not be considered.*

More recently, with the H-1B One Workforce Grant Program (grants awarded in January 2021), ETA refined the list of H-1B industries to align with the goals of the grant program by narrowing the focus further than what is required under statute, stating in Appendix A of the FOA:

For the purposes of this FOA, applicants will identify occupations within H-1B industries that are using a significant number of visas to hire foreign workers. Applicants should review the below list of industries that are using H-1B visas to hire foreign workers to

² <https://www.dol.gov/sites/dolgov/files/ETA/grants/pdfs/FOA-ETA-19-09.pdf>

assist your program alignment. These jobs can fall within a single H-1B industry, or may cross more than one H-1B industry.

These are the H-1B industries that we have identified as permissible for applicants to target under this grant competition:

- *IT and IT-related industries*
- *Advanced Manufacturing;*
- *Professional Services (encompassing engineering and surveying occupations)*

With these improvements to its H-1B FOAs, ETA believes that it has fully addressed the OIG's recommendation and respectfully requests that the OIG consider this recommendation for closure.

As ETA continues to provide more context and clarification on allowable H-1B occupations, it is also important that ETA maintains the flexibility to focus within particular in-demand industries that rely on H-1B visas to ensure that ETA is providing training that is adaptive to the needs of employers and industries. ETA will continue to support this work through technical assistance to grant recipients.

OIG Recommendation 2: Develop standard operating procedures for discretionary grant programs, which include internal controls resulting in ETA:

- a. **Identifying information needed from grantees for participant level data, quarterly reporting, or program evaluation, prior to submitting the information collection request to OMB;**
- b. **Having a complete system and supporting documentation (e.g., user guide, data dictionary, business rules) ready by day one of the grant program with appropriate system controls;**
- c. **Obtaining OMB approval numbers for any new information collections prior to collecting information from grantees, verifying the reporting system fields correlate to the approved OMB information collection request, and submitting violations timely to OMB; and**
- d. **Conducting compliance reviews prior to awarding grants; using the review results to change applicant scoring or include a condition of award in applicable grants; awarding each grant prior to or on the start of each grantee's period of performance; and accurately reporting to the public on the grant program.**

ETA Response: ETA agrees that, ideally, reporting requirements and systems would be in place on day one of a grant program. However, this typically is not feasible given the requirement to rapidly develop and obligate grant funds before the obligation period expires while also needing to seek comprehensive and multi-level clearance for the development of performance reporting requirements for new discretionary grant programs and develop the corresponding reporting system.

That said, ETA is committed to process improvements related to the timely development of grant recipient reporting systems. As a part of these efforts, ETA has developed and implemented a new reporting system—the Workforce Integrated Performance System (WIPS)—that officially launched on October 1, 2016. WIPS includes extensive data validation edit checks to ensure complete and accurate data is reported. ETA has since received Office of Management and Budget (OMB) approval to allow all Office of Apprenticeship grants to report quarterly grant

performance data to ETA through WIPS. This ensures that a grant recipient reporting system is in place for new H-1B grants and apprenticeship grant programs in a timely manner. Further, as part of the WIPS rollout, ETA has been able to develop extensive technical assistance materials (e.g., reporting handbooks, data element validation rules, trainings, etc.) to support H-1B grant recipients in understanding performance reporting requirements from the start of their grant period of performance (see <https://h1bskillstraining.workforcegps.org/resources/2017/06/08/12/17/H-1B-Performance-Reporting-Resources> for an example of recent WIPS performance reporting technical assistance materials).

In addition and since the AAI grants were awarded, ETA has made significant improvements in the compliance review process for new grant programs to ensure that all grants awarded comply with the FOA and other applicable regulations. This includes reviewing targeted H-1B occupations and industries proposed in grant applications, checking that minimum participant service levels meet FOA requirements, reviewing other key grant requirements, and placing appropriate conditions of award on grants when compliance issues are identified. ETA will continue to work towards ensuring compliance reviews are conducted in a timely manner, to the extent possible, given funding cycles and other announcement priorities. Compliance reviews will take place as early as possible during the grant period of performance; however, due to the need to obligate grant funds in a timely manner, it will rarely be prior to the award of the grants. ETA will make every effort to award grants prior to the start of the grant period of performance and ensure that outcomes publicly announced reflect the numbers shown in the grant applications.

OIG Recommendation 3: Delete duplicate apprentice and pre-apprentice records in the AAI reporting system, and populate missing or correct inaccurate Social Security numbers and contact information if the contractor can still use updated information for its AAI grant program evaluation.

ETA Response: ETA respectfully disagrees with this finding. ETA does not and should not edit or delete data certified by grant recipients upon submission of their quarterly reports. However, ETA agrees that additional data checks could be incorporated into the grant recipient reporting system to support more accurate reporting. In fact, during the life of the AAI grants, ETA did implement numerous data checks in the AAI reporting system to ensure valid and required data was reported. Further, while ETA cannot view or access any Personally Identifiable Information reported by grant recipients, such as Social Security numbers (SSN), upon notification that some grant recipients were not reporting SSNs in accordance with the grant requirements, ETA's Federal Project Officers (FPO) followed up with the grant recipients to ensure this data was updated and reported accurately.

ETA is committed to process improvement and will continue to provide technical assistance to grant recipients on reporting all required data accurately in quarterly reports, as well as implementing and improving data checks in grant recipient reporting systems. As mentioned in ETA's response to Recommendation 2, as a part of these efforts, ETA has developed and implemented a new reporting system—WIPS—that officially launched on October 1, 2016. WIPS includes extensive data validation edit checks to ensure complete and accurate data is reported. ETA has since received OMB approval to allow all Office of Apprenticeship grants to report quarterly grant performance data to ETA through WIPS.

OIG Recommendation 4: Provide training to ETA personnel on the key requirements and expected timeframes in submitting information collection requests to OMB.

ETA Response: By the end of Fiscal Year 2022, ETA will ensure its Paperwork Reduction Act (PRA) points of contact receive training, which will cover an overview of the requirements for PRA, including the expected timeframes in submitting timely information collection requests (ICR) to OMB.

OIG Recommendation 5: Submit ETA's violation of the Paperwork Reduction Act to OMB in the annual information collection budget for OMB control number 1205-0528.

ETA Response: Prior to the OIG bringing this concern to ETA's attention, ETA believed it was following proper PRA protocol, as ETA was transparent in its intent to collect performance information in the AAI FOA (FOA-ETA-15-02³), as well as in the ICR package for OMB Control Number 1205-0528, both of which were approved by OMB.

The FOA informed applicants that grant recipients would be required to submit quarterly reports within 45 days after the end of each calendar year quarter, which was followed by the ICR performance reporting package ETA submitted for the AAI grants in 2017. The ICR supporting statement referenced that the OMB-approved AAI FOA (approved in 2015—OMB Control Number 1225-0086) outlined that, in applying for an AAI grant, grant recipients agreed to submit participant-level data and aggregate reports on apprentices and on participants in pre-apprenticeship programs and other outcomes related to the FOA to the Department on a quarterly basis.

However, after further review of the OIG's reasoning, ETA now agrees with the OIG that there once was a PRA violation, although this situation has since been rectified by a currently active OMB approval for this data collection. Prior to the end of Calendar Year 2021, ETA will submit this past PRA violation to the Office of the Chief Information Officer, which manages PRA for the Department, for inclusion in the Annual Information Collection Budget to OMB.

OIG Recommendation 6: Develop a process to perform data analysis and other sufficient checks to verify completeness and accuracy of data in ETA systems and achievement of desired outcomes during grant programs.

ETA Response: ETA agrees that a process to perform data analysis and other sufficient checks to verify completeness and accuracy of data in ETA systems and the achievement of desired outcomes during grant programs is essential to effective grants management. As noted in the responses to Recommendations 2 and 3 above, subsequent to the AAI grants, ETA has developed and implemented a new reporting system—WIPS—that officially launched on October 1, 2016. WIPS includes extensive data validation edit checks and systems to ensure complete and accurate data is reported. ETA has since received OMB approval to allow all Office of Apprenticeship grants to report quarterly grant performance data to ETA through WIPS.

Additionally, ETA has improved internal processes to ensure that grant performance data is reviewed and analyzed on a regular basis. Improvements include the establishment of grant performance teams who actively work on identifying technical changes to WIPS to improve the

³ <https://www.dol.gov/sites/dolgov/files/ETA/grants/pdfs/FOA-ETA-15-02.pdf>

accuracy and completeness of performance data submitted by grant recipients; providing on-going performance reporting technical assistance to grant recipients; and reviewing the performance outcomes of programs and individual grant recipients on a quarterly basis to identify any data issues that need to be addressed either by specific grant recipients or the program as a whole.

OIG Recommendation 7: Establish internal controls to verify participant eligibility, verify submitted ETA Forms 671 (Program Registration and Apprenticeship Agreement) are the current OMB approved version and completed correctly, and encourage use of interim credentials when the form indicates a competency or hybrid model apprenticeship.

ETA Response: ETA agrees that ensuring grant recipients determine participant eligibility appropriately under AAI grants is important. ETA has provided guidance to AAI grant recipients on eligibility requirements and routinely reviews grant recipient documentation related to participant eligibility when ETA conducts grant monitoring. ETA has a Core Monitoring Guide, which includes an indicator on participant eligibility/enrollment (Indicator 1.e.3) that FPOs and other reviewers can include in the scope of their monitoring review to ensure grant recipients adhere to eligibility requirements when enrolling participants.

Further, ETA will ensure that when existing forms are updated—including the Program Registration and Apprenticeship Agreement (ETA Form 671)—grant recipients who also serve as program sponsors are notified to ensure they are using the most up-to-date approved forms for program registration.

Finally, ETA agrees with the OIG’s statement that the use of interim credentials as part of Registered Apprenticeship programs can be beneficial and encourages program sponsors to incorporate them into Registered Apprenticeship models, as appropriate, for the specific occupation. However, ETA notes that interim credentials were not a required outcome for the AAI grant program.

APPENDIX C: ACKNOWLEDGMENTS

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