

**INVESTING IN A SKILLED WORKFORCE: MAKING
THE BEST USE OF TAXPAYER DOLLARS TO
MAXIMIZE RESULTS**

HEARING

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT AND WORKPLACE
SAFETY

OF THE

COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS

UNITED STATES SENATE

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ON

EXAMINING A SKILLED WORKFORCE, FOCUSING ON MAKING THE BEST
USE OF TAXPAYER DOLLARS TO MAXIMIZE RESULTS

SEPTEMBER 23, 2008

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INVESTING IN A SKILLED WORKFORCE: MAKING THE BEST USE OF TAXPAYER DOLLARS TO MAXIMIZE RESULTS

TUESDAY, SEPTEMBER 23, 2008

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND WORKPLACE SAFETY,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:00 a.m. in room SD-430, Dirksen Senate Office Building, Hon. Patty Murray, chairman of the subcommittee, presiding.

Present: Senators Murray and Isakson.

OPENING STATEMENT OF SENATOR MURRAY

Senator MURRAY. Good morning. This hearing of this subcommittee will come to order.

Today's hearing examines just how well the Department of Labor is managing public dollars intended to pay for workforce development. I want to thank all of our witnesses for being here today, and I would also like to thank Senator Isakson for working with me on a bipartisan basis to hold this hearing. As always, I really appreciate your work on this subcommittee.

A few years ago, a Congressional Research Service report sparked several investigations into Labor's management practices with regards to grants under the President's new demand-driven initiatives. A series of audits by the Labor Department's inspector general, as well as the report from the Government Accountability Office, confirmed what CRS found. Labor's management of public workforce dollars was questionable at best.

Beginning in 2001, the Employment and Training Administration at DOL began issuing grants under the umbrella of this new initiative. The process was meant to reshape the public workforce system created largely by the Workforce Investment Act of 1998.

By 2007, ETA had issued nearly \$900 million in grants under these initiatives, but the investigators found it did so with unclear connections to legislative authority and requirements for the use of these funds, unclear explanations for awarding a significant amount of funds noncompetitively, unclear description of the purposes of these grants were meant to serve, and an unclear process for accountability, both for the grant recipients and for the Department of Labor.

The workforce development community, Congress, and the American taxpayer deserve better from our Government agencies, and

that is why we are having this hearing here today. We want to understand why the Department failed to make clear connections between the more than \$900 million they invested in these projects and their value for workers and taxpayers. We want to know what actions the Department has taken to correct these problems, what remains to be done, and how the next administration can be a better steward of taxpayer dollars and Congress's trust.

There are some who are more than willing to overlook the agency's actions. After all, these are only experimental grant projects, and the intent behind the initiative sounds laudable.

The initiatives—specifically, the High-Growth Job Training Initiative, Community-Based Job Training grants, and the Workforce Innovation and Regional Economic Development Initiative—seem to share a common approach, partnering the existing publicly funded workforce system with key members of the business, education, and economic development communities.

But when we compare that to the almost \$1.7 billion that has been slowly drained from the public workforce system at the recommendation of this Administration, Congress must ask the Department what kind of return on investment the American taxpayer and worker get for their \$900 million in grants under the agent's marquee workforce programs? Will it ever be able to prove their value, as compared to existing employment and training programs? And why did the Department think so little of its signature programs that it failed to strategically plan for or adequately evaluate their effectiveness?

With scarce public funds available, leveraging resources from other groups interested in job training is an idea that I think we can all agree is promising. Unfortunately, the Department likely will never be able to fully prove the effectiveness of these programs to policymakers or to taxpayers. In the end, the Department's lack of transparency adds up to what some would say is nothing more than a slush fund for the agency.

It leaves a cloud over the public's ability to clearly understand the intent behind these grants and their value to taxpayers, workers, and industry. And it does little to develop new knowledge about how we can improve the current workforce system so that it better connects to regions where many industries, investors, workers, schools, R&D entities, and others join forces to create competitive advantages and more jobs.

As we look forward to a new administration, it is our goal to understand what can be done better. After all, this is money that is supposed to be used on policies and practices that help our economy. And taxpayers should expect that the Government will make smart investments with their money and that it will be held accountable for how it uses those dollars.

Today, I am looking forward to hearing from our witnesses about this important issue. We are joined by George Scott. He is the director of education, workforce, and income security issues at the Government Accountability Office. Elliot Lewis is the assistant inspector general at the Labor Department. And Brent Orrell, who is deputy assistant secretary in the Employment and Training Administration at Labor.

Again, I would like to thank all of you for being here today.

And with that, before we hear from our first witness, I will turn it over to recognize Senator Isakson for his opening statement.

OPENING STATEMENT OF SENATOR ISAKSON

Senator ISAKSON. Well, thank you very much, Chairman Murray. And welcome to all of our guests who are here to testify today.

When Congress passed the Workforce Investment Act in 1998, it created a new comprehensive workforce investment system. Part of WIA, as it is called, provided authority for the Employment and Training Administration to design demonstration and pilot projects.

The Bush administration has developed and implemented three demand-driven initiatives designed to address the 21st century workforce—high growth, community based, and WIRED. All seek to partner the Government workforce system with business executives, education and training providers, and State economic development agencies.

Since 2001, the Department of Labor has awarded approximately 430 grants, totaling almost \$1 billion in these three initiatives. Certainly, we all share the goal of the programs to prepare workers with the skills they need to succeed in an ever more globalized labor market. Business leaders in Georgia and across the Nation often tell me of the need for workers with 21st century skills.

Just as Congress asked future administrations to create new and innovative workforce training programs, we also urged them to continually evaluate the impact of these programs. The GAO and OIG reports allow us to revisit the effectiveness of employment and training grants. Federal dollars are scarce. Monitoring and oversight of DOL grantees is necessary to ensure the efficient use of the taxpayers' money.

Moreover, if taxpayers are going to invest their money in these programs, they deserve to have a way to measure the results. Requiring outcome data statistics measuring the effectiveness of how employment and training grant money is utilized provides measurable results and is simply the right thing to do.

I remain a huge proponent of transparency in government. Transparency as to program funding is essential to ensure public confidence in the agency and in the Government and the programs it recommends. With regard to noncompetitive grants, the decision-making process used to determine who receives awards should be well documented. Transparency, sunshine, and disclosure ought to be a cornerstone of each agency's standard operating procedure.

I thank you, Chairman Murray, for calling the hearing, and I look forward to hearing the testimony of our witnesses.

Senator MURRAY. Thank you very much, Senator Isakson.

We will begin with Mr. Scott and your testimony.

STATEMENT OF GEORGE A. SCOTT, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC

Mr. SCOTT. Madam Chair and Ranking Member Isakson, I am pleased to be here today to discuss the Department of Labor's high-growth, community-based, and WIRED grant initiatives.

As you know, federally funded training and employment services under the Workforce Investment Act are delivered through the One-Stop system. Since 2001, Labor has spent almost \$900 million on these grant initiatives to address what it perceived as shortcomings in the One-Stop system.

My testimony summarizes the key findings from our May 2008 report, which discusses the purpose of the grant initiatives and whether Labor will be able to determine their impact, the extent to which the grant award process was adequately documented, and steps Labor is taking to monitor grantee compliance.

In summary, according to Labor officials, the grant initiatives were designed to shift the focus of the public workforce system toward the training and employment needs of high-growth, in-demand industries. Labor, however, will be challenged to assess the impact of these efforts.

The grant initiatives were not fully integrated into Labor's strategic plan or overall research agenda, making it unclear what criteria Labor will use to evaluate their effectiveness. Furthermore, the Department lacks data that will allow it to compare outcomes for grant-funded services to those of other federally funded employment and training services.

We recommended that Labor take steps to ensure that it could evaluate the impact of the initiatives. However, Labor indicates that the initiatives have their own evaluations and does not plan to include them in its broader assessment of the impact of employment and training services.

While grants under all three initiatives are now awarded competitively, more than 80 percent of high-growth grants, totaling over \$263 million, were awarded without competition. Labor cannot document the criteria it used to select the noncompetitive grants or whether these grants met statutory requirements. The noncompetitive award process and the lack of documentation of key decisions raises questions about whether the grants selected were the best possible projects.

In response to a report from its inspector general, Labor took steps to strengthen the noncompetitive process. Based on our review, we recommended that Labor identify and document compliance with statutory requirements for noncompetitive grants. In response to our recommendation, Labor has now modified its review forms used in its noncompetitive process to include such documentation.

Another issue related to the grant awards process was that meetings Labor held to identify solutions for high-growth industry workforce challenges did not include the vast majority of local workforce investment boards. We found that only 26 of the roughly 650 local workforce boards were included in these key meetings with Labor. Ultimately, these meetings also served as incubators for grant proposals.

Labor officials said that they went to great lengths to include workforce system participants, but found only a few boards operating innovative, demand-driven programs. Despite this concern, being present at the meetings could have been beneficial to workforce boards. Broader participation of such key stakeholders is im-

portant, given that these boards are central to the workforce system.

Finally, we found that Labor provided some monitoring for grantees under all three initiatives and uses a risk-based monitoring approach for the high-growth and community-based grants. This monitoring strategy involves conducting site visits based on a number of factors, including the grantee's risk level and availability of resources.

At the time of our work, Labor had monitored about half of the high-growth grants and over one quarter of the community-based grants. However, there was no risk-based monitoring approach for WIRED, and we recommended that Labor establish such monitoring. Labor has now documented steps it has taken to implement a risk-based monitoring process for WIRED and plans to develop a schedule to review the grants.

In conclusion, Labor has taken steps to address two of the three recommendations in our recent report. It has outlined steps to better document compliance with requirements for noncompetitive grants and initiated the process for risk-based monitoring of WIRED grants. However, we have not yet assessed the sufficiency of these efforts.

While Labor has plans underway to evaluate the grant initiatives, it is important that Labor take steps to determine to what extent, if at all, these initiatives improve employment outcomes. In light of the challenges Labor will face in assessing the impact of these efforts, continued oversight is warranted.

This concludes my statement, and I would be happy to respond to any questions you or other members of the subcommittee may have at this time.

Thank you.

[The prepared statement of Mr. Scott follows:]

PREPARED STATEMENT OF GEORGE A. SCOTT

HIGHLIGHTS OF GAO-08-1140T

WHY GAO DID THIS STUDY

Since 2001, Labor has spent nearly \$900 million on the High Growth Job Training Initiative (High Growth), Community-Based Job Training Initiative (Community Based), and the Workforce Innovation in Regional Economic Development (WIRED). This testimony addresses: (1) the intent of the grant initiatives and the extent to which Labor will be able to assess their effects; (2) the extent to which the process used competition, was adequately documented, and included key players; and (3) what Labor is doing to monitor individual grantee compliance with grant requirements. This testimony is based on GAO's May 2008 report (GAO-08-486) and additional information provided by the agency in response to the report's recommendations. For that report, GAO reviewed Labor's strategic plan, documents related to evaluations of the initiatives, internal procedures for awarding grants, relevant laws, and monitoring procedures, and conducted interviews.

WHAT GAO RECOMMENDS

In May 2008, GAO recommended that Labor take steps to ensure that it can evaluate the initiatives' impact, document compliance with statutory program requirements for noncompetitive grant awards, and develop and implement a risk-based monitoring approach for WIRED grants. Labor documented steps to implement the last two recommendations. This statement contains no new recommendations.

EMPLOYMENT AND TRAINING PROGRAM GRANTS (LABOR HAS OUTLINED STEPS FOR ADDITIONAL DOCUMENTATION AND MONITORING BUT ASSESSING IMPACT STILL REMAINS AN ISSUE)

WHAT GAO FOUND

According to Labor officials, the grant initiatives were designed to shift the focus of the public workforce system toward the training and employment needs of high-growth, in-demand industries, but Labor will be challenged to assess their impact. Under the initiatives, Labor awarded 349 grants totaling almost \$900 million to foster this change. However, the grant initiatives were not fully integrated into Labor's strategic plan or overall research agenda, so it is unclear what criteria Labor will use to evaluate their effectiveness. Labor lacks data that will allow it to compare outcomes for grant-funded services with those of other federally funded employment and training services. GAO recommended that Labor take steps to ensure that it could evaluate the initiatives' impact, but its response to our recommendation suggests that conditions remain much as they were when GAO did its audit work.

While grants under all three initiatives are now awarded competitively, the initial noncompetitive process for High Growth grants was not adequately documented. Community-Based and WIRED grants have always been awarded competitively, but more than 80 percent of High Growth grants were awarded without competition. Labor could not document criteria used to select the noncompetitive High Growth grants or whether these grants met internal or statutory requirements. In response to the report recommendation, Labor modified review forms used in its noncompetitive process to include documentation of statutory requirements; however, GAO has not evaluated the sufficiency of these changes. Another issue related to the process was that meetings Labor held to identify solutions for industry workforce challenges did not include the vast majority of local workforce investment boards.

Labor provides some monitoring for grantees under all three initiatives and uses a risk-based monitoring approach for the High Growth and Community-Based grants. However, when GAO conducted its audit work there was no risk-based monitoring approach for WIRED, and therefore recommended that Labor establish one. In response to the report recommendation, Labor documented steps it has taken to put a monitoring approach in place for WIRED grants. GAO has not reviewed the sufficiency of these steps.

No. of Grants and Funds Awarded Competitively and Noncompetitively, Fiscal Years 2001–2007
[Dollars in millions]

Grant initiative		Competitively awarded amount	Noncompetitively awarded amount	Totals by grant initiative
High Growth	166	\$31.8	\$263.8	\$295.6
Community Based	142	250.0	0	250.0
WIRED	41	324.0	0	324.0
Total	349	\$605.8	\$263.8	\$869.6

Source: GAO analysis of U.S. Department of Labor grants data.

Note: Total dollar amount varies from Labor's reported figure due to rounding.

Madam Chairman and members of the subcommittee, I am pleased to be here today to discuss the High Growth Job Training (High Growth), the Community-Based Job Training (Community Based), and the Workforce Innovation in Regional Economic Development (WIRED) initiatives. Since 2001, the Department of Labor (Labor) has spent almost \$900 million on these three employment and training grant initiatives to address what it perceived as shortcomings in the one-stop service delivery system.¹ My testimony today focuses on (1) the intent of the grant initiatives and the extent to which Labor will be able to assess their effects; (2) the extent to which the process used competition, was adequately documented, and included key players; and (3) what Labor is doing to monitor individual grantee compliance with grant requirements. My testimony today is based primarily on findings

¹ Federally funded training and employment services are delivered through what is known as the one-stop system, which was developed under the Workforce Investment Act (WIA) of 1998 and is governed by State and local workforce investment boards. Sixteen categories of programs, funded by four Federal agencies, deliver their services through this system. Under WIA, Labor has general responsibility and oversight of the one-stop system.

from our May 2008 report,² and additional information provided by the agency in response to the report's recommendations. Those findings were based on multiple methodologies including a review of Labor's strategic plan, documents related to evaluations of the initiatives and their purpose, internal procedures for awarding grants, relevant laws, and monitoring procedures. We also interviewed relevant Labor officials and persons with recognized workforce and training expertise. We conducted that performance audit from May 2007 to May 2008 in accordance with generally accepted government auditing standards.

In summary, according to Labor officials, the grant initiatives were designed to shift the focus of the public workforce system toward the training and employment needs of high-growth, in-demand industries, but Labor will be challenged to assess their impact. The grant initiatives were not fully integrated into Labor's strategic plan or overall research agenda, making it unclear what criteria Labor will use to evaluate their effectiveness, and Labor lacks data that will allow it to compare outcomes for grant-funded services to those of other federally funded employment and training services. We recommended that Labor take steps to ensure that it could evaluate the impact of the initiatives. Labor's response to our recommendation suggests that conditions remain much as they were when we did our audit work. While grants under all three initiatives are now awarded competitively, more than 80 percent of High Growth grants were awarded without competition. Moreover, Labor could not document criteria used to select the noncompetitive High Growth grants or whether these grants met internal or statutory requirements. In response to a report from its Inspector General, Labor took steps to strengthen the noncompetitive process, but these procedures did not explicitly require documentation of compliance with statutory program requirements. In response to our recommendation, Labor modified its review forms used in its noncompetitive process to include such documentation. We have not reviewed the sufficiency of these changes. Another issue related to the process was that meetings Labor held to identify solutions for industry workforce challenges did not include the vast majority of local workforce investment boards, even though WIA makes these boards central to the workforce system. Finally, Labor provides some monitoring for grantees under all three initiatives and uses a risk-based monitoring approach for the High Growth and Community-Based grants. When we conducted our audit work, there was no risk-based monitoring approach for WIRED, and we recommended Labor establish one. In response to our recommendation, Labor documented steps it has taken to put a monitoring process for WIRED in place. We have not reviewed the sufficiency of these steps.

BACKGROUND

When it was enacted in 1998, WIA created a new, comprehensive workforce investment system designed to change the way employment and training services are delivered. Under WIA, each State designates local workforce investment areas across the State. Each local area is governed by local workforce investment boards that make decisions about the number and location of one-stop career centers, where partner programs make their services and activities available. Local boards are required to promote employers' participation in the workforce investment system and assist them in meeting hiring needs. Training services provided must be directly linked to occupations in demand in the local area. WIA requires States and localities to track the performance of WIA-funded activities and Labor to hold States accountable for their performance in the areas of job placement, employment retention, and earnings change.

The Employment and Training Administration (ETA) oversees the High Growth, Community-Based, and WIRED grant initiatives. The vast majority of these grants are awarded under a provision of WIA,³ which provides authority for demonstration, pilot, multiservice, research, and multistate projects, and a provision of the American Competitiveness and Workforce Improvement Act (ACWIA),⁴ which provides authority for job training grants funded by the H-1B visa program.^{5 6}

²GAO, *Employment and Training Program Grants: Evaluating Impact and Enhancing Monitoring Would Improve Accountability*, GAO-08-486. (Washington, DC: May 7, 2008.)

³29 U.S.C. § 2916.

⁴29 U.S.C. § 2916a.

⁵This program imposes a fee on employers that hire foreign workers to fill positions in specialized professions such as computer technology.

⁶The High Growth Job Training Initiative was funded under both WIA and ACWIA provisions; the Community-Based Job Training Grants were funded under the WIA provision, and WIRED grants were funded under ACWIA. The High Growth grants were awarded under WIA as pilots and demonstrations. The WIA provision requires that grants provide direct services to

Continued

Labor is required to conduct impact evaluations of its programs and activities carried out under WIA, including pilot and demonstration projects.⁷ While impact evaluations make it possible to isolate a program's effect on participants' outcomes, there are several ways to conduct them, including experimental and quasi-experimental methods.⁸ In 2004⁹ and 2007,¹⁰ GAO recommended that Labor comply with WIA requirements to conduct an impact evaluation of WIA services to determine what services are most effective for improving employment-related outcomes. Labor agreed with our recommendation. In December 2007, the agency announced it had begun a quasi-experimental evaluation—an impact evaluation that does not use a control group—of the WIA Adult and Dislocated Worker programs, with a final report expected in November 2008.

Federal law recommends, but does not require, that all grants be awarded through competition. The Federal Grant and Cooperative Agreement Act encourages competition in grant programs, where appropriate, to ensure that the best possible projects are funded.¹¹ In addition, Labor's own guidance governing procurement and grant operations—the Department of Labor Manual Series—states that competition is recommended, unless one or more of eight exceptions apply.¹² Further, a guide on improving grant accountability developed by the Domestic Working Group Grant Accountability Project recommends grants be awarded competitively because competition facilitates accountability, promotes fairness and openness, and increases assurance that grantees have the systems in place to efficiently and effectively use funds to meet grant goals.¹³

Effective monitoring is also a critical component of grant management. The Domestic Working Group's suggested grant practices state that financial and performance monitoring is important to ensure accountability and the attainment of performance goals. Labor monitors most grants through a risk-based strategy based on its *Core Monitoring Guide*. A key goal is to determine compliance with specific program requirements. In addition, entities receiving Labor grants are subject to the provisions of the Single Audit Act if certain conditions are met.¹⁴ A single audit is an organization-wide audit that covers, among other things, the recipient's internal controls and its compliance with applicable provisions of laws, regulations, contracts, and grants.

GRANTS ARE INTENDED TO CHANGE THE WORKFORCE SYSTEM, BUT LABOR WILL BE
CHALLENGED TO EVALUATE THEIR IMPACT

According to Labor officials, the grant initiatives are designed to change the focus of the public workforce system to emphasize the employment and training needs of high-growth, high-demand industries, but Labor will be challenged in assessing their impact. For the three grant initiatives, Labor awarded 349 grants totaling almost \$900 million that were intended to bring about this change by identifying the workforce and training needs of growing, high-demand industries; engaging work-

individuals, include an evaluative component, and are made to entities with recognized expertise. The ACWIA provision requires Labor to identify industries and economic sectors projected to experience significant growth. In addition, the ACWIA provision requires Labor to use H-1B funds to award grants to entities to provide job training and related activities, ensure that grants are equitably distributed geographically, and ensure that training activities funded by such grants are coordinated with the workforce investment system.

⁷This includes activities carried out under section 171.

⁸In evaluating the impact of programs, outcome data from the program are compared with a baseline. Considered the most rigorous method for conducting impact evaluations, the experimental method randomly assigns participants to two groups—one that receives a program service (or treatment) and one that does not (control group). The resulting outcome data on both groups are compared, and the difference in outcomes between the groups is taken to demonstrate the program's impact. In a quasi-experimental approach, program participation is not randomly assigned, but outcome data for individuals who participated in a program are compared with others who did not.

⁹GAO, *Workforce Investment Act: States and Local Areas Have Developed Strategies to Assess Performance, but Labor Could Do More to Help*, GAO-04-657 (Washington, DC: June 1, 2004).

¹⁰GAO, *Veterans' Employment and Training Service: Labor Could Improve Information on Re-employment Services, Outcomes, and Program Impact*, GAO-07-594 (Washington, DC: May 24, 2007).

¹¹31 U.S.C. § 6301(3).

¹²Department of Labor Manual Series 2-836(G)—Exclusions and Exceptions to Competitive Procedures for grants and cooperative agreements.

¹³The Domestic Working Group Grant Accountability Project, *Guide to Opportunities for Improving Grant Accountability*, October 2005. The group was composed of representatives from Federal, State, and local audit organizations, including Labor's inspector general.

¹⁴*OMB Circular A-133*, which implements the Single Audit Act (31 U.S.C. §§ 7501-7507), requires nonfederal entities that expend \$500,000 or more in Federal funds to have a single or program-specific audit conducted for that year.

force, industry, and educational partners to develop innovative solutions to workforce challenges, such as worker shortages; leveraging a wide array of resources to fund the solutions; and integrating workforce and economic development to transform regional economies by creating good jobs. However, 7 years after awarding the first grant, Labor will be challenged to evaluate the effect of the grants. We recommended that Labor take steps to ensure that it could, but its response to our recommendation suggests that conditions remain much as they were when we did our audit work.

Labor Said the Grants Are Designed to Make the Workforce System More Focused on High-Growth, High-Demand Industries

According to Labor officials, the High Growth, Community-Based, and WIRED initiatives are designed to collectively change the focus of the workforce investment system by giving greater emphasis to the employment and training needs of high-growth, high-demand industries. They characterized High Growth as a systematic change initiative designed to make the system more demand-driven (i.e., focused on the needs of growing and high-demand industries) and to make the system's approach to workforce development more strategic by engaging business, industry, and education partners to identify workforce challenges and solutions.¹⁵ As a related effort, the Community-Based grants were designed to build the training capacity of community colleges for high-growth, high-demand occupations. The goal of third grant initiative, WIRED, was to "catalyze" the creation of high-skill and high-wage opportunities for workers within the context of regional economies, to test models for integrating workforce and economic development, and to demonstrate that workforce development is a key driver in transforming regional economies. From 2001 through 2007, Labor awarded 349 grants totaling almost \$900 million for these initiatives (see Table 1).

Table 1.—Total Number and Amount of Grants Awarded by Labor, 2001–2007

Grant initiative	No. of grants	Amount
High Growth	166	\$295,522,793
Community Based	142	250,000,000
WIRED	41	323,999,944
Total	349	\$869,522,737

Source: GAO analysis of U.S. Department of Labor grants data.

Labor officials said a number of indicators show that the initiatives are changing the system. According to Labor, they have seen a "system-shift" in the approach to implementing workforce solutions through an increase in demand-driven topics at conferences since the roll out of the initiatives. Labor said this shift has been driven by partnerships between the workforce investment system, business, industry, and educators using the High Growth framework. Labor also said it is seeing demand-driven strategies in State and local strategic plans and in States using their own money to fund High Growth-like projects. Labor pointed out that the system has evolved to the point where high performing local workforce boards with demand-driven practices are mentoring lesser performers. Lastly, Labor said the content on its Web site, Workforce3 One, was also evidence of change. For example, Labor held an interactive seminar broadcast on this site to train participants to use an online tool to share curricula developed through the initiatives.

However, experts identified a number of challenges States face in pursuing demand-driven practices. These included insufficient funding, limited flexibility in how funds can be used, statutory requirements to target services to certain groups of workers, and the need to respond to local economic conditions. Commenting on workforce boards' ability to form strategic partnerships, one expert noted that there are no funds to support such endeavors and no performance standards to measure them. With regard to regional economic development, experts said boards are structured around local areas, not regions, regional economies are highly variable, re-

¹⁵ According to Labor, the High Growth initiative included several key steps prior to awarding the grants and is ongoing through dissemination of grant results. Key steps included: identification of high-growth, high-demand industries; industry scans to understand the size, trends, and scope of each industry; industry executive forums to hear workforce challenges; workforce solutions forums to develop solutions to address these challenges; investments in workforce solutions (i.e., grants) for industry-identified challenges and follow-on competitive opportunities; and dissemination strategies for High Growth products.

gional governance structures can make achieving buy-in difficult and that rural areas can be particularly challenged in pursuing regional approaches.

Seven Years After Awarding the First Grant, Labor Will Be Challenged to Evaluate Their Impact

Despite the money invested and emphasis placed on these initiatives, Labor did not fully integrate them into its strategic plan or ETA's research plan from the start. The Government Performance and Results Act states that strategic plans shall contain strategic goals and objectives, including outcome-related, or performance goals, and objectives for an agency's major functions and operations.¹⁶ However, the strategic plan includes performance goals only for the Community-Based initiative. High Growth and WIRED—the two initiatives where Labor spent the most money—are mentioned in the strategic plan, but not specifically linked to a performance goal; therefore, it is unclear what criteria Labor will use to evaluate their effectiveness. Moreover, the data needed to assess the performance of these initiatives are not specified. Labor officials said the strategic plan did not address the initiatives because it focuses on budget issues. Just as the initiatives are not fully integrated into the strategic plan, neither are they fully integrated into ETA's research plan, which cites plans for future evaluations, but it does not specify an assessment of their impact. In responding to recommendations made in our May 2008 report, Labor said only that it would consider inclusion of the initiatives in its next 5-year research agenda due for revision in 2009.

Not fully incorporating the initiatives into its strategic or research plans may have limited Labor's ability to collect consistent outcome data. Labor said that, prior to 2005, it consistently collected data from grantees on the number of participants enrolled in and completing training funded under High Growth—the only one of the three grant initiatives operating at that time. However, it did not collect performance outcomes similar to those being collected for its other training and employment services.¹⁷

Labor will face challenges in obtaining the data necessary to make meaningful comparisons. In 2005, Labor instituted what were called common measures to assess the effectiveness of one-stop programs and services. The common measures include participant employment outcomes, earnings, and job retention after receiving services. At the time, Labor could not require High Growth and Community-Based grantees to provide data on the common measures because it did not have Office of Management and Budget (OMB) approval. In anticipation of OMB approval, starting in 2006, Labor included information on the common measures in all new solicitations for High Growth and Community-Based grants, notified grantees of its goal for standardizing performance reporting, and provided technical assistance to help grantees prepare for it. Labor also encouraged grantees to work with local workforce system partners to leverage their experience in tracking and reporting performance outcomes. According to Labor, it has an OMB approved reporting format in place and expects data collection to begin in early program year 2008. However, because some of the first grantees have already completed their projects, obtaining information about workers that have left the program may prove difficult and costly. According to Labor, it can collect common measures for WIRED grantees, but it has not yet done so.¹⁸

As a result, Labor may not have consistent data for individuals participating in the programs funded under the grant initiatives. In addition, it may lack data that will allow it to compare outcomes for individuals served by grant-funded programs with those served by employment and training programs offered through the one-stop system. Having comparable outcome data is important because the goal of an impact evaluation is to determine if outcomes are attributable to a program or can be explained by other factors.

Labor has some plans underway to evaluate the initiatives but may face challenges drawing strong conclusions from them. Labor has conducted an evaluation of the implementation and sustainability of 20 early High Growth grantees. It is now evaluating the impact of the training provided by High Growth grantees. Labor

¹⁶ 5 U.S.C. § 306.

¹⁷ While acknowledging that reporting practices for High Growth were not established fully at the initiative's outset, officials said this was because the nature of the initiative posed inherent challenges in developing a common reporting and performance model: each grant was different, with different training models for different populations; some grants were for training, others were for capacity building. Labor said that as it became clear that more rigorous procedures for reporting were needed, it took the necessary steps to address the problem.

¹⁸ Labor developed a proposed approach to collect and report the common measures for WIRED grants using the existing State WIA performance system, but, as of November 2007, it had not yet collected them.

anticipated the final report in December 2008, but now expects it in spring 2009. Labor experienced a number of challenges in evaluating the initiatives. These include having to limit its evaluation to only 6 grantees of 166, because only 6 had sufficient participants to ensure a statistically significant evaluation. They also include problems gaining access to workers' earnings data and inconsistent outcome data from grantees.

Labor officials said they plan to conduct a comprehensive evaluation of the Community-Based initiative. The first phase of the evaluation will examine the extent to which the Community-Based grants addressed the stated workforce objectives and challenges funded projects were intended to address, as well as document the role of business and the workforce investment system in the overall success of the grants, according to Labor. This phase will also include an examination of the feasibility of performing an impact evaluation and will be completed in late 2008. Depending on the results of this phase, Labor officials said an impact evaluation will begin in 2009.

For its evaluation of the WIRED initiatives, Labor says it is examining the implementation and cumulative effects of WIRED strategies, including change in the number and size of companies in targeted high-growth industries and whether new training led to job placement in the targeted industries. It contracted with the Berkeley Policy Associates to conduct the evaluation for the first 13 grantees, and a final report is expected by June 2010. It also contracted with Public Policy Associates to similarly evaluate the 28 remaining WIRED grantees.

Labor officials said these initiatives are not included in the agency's broader WIA impact study. According to Labor, none of the three initiatives is considered to be a research project or designed to compare participant outcomes with the participant outcomes achieved under WIA. Labor said it does not plan to include them in the assessment of the impact of WIA services because the initiatives have their own independent evaluations.

THE INITIAL NONCOMPETITIVE PROCESS WAS NOT ADEQUATELY DOCUMENTED
AND DID NOT INCLUDE KEY PLAYERS

While Labor now awards grants under all three grant initiatives competitively, initially almost all High Growth grants were awarded without competition. Labor also did not document the criteria for selecting noncompetitive High Growth grants or whether they met Labor's internal requirements or the requirements of the laws under which the grants are authorized. In response to recommendations we made in our May 2008 report, Labor said it had modified its noncompetitive process so it now includes documentation of statutory program requirements. We have not evaluated the sufficiency of the modified forms for ensuring statutory compliance. Another issue with the process was that meetings Labor held to identify workforce solutions did not include most of the State and local workforce investment boards.

All Three Types of Grants Are Now Awarded Competitively, but the Vast Majority of High Growth Grants Were Awarded Without Competition

The Community-Based and the WIRED grants have always been awarded through a competitive process but, until 2005, Labor did not award High Growth grants competitively even though Federal law and Labor's internal procedures recommend competition. While Labor had discretion in awarding High Growth grants without competition, the extent to which it did so raises questions about how Labor used this method of awarding grants. Competition facilitates accountability, promotes fairness and openness, and increases assurance that grantees have systems in place to meet grant goals. Yet Labor chose to award 83 percent of the High Growth grants, which represented almost 90 percent of the funds, without competition between fiscal years 2001 and 2007 (see Table 2). Congress required that High Growth grants funded by H-1B fees be awarded competitively for fiscal years 2007 and 2008.¹⁹ Prior to that time, there were no provisions requiring Labor to award High Growth grants competitively.

¹⁹This requirement did not apply to grants awarded under the WIA provision authorizing High Growth grants.

Table 2.—No. of High Growth Grants and Funds Awarded Competitively and Noncompetitively between Fiscal Years 2001 and 2007

[Dollars in millions]

Fiscal year	No. of non-competitive grants	Funds awarded non-competitively	No. of competitive grants	Funds awarded competitively	Summary of grants and funds awarded noncompetitively
2001	1	\$2.8	0	0	100 percent of grants and funds
2002	7	14.7	0	0	100 percent of grants and funds
2003	15	30.3	0	0	100 percent of grants and funds
2004	37	77.4	0	0	100 percent of grants and funds
2005	55	86.7	12	\$12	82 percent of grants and 88 percent of funds
2006	21	50.5	0	0	100 percent of grants and funds
2007	1	1.4	17	19.8	6 percent of grants and 7 percent of funds
Total	137	\$263.8 ¹	29	\$31.8 ¹	83 percent of grants and 89 percent of funds

Source: GAO analysis of U.S. Department of Labor grants data.

Notes: The fiscal year was calculated based on the start date of the grant. Labor awards grants by program year rather than fiscal year, which is from July 1 through June 30 of each year.

¹Total dollar amount varies from Labor's reported figure due to rounding.

Labor said that it used a noncompetitive process to promote innovation. They also said that they awarded grants without competition to save the time it would have taken to solicit grants through competition. In hindsight, they said they could have offered the High Growth grants competitively earlier because they recognized that the number of noncompetitive awards created a perception that the process was unfair. They said, however, that they always intended to award later grants competitively.

In contrast to the High Growth grants, the Community-Based and WIRED initiatives have always been awarded through competition. These funding opportunities were announced to potential applicants through a solicitation for grant application that listed the information that an application must include to compete for funding. These applications were then reviewed and scored by a knowledgeable technical panel. These solicitations were also reviewed by Labor attorneys for compliance with procurement and statutory program requirements for awarding grants, according to officials.

Labor Did Not Document the Criteria for Selecting Noncompetitive High Growth Grants or Whether They Met Labor's Internal Requirements or Requirements of the Law

Because the initial High Growth process was noncompetitive, documenting the decision steps was all the more important to ensure transparency. However, Labor was unable to provide documentation of the initial criteria for selecting grantees. As a result, it did not meet Federal internal control standards, which state that all transactions and other significant events need to be clearly documented and that the documentation should be readily available for examination.²⁰ In addition, it was unable to document that it met the statutory requirements for the laws authorizing the grants. Finally, according to Labor's Inspector General, it did not adequately document that it had followed its own procedures for awarding grants without competition.

Labor did not document the criteria used to select the early noncompetitive High Growth projects. Labor officials told us there were no official published guidelines specific to High Growth grants, only draft guidelines, which were no longer available. In addition, Labor officials told us that generally they were looking for grantees that pursued partnerships and leveraged resources, but that attributes they sought changed over time. Labor published general requirements for noncompetitive grants in 2005 and updated them in 2007. Officials said these were not requirements, only guidelines for the kinds of information Labor would find valuable in evaluating proposals.

In addition, while Labor said that it had discretion to award high growth grants non-competitively under the WIA provision authorizing demonstrations and pilot

²⁰GAO, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, DC: November 1999).

projects²¹ and under ACWIA before 2007, they could not document that the grants fully complied with the requirements of these provisions. For example, WIA requirements include providing direct services to individuals, including an evaluative component, and being awarded to private entities with recognized expertise, or to State and local entities with expertise in operating or overseeing workforce investment programs.²² Officials said that they were certain they had ensured that the projects met all statutory requirements but acknowledged they did not document that the requirements were met.

Labor's Inspector General found the agency did not always document that it followed its own procedures or always obtained required review and approval before awarding grants noncompetitively. Labor officials said most of the noncompetitive grant proposals were presented to Labor's Procurement Review Board²³ for review and approval allowed under exceptions for proposals that were unique or innovative, highly cost-effective, or available from only one source.²⁴ However, in 2007, Labor's Inspector General reviewed a sample of the noncompetitive High Growth grants awarded between July 2001 and March 2007 and found that 6 of the 26 grants, which should have undergone review, were awarded without prior approval from the review board. Furthermore, they found that Labor could not demonstrate that proper procedures were followed in awarding the High Growth grants without competition.²⁵

Although they were unable to provide documentation, Labor officials said they used considerable rigor in selecting grant recipients under the noncompetitive process. Similar to a competitive process, the noncompetitive grant proposals were highly scrutinized and reviewed to ensure they made best use of scarce resources. They said that, in most cases, staff created abstracts to highlight strengths and weaknesses, and multiple staff and managers participated in reviews and decision-making. In addition, Labor officials strongly disagreed with the majority of the Inspector General's findings. They said they followed established procurement practices as required, but agreed that additional documentation would be valuable.

In response to the Inspector General's report, Labor took steps to strengthen the noncompetitive process. These included developing procedures to review noncompetitive grant proposals for criteria including support of at least one of ETA's strategic goals and investment priorities. The procedures also required ETA to document that required procedures are followed and that required review and approval is obtained before awarding grants noncompetitively. However, the newly developed procedures did not explicitly identify the statutory program requirements for which compliance should be documented. In response to a recommendation in our May 2008 report, Labor provided modified forms used in the noncompetitive process to include statutory program requirements and said that grant officers and program officials must confirm that the proposed grant is in compliance with these requirements. We have not evaluated the sufficiency of the modified forms for ensuring statutory compliance or reviewed how grant and program officers confirm compliance using the forms.

Labor's Process for Identifying Industry Workforce Challenges Did Not Include the Majority of Workforce Investment Boards

The vast majority of workforce boards—which oversee the workforce investment system—were not included in the meetings that served as incubators for grant proposals. After identifying 13 high-growth/high-demand sectors,²⁶ Labor held a series

²¹ 29 U.S.C § 2916.

²² 29 U.S.C § 2916(b)(1) and 29 U.S.C § 2916(b)(2)(B).

²³ Labor's Procurement Review Board is responsible for reviewing various acquisition activities, including most unsolicited grant proposals, and recommending approval or disapproval to the Department's Chief Acquisitions Officer.

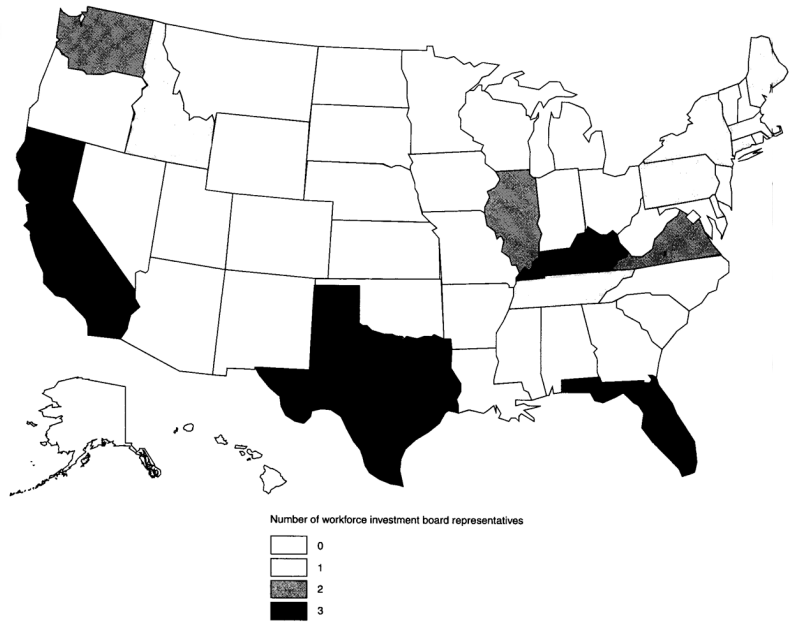
²⁴ Department of Labor Manual Series 2-836(G)—Exclusions and Exceptions to Competitive Procedures for grants and cooperative agreements. There are five additional exceptions listed for awarding noncompetitive grants: (1) a noncompetitive award is authorized or required by statute; (2) the activity is essential to the satisfactory completion of an activity presently funded by DOL; (3) it is necessary to fund a recipient with an established relationship with the agency for a variety of reasons; (4) the application for the activity was evaluated under the criteria of the competition for which the application was submitted, was rated high enough to have been selected under the competition, and was not selected because the application was mishandled; and (5) the Secretary determined that a noncompetitive award is in the public interest.

²⁵ U.S. Department of Labor Office of Inspector General—Office of Audit, *High Growth Job Training Initiative: Decisions for Non-competitive Awards Not Adequately Justified*, 02-08-201-03-390 (Nov. 2, 2007).

²⁶ Labor identified a 14th sector—Homeland Security—in 2005 and did not hold an executive or solutions forum for this sector, according to officials.

of meetings between 2002 and 2005 with industry executives and other stakeholders to identify workforce challenges and to develop solutions to them.²⁷ According to Labor, they first held meetings with industry executives—executive forums—for 13 sectors to hear directly from industry leaders about the growth potential for their industries and to understand the workforce challenges they faced. Second, they hosted a series of workforce solutions forums for 11 of the sectors, which brought together industry executives (often those engaged in human resources and training activities) with representatives from education, State and local workforce boards, or other workforce-related agencies.²⁸ However, a review of Labor’s rosters for the solutions forums shows that while there were more than 800 participants, 26 of the almost 650 local workforce boards nationwide were represented, and these came from 15 States. (See Fig. 1.)

Figure 1: Number of Workforce Investment Boards and States with Participants at Solutions Forums



Sources: GAO analysis of U.S. Department of Labor data on solutions forums participants; map, Art Explosion.

Further only 20 of the 50 States had their State workforce investment board or other agency represented (see Table 3).²⁹

Table 3.—Industry Sector Solutions Forums and the No. of Participants

Industry sector solutions forum	Total no. of participants at each solutions forum	Local workforce investment board participation	State workforce investment board or other State agency participation
Advanced manufacturing	61	3	0

²⁷ Labor conducted industry scans of the size, trends, and scope of certain industries to understand the industries and any known challenges. In this process, they identified high-growth/high-demand industries that have a high-demand for workers. Officials said that they did not intend to identify all high-growth industry sectors in the economy, but to provide a framework for the process to be used at the State and local levels.

²⁸ Solutions forums were not held for the information technology and retail sectors.

²⁹ Some States had representatives from the State workforce investment board participating, and some States had a workforce-related agency such as those involved in employment and/or economic development.

Table 3.—Industry Sector Solutions Forums and the No. of Participants—Continued

Industry sector solutions forum	Total no. of participants at each solutions forum	Local workforce investment board participation	State workforce investment board or other State agency participation
Aerospace	40	1	0
Automotive	216	6	9
Biotechnology	29	4	6
Construction	86	5	2
Energy	26	0	1
Financial services	99	3	4
Geospatial technology	41	1	2
Health	155	6	10
Hospitality	57	3	3
Transportation	19	2	2
Total	829	34 ¹	39 ²

Source: GAO analysis of U.S. Department of Labor data on solutions forums participants.

¹The numbers for local workforce investment board participation do not total 26 because 2 workforce investment boards participated in more than one solutions forums; the remaining 24 participated in only one. Also, some local workforce investment boards had more than one representative.

²The numbers for State workforce investment board or other State agency participation do not total 20 because several States attended more than one forum and some States had more than one agency represented.

Labor officials said they went to great lengths to include workforce system participants in solutions forums. Officials said they asked State workforce agencies to identify a State coordinator to interface with Labor, work collaboratively with industry partners, and identify potential attendees for executive and solutions forums. Further, the State coordinators were to help Labor communicate with the workforce system about High Growth activities and were kept updated through routine conference calls and periodic in-person meetings, according to Labor. Labor officials also said the Assistant Secretary and other senior officials traveled frequently, speaking to workforce system partners at conferences to gather information about innovative practices. Labor officials said, even with these efforts, they found only a few workforce boards operating unique or innovative demand-driven programs.

However, most workforce board officials we spoke to in our site visits reported becoming aware of the meetings and the grant opportunities after the fact, even though they were pursuing the kinds of innovative practices the meeting was supposed to promote. Some State board officials said that they were often unaware that grants had been awarded, and at least one local workforce board said it became aware of a grant only when the community college grantee approached it for assistance in getting enough students for their program. In addition, officials in States we visited said they had been developing and using the types of practices that Labor was seeking to promote at the meetings.

Being present at the meetings could have been beneficial to workforce boards. Labor officials acknowledged that when meeting participants suggested a solution to an employment challenge that they deemed innovative and had merit, they encouraged them to submit a proposal for a grant to model the solution. In addition, officials said that, in some cases, they provided applicants additional assistance to increase the chances that the proposal would be funded.

LABOR USES A RISK-BASED MONITORING APPROACH FOR HIGH GROWTH AND COMMUNITY-BASED GRANTS AND HAS DOCUMENTED STEPS FOR MONITORING WIRED GRANTS

For all three grant initiatives, Labor has a process to resolve findings found in single audits, collects quarterly performance information, and provides technical assistance as a part of monitoring. In addition, it has a risk-based monitoring approach for High Growth and Community-Based grants.³⁰ When we conducted our audit work, there was no risk-based monitoring approach for WIRED. In response

³⁰Labor's risk-based monitoring strategy differs from single audits. Entities receiving Labor grants are subject to the provisions of the Single Audit Act if certain conditions are met. The Single Audit Act established the concept of the single audit to replace multiple grant audits with one audit of a recipient as a whole. As such, a single audit is an organization-wide audit that covers, among other things, the recipient's internal controls and its compliance with applicable provisions of laws, regulations, contracts, and grants. In contrast, Labor's risk-based approach focuses on the readiness and capacity of the grantee to operate the grant including compliance with laws, regulations, and specific program requirements.

to our recommendation, Labor has documented steps it has taken to put a monitoring approach in place for WIRED grants.

Labor Has a Process to Ensure Grantees Resolve Findings in Single Audits, Collects Quarterly Performance Information, and Provides Technical Assistance

Labor said it has a process to work with grantees, including High Growth, Community Based, and WIRED to resolve findings in single audits. However, Labor's Inspector General reported that Labor does not have procedures in place for grant officers to follow up with grantees with past due audit reports to ensure timely submission and thus proper oversight and correction of audit findings. The Inspector General recommended that Labor implement such procedures, and Labor has done so, but the finding remains open because Labor's Inspector General has not yet determined if the procedures adequately address the recommendation.³¹

As part of its monitoring, Labor requires High Growth, Community-Based, and WIRED grantees to submit quarterly financial and performance reports. Financial reports contain information, such as total amount of grant funds spent and amount of matching funds provided by the grantee. Performance reports focus on activities leading to performance goals, such as grantee accomplishments and challenges to meeting grant goals. Labor officials said they review these reports and follow up with grantees if there are questions. Labor officials acknowledge, however, that they are still working to ensure the consistency of performance reports provided by High Growth and Community-Based grantees and are working with OMB to establish consistent reporting requirements. In addition, while the finding was not specific to these three grants, Labor's Inspector General cited high error rates in grantee performance data as a management challenge.³² Labor is taking steps to improve grant accountability, such as providing grantee and grant officer training.

All grantees receive technical assistance from Labor on how to comply with laws and regulations, program guidance, and grant conditions. For example, Labor issued guides for High Growth and Community-Based grantees that include information on allowable costs and reporting requirements. In addition, Labor officials said they trained national and regional office staff to address grantees' questions and help High Growth and Community-Based grantees obtain assistance from experts at Labor and other grantees. Labor officials said they hold national and regional High Growth and Community-Based grantee orientation sessions for new grantees, present technical assistance webinars and training sessions focused on specific high-growth industries, assist grantees with disseminating grant results and products, such as curricula, and set up virtual networking groups of High Growth grantees to encourage collaboration.

Labor officials told us they have teams who provide technical assistance to each WIRED grantee including weekly contact. During these sessions, Labor staff work with WIRED grantees on grant management issues, such as costs that are allowed using grant funds. Labor staff provide additional assistance through conference calls, site visits, and documentation reviews. In addition, Labor officials said they have held five webinars on allowable costs and provided grantees with a paper on allowable costs in July 2006, which was updated in July 2007. Finally, Labor officials explained that they made annual site visits for the first 13 WIRED grantees in spring and summer of 2007 to discuss implementation plans and progress toward plan goals. In addition, Labor staff said they have reviewed the implementation of the remaining WIRED grants to ensure that planned activities comply with requirements of the law. However, none of these reviews resulted in written reports with findings and corrective action plans.

Labor has spent \$16 million on contracts to provide technical assistance, improve grant management, administration, and monitoring, and to assist Labor with tasks such as holding grantee training conferences. The larger of these contracts focus on providing technical assistance to WIRED grantees. For example, one contract valued at over \$2 million provides WIRED grantees assistance with assessing regional strengths and weaknesses and developing regional economic strategies and implementation plans. Another grant, valued at almost \$4 million, provides a database and geographic information system³³ that WIRED grantees can use to facilitate data analysis and reporting, among other things.

³¹U.S. Department of Labor—Office of Inspector General, report prepared by KPMG LLP, *Management Advisory Comments Identified in an Audit of the Consolidated Financial Statements for the Year Ended September 30, 2007*, 22-08-006-13-001 (Washington, DC: Mar. 20, 2008).

³²This observation was based on audits of three Labor grantees during fiscal year 2007.

³³A geographic information system is a computer application used to store, view, and analyze geographical information, especially maps.

While these monitoring and technical assistance efforts are useful to help grantees manage their grants, they do not provide a risk-based monitoring process to identify and resolve problems, such as compliance issues, in a consistent and timely manner.

Labor Provides Risk-Based Monitoring for High Growth and Community-Based Grants and Has Documented Steps for Monitoring WIRED Grants

Labor uses a risk-based strategy to monitor High Growth and Community-Based grant initiatives. For these initiatives, it selects grantees to monitor based on indications of problems that may affect grant performance. Labor's risk-based approach to monitoring most grants reflects suggested grant practices. Suggested grant practices recognize that it is important to identify, prioritize, and manage potential at-risk grant recipients for monitoring given the large number of grants awarded by Federal agencies. Through this process, Labor staff determine if grantee administration and program delivery systems operate, the grantee is in compliance with program requirements, and information reported is accurate.

Labor's risk-based monitoring strategy involves conducting site visits based on grantees' assessed risk-levels and availability of resources, among other things.³⁴ These site visits include written assessments of grantee's management and performance and compliance findings and requirements for corrective action. For example, Labor's site visit guide includes questions about financial and performance data reporting systems, such as how well the grantee maintains files on program participants.³⁵

Labor has monitored about half of the High Growth grants and over one-quarter of the Community-Based grants. Labor officials said these monitoring efforts have resulted in a number of significant findings which have generally been resolved in a timely manner. (See Table 4.) For example, during a November 2006 site visit of a Community-Based grantee, Labor identified three findings: incomplete participant files, failure to follow internal procurement procedures, and missing grant partnership agreements. Similarly, during a site visit in spring 2006 to a High Growth grantee, Labor found that the grantee did not accurately track participant information and reported incorrect information on expenditures, among other things. As of September 2007 Labor said these findings had been resolved (see Table 4).

Table 4.—Status of Risk-Based Monitored Grants as of September 30, 2007

Status	High Growth	Community Based
Findings resolved	38	13
Findings not yet resolved	10	5
No findings	31	21
Total monitored	79	39

Source: GAO analysis of U.S. Department of Labor grants monitoring data.

As another part of Labor's risk-based monitoring strategy, Labor's internal requirements specify that Labor staff are to make site visits to all new grantees, including High Growth, Community Based, and WIRED, within 12 months of beginning grant activity and to new grantees rated as "at risk" within 3 months. Labor officials said they consider "new grantee" site visits to be orientation visits and had not made visits to most new grantees. They said they broadly interpret this requirement to include a variety of methods of contact and generally use teleconference and video conference training sessions rather than site visits, based on the availability of resources. For example, Labor calls each new Community-Based grantee to schedule new grantee training. Labor is taking steps to update its internal requirements to better reflect the purpose of the new grantee monitoring.

According to Labor, in response to a recommendation we made in our May 2008 report, it has initiated the process for monitoring the financial and administrative requirements of the WIRED grants. Labor says it developed a WIRED Supplement to the *Core Monitoring Guide* which it is using to conduct reviews of WIRED grants. Labor also stated that it is developing a schedule of reviews that will provide for

³⁴ Labor's grant monitoring plans are to reflect any program-specific monitoring requirements as well as specific requirements for on-site visits to grantees with new grants and those rated "at-risk" through the risk assessment process.

³⁵ Employment and Training Administration, U.S. Department of Labor, *Core Monitoring Guide* (Washington, DC: April 2005).

the monitoring of all WIRED grants prior to September 30, 2008, to be followed by reviews of remaining WIRED grants.

Labor said the monitoring reviews are being conducted by four teams of ETA staff, consisting of experienced Regional Office financial staff, National Office staff, and the Federal Project Officers assigned to the grant. All of the teams have been provided training to maximize the results of the initial review. ETA will utilize standard procedures for issuance and resolution of any monitoring report issues.

While Labor has said it has taken steps to implement our recommendation on documentation and monitoring, we have not assessed the sufficiency of those efforts. Labor has said it is taking steps to ensure that it can evaluate the impact of the initiatives, and this is an area that warrants continued oversight.

Madam Chairman, this completes my prepared statement. I would be happy to respond to any questions you or other members of the subcommittee may have at this time.

Senator MURRAY. Thank you very much, Mr. Scott.
Mr. Lewis.

**STATEMENT OF ELLIOT P. LEWIS, ASSISTANT INSPECTOR
GENERAL, OFFICE OF AUDIT, U.S. DEPARTMENT OF LABOR,
WASHINGTON, DC**

Mr. LEWIS. Madam Chair and members of the subcommittee, I appreciate the opportunity to discuss the OIG's audits of the Employment and Training Administration's High-Growth Job Training Initiative.

I will summarize my full statement and ask that it be entered into the record in its entirety.

Successfully meeting the employment and training needs of citizens with programs funded by Federal grants requires picking the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, evaluating outcomes, and disseminating and replicating proven strategies and programs. Our audits have found that ETA has weaknesses managing its grants to this end.

I will focus my testimony on our two most recent audits that assess the ETA's grant-making procedures and performance of high-growth grants of presidential initiative. Our first audit reviewed the grant-making process for a sample of 39 grants totaling \$70 million, which were awarded noncompetitively between fiscal years 2003 and 2007.

We found that ETA could not demonstrate that it followed proper grant-making procedures for 90 percent of the grants in our sample. We found that ETA did not adequately justify its decisions to award noncompetitively 10 grants. Conflict of interest certifications were not documented for 19 of 39 grants, and matching requirements of \$34 million were not carried forward in grant modifications.

ETA could not show that it met Department of Labor policy governing noncompetitive awards. ETA indicated that it developed its own procedures to review the grants awarded noncompetitively, however could not provide documentation to justify why certain proposals were funded while others were not. Thus, ETA could not demonstrate it made the best decisions in awarding grants to achieve the goals of the high-growth initiative.

Further, although ETA asserted that grantees' commitments to provide matching funds were part of the justification for the non-competitive award in the first place, ETA did not ensure the \$34

million in required matching funds were carried forward when 9 grants were modified. As a result, the programs and levels of service provided may have been significantly reduced from what was intended in the original grant.

We made eight recommendations to ETA to improve its process for awarding grants noncompetitively. Chief among these recommendations was that ETA take steps to ensure that competition is encouraged for discretionary grant awards, award decisions are adequately documented, and matching requirements are carried forward in grant modifications.

ETA generally agreed with our recommendations. However, ETA asserted that it would limit its verification of matching requirements to only active grants. The OIG strongly believes that ETA should verify matching requirements for all grants because a close-out of an award does not end ETA's right to later recover funds.

Our second audit reviewed 10 grants to determine whether the grantees accomplished the goals of the grants, whether the required matching funds were provided, and whether the grants resulted in expanded system capacity for employment and training.

We found that grantees failed to achieve major performance goals or that it was impossible to determine success because goals were not clear. For example, one grantee placed only 58 percent of its participants in jobs. Two did not complete required products, and one grantee never provided its finished product to ETA.

We found that grantees did not provide \$20.5 million in required matching funds partly because they couldn't provide documentation they had done so. We also found that ETA disseminated unproven training and employment strategies and products.

ETA took exception with our position that it was inappropriate to disseminate products without a formal evaluation of their quality, stating that it was not necessary or valuable to evaluate every high-growth deliverable, and it does not have the expertise or resources to evaluate every product. Rather, ETA stated that its approach was to let business and industry determine the value of the products disseminated.

The lack of clarity and, in certain cases, the failure by grantees to accomplish their goals calls into question the rigor of ETA's reviews, its assessment of the proposals, and the merit of ETA's decision to award the grants. This is of particular concern since the ETA awarded the grants noncompetitively.

We recommended that ETA improve its grant writing, solicitation, and award process by developing a process that ensures that grant agreements delineate clear, concise, and measurable objectives, improve grant monitoring and closeout by adhering to its policy that each grant be monitored on an ongoing basis to identify and correct problems, and enhance the effectiveness of high-growth grant program by evaluating grant results prior to dissemination to the workforce investment system and using the results of the evaluation to ensure that the most successful strategies are replicated.

ETA generally disagreed with our findings and recommendations. However, on September 12, the ETA provided a comprehensive action plan in response to our report. We are analyzing this

plan to determine which recommendations are addressed by the plan.

Madam Chair, in closing, much can be learned from ETA's shortcomings in administering the high-growth initiative. To meet the needs of the 21st century workforce, it is essential that ETA strengthen its grant-making procedures and its monitoring of grantees receiving Federal funds to provide critical employment and training services.

I would be pleased to answer any questions you or the subcommittee members may have.

[The prepared statement of Mr. Lewis follows:]

PREPARED STATEMENT OF ELLIOT P. LEWIS

Madam Chair, and members of the subcommittee, I appreciate the opportunity to discuss the Office of Inspector General's (OIG) audits of the High Growth Job Training Initiative (HGJTI). As you know, the OIG is an independent entity within the Department of Labor (DOL); therefore, the views expressed in my testimony are based on the findings and recommendations of my office's work and are not intended to reflect the Department's position.

BACKGROUND

Since its inception in 1913, the core mission of the Department of Labor has been "to foster, promote and develop the welfare of working people, to improve their working conditions, and to advance their opportunities for profitable employment." The Department's Employment and Training Administration (ETA) is charged with the latter. As you know Madam Chair, ETA utilizes grants to States, local governments and nonprofit organizations as its primary means to provide the services to accomplish this mission.

Successfully meeting the employment and training needs of citizens in programs funded by Federal grants requires picking the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, evaluating outcomes, and disseminating and replicating those strategies and programs that have been proven to be successful. OIG audits have found that ETA has weaknesses in managing its grants to this end.

HIGH GROWTH JOB TRAINING INITIATIVE

Madam Chair, as requested by the subcommittee, I will focus my testimony on our two most recent reports that assessed ETA's grant-making procedures and the performance of grants awarded under the High Growth Job Training Initiative. As you know, we conducted these audits at the request of Senator Tom Harkin, Chairman of the Subcommittee on Labor, Health and Human Services, and Education and Related Agencies.

This Presidential initiative was created to prepare workers for employment in high-growth areas such as health care, financial services, and biotechnology. ETA stated that one of the objectives of this initiative was to reach beyond those organizations that typically receive Federal grants in order to "bring new ideas to the table" and to obtain innovative approaches and strategies.

Between July 1, 2001, and March 31, 2007, ETA awarded non-competitively 133 (87 percent) high growth grants totaling \$235 million. We conducted two audits of the HGJTI grants. The objective of the first audit was to determine whether ETA followed proper procedures in awarding these grants without competition. The objective of the second audit was to determine whether grantees accomplished the goals of the grants and whether the grants resulted in expanded system capacity for employment and training.

NON-COMPETITIVE GRANT AWARDS NOT ADEQUATELY JUSTIFIED

Our first audit reviewed the grant-making process for a statistical sample of 39 grants, totaling \$70 million, which were awarded from fiscal year 2003 through fiscal year 2007. We concluded that ETA could not demonstrate that it followed proper grant-making procedures for 90 percent of its grants in our sample which ETA awarded non-competitively. These grants totaled \$57 million. Specifically, we found that decisions to award 10 non-competitive grants in our sample were not adequately justified; reviews of grant proposals were not consistently documented; re-

quired conflict of interest certifications were not documented; and matching requirements of \$34 million were not carried forward in grant modifications.

Our specific findings follow.

FINDINGS

Decisions to Award 10 of the 39 Grants Non-Competitively Were Not Adequately Justified

We found that ETA could not demonstrate that its decisions to award 10 grants non-competitively were adequately justified. Moreover, they could not demonstrate that they met the Department's own policy governing sole source awards. This policy states that, with limited exceptions, competition is the appropriate method for awarding discretionary grants. We also found that ETA awarded 6 grants without obtaining the required prior approval from the Procurement Review Board, an independent board within the Department whose primary function is to review non-competitive acquisitions.

ETA developed their own procedures to review grants awarded non-competitively. ETA indicated that they did not compare proposals, but instead evaluated each proposal on its own merits. However, ETA could not provide documentation to justify why proposals that were funded were selected to receive awards.

Required Conflict of Interest Certifications Were Not Documented

We found that ETA did not maintain required conflict of interest certifications. DOL policy requires that ETA maintain conflict of interest certifications for all non-competitive awards to reduce the bias, or appearance of bias, in selecting applicants for awards. The certification indicates independence from personal, external, or organization impairments to independence. Program officials responsible for requesting that a grant be awarded under "other than full and open competition" are required to sign the conflict of interest certification. ETA did not have this documentation for 19 of the 39 grants in our sample.

Matching Requirements of \$34 Million Were Not Carried Forward in Grant Modifications

We found that \$34 million in required matching funds were not carried forward when ETA did grant modifications. Commitments by grantees to provide matching funds were part of the justification for the sole source procurement in the first place. Therefore, it was critical for ETA to carry forward these requirements. As a result, the programs and levels of services actually provided under the grant may have been significantly reduced from those intended in the original grant agreements.

RECOMMENDATIONS

In this audit, we made eight recommendations to ETA to improve management controls over its process for awarding grants.

We recommended that ETA review all high growth initiative grants with matching requirements to ensure that these requirements are maintained. ETA's response stated that it would limit its review to *active* grants and grants in the *close-out phase*. We disagreed with ETA's response to this recommendation. The OIG believes that ETA should review *all* high growth initiative grants, including grants that have already been closed out to ensure that grantees provided all required matching funds as promised and as required as conditions for being awarded the grant. The close-out of an award does not end the Department's right to disallow costs and to recover funds if it later determines that grantees did not meet their grant requirements. Therefore, it is important for ETA to review grants that have already been closed out.

We also recommended that ETA ensure that:

- Policy is established for documenting all decision and discussions that lead to actions by DOL officials that affect how and to whom grant funds are distributed.
- Any future grants awarded non-competitively be properly justified and based on appropriate Department of Labor Manual Series (DLMS) exceptions.
- Decisions to exempt proposals from Procurement Review Board review are properly researched, valid, and documented.
- Agency officials are fully trained and aware of the procurement procedures for non-competitive awards, including documenting the decisionmaking process.

In its response, ETA stated that it has implemented new processes for documenting decisions related to grant making and for documenting the basis for a grant meeting a DLMS exception for a non-competitive award. In addition, ETA reported that it has developed a process for documenting its recommendation to exempt proposals from a review by the Procurement Review Board.

We are currently awaiting supporting documentation from ETA regarding these actions. Once the OIG receives this documentation, we will determine whether ETA has sufficiently addressed our recommendations.

Finally, we recommended that ETA ensure that:

- Competition is encouraged when awarding discretionary grants.
- A separate document for conflict of interest certifications is completed and maintained.
- Matching requirements of \$34 million are carried forward in future grant modifications for those grants in our audit sample.

In its response to our audit report, ETA has implemented new policies to address these three recommendations, and we consider these three recommendations closed.

VALUE OF HIGH GROWTH JOB TRAINING INITIATIVE GRANTS NOT DEMONSTRATED

Madam Chair, phase two of our audit effort regarding this initiative was a performance audit of 10 grants from our original 39 grant audit sample. Specifically, we designed our audit to answer three questions:

1. Did grantees accomplish their grant objectives?
2. Were additional matching funds or leveraged resources provided by grantees as required?
3. Did HGJTI grants result in expanded system capacity for skills training and competency development?

We concluded that grantees failed to achieve major performance goals or that it was impossible to determine success because the goals were not clear. We also concluded that matching funds were not always provided by grantees as required and that ETA disseminated unproven training and employment strategies and products. A discussion of our specific findings follows.

FINDINGS

Grant Objectives Were Often not Clear

We found that 7 grantees either did not meet all of their objectives or we could not determine whether their objectives were met. Specifically, we found that objectives in 6 of the 10 grants in our sample were so unclear that we could not determine whether the grantee delivered the performance they were funded to produce.

The grantees' failure to accomplish their grant objectives, and the lack of clarity of the grant objectives in some cases, calls into question the rigor of ETA's review and assessment of the proposals, and the merit of ETA's decision to award the grants. This is of particular concern because ETA decided to award these grants non-competitively.

We determined that grantees did not meet objectives with respect to: training and placement goals; product completion; product delivery and required tracking of outcomes. Examples of these shortcomings follow:

- Three grantees did not meet their training and placement goals. For example, one grantee was required to place at least 2,500 job seekers, but could only demonstrate that it placed 1,443 or 58 percent of the required number.
- Two grantees did not complete products required by their grant agreements. In one instance, the grantee did not provide a bilingual web portal that was to assist Hispanic job seekers to train for employment as skilled automotive technicians.
- One grantee never provided ETA its finished product, a training process to upgrade worker skills for advanced manufacturing jobs. This occurred despite the fact that ETA conducted on-site monitoring of the grantee and had completed the close-out process.
- Two grantees did not track the outcomes of the participants as required by the grants. For example, one of these grantees was required to track student completion rates in pre-LPN classes designed to better participants' chances of success in the LPN program. However, since the grantee did not track outcomes, ETA did not obtain potentially useful information about how to improve student outcomes for the LPN program.

In addition, ETA did not adequately monitor 6 of the 10 grants we reviewed, and 3 of the grants did not perform well. It is important to note the four grants that did receive oversight by ETA also had performance issues. In addition, of the eight grants that completed ETA's close-out process, five had performance issues.

Grantees did not Provide \$20.5 Million in Required Matching Funds and Leveraged Resources

We also found problems with grantees not fulfilling requirements to provide additional matching or leveraged resources. Specifically, the justification for non-com-

petitively awarding 9 of the 10 grants that had matching or leveraged requirements was based, in part, on the grantees' commitment to provide additional resources of \$42.1 million. However, we found that grantees did not provide \$20.5 million of those funds; therefore, the level of services provided by the grantees was significantly reduced from the levels indicated in the original grants.

ETA did not Evaluate the Usefulness of Grant Products Before Disseminating Them

We found that ETA did not evaluate high growth initiative grants to determine the usefulness of the grants' products and activities before it decided to continue or disseminate them. With one exception this occurred because the grant agreements did not require an evaluation to determine the success of grant strategies and because ETA's policy was to disseminate grant results without first assessing their effectiveness. As a result, ETA disseminated unproven strategies for expanding system capacity for skills training and competency development.

RECOMMENDATIONS

We recommended that ETA:

- Improve the grant writing, solicitation and award process by developing a process that ensures that grant agreements delineate clear, concise, and measureable objectives that can be used to measure the success of grant performance.
- Improve grant monitoring and close out by adhering to its policy that each grant be monitored on an ongoing basis so that problems are identified and corrective action implemented, and providing ETA grant monitors with the training and tools, such as access to the Grant e-management system, that will assist them in fulfilling their responsibilities.
- Enhance the effectiveness of HGJTI by evaluating grant results prior to dissemination to the workforce investment system, and using the results of those evaluations to ensure that the most successful strategies are replicated.

In its response to our report, ETA generally disagreed with how we evaluated grant performance. ETA strongly disagreed with our finding that they did not provide sufficient oversight. They took exception with our position that it was inappropriate to share knowledge gained and products developed without a formal evaluation of the quality of the products. Moreover, ETA stated that it does not have the expertise or resources to evaluate every product. ETA further stated that it was not "necessary or valuable to evaluate every High Growth deliverable" before sharing it with the workforce system. ETA cited that its approach was to let key constituents such as "business and industry," determine the value of the products it disseminated.

In its response, ETA pointed out that the OIG examined only 10 grantees in its audit as part of their disagreement with our overall findings. However, it is important to note that ETA has contracted for a study to evaluate the effectiveness of this initiative that would be limited to reviewing only 6 grantees.

On September 14, ETA provided a comprehensive action plan in response to our final report. From our cursory review of this response, it appears that ETA intends to implement a number of our recommendations. We are reviewing and analyzing ETA's plan to determine which recommendations can be considered resolved and which will remain open. From our initial reading of this plan, it appears that ETA continues to maintain that strategies and products developed under these grants should be disseminated without first assessing their effectiveness. We believe this undermines the objectives of this initiative and is in conflict with the President's Management Agenda mandate that agencies be "citizen-centered" and "result-oriented."

CONCLUSION

Much can be learned from this initiative that can be carried forward to improve ETA's discretionary grant program. In order to meet the employment and training needs of workers in the 21st century, it is critical that ETA ensure that it selects the best service providers, makes goals and expectations clear to grantees, ensures that success can be measured, provides active oversight of its grantees, evaluates outcomes, and disseminates and replicates only those strategies and programs that have been proven to be successful.

This concludes my statement. I would be pleased to answer any questions you or the other subcommittee members may have.

Senator MURRAY. Thank you very much.
Mr. Orrell.

STATEMENT OF BRENT R. ORRELL, DEPUTY ASSISTANT SECRETARY, WORKFORCE INVESTMENT SYSTEM, EMPLOYMENT AND TRAINING ADMINISTRATION (ETA), U.S. DEPARTMENT OF LABOR, WASHINGTON, DC

Mr. ORRELL. Madam Chairwoman, Senator Isakson, good to be with you this morning.

I am pleased to have the opportunity to testify today on the Employment and Training Administration's management of grants under the President's demand-driven workforce development initiatives—the High-Growth Job Training Initiative, Community-Based Job Training Grants, and the Workforce Innovating and Regional Economic Development, or WIRED, Initiative.

The high-growth initiative began as a strategy to transform the public workforce system into a demand-driven system that framed its workforce strategies and service delivery models on a firm understanding of the jobs of the 21st century and the skills workers need to get good jobs with career pathways.

This approach required new types of partnerships with businesses and industry and education, as well as new ways of doing business. We consulted with business and industry in 14 sectors to understand their workforce challenges, formed a wide array of strategic partners to think creatively about solutions to those challenges, and invested in innovative solutions.

ETA chose to award the first round of high-growth investments noncompetitively because it allowed us to identify the most innovative solutions that were directly tied to the specific workforce challenges that each industry identified. In making these selections, ETA used a comprehensive review process to evaluate the unsolicited proposals that emerged from the overall consultation process and made sole-source awards consistent with the Department of Labor policies and procedures governing noncompetitive awards and Federal procurement rules.

It has been ETA's intent to move to a fully competitive investment model from the beginning, and currently, all High-Growth Job Training Initiative grants are awarded competitively. Our work with the high-growth grantees highlighted the need to build educational capacity to train workers and the important role that community colleges play in workforce development.

The primary purpose of the community-based job training grants is to build the capacity of community colleges to train workers in the skills required to succeed in high-growth, high-demand industries. The grants were also designed to help strengthen the partnership between the public workforce investment system and community colleges.

ETA's WIRED initiative is based on the principle that talent development and having skilled workers drives economic growth and competitiveness. The goal for WIRED is to help regions transform and integrate their workforce investment, economic development, and education systems to support overall economic growth through sustained collaborative partnerships among a wide array of partners with a shared regional vision and plan for economic growth and talent development strategy to drive it.

The subcommittee asked that I testify concerning the reports issued by the Government Accountability Office and the Office of

the Inspector General on ETA's grant management activities under these initiatives. The first of the OIG reports concern the justification for noncompetitive award grants under the high-growth initiative. The second related to the value of selected high-growth grants.

ETA has provided detailed responses to the findings in both reports. In June 2008, ETA submitted a comprehensive package documenting the corrective actions ETA has completed or planned concerning the first audit. On September 11, 2008, the OIG responded that it considers three of the recommendations closed, three others resolved but not closed, and one recommendation unresolved. ETA is compiling additional information for the OIG so that all recommendations can be resolved and closed.

A similar corrective action plan in response to recommendations in the second OIG report was submitted to the OIG on September 12. While ETA did not agree with all the findings in the OIG reports, we do believe the audits were helpful in pointing out areas where the processes for documenting sole-source grants, making decisions could be strengthened.

To help promote a clearer understanding of ETA's commitment to fostering innovation in the public workforce system, we have also met with the OIG to discuss the strategic nature of this approach. These discussions have helped the agency in responding to concerns raised by the OIG and their audits of the high-growth initiative.

Additionally, we recently shared a draft competitive grant solicitation with the OIG, and they provided us with useful comments on ways to clarify those areas that focus on innovative activities, as well as specific grant requirements such as grant matches.

In 2008, the GAO released its report on employment and training grants under these initiatives. The issues identified and recommendations made by the GAO were similar to those made by the OIG. ETA submitted its detailed views on the findings and recommendations in the report, which were printed as an appendix in the report. We have also submitted our statement of executive action in response to the recommendations in the report.

As indicated in our letters to the GAO, we did not agree with every conclusion in the report, but we believe the actions we are taking will help us determine the impact of the three initiatives, ensure the best possible projects are selected in the future, and improve accountability.

Madam Chairwoman and Senator Isakson, I hope that the information I provided in my written testimony on specific steps that ETA is taking in regard to both the OIG and GAO recommendations is helpful in response to your interest, and I would be happy to take questions.

Thanks.

[The prepared statement of Mr. Orrell follows:]

PREPARED STATEMENT OF BRENT R. ORRELL

Madam Chairwoman, Ranking Member Isakson, and members of the subcommittee, I am pleased to have the opportunity to testify today on the Employment and Training Administration's (ETA) management of grants under the President's demand-driven workforce development initiatives.

I wish to begin by providing you with some background on our initiatives. ETA has strived to transform the public workforce investment system into a demand-driven system that aligns with the new economic realities of the 21st century. Such a system would catalyze and leverage all available resources to prepare workers with the skills they need to succeed in a global labor market. It would also respond to businesses' need for skilled workers and the talent demands of regional and State economies in order to strengthen our national economy. ETA has undertaken three key initiatives to foster demand-driven approaches across the workforce investment system and increase opportunities for education and skills training. These are the High Growth Job Training Initiative (HGJTI), Community-Based Job Training Grants (CBJTG), and the Workforce Innovation in Regional Economic Development (WIRED) Initiative.

Through the HGJTI, ETA has awarded over \$298 million to 167 partnerships among employers, education programs, and the workforce investment system. These innovative projects train workers in the skill and talent needs of high-growth, high-demand industries in our Nation's economy. Since 2002, over 105,000 individuals have completed training through these grants, and there are currently more than 65,000 enrolled in training. ETA is excited that this year we have established the capacity to utilize wage record data to measure aggregate employment and retention performance outcomes on behalf of High Growth and Community-Based grantees. The absence of this capacity had made it extremely difficult to track outcomes for these grants.

Our work with the HGJTI grantees highlighted the need to build educational capacity to train workers in high-growth industries and the important role that community colleges play in workforce development. Community colleges are well positioned to prepare workers for high-demand occupations. Not only are community colleges an accessible and affordable choice for many Americans, but they also work directly with employers to provide training for incumbent workers, and are flexible and adaptable to the needs of their local and regional labor markets. The primary purpose of the CBJTG is to build the capacity of community colleges to train workers in the skills required to succeed in high-growth, high-demand industries. The grants are also designed to help strengthen the partnerships between the public workforce investment system and community colleges. To date, ETA has competitively awarded 211 CBJT grants totaling \$375 million. Through these grants, nearly 25,000 individuals have completed training, and over 80,000 are currently receiving training.

The Department launched the WIRED Initiative in February 2006 to emphasize the critical linkages between workforce and economic development in regional economies. The WIRED Initiative seeks to help regions transform their workforce investment, economic development, and education systems to support overall regional economic growth by fostering collaborative partnerships among universities, businesses, government, workforce and economic development organizations, and other key regional partners. Under the WIRED Initiative, the Department has competitively awarded \$325 million of H-1B fee revenues and is providing expert assistance to 39 regions across the Nation to implement strategies that will create high-skill and high-wage opportunities for American workers. Training and employment services are focused on high-growth industries within each region.

Not only are these three initiatives training individual workers, but they are also supporting key foundational elements of the Workforce Investment Act; for example, promoting strong collaboration between the public workforce investment system and other strategic partners; creating a strong role for business; and encouraging customer choice and accessibility of training opportunities. This is reinforced by ETA policy guidance and technical assistance to the public workforce investment system. We have learned that broad partnerships result in innovative workforce solutions and the ability to leverage many more resources to address workforce challenges. The initiatives also recognize the fundamental importance of engaging employers as strategic partners to define skill needs, develop curriculum, engage in the education and training process, and leverage the significant resources employers invest routinely in workforce development.

Each of these initiatives is designed to enhance, challenge, and highlight the role of the workforce system in supporting the delivery of quality education and relevant workplace training. All three initiatives emphasize the workforce system's integral partnership with education, economic development, and industry.

There are a number of activities that ETA is carrying out in order to disseminate the learning, promising practices, results, and deliverables from these initiatives more broadly to the public workforce investment system and other stakeholders. Specifically, ETA has designed technical assistance strategies to support the preparation and packaging of results, products, and promising practices—what we refer

to as “workforce solutions”—that result from these grants. Deliverables from each grant vary and include: competency models, career ladders or lattices; curriculum; outreach materials; and program management and implementation tools. At this time, ETA is tracking 1,300 workforce solutions across our HGJTI and CBJTG grants, with plans to add solutions developed through WIRED grants. We anticipate over 350 new solutions will be ready for dissemination later this year. There are a number of ways that ETA distributes the solutions and lessons learned that resulted from the grants and encourages learning among grantees, industries, communities of practice, peer networks, and the public workforce investment system more broadly:

- First, we distribute information and promising practices through Workforce³One (www.workforce3one.org), a Web-based technical assistance portal, and our doleta.gov site. These sites offer the public workforce investment system and its strategic partners access to a wide array of learning opportunities, including webinars, podcasts, and newsletters, as well as serve as the central repository for HGJTI and CBJTG workforce solutions.

- We also inform grantees about approaches that other grantees have implemented through the administration and management of grants provided by our Federal Project Officers. Federal Project Officers are responsible for helping to ensure appropriate expenditure of funds and monitoring the progress of HGJTI, CBJTG and WIRED grants.

- ETA participates in national conferences where we highlight workforce solutions from HGJTI, CBJTG, and WIRED grantees. At these conferences, local, State, and national workforce leaders have the opportunity to dialogue directly with grantees to learn how to replicate demand-driven strategies. This last July, at our agency’s annual conference, Workforce Innovations, over 3,000 conference attendees received a catalogue of over 300 workforce solutions.

- ETA supports regular grantee meetings and conference calls across HGJTI and CBJTG grantees according to their industry focus. Through these conference calls and meetings, grantees are able to share strategies, promising approaches, and solutions with one another according to their particular industry workforce needs and challenges.

- We have issued a Training and Employment Notice (TEN) in July 2008 that announced the availability of new HGJTI and CBJTG workforce solutions to the public workforce investment system, and discussed the types of solutions developed; how they add value to One-Stop Career Centers, community colleges, and other organizations; and how the solutions can be accessed, applied, and shared across the public workforce system community.

I’d like to give you several examples of results of these grants. Calhoun Community College, a CBJTG grantee in Alabama, is using its Alternate Health Education Asynchronous Delivery (AHEAD) program to offer students training for new career opportunities in nursing, surgical technology, radiography, and clinical laboratory technology. The program is designed to increase the community college partners’ capacity by offering an extended consortium of healthcare programs through shared resources and Web-based instruction. Through this grant, Calhoun Community College developed the Delayed Progression Nursing Program. This redesigned nursing program provides an alternative learning format using video streaming technology that allows students to view lecture content on the Internet or by podcast. Several regions across the country have adapted workforce solutions developed by Calhoun Community College. For example, Central Alabama and Southern Union Community Colleges adopted Calhoun’s Delayed Progression Nursing Program in its entirety, modifying the education schedule to meet the needs of working adults. In addition, the expanded enrollment at Calhoun Community College has led to an increased number of healthcare professionals ready to respond to industry workforce needs.

In California, the San Diego Workforce Partnership and its partner, BIOCUM, have worked to define avenues for young people to explore whether biotechnology is the right career path for them. Through a HGJTI grant, they established a clearinghouse on the biotechnology industry, coordinated student internships, and developed teacher externships for San Diego region’s biotechnology community. As a result, 57 students completed hands-on internships; 30 high school science teachers have had externships at area biotechnology employers; and 139 career counselors in area high schools, community colleges, 4-year universities, and One-Stop Career Centers have experienced training sessions in biotechnology. Additionally, the project has had even greater scope: 5,670 high school students have been exposed to new biotechnology curriculum, and 45,175 high school and college students have

interacted with career and guidance counselors who have participated in biotechnology training.

ETA'S MANAGEMENT OF GRANTS UNDER THE DEMAND-DRIVEN WORKFORCE INITIATIVES

The subcommittee asked that I testify concerning the reports issued by the Government Accountability Office (GAO) and the Office of the Inspector General at the Department of Labor (OIG) on ETA's management of grants issued under the President's demand-driven workforce development initiatives. I will address each of these reports in turn, beginning with the OIG reports.

OFFICE OF THE INSPECTOR GENERAL AUDIT REPORTS

The first of the OIG reports was issued in November 2007, concerning the justification for non-competitive award of grants under the HGJTI. The second report was issued in April 2008, concerning the value of selected HGJTI grants. ETA has provided detailed responses to the findings in both reports. In addition, in January 2008, ETA submitted to the OIG a Corrective Action Plan outlining the steps ETA is taking to address each of the recommendations in the November 2007 audit report. In June 2008, ETA submitted a comprehensive package documenting the corrective actions ETA has completed or planned concerning this audit. On September 11, 2008, the OIG responded that it considers all but one of the recommendations resolved. ETA is compiling additional information for the OIG so that the remaining recommendation can be resolved. I would be pleased to provide the Corrective Action Plan to the subcommittee. A similar Corrective Action Plan in response to recommendations in the April 2008 OIG audit report was submitted to the OIG on September 12, 2008. I will be pleased to provide this plan to the subcommittee.

ETA is extremely proud of the HGJTI. This initiative began as a strategy to transform the public workforce investment system into a demand-driven system—one that framed its workforce strategies and service delivery models based on a firm understanding of the jobs of the 21st century and the skills workers need to get good jobs with career pathways. This approach required new types of partnerships with business and industry and education as well as new ways of doing business. The High Growth initiative involved: extensive consultation with business and industry in 14 industry sectors to understand workforce challenges and skill needs; solutions forums with a wide array of strategic partners including the workforce system, business and industry, educators and others to think creatively about innovative solutions to those challenges; and, finally, investments in those innovative solutions.

ETA chose to award the first round of High Growth investments non-competitively for one very important reason. It allowed us to identify the most innovative solutions that were directly tied to the specific workforce challenges that industry identified—issues such as the need for competency models and career ladder strategies, the need to engage untapped labor pools, the need for qualified instructors, and so on. In making these selections, however, there was a comprehensive review process internal to ETA to evaluate the unsolicited proposals that emerged from the overall consultation process. ETA made sole-source awards consistent with the statutory authority under the Workforce Investment Act, Department of Labor policies and procedures governing non-competitive awards and Federal procurement rules. It was ETA's intent from the early phases of the HGJTI to move to a fully competitive investment model, and ETA began that process in Program Year 2004. Currently, all HGJTI grants are awarded through a competitive process.

While ETA did not agree with all of the findings in the two OIG reports, we do believe the audits were helpful in pointing out areas where our grant-making processes could be strengthened. In particular, we believe the steps taken by ETA in response to the OIG report recommendations will enhance our grant solicitation and grant award management practices. I will briefly summarize some of the specific steps ETA is taking to respond to the OIG recommendations.

ETA has completed most of the actions associated with the recommendations in the November 2007 OIG report and we are working to implement the outstanding actions over the course of the coming year. We continue to award the vast majority of grants through the competitive award process (including all grants under the HGJTI), and use the non-competitive process on an extremely limited basis, following the appropriate Federal and Departmental guidelines and the provisions in the Department's annual appropriations act and in the Workforce Investment Act. We have also instituted additional operating procedures to ensure rigorous documentation of the award decisionmaking process. This process further underscores our commitment to ensure that there are no conflicts of interest involving decision-makers and grant awardees. When grant awards are made non-competitively based

on the Federal standards for sole-source awards, we are using a standardized process to document the justification of such requests made by ETA to the Department's Procurement Review Board. Similarly, we have implemented a process to ensure that requests to exempt proposals from the Department's Procurement Review Board review are properly researched, validated, and documented, as recommended by the OIG. All of ETA's executives have received training on these revised operating procedures regarding non-competitive awards. When grant agreements include a match requirement, we have taken appropriate action to ensure that all match requirements are monitored to make sure this commitment is fulfilled, regardless of grant modifications or extensions of performance periods.

The OIG's second report was issued in April 2008 and included several recommendations on ways to improve the grant solicitation and award process and the grant monitoring and closeout procedures, and to enhance the effectiveness of the HGJTI. ETA has taken a number of steps that should help address OIG's concerns. For example, ETA has improved the guidance provided in grant solicitations to prospective grant applicants on the need to articulate clearly projected outcomes and deliverables in their applications. ETA has also provided training to all grant officers to ensure that all deliverable products will be provided to ETA. As in the first OIG report, ETA continues to ensure that all matching and leveraged fund requirements are incorporated into grant agreements. We have also improved processes to require that grants acknowledge the source of the grant funds and the corresponding requirements associated with them, e.g., H-1B visa fees.

With respect to OIG's recommendations to improve grant monitoring and closeout, ETA is continuously training grant staff and revising grants management guidance materials to ensure each grant is monitored periodically in order to identify potential problems and to provide corrective action as necessary. This training and guidance ensures that ETA staff are aware of matching and leveraged fund requirements from other Federal sources, and that grantees meet established grant requirements prior to grant closeout. We are also expanding the use of ETA's electronic grant management system—a monitoring tool that has been enhanced to include risk-based management, quarterly desk reviews, and other management tools—to all grant management staff. This expansion is expected to be complete in December 2008.

The OIG made recommendations regarding questioned costs in three HGJTI grants. ETA is following its normal audit resolution procedures concerning these questioned costs, and is working to reconcile these issues and close out the grants.

The OIG expressed concerns with our ability to evaluate the effectiveness of the HGJTI, with specific emphasis on products and results. As I described earlier today and in our written response to the OIG, ETA's approach has been to work closely with grantees to package their results for broad dissemination and to share all of the products that have been developed with grantees and the workforce system. We consider the HGJTI grants to be a wealth of learning that produced specific products and approaches for potential replication, and believe there is value in each grant's results. So, unless the products are clearly deficient or contain inappropriate material, such as a political endorsement, all products are posted online, and stakeholders are able to determine their value and use in the marketplace. However, responding to OIG's recommendation, future solicitations will require that grantees secure reviews of products developed through their grants and submit the results of this review to ETA to consider when sharing the product. While the OIG recommended that ETA evaluate all products that had been posted online to date, ETA does not plan to retroactively evaluate each product due to capacity and resource constraints. Instead, we will address this recommendation by posting revised and more specific disclaimer language to our Internet Web sites where we make these products available. Finally, responding to the OIG's recommendation to implement a process of continuous evaluation of the effectiveness of the HGJTI, ETA is conducting an independent evaluation of this initiative.

The HGJTI evaluation began in July 2006. Through the evaluation, the Department seeks to learn more about how the projects grantees developed and how those projects were implemented. The evaluation will include a rigorous net-impact analysis of outcomes and impacts of training provided by specific HGJTI grantees. This evaluation is a three-step process. The first report, published in July 2007, summarized the major implementation lessons that emerged from the early grantees and documented the extent to which projects continued after the grant period ended. The second report is scheduled to be released in the fall of 2008 and will document the initiative and describe the structure and implementation of selected grantee projects. The final report is scheduled to be released next spring and will analyze the early impacts of training on participants' employment and earnings outcomes.

GAO REPORT ON EMPLOYMENT AND TRAINING PROGRAM GRANTS

In May 2008, GAO released its report on employment and training grants under the HGJTI, CBJTG, and WIRED Initiative. The issues identified and recommendations made by the GAO were similar to those made by the OIG in their November 2007 and April 2008 reports. ETA submitted its detailed views on the findings and recommendations in the report, which are printed as an Appendix in the report. We have also submitted our "Statement of Executive Action" in response to the recommendations in the report, which I will be pleased to provide to the subcommittee. As indicated in our letters to the GAO, we did not agree with every conclusion in the report, but we believe the actions we are taking to address GAO's recommendations will help us to determine the impact of the three initiatives, ensure that the best possible projects are selected in the future, and improve accountability.

The GAO recommended that the Department take steps to ensure that the initiatives are evaluated so that strong conclusions about their impact can be drawn. We agree, and intend to evaluate these programs. There are ongoing independent evaluations of all three efforts.

I have already discussed the HGJTI evaluation. The CBJTG evaluation began this summer. The purpose of this evaluation is to develop an in-depth understanding of key differences and similarities across CBJTG grantees. DOL expects an interim report in the spring of 2009 and a final report in the winter of 2010. We anticipate that the evaluation will include a survey of all grantees, and expect it to be rich with valuable information. ETA will be pleased to share the results of the CBJTG evaluations with you as they become available, and like all of our evaluation reports, they will be available online at www.doleta.gov.

ETA currently has two evaluations of the WIRED Initiative underway. The first evaluation began in November 2006 and focuses on the first set of 13 WIRED grantees or Generation I. The second evaluation began in November 2007 and focuses on the 26 grantees that were awarded during the second and third rounds, or the Generation II and III regions. Both evaluations will provide a comprehensive understanding of the implementation and cumulative effects of WIRED strategies, including transformations of the regional economies and the region's public workforce investment systems. The Department released the first interim report of the WIRED Generation I evaluation in June 2008. We anticipate release of final reports for both of these evaluations to occur in 2010.

To further support the evaluations of all three initiatives, the Department has also taken action to ensure the collection of consistent performance outcome data by requesting that all HGJTI, CBJTG, and WIRED grantees provide data that reflects how the programs have assisted job seekers in getting jobs, retaining jobs and improving earnings. These measures are the "Common Measures" utilized by ETA's employment and training programs. As of this summer, all HGJTI and CBJTG grantees are collecting and reporting outcomes against the Common Measures and all WIRED grantees will begin to do so.

Like the OIG recommendation, the GAO recommended that ETA better document the statutory program requirements when awarding noncompetitive grants. ETA has modified two required forms that are used during the process of awarding a noncompetitive grant. These modifications ensure that the assigned Grant Officer and Program Official confirm that the proposed sole source grant is in compliance with relevant statutory requirements, including the requirements of the authorizing act that permits grant awards and the appropriations act from where the funds will come, and any congressional report language that provides further guidance or clarification of congressional intent.

GAO recommended that the Department develop and implement a risk-based monitoring approach for the WIRED Initiative and a schedule for its use. In response, the Department initiated monitoring reviews of WIRED grantees to ensure that they are complying with financial and administrative requirements. The reviews of WIRED Generation I grants will be completed by September 30, 2008, and will be followed by reviews of the WIRED Generation II and III grants. The monitoring reviews are conducted by teams of ETA staff comprised of experienced Regional Office and National Office staff, and the regional Federal Project Officers assigned to each grant. In their reviews, the teams are using a supplement to ETA's Core Monitoring Guide, issued on June 2, 2008, that meets the specific needs and requirements of WIRED grants and includes review strategies for both the State Grantee and Regional Lead organizations. The Department will utilize standard procedures for issuance and resolution of any monitoring report issues.

Madam Chairwoman and members of the subcommittee, I hope that the information I have provided is helpful and responds to your interests. As I have indicated, more detailed information may be found in the materials we have submitted. We

appreciate the subcommittee's efforts, and those of the GAO and OIG, to ensure that the investments of the demand-driven workforce development initiatives are well managed, meet their objectives, and are cost-effective. This concludes my prepared testimony and at this time I would be pleased to answer any questions that you may have.

Senator MURRAY. Thank you very much to all three of you for your testimony.

During this year's Labor/HHS appropriations subcommittee, I asked Secretary Chao about one of the Department's five critical priorities in budget and policy planning, and I quote: "increasing the competitiveness of America's workforce." We also heard the secretary and many other administration officials talk about the Department's efforts to support the President's "results-driven agenda."

Now, to me, "results" really implies that you are able to measure the impact and effectiveness of programs that are supported by the Department. And yet when the GAO released a report which finds that for almost \$900 million spent under the President's demand-driven workforce agenda, the employment and training agency failed to establish any kind of benchmark that would allow you to adequately monitor whether all of these grants met the statutory requirements they were awarded under or, in fact, allow you to measure the performance of the programs that receive the funding.

Now, I initiated this report, along with Senator Kennedy and Senator Enzi, after we learned that the Employment and Training Administration awarded 87 percent of its High-Growth Job Training Initiative grants noncompetitively over the last 6 years. And I find the GAO's report's findings particularly troubling, given that the agency intended to use these grants to shift the focus of the Nation's workforce development system.

Because there was very little planning by the agency on the front end, it is nearly impossible now to compare these initiatives to the other programs under Workforce Investment Act. And it means that proving that your initiatives are more successful in "increasing the competitiveness of America's workforce" is really out of the question.

In fact, GAO found that the Department failed to even integrate these initiatives fully into its strategic plan. And in my opinion, that really fails to live up to that results-driven agenda that we kept hearing about.

So, I would like you—Mr. Orrell, if you could talk to us about how you planned to demonstrate the effectiveness of the President's demand-driven job agenda training for each of those three initiatives?

Mr. ORRELL. Thank you very much for the question.

I would like to just start out by saying that all three of the initiatives are being subjected to broad and long-range evaluations to look at their effectiveness.

The High-Growth Job Training Initiative is currently being evaluated by the Urban Institute with its partners, Johns Hopkins University and Capital Research Corporation. They are conducting a national evaluation of the high-growth initiative, which has two major components—an implementation analysis and an analysis of early incomes and impacts of training in six of the grant programs.

The first report on the implementation and sustainability of 20 early High-Growth Job Training Initiative grants was released in June 2007. The second, more in-depth, implementation analysis was released in mid-June. And a final report is expected in late 2008 and will present analysis of the early outcomes and impacts of job training in six of the grant programs.

On the Community-Based Job Training Initiative, ETA began a comprehensive evaluation of the community-based initiative beginning in July of this year.

Senator MURRAY. Mr. Orrell.

Mr. ORRELL. Yes.

Senator MURRAY. In six of the—you said in six of the programs—

Mr. ORRELL. Right.

Senator MURRAY. There were—

Mr. ORRELL. It is a sample of six of the grants that were funded through the high growth.

Senator MURRAY [continuing]. And there were over 100? There were over 100. So what were you going to do with the other 95-plus?

Mr. ORRELL. We are evaluating in-depth six of the grantees, which is very similar, actually, to the sample that the OIG looked at in terms of its in-depth analysis of the high-growth grantees, trying to really dig deeply into those grants, figure out which strategies were effective in helping the American workers link to high-growth, high-wage industries.

Senator MURRAY. Was that planned initially that you were only going to do six of the many, or this is an outgrowth of the questions the committee has been asking?

Mr. ORRELL. Let us see, this has been underway for several years prior to the—I believe, prior to the GAO and OIG investigations. It had always been planned to be evaluated.

Senator MURRAY. Mr. Scott, would you like to comment on that at all, what you just heard?

Mr. SCOTT. Madam Chair, our understanding is that the Department has had some trouble in terms of looking at—being able to only look at 6 of the 100—approximately 166 grantees because only the 6 grantees had sufficient participants to ensure statistically significant evaluation. That was based on the information we have received.

Senator MURRAY. So, Mr. Orrell, the six that you chose, were those because they were the only ones that you could find any outcomes on?

Mr. ORRELL. That isn't my understanding of why those six were chosen. I think they were chosen because they would give us an interesting cross-section of the types of grants that were funded by the Department.

With regard to the number of participants that have taken part in the high-growth initiative, so far, over 250,000 American workers have either received training, completed training, or are in the process of being trained through our grantees—

Senator MURRAY. How were those six picked? That is—

Mr. ORRELL. The six, I believe, were picked by the Urban Institute and Johns Hopkins University, who we have contracted to do the evaluation.

Senator MURRAY. Senator Isakson.

Senator ISAKSON. Thank you, Madam Chairman.

Mr. Scott, you said 80 percent of the high-growth grants were noncompetitive. Is that right?

Mr. SCOTT. Yes.

Senator ISAKSON. Was that totally at the discretion of the Department to make them noncompetitive? Was there no direction in the legislation as to whether or not there was any competition?

Mr. SCOTT. My understanding is the Department had the discretion in terms of awarding the grants noncompetitively.

Senator ISAKSON. Do you know of any statutory requirement in general, in terms of noncompetitive grants, that exist today? In the existing statutory authority, granting or limiting noncompetitive grants by any Department. Do you know of any?

Mr. SCOTT. I am not qualified to answer that question, sir.

Senator ISAKSON. Well, neither am I, but I am going to try and find out the answer because that would be an interesting one to find the answer to.

Mr. Lewis, at the bottom of page 6 in your printed testimony, after your three recommendations, there is a paragraph I am going to ask Mr. Orrell some questions about. But I wanted to know if these were your words or these were written by somebody else in terms of the opening statement? Page 6 at the last paragraph?

While you are looking, Mr. Orrell, let me ask, these are the words in his report. It says, "ETA strongly disagreed with our findings that they did not provide sufficient oversight." Then it goes on to say, "Moreover, ETA stated that it does not have the expertise or the resources to evaluate every product."

And then it says, "ETA further stated that "it is not"—and I quote—"necessary or valuable to evaluate every high-growth deliverable before sharing it with the workforce system." And then it says, "ETA cited that its approach was to let key constituents such as business and industry determine the value of the products it disseminated."

That response says that the Department doesn't think it has the ability or the personnel, I guess, to evaluate the programs. And so, it is going to determine evaluations based on what business and industry tell it. Am I hearing that correct?

Mr. ORRELL. Two things with regard to that. The decision—we have all these grants out there that are producing a number of products, over 1,300 products so far. And they range from curriculums to strategies for linking workers to high-growth, high-wage industries. A wide variety of products are intended to help re-direct the broader workforce system toward the demands of high-growth, high-wage industries.

Evaluation is such—if you are talking about rigorous evaluation, it would not be possible to put every single one of those products through a rigorous, scientific evaluation to determine its effectiveness. That doesn't mean that the products haven't been screened.

What we typically look for are things that hold promise in terms of strategies that we think when the products come in, we look at

the products, does it seem to hold promise for helping the workforce system or industry or education or the economic development authorities to link workers to high-wage, high-growth jobs?

And when we determine through that screen that they are—or that they do hold promise, then they are posted for the public to review and to make decisions about whether to use those products or not. I would think from a public policy, public trust standpoint, when we have invested this much money, it probably wouldn't make sense to not publish these things, but to put them out so that people can look at them and see what the public dollars are purchasing.

Senator ISAKSON. OK. I understand you referenced curriculum as some of the grants, and I understand that an evaluation of a grant for curriculum would be a subjective evaluation probably at best. But a lot of these grants are, in fact, directly for training to subsequently employ people. Is that not correct?

Mr. ORRELL. They are both. The purpose of the grants—

Senator ISAKSON. Some of them are specifically for that purpose.

Mr. ORRELL. Right. Right.

Senator ISAKSON. Do you have a system in the Department now that you—since this doesn't have the time to make the evaluation, do you seek from the businesses or industries for whom these people are supposed to work whether or not they think the program has been valuable in getting them a better-trained, qualified employee?

Mr. ORRELL. It is an interesting question. I don't know the answer to whether we are actually talking to the industry groups about the effectiveness. What we are doing is collecting data on entered employment, wages, and retention, which are the common measures, that will permit us to see how people are faring who have gone through these programs.

Senator ISAKSON. Well, my only reason of raising the point is that it would seem if—were those your words, Mr. Lewis?

Mr. LEWIS. Yes. They were my words, and except where quoted, they had come directly from ETA's response to the draft report.

Senator ISAKSON. My response to that is, it would seem that if the Department takes the position that it doesn't have the ability to measure the results and it seeks to get it from the business and industry, that it would have a system for business and industry to respond, to tell it whether or not it is getting results.

Mr. ORRELL. The head of our Office of Workforce Investment informs me that, yes, we talk to industry every day about whether they are getting the kind of employees that they need from these grants.

Senator ISAKSON. Thank you.

Mr. ORRELL. Yes.

Senator MURRAY. So you talk to them every day. Is there any kind of written form or evaluation or anything that comes back?

Mr. ORRELL. I don't believe there is a formal evaluation of that, no.

Senator MURRAY. So we simply have a series of conversations that we are supposed to rely on?

Mr. ORRELL. We remain engaged with employers, the high-growth, high-wage employment community to determine whether

they are seeing the results that they would like to see in terms of the training provided to American workers.

Senator MURRAY. Well, it is frustrating because these are the signature initiatives of this administration, which were designed to show us that there is a better way to do job training. And if we don't have concrete ways of showing taxpayers, the public and the people we represent that those dollars are actually making a difference, other than a series of conversations, we can't come back and ask for more money for those programs.

Mr. ORRELL. Well, as I indicated earlier, all three of the initiatives are subject to rigorous long-term evaluations to determine whether and how effective they are.

Senator MURRAY. OK. Well, let me change course a little bit. As far as we know, the funding sources and, by consequence, the statutory authority for grants under these three initiatives haven't been made public. We have, however, received a helpful Excel chart of the sources provided by ETA to CRS during some of their investigatory work.

So, in the interest of transparency, will you commit to making those funding sources public, so that we and the public can gain a clear understanding of the statutory requirements attached to the funds that you do award?

Mr. ORRELL. As far as I know, those—all of our financial transactions within the agency are already public. But if there is additional data the committee would like or CRS or any other—IG or GAO, we would be happy to provide it.

Senator MURRAY. So you will provide us with a copy of that?

Mr. ORRELL. Yes.

Senator MURRAY. You mentioned the Calhoun Community College CBJTG program on page 6 of your written testimony. ETA's October 19, 2005, press announcement for the grant states the grant award was for \$2.5 million, with an additional \$4.6 million of leveraged resources brought to the project by eight employer partners, three education partners, and one workforce partner, for a total project of over \$7 million.

How many years of performance will the \$2.5 million Federal investment support?

Mr. ORRELL. Two to three years typically on these grants.

Senator MURRAY. Two to three years. Could you describe the nature of the \$4.6 million in leveraged resources that is referenced?

Mr. ORRELL. I don't have the details in front of me, but I would be happy to find that and provide them to you.

[The information requested can be found in Additional Material under Senator Murray's question 4b.]

Senator MURRAY. If you could provide them to the committee?

Can you tell us what was the role of the Federal contribution to the project? What did Federal money provide that private money couldn't provide?

Mr. ORRELL. Typically in these grants, and with most grants, the applicants lay out a strategy and a program for training workers. They bring their partnerships to the table to enable the training of workers for demand-driven occupations or high-growth occupations.

The resources that the grantee brings come in both cash and in-kind resources. They frequently put up—in many of these grants, they put up their own dollars as well as bring to the table other resources, partnerships, and their previous investment in the training that they've made as a form of matching resources.

Senator MURRAY. On this project in particular?

Mr. ORRELL. Again, I will have to get the details for you.

Senator MURRAY. Can you share with the committee which partners actually received the Federal money, and when the grant is over, are they going to be able to sustain the project?

Mr. ORRELL. With all of the grants, across all three initiatives, very heavy emphasis is placed on sustainability, working with the grantees to make sure that when the Federal dollars are done, the project can continue without Federal support.

Senator MURRAY. Can you share with the committee which of these partners actually received the Federal dollars?

Mr. ORRELL. Yes.

Senator MURRAY. And you can get that to our committee?

Mr. ORRELL. Yes.

Senator MURRAY. OK. And can you tell us how many healthcare workers will be in the Alabama workforce as the result of a \$2.5 million Federal investment?

Mr. ORRELL. Don't have it here. I am sorry.

[The information requested can be found in Additional Material under Senator Murray's question 4e.]

Senator MURRAY. OK, and I understand that. But I would appreciate a written response for the record.

Let me go back, Mr. Orrell, you said that the projects and products from high-growth grants went through what you call the screening process even though they were not evaluated. Can you describe for us what that screening process is?

Mr. ORRELL. As these deliverables are provided to the Department, our Office of Workforce Investment, which oversees all activities related to the High-Growth and Community-Based Job Training Initiatives, will look at those products, the curriculums, the strategies, the efforts to link workers to high-growth, high-wage industries. So that it comes in a variety of different forms.

Different deliverables will be evaluated by content knowledge experts within the Department, and a decision will be made in looking—reading through those whether or not the practices that are outlined in them show promise.

Senator MURRAY. Is this a written screening process? Does anybody supplying know what they are going to be screened on once they apply for Federal dollars?

Mr. ORRELL. Again, the threshold here isn't a sort of formal "can you demonstrate in hard numbers whether this strategy provided absolute assurances of success?" It is more of looking at it, seeing whether it looks promising. If it does look promising, then it is made available to the public.

Senator MURRAY. And if there is no evaluation at the end, how do we know?

Mr. ORRELL. For the high-growth initiative, well, I think there are two ways of knowing. For instance, in the instance of the SEIU grant that we made for the training of LPNs, the SEIU has de-

cided, based on what it regarded as the success of its grant, to go ahead and replicate those activities with its own funding.

In my view, that is probably the highest endorsement of success that there is, when people are willing to take the products that come off of these grants and then go out and use them with their own funds without any Federal support. So that is one way of measuring whether something is successful or not.

In broader terms, the products that are being put out there off of the high-growth initiative and the community-based initiative, I think that it is really a question of whether those products are seen as having sufficient value by the Workforce Investment Act system, other training entities, and educational entities. Whether those products get picked up and used, that is going to be one of our key indicators as to whether it is valuable to the people who have to, on a daily basis, engage American workers in preparing them for future employment.

Senator MURRAY. Mr. Lewis or Mr. Scott, could you comment on that kind of evaluation and how reliable it is?

Mr. LEWIS. Sure, certainly. Going back to the example that was raised with the SEIU grant, we really—with something like that, we couldn't evaluate how good that success was. Yes, there was some performance under the grant. Our concern was that, relatively, we didn't know how good that was compared to other potential grants.

Knowing that there were other proposals that weren't funded, I would say regardless of what was achieved under that grant or any of the others, we don't know if we left even better potential on the table because we picked that grant over another.

Senator MURRAY. Mr. Scott.

Mr. SCOTT. One of the issues, one of the concerns we continue to have with the Department of Labor's efforts here is that while clearly they are taking steps to evaluate some of the initiatives, at the end of the day, it is important that these evaluations include an assessment of impact. At the end of the day, we need to be assured that the investment of funds is actually resulting in the outcomes and providing us the information we need to assess to what extent, if at all, we should continue to fund some of these initiatives.

So while we certainly acknowledge the Department of Labor is taking steps to assess the initiatives, we also believe that it is important to include those impact evaluations so that, at the end of the day, policymakers have the information they need to determine how best to proceed in changing the workforce system.

Senator MURRAY. Senator Isakson.

Senator ISAKSON. Madam Chairman, unfortunately, I have to go to another committee. So I am not going to ask any further questions.

But I want to thank our witnesses for being here today and thank you for calling the meeting.

Senator MURRAY. Absolutely. Thank you very much, Senator Isakson. I appreciate it.

And I will have questions that I will submit for the record as well this morning. But, Mr. Orrell, let me go back to you again.

You just heard that it is important to have impact evaluations. Can you comment on that?

Mr. ORRELL. We do have a net impact evaluation going on in the High-Growth Job Training Initiative. That report will be available some time between now and the end of the year. It is—

Senator MURRAY. Due on the end of this year, are we talking about?

Mr. ORRELL. End of 2008, yes.

The other thing, the other point I neglected to mention was that for future high-growth initiatives, in order to respond as fully possible as we could to the OIG and the GAO around these issues, we have included in the requirement for grantees that they have to have a contract with an outside content subject matter expert to evaluate the products that they are producing so that we do have at least a glimpse, a picture from an outside evaluator on each of the products that our high-growth initiatives are producing.

Senator MURRAY. OK. I am trying to understand how this happened. We have a responsibility to make sure there is an evaluation so that we can make sure taxpayer dollars are used wisely. And data provided by ETA to CRS show that at least 19 of the high-growth noncompetitive grants were fully or partially funded from Wagner-Peyser Act funds at a sum of about \$17 million.

Now this was also noted by the inspector general that these funds seemed to have been awarded from an authority relating to labor market information. Now, unfortunately, none of the ETA's documentation on the program—press releases, budget justifications—include any reference to the source of those funds. So could you describe for the committee the justification for the use of those funds for the high-growth grants?

Mr. ORRELL. I think I would be venturing into an area that I couldn't speak authoritatively about just because I wasn't here in this position when those decisions were made back in early 2000s. But I would be happy to research it and get it back to you.

Senator MURRAY. If you could please do that and get it back in written comment to the committee?

Mr. ORRELL. Yes.

[The information requested can be found in Additional Material under Senator Murray's question 15.]

Senator MURRAY. In your written testimony on page 8, it states that:

“ETA chose to award the first round of high-growth investments noncompetitively for one very important reason. It allowed us to identify the most innovative solutions that were directly tied to the specific workforce challenges that industry identify.”

You further state that there was a “comprehensive review process internal to ETA to evaluate unsolicited proposals that emerged from the overall consultation process.”

I have a couple questions about that. Do you consider 133 non-competitive grants totaling \$235 million and spanning 6 years to be a first round?

Mr. ORRELL. I am sorry. Say that—

Senator MURRAY. To be first round?

Mr. ORRELL. I believe that is—that is the first round in each industry sector.

Senator MURRAY. I am sorry. I don't understand what you mean.

Mr. ORRELL. That was the first—

Senator MURRAY. There are 133 grants. It's \$235 million, spans 6 years. Is that the first round? I am confused by what you are saying that this is how you are looking at the first round. What is the second round, if that is the first round?

Mr. ORRELL. I am not quite clear either, Madam Chairman. ETA funded these grants, 133—

Senator MURRAY. Noncompetitive.

Mr. ORRELL. Noncompetitive grants in the first round. The purpose of doing that was that it was clear—I think—my understanding is when the administration came in, it was really looking at the skills gap between where American workers were and their skill levels and the needs of industry, there was a big skills gap there. And there was an effort to jump start this process of reorienting our Workforce Investment Act system.

When I look at these grants, I look at them as kind of steering grants, trying to steer the system in closer alignment with the demand in high-wage, high-growth, industries that we have in this country.

I can tell you that from my experience in the last 6 months of being in this job, even in the current economic times, we are dealing with employers across all of these high-demand, high-growth industries that need people now. And these grants were an effort to begin to equip workers now for jobs that currently exist and will exist in the future.

Senator MURRAY. Well, I think the more specific question that would help us understand what you have done here is if you can explain to us why a noncompetitive process would identify more innovative projects than a competitive process?

Mr. ORRELL. Again, my understanding of how this process rolled out was, first, there were a series of forums with industry executives to try to get a handle on where the needs were in terms of openings in those high-growth industries, across 14 different sectors of high-growth industries.

Senator MURRAY. And you don't think a competitive process would have gotten you—

Mr. ORRELL. I think, as I said, the effort was really focused on getting as quick a start as we could on the problem because we knew, based on what we were hearing from industry, that the demands were present in 2001, 2002, just as they are currently. These industries are still in need of people with the right skills in order to get those jobs.

Senator MURRAY. Well, both the inspector general and the GAO found no documentation that you evaluated the proposals and stated that "the ETA could not identify any ways in which the grants had the most innovative solutions or that they were measured against any industry-identified criteria."

So could you explain how your comprehensive review process that is apparently internal to ETA—

Mr. ORRELL. Right.

Senator MURRAY [continuing] Was able to accomplish such an evaluation without leaving any documentation?

Mr. ORRELL. The review process had three different levels. First was a technical review, which is looking at, "do we think the grant can actually achieve what it says it wants to achieve?" The second was a peer review. Does this make sense? Does it fit within the goals that we had to equip workers for jobs that were currently available? And then finally was the review process through the Procurement Review Board that examines noncompetitive awards.

So each one of these grants passed through all three of those gates before it was awarded. And my understanding of what I have read and understand from the GAO and OIG, there has never been a question about whether we have the authority to make these on a noncompetitive basis or whether we violated any authority in that regard. The question has been did we adequately document the process that we used?

That is what we have been working to correct with the GAO and the OIG is making sure that we have the documentation in place to show that all of the steps were appropriately followed.

Senator MURRAY. OK. Well, you stated that your goal is to close the skill gaps.

Mr. ORRELL. That is correct.

Senator MURRAY. Which we all believe. But how do you show that if these noncompetitive grants were never evaluated? Particularly when you use pilot demonstration funds, it seems important that you show the purpose was actually accomplished?

Mr. ORRELL. As I said earlier in our conversation, the high-growth initiative, the community-based initiative, and the WIRED initiative are all subject to evaluation to tell us what degree they were successful.

Senator MURRAY. Mr. Lewis or Mr. Scott, would you care to make any comments at this point?

Mr. LEWIS. Well, in terms of the IG's report, we did note that there is not an absolute requirement that every grant award be done competitively. We did acknowledge that it is permissible in circumstances to have noncompetitive awards. However, we do note that the preference is to do them competitively.

So we are concerned that with demonstration grants in particular that we have done the best to look for the best awards to make and that that can be best done by comparing one award to another. And where we did have documentation of ETA's process, the comparison was of the award to itself, not to other awards or other proposals.

Senator MURRAY. OK. Mr. Scott.

Mr. SCOTT. Madam Chair, just a couple of comments.

First, as we state in our written testimony, it is our view that while clearly the Department had the discretion to award these grants noncompetitively under those circumstances, ultimately, we believe that competition actually facilitates accountability, promotes fairness and openness, and increases the assurances that grantees have the system in place to meet grants. So that is sort of a bottom line sort of baseline for which I think the Department needs to consider—should consider as it goes forward.

Second, some of the concerns we had was that given that these high-growth grants were initially awarded noncompetitively, that made it even more important that the Department adequately document the decision steps along the way so that it could provide transparency to the process. And given the fact that there were circumstances where they could not provide us the documents that we needed to assess that, I think that raises questions.

And finally, on this point of evaluation, while clearly the Department is taking steps to evaluate some of these grantees, we continue to believe that evaluating is one step, but actually being able to assess the impact—at the end of the day, what are these dollars buying us—is another step that at this point it doesn't appear that the Department, other than on a limited basis on some of the high-growth grants, will be able to achieve. And so, that continues to be a concern for us.

Senator MURRAY. OK. I think I heard Mr. Orrell say just a minute ago that all of the noncompetitive grants were reviewed by the Procurement Review Board internal to Labor.

Mr. Scott or Mr. Lewis, is that consistent with your findings?

Mr. LEWIS. In our report, we noted a number that should have gone to the Procurement Review Board but did not go.

Senator MURRAY. So—

Mr. ORRELL. It is a matter of ongoing disagreement—actually not between ETA and the OIG, but really between the OIG and the Office of the Solicitor at the U.S. Department of Labor—as to whether a small number of these grants, fewer than 10, should have gone to the PRB or not. Three of them were under the procurement threshold of \$100,000. Sole-source grants of less than \$100,000 do not have to go through the PRB.

The second area is really the technical one, where we have got disagreement between the OIG and our solicitor's office as to whether grants made to local Workforce Investment Act system entities—workforce boards, State workforce agencies—qualify as Government entities. Under the Department's rules, grants going to Government entities can go on a sole-source basis without going through the PRB.

Senator MURRAY. Is that correct, Mr. Lewis?

Mr. LEWIS. That is correct.

Senator MURRAY. OK. Mr. Orrell, I want to go back to what I was just talking to you about earlier, because I am still puzzled by your statement that all of these grants were part of a first round of funding that span 6 or more years, and millions of dollars. Was there never an opportunity earlier for the Department to go to a competitive process?

Mr. ORRELL. The competitive processes for the high-growth initiative started in 2004. The first grants under—the noncompetitive grants were awarded in 2003. So we moved rather quickly—is that right? A little bit earlier than 2003?

Oh, OK. So the 2002, 2003 grants were noncompetitive. We moved into a competitive format for the high-growth initiative in 2004.

Senator MURRAY. How many were awarded then?

Mr. ORRELL. Oh, let us see. No, but how many? Yes, we will have to look it up.

Senator MURRAY. You will have to get back to us, OK.

Well, I have a number of other questions as well. And clearly, this is a busy time on Capitol Hill with a lot going on, and my Ranking Member already had to leave.

I am going to submit these questions to the record, and I would like all of your responses back as quickly as possible. I particularly appreciate all of you taking time out of your schedules today.

I do think that the overall intent of Congress and certainly of the reports that we have gotten is that we have to be held accountable for taxpayer dollars. We need to know where our dollars actually go to work. That is why Congress has been interested in this issue and previously issued directives without that, we can't go back and ask, in very tight budget times, for additional funds.

Workforce training is extremely important. Closing the skills gap is important. We agree with the DOL on that. But if we can't show that the money is working, we are not going to get additional money, and we can't prove to the taxpayers that we are doing the right thing. That is why this committee is interested in this issue.

Thank you very much to all of you for your testimony, and with that, we will adjourn for the day.

Thank you.

[Additional material follows.]

ADDITIONAL MATERIAL

PREPARED STATEMENT OF SENATOR BROWN

Thank you, Madam Chair.

I appreciate your solid leadership on workforce issues and your decision to conduct this oversight hearing.

And I'd like to thank our witnesses for sharing their insights with us this morning.

Our Nation's economic prospects hinge on the capabilities of our workforce. That's the bottom line. If we are not investing as we should in workforce development, we are constructing a poor foundation for our Nation's future. That's a fact.

And that's why this hearing is so important. That's why the Department of Labor's demand-driven workforce initiatives deserve the attention of this committee.

Since early 2007, I have held more than 100 roundtables around Ohio. One recurring theme—from workers and employers, business and labor, teachers and school administrators—is that we need to do a better job connecting workers to work.

That not only means creating linkages between employers and potential employees, it means helping to equip workers with the skills necessary to take on new jobs in emerging industries.

I think everyone here today understands the importance of good workforce training programs. We understand the role good workforce policy can play in developing the skilled workers needed, especially for in-demand industries. We also know that good workforce policy is a tool for regional economic development.

As we consider where we are today and where we should be going forward when it comes to workforce policy, some fundamental questions come to mind:

How do we ensure taxpayer dollars are used effectively and efficiently? How do we ensure accountability? How do we see that grants are awarded competitively? What are the defined goals and benchmarks policymakers and lawmakers should strive for? What data will help us compare outcomes for grant-funded training programs against other federally funded workforce training initiatives around the country?

There have been problems with the Labor Department's execution of training grants programs. These are well documented by the Government Accountability Office (GAO), the Office of Inspector General (OIG) and Congressional Research Service (CRS).

We know that High Growth Job Training Initiative (HGJTI) grants were awarded through a noncompetitive process. Between May 2002 and December 2006, nearly \$287 million was awarded for the HGJTI grants, 90 percent of which was awarded non-competitively.

These are now awarded competitively.

We know that there has been little monitoring of the WIRED programs, and I hope to hear today how the Department has corrected that process.

I believe we need to learn from mistakes and mismanagement, and make sure federally funded training programs work as they should. I believe Congress has a responsibility to authorize these

programs to ensure taxpayer dollars are being invested in them wisely, to the benefit of workers, employers, and the U.S. economy.

In July, I introduced with Senator Olympia Snowe the Strengthening Employment Clusters to Organize Regional Success, or SECTORS Act.

The bill focuses on targeted training, with multiple stakeholders in the same industry.

The legislation focuses on effective skills training, but also emphasizes program integrity. It includes provisions to ensure training programs can be sustained beyond the Federal investment and builds in rigorous evaluation so lawmakers and policymakers know how tax dollars are being spent.

I hope that the lessons learned at the Labor Department will help Congress to promote best practices and bypass pitfalls as we explore innovative skills training programs for the 21st century economy.

Thank you, Madam Chair.

RESPONSES TO QUESTIONS OF SENATORS MURRAY AND BROWN BY BRENT R. ORRELL

SENATOR MURRAY

Question 1. It seems that any pilot/demo would require extra care in describing measurable objectives (what are you piloting?; what will you demonstrate?). It also seems that any noncompetitive grant would require extra care to show that the money was awarded appropriately (are there conflicts of interest?; are these the best providers?). This program started as both a pilot and a noncompetitive program, but it seems less care was taken than would be warranted even for a regular, competitive grant program. Since these grants are BOTH pilots/demos AND noncompetitive, wouldn't they necessarily warrant extra scrutiny and clear documentation?

Answer 1. ETA adhered to generally applicable Federal requirements and met the Department of Labor's policies and procedures governing non-competitive awards when making grants under the High Growth Job Training Initiative (HGJTI). As part of those processes, ETA has a significant amount of documentation of the grant making process for the HGJTI grants that actually exceeded prior practices in ETA related to decisions to award non-competitive grants. ETA has now enhanced our documentation in response to the Inspector General's report (Report #02-08-201-03-390). Specifically, ETA has new processes in place for every phase of the review of unsolicited proposals and for making non-competitive grants. The processes have been issued in an ETA policy directive and include, but are not limited to, justification for non-competitive award, documentation of statutory authority, and rationale for the decision to fund. In addition, ETA has provided training on these enhanced procedures to relevant ETA staff.

Question 2. Your testimony states (p. 2) there are 105,000 completers and 65,000 current participants in HGJTI, costing nearly \$300 million, which is a Federal cost per participant of nearly \$1,800. This amount is remarkably lower than the cost per participant rates for WIA programs that are listed on page TES-31 of the fiscal year 2009 budget justifications. Are HG students receiving training at the same intensity and duration as WIA programs? If so, what has been demonstrated in the 7 years of the programs as to how the initiative was able to achieve this level of efficiency?

Answer 2. ETA has not conducted studies to compare the intensity and duration of training provided under the HGJTI and the Workforce Investment Act (WIA), or to compare the cost per participant in HGJTI grants and WIA. HGJTI grants are a set of demonstrations and do not necessarily have the characteristics of a formula-funded program. The training solutions demonstrated in these grants vary widely ranging from fast-track construction training that was utilized in response to Hurricane Katrina, to on-site training for incumbent workers to upgrade skills, to more intensive, longer term training.

Question 3a. Similarly, on page 2, the testimony states that CBJTG has 25,000 completers, 80,000 participants, and costs of \$375 million—or Federal cost per participant of nearly \$3,600. However, page TES-31 of the fiscal year 2009 budget justifications state that the target cost per participant for CBJTG is \$2,500. Why the difference?

Answer 3a. The projected cost of \$2,500 is a projection based on the calculation of funding divided by the projected number of individuals to be trained over the life of the grant.

The calculation of \$3,600 as the cost per participant as framed in the question is misleading in the context of the Community Based Job Training Grants (CBJTG) program which has two purposes: the first is to build the capacity of the community college to do training in high growth industry sectors, which ultimately enables the college to train many more students than those funded by the grant; and second, to actually do training. The portion of the grant used to build capacity will benefit future students in addition to those who have already participated or are currently participating in the program. Therefore, the "cost per participant" based upon the number to date appears higher than it would be if future students were considered in the calculation.

Question 3b. If other measurable outcomes in addition to students trained is desired (e.g., curricular products, infrastructure capacity), then how is this comparable to other Federal programs?

Answer 3b. The CBJTG was not intended to be comparable to other Federal programs. The goals were to build the capacity of community colleges to train individuals for careers in high-growth, high-demand industries in the local and/or regional economies and to actually train more workers in those industries to meet the demand.

CBJTG grantees report both qualitative and quantitative outcomes. CBJTG grantees have provided narrative reports on a quarterly basis to ETA from their inception. These reports include updates on capacity building activities as well as progress made regarding the common performance measures. ETA has been issued a control number by the Office of Management and Budget (OMB) for the use of a standardized data collection form, and CBJTG and HGJTI grantees have been required to use that form as of July 2008. Through this system, ETA will now be able to calculate outcomes regarding the common measures on behalf of grantees through the Wage Record Interchange System.

Question 4a. Your testimony cites (p. 6) the Calhoun Community College CBJTG program. ETA's October 19, 2005 press announcement for this grant states the grant award was for \$2.5 million with an additional \$4.6 million of leveraged resources brought to the project by 8 employer-partners, 3-education partners, and 1 workforce partner—for a total project of over \$7 million. How many years of performance will the \$2.5 million Federal investment support?

Answer 4a. This grant had an original period of performance from November 1, 2005–July 31, 2008. This grantee requested and was approved a 1 year extension until July 31, 2009.

Question 4b. Could you describe the nature of the \$4.6 million in leveraged resources?

Answer 4b. Sources of leveraged funding for Project AHEAD include WIA Individual Training Account Vouchers, Tuition Assistance from regional employers and in-kind salaries and facilities from partnering community colleges. To date, **\$3,698,964** has been documented in leveraged funding and the grantee expects to meet the planned leverage of \$4.6 million during the last 8 months of the project. The breakdown of leveraged resources is outlined in the table below.

Source	Description	Leveraged amount to date
Calhoun Community College	Nursing, Surg-Tech, CLT Program salaries, benefits, and facility usage.	\$1,966,628
Central Alabama Community College	Nursing faculty and supporting salaries/benefits and facility usage.	\$747,280
Southern Union Community College	Radiography and Nursing faculty and supporting salaries/benefits and facility usage.	\$389,319
Wallace State Community College	Radiography and Nursing faculty and supporting salaries/benefits and facility usage.	\$189,030
NW Shoals Community College	Surg-Tech facility salaries/benefits and facility usage	\$2,080

Source	Description	Leveraged amount to date
Decatur General Hospital	Health Career Camp Sponsorships	\$254,422
Huntsville Hospital	Personnel Costs for Clinical Phlebotomy	
Coffee Health Group	Supervisors	
Crestwood Hospital	Personnel Costs for Nursing Preceptors	
Athens-Limestone Hospital	Personnel Costs for CLT Preceptors	
East Alabama Medical Center	
WIA (U.S. Department of Labor)	Individual Training Accounts for student participants in Project AHEAD.	\$54,437
Decatur General Hospital	Employer Tuition/Scholarships for Project AHEAD participants.	\$29,077
Huntsville Hospital		
Coffee Health Group		
Crestwood Hospital		
Athens-Limestone Hospital		
East Alabama Medical Center		
U.S. Department of Education	Pell Grants	\$66,691
Total	\$3,698,964

Question 4c. What was the role of the Federal contribution to the project—what did Federal money provide that private sources could not?

Answer 4c. Community colleges are frequently challenged with finding funding to quickly and effectively align programs with evolving demands of the job market. While some community colleges have been entrepreneurial and partnered with the private sector to support new programming, these contributions may not be sufficient to fund expensive training equipment required in technology-driven industries like healthcare.

In this specific grant, the budget is allocated as follows.

Category	Approved budget (In percent)
Personnel	32%
Fringe	6
Travel	1
Equipment	36
Supplies	7
Contractual	4
Other	9
Indirect	5
Total	100%

Question 4d. Which partners actually received the Federal money? When the grant is over, will they be able to sustain the project?

Answer 4d. Community college partners that received the grant funds:

- Calhoun Community College;
- Southern Union State Community College;
- Central Alabama Community College; and
- Wallace State Community College.

According to the grantee, since this project builds on existing programs and shared resources through distance learning formats, these programs will continue after grant funding expires. The grantee attributes the fact that all partnering colleges have been able to increase their enrollments in nursing, radiography, and other allied health professions to Departmental funding. As the demand for healthcare workers continues to increase, the colleges will be able to rely on enrollment in the program(s) to maintain the equipment and personnel beyond the grant cycle.

ETA has promoted the importance of both partnerships and leveraged resources through its solicitations and through technical assistance provided to these grant-

ees. The public workforce system, employer, education, and community-based partners represent expertise and resources that are essential to the successful implementation of the grant and its longer-term sustainability. ETA has helped grantees learn and exchange with one another ideas for building and maintaining these partnerships in order to sustain grant activities beyond the grant.

Question 4e. How many more healthcare workers will be in the Alabama workforce as a result of this \$2.5 million Federal investment?

Answer 4e. This grant will have a substantial impact on the healthcare workforce in Alabama both during the grant, and after the grant ends. There are currently 443 students enrolled in Project AHEAD Programs. To date, 150 students have successfully completed their training activities and are eligible for certification or degree. Based on current enrollment, the grantee estimates that 75 percent of these students will complete their program of study, so it's projected that 332 healthcare workers will be employed in the Alabama workforce as a result of this grant.

Further, some of the grant activities help to increase the capacity of the community colleges and will also impact the future healthcare workforce in Alabama. For example, by the end of the grant period (July 31, 2009), it is expected that the activities will have affected:

- 4,931 secondary students through career awareness programs;
- 180 students/year in early career awareness/job shadowing activities at camps;
- 27 hospitals and long-term care facilities in clinical site experiences;
- 222 secondary teachers, counselors and administrators through training sessions;
- 412 instructors in the Alabama community college system through training sessions; and
- 201 existing healthcare professionals through continuing education courses each year.

Finally, though grant funding for Project AHEAD will conclude on July 31, 2009, the broader impacts of the grant will continue for many years. For example, many of the over 5,000 high school students who have been reached through career awareness programs funded by Project AHEAD will pursue education and training in health careers. Due to the tremendous response from high school students to the summer Health Career Camps, Calhoun Community College will continue to offer these camps with the help of community partners. The Delayed Progression Nursing Program curriculum is available to all 26 community colleges comprising the Alabama Community College System. Enrollment in the Delayed Progression Nursing Program continues to grow because it allows students to "keep their day jobs" and achieve their dream of becoming a nurse. Through distance education equipment purchased by grant funds, students in rural areas now have access to healthcare programs and can meet workforce needs in their regions. This also reduced high start-up costs for community colleges by sharing resources. Through Project AHEAD, the College has expanded the network of clinical sites in the region. Calhoun will continue to work with these partners to develop healthcare programs in emerging technologies based on local employer demands. Continuing Education/Professional Development for healthcare workers in traditional and alternative formats was very successful. The College will continue to work through local employers to increase these offerings. Due to the success of and student demand for a flexible access to online education, LPNs will have the opportunity to pursue RN training through an online Bridge Program developed through grant funds. The College has approval from the Alabama Board of Nursing to pilot this program.

Question 5. Your testimony states (p. 3) that WIRED "emphasize[s] the critical linkages between workforce and economic development" and promotes "strong collaboration between the public workforce investment system and other strategic partners." If these linkages are both "critical" and "strong"—then why were local workforce boards not partners in these grants until the third round solicitation?

Answer 5. The Workforce Innovation in Regional Economic Development (WIRED) initiative is another important step in the evolution of the demand-driven approach to reshape the public workforce system to be relevant in the 21st century economy. At each phase of this evolution—HGJTI, CBJTG, and WIRED—the Department consistently conveyed the message that the public workforce system, particularly the employer-driven workforce investment boards (WIBs), were essential members of strategic partnerships and should serve as a catalyst within their communities to bring other partners to the table.

The WIRED initiative was intended to promote the development of regional economies that do not typically correspond to political jurisdictions such as State, county, and local workforce areas. The Department did not mandate WIBs as partners in

the first WIRED Solicitation for Grant Applications (SGA) in order to find and attract partnerships that were already working toward a regional approach, which may not have included WIBs. However, the Department always expected that WIBs would be an essential component of the WIRED initiative, and that the membership on WIBs should represent the key leadership necessary to implement regionally driven activities. It should also be noted that the required applicants were the Governors of the States involved, who are the heads of the State workforce development system. Each WIRED region has ETA leads assigned to work in partnership with the region to achieve their goals. The ETA Leads for Generations I and II regions have worked to ensure that the workforce system is a strong partner at the table, and these partnerships have strengthened over time. The second SGA, which awarded the third round of grants, mandated the workforce system's role and clarified the importance of WIBs' involvement within the WIRED framework.

Question 6a. On Page 4, the testimony states that "ETA is tracking 1,300 workforce solutions" and states on page 5 that ETA distributed a catalogue of over 300 workforce solutions to over 3,000 conference guests. Despite this large dissemination, in ETA's response to the OIG audit, the Department stated that regular scrutiny of all HGJTI products would not be "necessary or valuable." ETA also stated in response to the OIG that the agency lacked expertise to assess what grantees were developing; then, page 11 of your testimony describes a process of requiring grantees to secure reviews of products and share results with ETA. Does ETA now consider reviewing products to be "necessary and valuable" and will it now only disseminate products that have been reviewed?

Answer 6a. ETA continues to believe that the intended audience for these products has the expertise and is able to identify their value and use them appropriately. However, ETA has always considered screening of products to be important and has developed a comprehensive set of standard operating procedures and trained staff in verifying, cataloging, reviewing, and disseminating products to ensure that products disseminated are not clearly deficient and do not contain inappropriate material. These procedures enable ETA to manage the large volume of products created by the grantees. Products are not released until they have been reviewed in accordance with these procedures. ETA has explained to the IG that a complete *evaluation* of every product is not feasible due to resource constraints, and that the approach taken allows the key constituents to access the products and decide their value.

Question 6b. Will there be any independent assessment of the grantee-secured reviews of their own products?

Answer 6b. In future SGAs, ETA will require grantees to provide evidence of an independent review by subject matter experts of the deliverables produced through the grant activity using grant funds. The applicant must provide ETA with the results of the review and the qualifications of the reviewer(s) at the time the deliverable is provided to ETA. This process will provide additional and valuable information to ETA as part of its standard operating procedure for product collection, screening, and cataloging. ETA does not plan any independent assessment of the grantee-secured reviews.

Question 7a. On page 10, the testimony states that a new process will ensure all grantee deliverables are actually provided to ETA. In response to the OIG, however, ETA asserted the inappropriateness of receiving some grantee products, arguing that these products are proprietary.

Answer 7a. ETA does not fund the development of proprietary products. ETA does maintain the right of distribution of all products developed with grant funds in accordance with the Uniform Administrative Requirements (Specifically, 29 CFR Part 97 for State/Local Governments and Indian; or, 29 CFR Part 95 for Institutions of Higher Education, Hospitals and other Non-Profit Organizations and Commercial Organizations, as appropriate). All grantees are made aware of this requirement through training and the requirement is further specifically addressed in the Special Clauses and Conditions to the Grant Agreement, signed by each grantee as a condition of receiving Federal funds.

Question 7b. Has ETA changed its policy to now require it receive all products or could you describe the circumstances under which products would not be provided to ETA?

Answer 7b. ETA has not changed its intellectual property policy. With respect to ownership and rights in such property, ETA is governed by the intellectual property provisions contained in the Uniform Administrative Requirements (29 CFR, Part 97) and in 29 CFR Part 95. Such provisions generally provide that ETA reserves a roy-

alty-free, nonexclusive, and irrevocable license to reproduce, publish or otherwise use and authorize others to use for Federal purposes, the copyright in any materials developed under a grant. In accordance with these regulations, ETA requires that grantees using ETA grant funds for the development of copyrighted materials allow ETA to distribute such materials.

Question 7c. When does ETA believe it is appropriate for the Federal Government to fund proprietary products, even from pilot and demonstration funds, that cannot be distributed?

Answer 7c. ETA does not believe it is appropriate to fund the development of products that become the exclusive property of the grantee without a reservation of rights for the awarding agency. As stated above, ETA reserves the license rights specified in its regulations and assures compliance by grantees through specific clauses in the grant agreement and our policy on collection and distribution of such property. These requirements apply to all intellectual property developed with grant funds.

Question 8a. On page 13, the testimony describes ETA's efforts to evaluate the demand-driven grants. It appears that much of the evaluations will be focused evaluating specific grantee strategies. But, since the HGJTI and CBJTG programs were funded from pilot/demonstration authority, how will any evaluation measure the success of these pilots as a whole?

Answer 8a. The success of these pilots is being evaluated through a thorough review of grant documents, grant deliverables and training outcomes in selected sites. ETA is examining the extent to which the grantees fulfilled their grant requirements and the extent to which the approaches developed under these grants were feasible, sustainable, and replicable.

In addition, ETA, through the collection of both impact and performance data, has significant information on the outcomes of the HGJTI and CBJTG. This information indicates that both initiatives are meeting their intended goals of addressing workforce challenges in high-growth, high-demand industries. These goals include increasing the capacity of community colleges to train more individuals for occupations in high-growth, high-demand industries and creating a stronger pipeline of workers for high-growth industries by training more workers.

Also, there are many indicators that the workforce investment system has embedded the demand-driven tenets of the HGJTI into how it does business. Examples are the content of WIA State and local plans; implementation of State-driven investments that mirror the HGJTI; and the content posted and featured on Workforce3 One—ETA's online knowledge network for employers, academic institutions, and economic and workforce development professionals. While the HGJTI may not be the only influencer of this transformation, ETA believes that it had a major impact and accelerated the adoption of these practices.

Question 8b. What will ETA be looking for to determine whether these pilot programs were successful enough to continue?

Answer 8b. The success of these pilot programs is being assessed through a thorough review of grant documents, grant deliverables and training outcomes in selected sites. ETA is examining the extent to which the grantees fulfilled their grant requirements and the extent to which the approaches developed under these grants were feasible, sustainable, and replicable. High Growth grants were generally designed to respond to an industry defined workforce challenge by bringing together strategic partners, leveraging resources, and finding an innovative solution that works. In addition, they were intended to incent long-term partnerships among the workforce system, business and industry, and educators in order to continuously be at the table addressing workforce issues. ETA has no current plans to "continue" any individual pilots with Federal funding. However, we have worked with grantees to ensure sustainability of the solution being modeled or piloted. In addition, we are sharing the innovative approaches and "solutions" broadly to encourage replication where appropriate.

Question 9. On page 19, the testimony states that ETA will be pleased to post its evaluations online. In the past, this committee has been frustrated by DOL sometimes taking literally years to release evaluations that were completed under contract. What will ETA do to ensure the HGJTI, CBJTG, and WIRED evaluations are released in a timely way?

Answer 9. ETA has been working to improve its release of research and evaluation reports. Under ETA's recent Pilot, Demonstration, Research, and Evaluation Process Improvement Plan, reports approved for publication are disseminated via ETA's research Web site (www.doleta.gov) within 2 months. As a safeguard, ETA

has added new language to all contracts indicating that all final reports submitted after September 2008 must be published within 6 months of the receipt of the final document. In addition, if ETA chooses not to publish the final document, the contractor may publish the document themselves after 9 months.

The report for Phase I of the HGJTI evaluation and the interim report for the WIRED Initiative are available on ETA's Web site at <http://wdr.doleta.gov/research/keyword.cfm>.

Question 10a. On page 14, the testimony states that the WIRED evaluations will measure the cumulative effects of WIRED strategies, "including transformation of the regional economies." How do you intend to measure this transformation?

Answer 10a. The evaluations focus on three critical aspects of regional economic transformation: (1) regional alliance-building across geographic and professional boundaries, and identity development; (2) specific organizational and programmatic strategies, in terms of partners, governance, co-investment, and specific business and workforce development initiatives; and (3) measurable progress toward sustainable economic transformation, as indicated by outcome metrics related to regional economic well-being and workforce preparedness. In doing so, the evaluations will document how regional organizations that are concerned with economic growth and building human capital come together in new relationships through which shared goals, co-investment, and a renewed sense of regional purpose can develop.

Question 10b. What measurable impact on economic development do you anticipate being a result of WIRED?

Answer 10b. The WIRED evaluations are intended to provide a comprehensive understanding of the implementation and cumulative effects of WIRED strategies on the 39 participating regions. Using statistical methods, the study will attempt to identify the short-term impact of WIRED on several regional economic indicators. The evaluations will document early indicators of economic growth and development across a number of dimensions, including:

- Number and types of new companies or partnerships formed;
- Job retention and/or creation via growth in existing industries, new enterprises, or business relocating from outside the region;
- Increase in average wages, overall or in targeted industries;
- The extent of growth in the business services sector and within professional occupations such as intellectual property law and accounting; and
- Success of workforce development and training programs in training workers and assisting them to obtain well-paying jobs (e.g., workforce investment system common measures).

Question 11a. On page 6, the testimony cites the San Diego Workforce Partnership HGJTI program. The project's goal is to "define avenues for young people to explore . . . [a] biotechnology . . . career path," and the testimony describes any career path information clearinghouse, high school student internships, and training services for high school teachers and counselors. ETA's June 7, 2004 press announcement for this grant states the grant award was for \$2.5 million. This was a noncompetitive award. Although not reported publicly, data provided to CRS by ETA show that this \$2.5 million Federal investment stemmed from Dislocated Worker Demonstration funds, authorized under WIA Section 171(d). Both OIG and GAO noted that ETA did not document how HGJTI noncompetitive grants met statutory criteria. ETA asserted that, despite the lack of documentation, it did ensure all statutory criteria were met. In relation to this grant, how were the following 3 statutory criteria met?

(i) The statute requires this funding stream is to be used for "the employment and training needs of dislocated workers." How does career path information for youth relate to the employment and training needs of dislocated workers?

Answer 11a. The Department's appropriations acts have contained a proviso that funds appropriated to carry out the dislocated workers pilots and demonstration under section 171(d) of WIA "may be used for demonstration projects that provide assistance to new entrants in the workforce and incumbent workers." We believe the development of career pathways in an industry sector provides significant assistance to new entrants in the workforce, as well as to dislocated and incumbent workers, in a manner that is consistent with the authority provided under section 171(d) as modified by the proviso identified above.

The activities of this specific grant are outlined as follows:

- San Diego Workforce Partnership developed a multi-purpose biotechnology training and resource center which serves as a national clearinghouse/central train-

ing resources for local businesses and academic institutions, focusing on the training needs of the industry's existing and future employers.

- A key function of this center is to coordinate student internships (high-school to post-doc) and teacher externships for the local biotechnology community. Industry and education partners have an increasing need to help students (at all education levels) and entry level workers in getting the hands-on experience they need to enhance their academic study. This central "clearinghouse" helps students looking for internships, educators seeking internships for their students, and dislocated or displaced workers in the broader San Diego biotechnology community find the hands-on experiences they need to change careers and break into this high growth industry.

- These internships provide hands-on, industry-standard learning opportunities for students ranging from the secondary to post-doctoral level, and also provide a pathway for dislocated workers to transition to high-growth biotechnology careers. The externship program also helps provide area biotechnology employers with a needed pipeline of biotechnology workers.

- This multi-use biotechnology training center introduces new biotechnology education and training opportunities for San Diego's students and workers and expanded education and training opportunities that reach a broader base of San Diego's students and workers.

Question 11b. (ii). The statute requires grants from this funding stream that are larger than \$500,000 to be subject to a peer review process. Was this grant subject to such a process?

Answer 11b. The process generally involved several stages of review, including peer review conducted by ETA staff and management. The peer review process included development of an "abstract" to highlight the basics of the proposal(s) and initial observations regarding strengths and weaknesses, and continued with review and discussion among management and other ETA leadership on the merits of the proposals. When a proposal was identified as desirable to fund, the next step was to gain approval from the Department of Labor's Procurement Review Board (PRB), which rigorously screens proposals in accordance with Federal procurement laws and policies (including the Federal Acquisition Regulations and Department of Labor Manual Series (DLMS) 2-836).

The San Diego Workforce Partnership proposal went through this peer review process as well as with the PRB.

The OIG and GAO were provided with extensive information and considerable documentation on the processes used to select grants for funding.

Question 11c. (iii). The statute requires grants from this funding stream to be administered by the dislocated worker office. Was this grant administered by the dislocated worker office?

Answer 11c. These grant funds are administered by the Office of National Response, the office within ETA responsible for administering dislocated worker funds. Like other funds provided under section 171(d) of WIA to carry out projects for dislocated workers, these funds are at times co-managed with the assistance of other offices within ETA such as the Office of Workforce Investment, the Office of Financial and Administrative Management, and the Office of Policy Development and Research in order to ensure proper program integration, administration and the use of funds for allowable purposes.

Question 12. On pages 10 and 14, the testimony states that in the future grant officers and program officials will confirm that noncompetitive grants are in compliance with statutory requirements. How will the public and Congress be informed of these decisions in a transparent way?

Answer 12. The Federal Funding and Transparency Act of 2006 (FFATA) requires all Federal agencies to make publicly available information about entities that are awarded Federal grants, loans, and contracts. ETA is in compliance with the FFATA and will continue to publish all awards to USApending.gov.

Question 13. On page 3, the testimony states that WIRED grants are focused on high-growth industries within the region. Given the recently imposed limitation that H-1B visa fee training funds be limited to sectors in which H-1B visas are sought, what is ETA's plan for connecting a grant program focused on regional economies with a funding stream focused on nonimmigrant professional specialty workers?

Answer 13. The recently imposed limitation cited does not apply to multi-year grants awarded prior to June 30, 2007. However, ETA has compared the industries on which WIRED regions are focusing with the industries and occupations for which H-1B visas are issued and found that there is a very high correlation.

ETA does not currently have any plans to use any additional H-1B funds for grants focused on regional economies as the primary purpose. ETA does include language in SGAs for the HGJTI that requires the workforce solution being developed to be done so in alignment with and connected to a broader regional economic and talent development strategy. Any competitive grant awards using H-1B funds now contain language that ensure that funding is used to train workers in those industries or occupations for which H-1B visas are utilized.

Question 14. On page 9, you state that “ETA made sole-source awards consistent with the statutory authority under the Workforce Investment Act.” ETA documentation provided to CRS, GAO, and OIG has shown that “sole-source” (or noncompetitive) awards were also made from funds authorized under the Wagner-Peyser Act and the American Competitiveness and Workforce Improvement Act. Please describe how the HGJTI grants were awarded consistent with these laws.

Answer 14. The American Competitiveness and Workforce Improvement Act allows DOL to issue grants for job training and related activities in high growth industry sectors utilizing H-1B fee revenues. The authority provided is broad and HGJTI grants using H-1B fee money have been consistent with the statutory language.

HGJTI grants that utilized funds authorized under the Wagner-Peyser Act used those funds for activities involving the development and dissemination of tools and products related to labor market information and/or career guidance information—activities that are allowable under the Wagner-Peyser Act. ETA used the One-Stop/ALMIS funds appropriated under Wagner-Peyser Act authority for these grants.

In addition to providing for activities authorized under those statutes, the awards were made in a manner consistent with the requirements of the DLMS, including requirements relating to sole-source awards. Please see the response to Question 19 for additional information on the DLMS requirements.

Question 15. Data provided by ETA to CRS show that at least 19 HGJTI non-competitive grants were fully or partially funded from Wagner-Peyser Act funds, at a sum of over \$17 million. This was also noted by the OIG. These funds seem to have been awarded from an authority relating to labor market information. Unfortunately, none of ETA’s documentation on the program—press releases, budget justifications, etc.—includes any reference to this source of funds. Could you please describe the justification for the use of these funds for the HGJTI? How is this use consistent with the statutory authority as described under Wagner-Peyser? Why has ETA not been transparent about this?

Answer 15. As indicated in the response to Question 14, there are national activities relating to labor market and career guidance information funded under the authority of the Wagner-Peyser Act and the Wagner-Peyser funds used to support the HGJTI were used to carry out those activities. The Wagner-Peyser funded activities carried out as part of HGJTI were consistent with the Wagner-Peyser activities described in the budget justifications regarding the use of Wagner-Peyser funds. ETA was not attempting to avoid transparency on the use of funds; rather, the agency exercised discretion in the use of funds consistent with their purposes.

Question 16. On page 14, the testimony states that the WIRED grantees will soon report outcomes against the Common Measures. However, WIRED was funded from H-1B visa fee funds, and section 414(c)(7) of the authorizing statute requires that such measures be collected. Why did ETA not choose to enforce this provision until now?

Answer 16. ETA leadership communicated the need to collect data for the common measures at the onset of the initiative, both in town hall meetings and again in each region’s grant kick-off meeting. On April 27, 2007, a performance memo went out to WIRED regional leadership from the Assistant Secretary reiterating the *WIRED Accountability Framework*. Further, ETA worked with grantees to ensure that both common performance measures and measures appropriate to each grantee’s plans and outcomes were implemented as part of their plans.

It is important to note that the WIRED grants focused on many outcomes in addition to the outcomes directly related to the provision of training services and each grantee has identified the additional specific outcomes related to their regional vision for economic and talent development.

Question 17a. On page 8, the testimony states that:

“ETA chose to award the first round of High Growth investments noncompetitively for one very important reason. It allowed us to identify the most innovative solutions that were directly tied to the specific workforce challenges that industry identify . . .” You further state that there was a “comprehensive re-

view process internal to ETA to evaluate unsolicited proposals that emerged from the overall consultation process.”

Several questions emerge from this testimony. Does DOL consider 133 non-competitive grants, totaling \$235 million and spanning 6 years, to be a “first round?”

Answer 17a. The HGJTI was rolled out in a phased approach, industry by industry, over several years time. Prior to awarding grants in each industry, ETA conducted a scan of the industry and hosted forums in order to better understand the workforce challenges of the industry and possible solutions to those challenges. It was always ETA’s intent over time to move to competitive opportunities after funding initial awards in each industry. This process began in 2004 with a solicitation targeting the health care and biotechnology industry sectors. Because of the phased approach to working across these different industries, ETA continued to award non-competitive grants in the first round of grants in successive industry sectors as we moved to competitive opportunities in the second round for those industries we completed earlier.

Question 17b. How does a noncompetitive process identify more innovative projects than a competitive process? Would not a national open call for innovative ideas have yielded possibly more ideas than a process that took place behind closed doors?

Answer 17b. HGJTI included a broad consultative process involving a wide array of stakeholders and discussions in public forums. These forums helped ETA to understand the workforce challenges and potential solutions to these challenges. DOL conducted 37 “Executive Forums” with industry leaders across each of the industry sectors, reaching 815 industry partners through the process. DOL conducted 15 “Workforce Solutions Forums,” reaching 627 strategic partners. While it may be true that a competitive process may have yielded more proposals, ETA believes its process yielded very high quality and innovative submissions.

Question 17c. OIG and GAO found no documentation that you “evaluated” the proposals and stated that ETA could not identify any ways in which the grants had the “most innovative solutions” or that they were measured against any “industry identified” criteria. Could you explain how your “comprehensive review process internal to ETA” was able to accomplish such an evaluation of proposals without leaving any documentation? Who conducted the “comprehensive review process?”

Answer 17c. The OIG and GAO were provided with extensive information and documentation on the processes used to select grants for funding. The process generally involved several stages of review and input by multiple staff members and ETA leadership. The first step was for one or more staff members to read the proposal and develop an “abstract” that included the basics of the proposal and initial observations regarding strengths and weaknesses. In some circumstances this process was applied to multiple proposals submitted from a specific industry sector. Meetings would then be convened that included managers and other ETA leadership to discuss the merits of proposals and to identify those we considered to be the most innovative and that met the industry identified workforce challenges. When a proposal was identified as desirable to fund, the next step was to gain approval from the Department’s PRB, which rigorously screens proposals in accordance with Federal procurement policies (DLMS 2–836).

Proposals were presented for review under the required criteria of [DLMS 2–836 (G)(3)] *where services are available from only one responsible source and no substitute will suffice; or the recipient has unique qualifications to perform the type of activity to be funded;* [DLMS 2–836 (G)(4)] *unique or innovative and has outstanding merit;* or [DLMS 2–836 (G)(5)] *the activity will be conducted by an organization using its own resources or those donated or provided by third parties, and DOL support of the activity would be highly cost effective.* Once approval was obtained by the PRB, the proposal was forwarded to the ETA grant office for funding. Standard assurances and control processes are applied to proposals prior to grant award.

Although no documentation requirements existed at the time the grants were reviewed, the OIG and GAO suggested that ETA should have been more rigorous in documenting the specifics of why ETA made the choice to fund particular grants. ETA agreed that additional documentation would be valuable going forward, and, as stated above, ETA has taken steps to enhance its documentation processes.

Question 18. On page 8, the testimony refers to these as “unsolicited proposals,” as do ETA responses to OIG and GAO. Were these 133 grants really “unsolicited?” That is, are you stating that no officials from ETA were involved in soliciting grantee participation? How is it that 133 grantees over 6 years came to ETA with pro-

posals in a high-growth framework without any invitation to do so? Or, alternatively, did ETA actually invite certain grantees to participate in the first 6 years of HGJTI? If so, how were these grant providers chosen over other possibilities?

Answer 18. The HGJTI process included extensive consultations with industry, education, and the workforce system. The primary goal of the executive forums and workforce solutions forums was to develop potential solutions that addressed industry-identified workforce challenges. During the course of this process, ETA made it known broadly that ETA anticipated funding innovative workforce solutions and that ETA routinely receives and considers unsolicited proposals. As a result, ETA received many unsolicited proposals and concept papers in the course of the consultations. ETA did, on occasion, encourage entities to expand their concept papers into proposals if the concepts seemed promising. This encouragement did not guarantee a proposal would ultimately be funded.

Question 19. On page 9, the testimony states that the noncompetitive grant process will be used on "an extremely limited basis." Please describe under what extremely limited circumstances would a noncompetitive grant be justifiable?

Answer 19. The Federal Grant and Cooperative Agreement Act of 1977 encourages competition, where deemed appropriate, in the awarding of grants and cooperative agreements. According to the DLMS, competition is deemed appropriate in awarding discretionary grants and cooperative agreements unless one or more of the following exceptions apply:

- A non-competitive award is authorized or required by the statute funding the program.
- The activity to be funded is essential to the satisfactory completion of an activity presently funded by DOL, wherein competition would result in significant or real:
 - i. harm (further harm) to the public good; or
 - ii. expenses in excess of any potential savings to the Government; or
 - iii. disruption to program services; or
 - iv. duplication of work at additional cost to the Government, or
 - v. delay in the time of program completion.
- Services are available from only one responsible source and no substitute will suffice; or the recipient has unique qualifications to perform the type of activity to be funded.
- The recipient has submitted an unsolicited proposal that is unique or innovative and has outstanding merit.
- The activity will be conducted by an organization using its own resources or those donated or provided by third parties, and DOL support of the activity would be highly cost effective.
- It is necessary to fund a recipient that has an established relationship with the agency in order to:
 - i. Maintain an existing facility or capability to furnish services or benefits of particular significance to the agency on a long-term basis; or
 - ii. Maintain a capability for investigative, scientific, technical, economic, or sociological research.
- The application for the activity was:
 - i. evaluated under the criteria of the competition for which the application was submitted;
 - ii. rated high enough to have deserved selection under that competition; and
 - iii. not selected for funding because the Department mishandled the application.
- The Secretary has determined that a noncompetitive award is in the public interest. This authority may not be delegated.

The testimony is simply expressing ETA's intent moving forward to primarily award HGJTI grants on a competitive basis. Currently, H-1B funds may be utilized only for competitive awards. The Department of Labor cannot predict the exact circumstances under which this authority to award noncompetitive grants would be used, but has the procedures in place to properly document and justify award decisions made noncompetitively.

Question 20. On page 10, the testimony states that ETA is providing improved guidance in grant solicitations regarding clearly articulated outcomes and deliverables. How is ETA ensuring that, likewise, there will be clearly articulated outcomes and deliverables when there is no such solicitation (that is, for non-competitive grants)?

Answer 20. ETA includes standard clauses in grant agreements that are similar to those requirements described in a solicitation. These clauses preserve the government's rights regarding intellectual property and require grantees to collect and report information on grant progress and accomplishments. Further, OMB approved and ETA is utilizing, a standard reporting format for all HGJTI grantees. In addition, during the grant award process, ETA endeavors to ensure clearly articulated outcomes and deliverables prior to grant award.

Question 21. On pages 9 and 10, the testimony stated that you have changed your noncompetitive grant processes in response to the OIG and GAO reports and describes a new, standardized process to document the justification of such grants. Using a recent, actual example of a noncompetitive award that ETA granted, could you describe how the new process was used for that award?

Answer 21. As part of the ETA corrective action plan for sole source selections, ETA has implemented procedures for non-competitive grant awards requiring inclusion of a form that documents which DLMS exception applies and the justification for why the subject project meets the exception cited. This form is completed by ETA's Office of Grants and Contracts Management (OGCM) for all proposals that require submission to the PRB and those that are exempt from PRB review. ETA also has developed a process requiring the completion of a comprehensive checklist and review form by the Program Office when recommending a PRB exempt proposal and one for OGCM to complete and sign when approving a PRB exempt proposal. Finally, ETA has developed and is using a conflict of interest certification form to be completed as part of the review and approval process for all unsolicited proposals. This form requires signatures from the reviewer of the unsolicited proposal, the manager and the Senior Executive of the appropriate Program Office.

As an example, ETA received an unsolicited proposal from the Consortium for Entrepreneurship Education for \$99,880 in Pilots, Demonstrations and Research funds to conduct an assessment of entrepreneurship resources and programs in the workforce investment system. After initial receipt, the proposal was routed to the Office of Policy Development and Research (OPDR) and a new Program Office checklist form was initiated for the proposal. The proposal was initially reviewed using the new review form by staff in the OPDR and was determined to have merit and to be appropriate to be considered for funding. The proposal was then sent to Office of Workforce Investment (OWI) for review. OWI concurred with OPDR's assessment that the proposal had merit and should be funded. Given the concurring funding recommendations by OPDR and OWI, represented by the signatures of the Administrators from these respective offices on the review form, the proposal was packaged for funding approval and routed to the Office of the Assistant Secretary for Employment and Training. Upon funding approval by ETA Executive Leadership, the unsolicited proposal checklist was closed out and the grant was awarded to the offeror.

Question 22. It would seem to me that if the Department's intent in awarding grants under these initiatives was to influence the overall direction of the workforce investment system, it would invest time and forethought into comparing their success to other programs funded under that system. The Department chose not to do that in this case. In fact, you've indicated that such a comparison was never the agency's intent. How do you plan to show that the projects funded by these grants should have any impact whatsoever on our workforce investment system when they were not properly evaluated?

Answer 22. First, it is important to note that both High Growth and WIRED are intended to influence the strategic use of existing program funds and new, collaborative approaches to workforce development that leverage other investments in workforce strategies. They are not to demonstrate a new program per se that would lend itself to a program-to-program comparison.

With regard to the HGJTI, the success of the grants is being evaluated through a thorough review of grant documents, grant deliverables and training outcomes in selected sites. ETA is examining the extent to which the grantees fulfilled their grant requirements and the extent to which the approaches developed under these grants were feasible, sustainable, and replicable.

While ETA has not structured its evaluation to assess broad impact on the workforce investment system, there are many indicators that the workforce investment system has embedded the demand-driven tenets of the HGJTI into how it does business. Examples are the content of WIA State and local plans that identify priority industries and demand-driven approaches to addressing industry-defined workforce challenges; implementation of State-driven investments that mirror HGJTI; the many anecdotal comments from workforce system partners at the State and local level that indicate the seed money provided through the High Growth grants was

the catalyst for changing the way they work; the promising practices featured at workforce conferences nationally that demonstrate that demand-driven, solutions-based approaches to workforce development, including ETA's Workforce Innovations, and the content posted and featured on Workforce3One. Based on this evidence, ETA considers the HGJTI to have been the catalyst for this transformation.

The CBJTG program contains many of the same features as High Growth grants and has reinforced demand-driven principles and strategic partnerships which has improved partnerships among community colleges and the workforce investment system.

The results of ETA's WIRED investment are not fully available yet, although, similar to High Growth, there is already evidence that suggest the workforce investment system is beginning to adopt the concepts that underpin WIRED, i.e. regional approaches to economic and talent development. Several States have made grants similar to WIRED using WIA State set-aside funds. A number of regional efforts that mirror WIRED principles have been mounted in response to significant economic shocks due to plant closures, natural disasters, and the Base Realignment and Closure process.

Question 23a. Why did the Department choose not to adequately include these three programs in its strategic plans? Were the grants under all 3 initiatives directly connected to a performance measure for the Department?

Answer 23a. While the Strategic Plan for fiscal years 2006–2011 included measures for CBJTGs, reporting systems, the process and methodology for collection, including a new process to enable matching with wage data, was only finalized in the last few months. As the reporting systems were developed, we included performance measures for both the CBJTG and HGJTI in the fiscal year 2009 Congressional Budget Justification.

- Performance measures for the CBJTG's include the numbers of participants: enrolled and completing training, receiving certifications, entering employment, retaining employment, in addition to average earnings.
- Performance measures for the HGJTI include the totals enrolled and completing training, participants entering and retaining employment, in addition to average earnings.

Guidance issued in April 27, 2007 to the WIRED grantees stipulates the use of the Common Measures and set expectations on leveraging the existing workforce investment reporting system to capture the necessary data.

- Performance measures for the WIRED grantees include participants entering and retaining employment, in addition to average earnings.

Question 23b. Why did ETA choose not to adequately include the initiatives in its research plans, particularly when they seem to be signature programs for the agency?

Answer 23b. These initiatives are included in the U.S. Department of Labor's Strategic Plan for fiscal 2006–2011. Please see <http://www.dol.gov/sec/stratplan> for further details. In addition, each initiative is addressed in the U.S. Department of Labor, Employment and Training Administration's 5-year pilot, demonstration and evaluation strategic plan for 2007–2012. For further details, please see: http://wdr.doleta.gov/research/FullText_Documents/ETA%20Five%20Year%20Research%20Plan%2Epdf.

Question 24. As far as we know, the funding sources, and by consequence the statutory authority, for grants under these 3 initiatives has not been made public. We have, however, reviewed a helpful Excel chart of these sources provided by ETA to CRS during some of their investigatory work. In the interest of transparency, you committed during the hearing to make these funding sources public so that we and the public gain a clear understanding of the statutory requirements attached to the grant funds you award? Please describe exactly when that information will be available to the public and where it will be located.

Answer 24. Information relating to grant funding sources is always a matter of public record. Given the committee's interest and our promise to provide additional information, we have attached a spreadsheet of High Growth grantees by fund source. With respect to making grant award information available to the public, the Department is in compliance with the FFATA, will continue to publish all awards to USAspending.gov, and will make all records available as required by the Freedom of Information Act.

Question 25a. As we discussed during the hearing, numerous grants were awarded non-competitively for unclear reasons. The new majority in Congress wasn't sat-

ified with that justification and required funds be awarded competitively in fiscal year 2007. In addition, it required that funds from H-1B employer fees be spent on training U.S. workers to meet the skills needed by employers in high growth areas who seek skilled temporary foreign workers. The Department has consistently stated that it was always its intention to move toward a fully competitive process. If that was always the Department's intention, why did it take a congressional directive to award funds competitively?

Answer 25a. ETA did not require a congressional mandate to begin awarding High Growth grants competitively. The first competitive High Growth solicitation focusing on the health care and biotechnology industry sectors was published in September 2004, and grants were awarded in June 2005. A second set of competitive awards focusing on the Advanced Manufacturing industry was published in May 2006, and grants were awarded in October 2006. Since then we have made additional competitive awards in the Long Term Care industry (as a sub-set of health care), and the Energy and Skilled Trades sectors.

Question 25b. Why did it take a Congressional amendment to require that funds spent under the Department's share of H-1B fees be spent in connection with "high growth" industries and areas in which American workers needed the skills demanded by those employers requesting H-1Bs?

Answer 25b. The Department of Labor provided technical assistance to Congress in framing the use of H-1B fees to focus on high growth industries broadly when language was included in 29 U.S.C. §2916a to enable H-1B fees to be utilized to fund job training and related activities to provide workers with skills and competencies in high growth industry sectors broadly. Prior to the passage of appropriations language in 2007 that limited the use of H-1B funds for training in the occupations and industries for which employers use H-1B visas, ETA chose to utilize the broader authority provided in the earlier provision as part of the Administration's American Competitiveness Agenda.

Question 25c. Given that the agency didn't make a major shift until Congress required them to do so, does the agency still stand behind its claim that it always intended to award grants competitively?

Answer 25c. As previously stated, ETA did not wait for a congressional mandate to offer competitive High Growth awards. The first competitive solicitation was announced in late 2004 with a second competition in 2006.

Question 26a. Typically, pilot and demonstration projects like those under the WIA authority under which your agency funded many of these grants, are meant to test out an idea or demonstrate a particular practice. As far as you understand it, what's the typical process for planning and awarding grant projects, particularly those under the umbrella of "pilot and demonstration" funding?

Answer 26a. Under ETA's recent Pilot, Demonstration, Research, and Evaluation Process Improvement Plan, ETA has developed specific steps for planning and awarding pilot and demonstration projects. The planning process begins on July 1 every year with a review of:

- ETA/DOL stated priorities (annual and long-term);
- Recommendations contained in the ETA Five-Year Strategic Research Plan;
- Requirements of any statutorily required efforts;
- Recommendations of agencies such as GAO;
- Requests by other Federal agencies to co-fund projects; and
- Any unsolicited proposals that have merit.

In addition, ideas relating to these projects are solicited from within the Office of Policy Development and Research and ETA Program Offices. Project ideas are then captured in a draft Research and Evaluation Agenda (spending plan) and submitted to ETA leadership for approval. Once ETA leadership has approved projects on the agendas, the approved projects are added to the annual Operating Plans. The Operating Plans are submitted to the Office of Management and Budget for review prior to transmittal to Congress. Once the Operating Plans are transmitted to Congress, they are posted on ETA's Web site at http://www.doleta.gov/reports/dre_oper_plans.cfm and the award process begins. This process includes the development and issuance of Solicitations for Grant Applications (SGAs). SGAs go through a multi-level review and approval process that includes legal, program office, and ETA executive leadership sign-off. Upon full ETA clearance, SGAs are published for open competition for 45-60 days in the Federal Register. Submitted applications for ETA SGAs are paneled, rigorously reviewed and scored against the rating criteria published in the SGA. Top scoring proposals that meet the eligibility criteria set forth in the SGA are then awarded grants.

Question 26b. How does the process that ETA used to award these grants, many of which were done noncompetitively and with an unclear connection between the funds awarded and the statutory requirements for the taxpayer dollars used, stand up to a transparent grant process?

Answer 26b. ETA made awards consistent with the statutory authority for use of funds and DOL policies and procedures governing non-competitive awards and applicable Federal procurement rules. ETA has improved processes to require that grants acknowledge the source of grant funds and the corresponding requirements associated with them and ETA will continue to make grant award information available to the public in compliance with the FFATA.

Question 26c. What ideas were these grants meant to collectively demonstrate or test out?

Answer 26c. These grants were designed to model a demand-driven approach to workforce development to ensure that workforce investments are tailored to the jobs and skill needs of the labor market now and into the future. The High Growth grants were designed to model partnerships between the workforce system, employers and educators to address the workforce challenges in high growth industry sectors, to address the workforce challenges in those sectors, and to provide education and career pathways for individuals and enable them to obtain 21st century skills for 21st century jobs.

WIRED was designed to demonstrate the relationship between economic and workforce development, based on the principle that one could not exist without the other, and that the workforce investment plays a significant role in a region's economic development strategy. WIRED also demonstrates the importance of life-long learning strategies and entrepreneurial strategies in building the competitiveness of a region. Finally and most importantly, WIRED set forth to showcase the importance of integrating the economic, education and workforce development systems across the traditional State, county, local, workforce investment area and political jurisdictions in order to grow and sustain a *region's* competitive advantage.

CBJTG is a competitive grant program that is designed to build the capacity of community colleges to train workers in the skills required to succeed in high-growth, high-demand industries, and to help strengthen the partnerships between the public workforce investment system and community colleges.

Question 27. You testified the intent behind these grant programs was to “foster demand-driven approaches across the workforce investment system and increase opportunities for education and skills training.” How did the agency plan ahead for the awarding of grants under these 3 programs to demonstrate their effectiveness?

Answer 27. The High Growth Job Training Initiative evolved in the first year from a few individual early grants to the comprehensive approach ETA designed and implemented in each of the industry sectors. As the initiative grew, it became clear that we needed a structured reporting and performance accountability process and that an evaluation would be important. This resulted in a consistent quarterly reporting process and tracking against common measures, as well as ETA's planning for the evaluation that continues in progress today. Because the Community Based Job Training grants have many similar features to the High Growth grants, we utilized a similar approach to performance accountability and we chose to wait until the first phase of the High Growth evaluation was complete to design the CBJTG evaluation. With WIRED, ETA incorporated the evaluation process from the outset so that evaluators would be able to capture information on the new approach to regional economic and talent development as it unfolded as well as at the end. ETA also worked with WIRED grantees to both track common measures where training occurs, but to also identify and track region-specific metrics.

Question 28a. The Department seems to continually refer to these “non-competitive” grants as “sole-source” awards. But, it would seem to me that there's a difference between those two terms—one indicates a choice in how grants were awarded while the other indicates that there is only one or a “sole” provider for these services. In your opinion, what's the difference between the two terms? Why did the Department choose to use the “sole-source” language to describe these grants?

Answer 28a. Non-competitive refers to the process by which award decisions were made, i.e. not determined by competition. Sole-source refers to an award granted under the DLMS exception to competitive procedures for discretionary grants and cooperative agreements [DLMS 2-836 (G)(3)]. This provision allows such an exception when: “Services are available from only one responsible source and no substitute will suffice; or the recipient has unique qualifications to perform the type of activity to be funded.” It was this justification ETA relied upon to justify the awards and it was frequently supported by the DLMS exception relating to cost effective-

ness based on donated and matching resources. The term “sole source” is also commonly used, less precisely, to refer to any award to a single entity that did not go through a competitive process whether or not it is considered to be the “only responsible source” under DLMS 2–836 (G)(3). Awards approved under DLMS 2–836 (G)(4) (which covers an unsolicited proposal that is unique or innovative and has outstanding merit) and DLMS 2–836 (G)(5) (which covers situations where an activity will be conducted by an organization using its own resources or those donated or provided by third parties, and DOL support of the activity would be highly cost effective) might be referred to in a short hand reference as a “sole source” and in this sense the term is interchangeable with “non-competitive.”

Question 28b. Was there not more than one training provider available in the country to perform the services under many of these “sole-source” grants?

Answer 28b. The High Growth initiative is much more than simply choosing a training provider. It is about identifying innovative approaches to workforce development and addressing the workforce challenges in high growth industry sectors. The non-competitive grants awarded in the first round were justified under DLMS procedures which specify a number of allowable justifications as described above under the response to Question #19.

Question 29a. The Department has a formal grant award and management process to help ETA earmark grants in their roles as ETA grantees—grantees that are characterized as noncompetitive and guaranteed DOL funding only after submitting an acceptable project proposal that is approved by ETA. This process is described in a desk reference that includes advice for writing an earmark grant proposal and for meeting financial and grants management requirements. It makes clear that ETA grantees, both competitive and noncompetitive, must follow the provisions of the law—in this case, the Workforce Investment Act, the regulations, and appropriations law as well as OMB requirements; and it provides guidance on a range of concerns, including:

Linkages with the workforce investment system, stressing that it is “vitaly important” that earmark grantees develop linkages and partnerships with the workforce investment system; and

Evaluation requirements, requiring grantees to include an evaluation of project results and outcomes, including identification of the performance measure(s) that determine whether the project was successful and the expected level of performance, the identification of any significant product such as a training curriculum or report, and for training and employment activities—the inclusion of WIA performance measure similar to those used to assess adult, youth, or dislocated worker program performance. In addition, each grantee is to produce an evaluation report, including its cost in the project budget, and describing the evaluation design, methodology, tasks, and who will perform them.

Project sustainability: Since these non-competitive grants are intended to demonstrate approaches, methods, or services and products that will advance workforce development, each grantee is expected to have a plan on sustaining successful elements of grant project after its conclusion.

Did ETA give any consideration to at least building upon its existing non-competitive grant award and management process for grants under the initiatives? Please explain fully. It would seem to me that at least there would have been some clearly articulated outcomes and deliverables for each of these grants.

Answer 29a. ETA has developed and refined guidance for its management of the unsolicited proposal process that is similar to pre-existing guidance for earmark grantees.

ETA frequently provides technical assistance to those submitting concept papers or unsolicited proposals to help them refine their proposals. One important area of technical assistance includes further defining outcomes and deliverables. This technical assistance could also include information on the development and execution of capacity building, curriculum development, career ladders, competency models, and training. ETA also advises on the inclusion of necessary partners—such as workforce system, business and industry, and education—and leveraging of additional resources. In addition, if a proposal is selected for potential funding, steps are taken in the grant making process to further refine grant requirements, including adherence to financial and administrative requirements, data collection methods and tracking, and structuring an effective service delivery plan and project management team.

Question 29b. It appears that you set a higher bar to help non-competitive, professionally committed organizations complete applications to certain requirements

and then formally review and document those applications. How did ETA officials justify the different processes and practices used for similar non-competitive grants?

Answer 29b. ETA did not set a higher bar for different types of organizations.

SENATOR BROWN

Question 1a. Does DOL know how many people have received training (or will receive) through the WIRED and High Growth Job Training Initiative grants?

Answer 1a. *HGJTI.*—Since 2002, over 105,000 individuals have completed training as a result of the High Growth Job Training Initiative grants, and there are currently more than 65,000 enrolled in training. In addition, the capacity building that has occurred as an outcome of many of the grants, we have enabled a much broader impact and the ability to train many more individuals.

WIRED.—Since each of the 39 regions has multiple strategies and corresponding goals, ETA is working with WIRED regions to collect and validate information on the number of individuals trained and will make that information available to Congress.

It is important to note that WIRED grants were awarded at three different times, so the data and outcome information for the second and third generations of grants will be available on a staggered basis as well.

Question 1b. Does DOL know what kinds of training people are receiving?

Answer 1b. Grantees are providing a variety of types of training. Some training involves a combination of classroom skills-based instruction along with apprenticeships and internships developed with employers.

For more information about High Growth grantees' projects: <http://www.doleta.gov/BRG/HGJTIGrantees/>. For more information on WIRED grantees' projects: <http://www.doleta.gov/wired/>.

Question 1c. What skills are they obtaining?

Answer 1c. The skills training provided varies by the grant, and ranges from customer service and safety and health, to robotics, advanced welding, and plastics engineering. In addition, some grants provide for remedial training that enables individuals to access occupational skills training, such as English as a second language or foundational math and science competencies.

Question 1d. Are they getting a portable credential or industry certification as a result of the training?

Answer 1d. ETA has emphasized the importance of industry-defined portable credentials and certifications throughout these grants, including through the solicitations. ETA has put in place a standardized performance reporting and data collection system for High Growth grants and is collecting information on the attainment of credentials and certifications as of June 30, 2008. Data will be available beginning in December 2008. For WIRED regions, regions have been reporting on this measure on an individual basis, and ETA is in the early stages of streamlining the collection in order to be able to report aggregate totals across the grants.

Question 2. Does DOL know who is receiving training? That is, what kinds of workers are receiving training? Dislocated workers? Low-skill workers? Is DOL making efforts to ensure a full range of workers are being served?

Answer 2. One of the industry identified workforce challenges that arose in every industry sector was the need to find better ways to access untapped labor pools as part of the worker pipeline, including those with barriers to employment. As a result, ETA focused on identifying grants that provided innovative solutions in this area and training programs implemented by HGJTI grantees that targeted widely varying populations. For example, some projects target entry-level workers, while others seek to recruit incumbent workers, unemployed or dislocated workers, or individuals with certain characteristics, such as disadvantaged youth, individuals with basic skills deficiencies, veterans, or minorities. Others targeted individuals who had indicated or demonstrated interest and potential for entry into a particular occupation or industry sector. Similarly, training programs implemented by WIRED regions reach a broad spectrum of workers in accordance with the use of H-1B fees as authorized under Sec. 414(c) of the American Competitiveness and Workforce Improvement Act of 1998 (P.L. 105-277, title IV), as amended.

Question 3. What is DOL doing to ensure that all key stakeholders in an industry—including union representation—are represented in funded partnerships?

Answer 3. Foundational strategic partnerships are a key feature of all three grants—HGJTI, CBJTGs, and WIRED. For both High Growth and CBJTGs, the foundational partnerships include, at a minimum, the workforce system, business

and industry and education. However, depending on the workforce solution being implemented, other partners are often important and may include unions, faith-based and community organizations, foundations, and others. For example, one HGJTI was awarded to 1199 Service Employees International Union. DOL noted in response to the second IG report that it considers the grant to be successful. SEIU's model is bridging a critical link between education and workforce development. SEIU built on a Contextualized Literacy Program that combines literacy and job training for low-level health-care workers who have been out of school for a long period of time and had difficulty passing entrance exams. SEIU had success in training (95 percent) and retaining (77 percent) their students and provided an opportunity for individuals to enroll in Pre-LPN training that led to certification and degrees.

The framework for WIRED requires a much broader set of partnerships and networks due to focusing on regional economies that tend to be larger geographically, and because WIRED is about systemically integrating workforce development, education, and economic development. Therefore, partnerships must include region-wide political leadership, education at all levels, business and industry, economic developers, the workforce investment system, foundations, and other community leaders and organizations that are present in the region. ETA continuously reinforces the need for sustained partnerships in the context of these grants through technical assistance and promoting peer to peer learning among grantees.

Question 4a. What is DOL doing to ensure that partnerships that are receiving funding provide (or lead to) decent, good-paying jobs?

Answer 4a. Increasing the skills of workers to allow them to access good jobs with good wages and career pathways is a fundamental goal of all three grant programs. A key mechanism to ensure grants focus on this outcome is ETA's requirement to report on entered employment, retention, and wages for all individuals who are trained with grant funds. In addition, ETA has promoted career pathways and ladders, as well as credentials and certificates, to help ensure that grants focus on getting people into careers with a clear path to next steps, as well as getting people recognition for skills obtained that are transferable across sectors.

Question 4b. Can DOL offer assurance that no funding going out under these grants is subsidizing "bad" employers?

Answer 4b. The grant award and administration process includes safeguards and oversight procedures to foster desired outcomes and enforce Federal standards. Applicants are subject to an award clearance process which may include a review of prior performance, certification by a certified public accountant to ensure financial capability, attestation that the applicant is not in arrears on Federal debt, pre-award site visit, ETA closeout experience, and OIG audit experience. In addition, our Federal Project Officers and other grant management staff review quarterly certified financial reports, quarterly performance reports, and conduct site visits as scheduled or determined by need. Non-profit and public organizations receiving Federal funds are subject to annual audit requirements in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Question 5. Under the High Growth Job Training Initiative, DOL determined which sectors would be targeted. Does this determination vary regionally and/or locally? Should the identification of high growth industries be determined at the local or regional level?

Answer 5. Given that the HGJTI was designed to model how State and local partners could become more demand-driven by identifying the high growth, high demand industries in their economies, it was never DOL's intent to identify all high growth industry sectors in the economy. Rather, the intent was to provide a framework for the process to be used at the State and local levels, ETA strategically chose industries that represent a variety of different sectors of the economy, all of which have significant demand for workers. Industries fell into four categories for inclusion as high growth, high demand: (1) industries that are, or were at the time the grants were developed, experiencing high growth, such as health care and financial services; (2) industries that are transforming as a result of technology and innovation, such as advanced manufacturing; (3) emerging industry sectors such as biotechnology and geospatial technology; and, (4) those that are critical to the foundation of any economy, such as energy and transportation.

In making funding decisions, ETA has required the grantees to demonstrate the demand for workers in the appropriate industry sector. As DOL has transitioned to competitive solicitations, we have focused more on industry sectors where nationwide shortages exist, such as health care, energy, and the skilled trades. In the con-

text of CBJTGs and WIRED, the determination of high growth industry sectors is determined at the regional or local level.

Question 6. Does DOL know if any of the grants have led to industry-wide improvements, such as developing long-term plans to develop skilled worker pipelines? How many partnerships receiving funding have developed industry-wide skill standards and/or career pathways?

Answer 6. Early on, ETA identified the development of worker pipelines as a key focus area for workforce solutions. While the most common output across grants is curriculum, 25 High Growth and Community Based Job Training grantees have developed and completed 33 industry-wide competency models and career ladders to date. These models and ladders have been disseminated to the public workforce system via workforce3one.org. We anticipate that number to grow since we are tracking over 1,300 workforce solutions that will be produced by active grantees. As these models and ladders become available, we will continue to disseminate them to the public workforce system and provide assistance to adapt and replicate these models.

Question 7. Can any of the industries receiving funding under these grants demonstrate improvements to job quality through improving wages, benefits, and/or working conditions as a result of receiving funding? Have they been able to aggregate training and education needs across firms within partnerships? Develop industry-wide shared curriculums?

Answer 7. Yes, ETA has funded grants that demonstrate effective industry collaboration and improved results for participants. For example:

i. CVS Caremark is a grantee who has increased wages. CVS effectively placed 160 individuals in jobs through the CVS Apprenticeship Program and Incumbent Worker Advancement Initiative and 107 of these individuals saw wage gains following their involvement in the program.

ii. An example of shared curriculum is the National Institute for Metalworking Skills (NIMS), a high growth grantee that created guides for a training and apprenticeship program in the metalworking industry that provides detailed curriculums for six metalworking occupations. The guides help participants earn industry-recognized NIMS certifications. Employer partners who were involved in the development of the guides include Hydromat, Timken, Oberg Industries, Elray, OSMI, Camcraft, Promold, Alcon, Morgal Machine Tool Company, Criterion, DanlyIEM, Penn United, GMT, GOE, Western Air Products, Metric Machining, Jergens, P-K Tool and Manufacturing, and Stolle Tool.

Question 8. Can DOL demonstrate that firms in partnerships receiving funding are working together to address common organizational and human resource challenges, such as: recruiting new workers, implementing effective workplace practices, retaining dislocated and incumbent workers, implementing a high-performance work organization, recruiting and retaining women in nontraditional occupations, adopting new technologies, and fostering experiential and contextualized on-the-job learning? If so, how?

Answer 8. Recognizing the unique nature of each grant in terms of the strategies they employ to address different workforce challenges, ETA works to ensure that key stakeholders are working together to address common organizational and human resource challenges. First, one of the key criteria that is used to evaluate proposals for WIRED, Community-Based Job Training and High-Growth Job Training Initiative grantees is partnership among key stakeholders. Applicants receive points based on the strength of the partnerships in their proposed statements of work. Once awards have been made, ETA staff helps ensure that partnerships are working together to implement projects through the regular support they provide to grantees as they implement their grants. As ETA staff assess the implementation of these grants, they determine if the partnerships identified in statements of work are in fact working together to implement the project, and can provide technical assistance as necessary.

Finally, in July 2008, ETA implemented a standardized data collection package that High Growth and Community-Based grantees use to report their progress and outcomes. In terms of the results of partnership-based activities, grantees must provide, in narrative form, qualitative information pertaining to the partners roles, resources, knowledge, and how they contribute to results.

[Whereupon, at 10:59 a.m., the hearing was adjourned.]

