

APPENDIX B: AGENCY'S RESPONSE TO THE REPORT


U.S. Department of Labor

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



June 23, 2023

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

FROM: BRENT PARTON 
Acting Assistant Secretary

SUBJECT: Response to Draft Report:
*ETA Did Not Provide Adequate Oversight of Emergency
Administrative Grants*, Report Number: 19-23-xxx-03-315

The Department of Labor's (Department) Employment and Training Administration (ETA) appreciates the opportunity to respond to the above-referenced Office of Inspector General (OIG) draft report. This draft report addresses ETA's oversight of emergency administrative funds authorized under the Emergency Unemployment Insurance Stabilization and Access Act (EUISAA) of 2020.

ETA appreciates the OIG's input on how ETA can manage such distributions more effectively during mass unemployment events to ensure states have adequate resources in periods of high demand. ETA remains committed to promoting unemployment insurance (UI) program integrity and accountability of government spending.

ETA cannot stress enough that during the onset of the pandemic and its impact on the UI program, ETA and state staff faced enormous workloads. Prior to the pandemic, UI claims remained near historic lows with both administrative funding and state staffing levels reflecting that low operational need. Within a matter of weeks, states were inundated with six million initial claims filed in a two-week period. In addition, states had to stand up and implement multiple complex unemployment compensation (UC) programs created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act while simultaneously transitioning to remote operations during a global pandemic. Recognizing that states needed the additional administrative funding provided in the EUISAA and the limited capacity states had to address the administrative burden, decisions were made to ensure states were able to receive this much needed funding as soon as possible.

ETA understands the OIG's perspective, as reflected in the OIG's draft report, that ETA should have done more to verify states' eligibility prior to transferring the funds. However, Congress intended these funds be distributed to states as soon as possible and the statute required the first allotment of funds to be provided to states within 60 days of enactment. In this 60-day timeframe, ETA had to develop guidance, work with states to submit Application for Federal Assistance, Standard Forms (SF-424s), and certify these transfers to all states. It is not a realistic

expectation for ETA staff to have also conducted significant eligibility reviews in this timeframe (not to mention the context that CARES Act implementation was underway at the same time).

The Biden-Harris Administration made the gathering of information from states documenting their compliance a high priority. It was addressed shortly after the issuance of the necessary guidance to implement changes to the CARES Act programs under the American Rescue Plan Act (ARPA). The last implementation guidance related to new requirements enacted in ARPA concerning the temporary pandemic-related programs was published on April 7, 2021. The emergency administrative grants documentation request referenced in this audit was issued on June 3, 2021.

Qualification for Emergency Grants. The draft report incorrectly states that ETA did not verify a state’s eligibility for the emergency administrative funding prior to certifying the transfer of funds to Treasury. All states qualified for the grants by submitting their attestations in advance, stating they met the EUISAA requirements relating to each allotment of emergency funding prior to ETA certifying to Treasury to make the transfers. Each state attested that it met the EUISAA requirements when it submitted to ETA its SF-424. The attestations were verification of the states’ eligibility. The SF-424 process was the simplest and most expeditious method by which the Department could disburse emergency funding to the states to meet the statutory 60-day disbursement requirement and to simultaneously address the guidance and technical assistance needed for the new pandemic UI benefits programs created under the CARES Act. Furthermore, ETA also instructed states to keep documentation as evidence that the requirements were met as discussed in Unemployment Insurance Program Letter (UIPL) 13-20, Change 2¹.

Demonstration of Correct Usage of Funds. The OIG’s draft report states that ETA could not demonstrate if states used the emergency administrative grant funds to administer UI programs. The emergency administrative grants were transfers of administrative funding to supplement the states’ annual administrative grant funding. These emergency administrative funds were monitored under the same process as the annual regular UI administrative funds, as well as the single audit requirement. The single audit process is a proven and effective method of overseeing states’ use of administrative grants. In fact, the one example cited in the OIG’s report of a questionable use of funds was identified through the single audit process. This example demonstrates that the single audit process was being utilized to monitor states’ use of funds and finding when funds were not used properly. The draft report acknowledges that the questionable expenditures were revealed by the “single audit report.” See page 11 of the draft report.

Response to the OIG Recommendations. ETA is committed to continuing its work with states to reconcile and account for EUISAA emergency administrative funding. Please find below each of the OIG’s recommendations contained in this draft report, followed by ETA’s response and proposed action steps to address them.

¹ <https://www.dol.gov/agencies/eta/advisories/unemployment-insurance-program-letter-no-13-20-change-2>

Recommendation 1: Specify within its policy the information states must include in their documentation to support compliance with the requirements to receive grant funds prior to disbursement of the funds.

ETA Response: ETA concurs with this recommendation. For future UI special transfers, ETA will include specific guidance prior to disbursement of the funds noting the documents that will be needed to support compliance with the requirements to receive the UI funds.

Recommendation 2: Propose to the Office of Management and Budget an amendment to the annually updated Compliance Supplement for single audits to also disclose if states used the emergency administrative grant funds in accordance with applicable requirements in the single audit report.

ETA Response: ETA partially agrees with this recommendation. The compliance supplement for single audits for regular UI administrative funding is currently applicable to any emergency administrative funding, like the EUISAA funding, and the applicable uses of this funding were the same as the regular administrative grant funding. As such, ETA believes a separate accounting for the use of these funds is unnecessary, but it needs to be clear that these funds should be reviewed as part of the review of all administrative funding.

ETA will address this type of special administrative funding opportunity within the compliance supplement to ensure it is specifically referenced and included in the compliance supplement in the event of a similar future funding opportunity and will make clear the applicability of the single audit review to these types of awards.

Recommendation 3: Remedy the \$136,353,567.50 in questioned costs.

ETA Response: ETA partially agrees with this recommendation. ETA concurs that the information regarding the compliance documentation in responses provided by the states is reflected in Exhibits 1 and 2 and the information raises issues that need to be reviewed. ETA will make any necessary determinations to appropriately address the identified costs.

However, ETA notes that Alaska and Arkansas, which are listed on Exhibit 1, Table 2, did meet the qualifications for the first allotment under EUISAA and ETA will not need to conduct a review or take any action regarding these two states.