Evaluation of Trade Adjustment Act
Program Funding Issues in the
Commonwealth of Pennsylvania
Evaluation Report No. 03-03-008-03-330

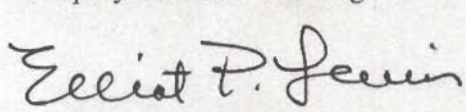
Evaluation Report No. 03-03-008-03-330
Date Issued: September 8, 2003

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

SEP 8 2003

MEMORANDUM FOR: EMILY STOVER DeROCCO
Assistant Secretary for
Employment and Training



FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Evaluation of Trade Adjustment Act Program Funding Issues
in the Commonwealth of Pennsylvania
Evaluation Report No. 03-03-008-03-330

We have completed our evaluation of Trade Adjustment Act (TAA) program funding issues raised with respect to the Commonwealth of Pennsylvania. We initiated the evaluation in response to a request by Pennsylvania Congressman Phil English. The objectives of our evaluation were to: (1) determine the status of TAA program funding in the Commonwealth of Pennsylvania, and specifically, (2) determine how the Commonwealth used the $11.5 million in funds that the Employment and Training Administration (ETA) provided in March 2003 for TAA job training.

The scope of our evaluation covered TAA funds ETA awarded to the Commonwealth during the period October 1, 2000, through June 30, 2003. To accomplish our objectives, we interviewed ETA officials in the Division of Trade Adjustment Assistance located in Washington, D.C., and ETA regional office officials in Philadelphia, Pennsylvania. We also interviewed Commonwealth of Pennsylvania officials at the Department of Labor & Industry (L&I), the entity responsible for administering the TAA program. We obtained and reviewed financial reports at ETA and L&I. We also obtained and reviewed ETA's internal reviews of the Commonwealth's TAA funding issues. To determine how the Commonwealth used the funds provided, we reviewed a sample of training vendor invoices.

Overall, based on the work performed in our evaluation, the Commonwealth used the $11.5 million to pay for TAA expenses that occurred in FY 2003, which was in accordance with the grant requirements. We also found that there have been funding shortages for the Commonwealth's TAA program going back to at least FY 2001. TAA funds provided to the Commonwealth were not sufficient to meet the level of obligations the Commonwealth incurred to provide training to eligible participants. Although the Commonwealth's requests for TAA funds were less than the obligations it made, the actual TAA funding granted was even less. ETA addressed these funding shortages by providing the Commonwealth additional funds

through National Emergency Grants (NEGs) authorized by the Workforce Investment Act (WIA). However, we found that the Commonwealth still had a deficit of $2.6 million for FY 2002 and continues to be faced with funding shortages for this program that will have to be met by additional WIA NEG grants. We believe that other states may have similar funding shortages in the current and next fiscal year.

On August 28, 2003, we briefed Shirley Smith, Administrator – Office of National Response, and Timothy Sullivan, Director - Division of Trade Adjustment Assistance, on the results of our work. We briefed Congressman English's staff on September 4, 2003. Our report, in the form of the briefing slides, is attached.

Our evaluation was conducted in accordance with Quality Control Standards for Inspections published by the President's Council on Integrity and Efficiency. Our evaluation was not designed to evaluate ETA's or the Commonwealth's internal controls or compliance with laws and regulations, and, accordingly, we give no assurance on controls or compliance.

Our evaluation did not result in any recommendations; therefore, no response to this report is required.

If you have any questions, please contact Michael T. Hill, Regional Inspector General for Audit, at (215) 446-3710.

Attachment

cc: Congressman Phil English
Sandy Vito, Pennsylvania Department of Labor & Industry

US Department of Labor

Office of Inspector General

Evaluation Report No. 03-03-008-03-330
September 4, 2003

Evaluation Objective

Address the Congressman's concerns pertaining to Pennsylvania's (PA) TAA Program funding FY 2001-2003

- Specifically the $11.5M funded in March of 2003 and amount of overspending in the program

Evaluation Scope

- TAA Eligibility and Program Benefits
- PA's Individual Process and Statistics
- TAA Funding Received and Expended FY 2001 to June 2003
- PA's Use of $11.5M
- TAA Funding Shortage (PA and National)
- Evaluation conducted in accordance with Quality Control Standards for Inspections published by the President's Council on Integrity and Efficiency
- Our evaluation was not designed to evaluate the Employment and Training Administration's (ETA) or PA's internal controls or compliance with laws and regulations, and, accordingly, we give no assurance on controls or compliance.

Evaluation Methodology

- Obtained background on how the Trade Act Program operates
- Interviewed U.S. Department of Labor (DOL) ETA officials
- Obtained DOL ETA internal review of PA TAA funding
- Obtained and reviewed financial reports at ETA and PA Department of Labor & Industry (L&I)
- Reviewed a sample of vendor invoices supporting PA's use of TAA funds awarded in FY 2003
- Interviewed PA L&I officials

Evaluation Results

- There has been funding problems for PA's TAA programs going back to FY 2001
- The $11.5M was used for FY 2003 Expenses
- PA's TAA funds were spent on TAA Program
- National Emergency Grants (NEGs) were awarded to make up shortages that occurred for FY 2001 through FY 2003
- PA still has a deficit of $2.6M for FY 2002
- There may be a National TAA funding shortage through December 2003

Background

How to Apply for TAA

- File Petitions:
  1. Group of three or more workers' signatures required
  2. Union or Company officials only requires one worker's signature
  3. All petitions filed with ETA's Division of TAA

Background

Establishing Eligibility for TAA

- Certificate Regarding Eligibility Requires:
  - ETA's Division of Trade Adjustment Assistance conducts investigation; issue notice of decision no later than 40 days after receipt of petition
  - Workers have been totally or partially laid off because of increased imports
  - Workers hours or wages are reduced to 80% or less of weekly average

Background

Program Benefits

- Retraining and Reemployment Services to meet individual worker's needs:

1. Receive 104 weeks of approved training

2. Receive 104 weeks of income support in addition to basic Unemployment Compensation (UC)
   - 26 weeks for basic UC
   - 26 weeks for basic Trade Readjustment Allowance (TRA)
   - 52 weeks for additional TRA (implemented Trade Act of 2002)
   - 26 weeks for participants taking remedial education (week for week, e.g., 10 weeks remedial education, 10 weeks of TRA) implemented Trade Act of 2002

Background

Program Benefits (Continued)

3. Job search and relocation allowance up to $1,250 may be payable in seeking employment outside normal commuting area

4. Reemployment Services:
   - Career Counseling
   - Job Placement Assistance
   - Supportive Services
   - Skill Assessment
   - Job development and job search assistance and referrals

5. Rapid Response Assistance and Basic Readjustment Services informing workers that they are eligible to petition TAA program

Background

Pennsylvania's TAA Process

- PA Department of L&I's Rapid Response and Trade Division Administers TAA in PA
  - After ETA Certifies the Petitions the Rapid Response and Trade Division sends a letter to all eligible workers.
  - Eligible workers receive basic Workforce Investment Act (WIA) services at the Career Link Centers (one-stop local office), such as: resumé workshops, job search, employability assessment, etc.
  - If suitable employment is not found – worker and local office develops a training plan.

Background

Pennsylvania's TAA Process (Continued)

- Training plan sent to the Rapid Response and Trade Division in Harrisburg
  - Trade Division considers curriculum, cost and location
  - Plan approved
  - Addendum to the Master Agreement prepared
  - Funds obligated for total training costs (expense incurred over multiple years)
- Participants start training
- Vendor invoices are submitted for payment

Background

Commonwealth of PA Statistics

	FY 2001	FY 2002	FY 2003
Petitions Certified	224	241	109
Workers Certified	60,018	50,113	20,712
Participants in Training	4,939	8,114	7,883 (2)
TAA Funding Received	$6,934,500	$5,186,500	$29,631,981
NEG Funding Received	$6,805,383	$25,980,330	$21,209,552(3)
Total Funding Received	$13,739,883	$31,166,830(1)	$50,841,533

(1) Does not include $ 2,647,569 the state has to fund
(2) 6,790 actual participants plus 1,093 participants that PA estimated for the remainder of FY 2003
(3)$8,624,645 received plus $12,584,907 authorized by ETA as of June 30, 2003

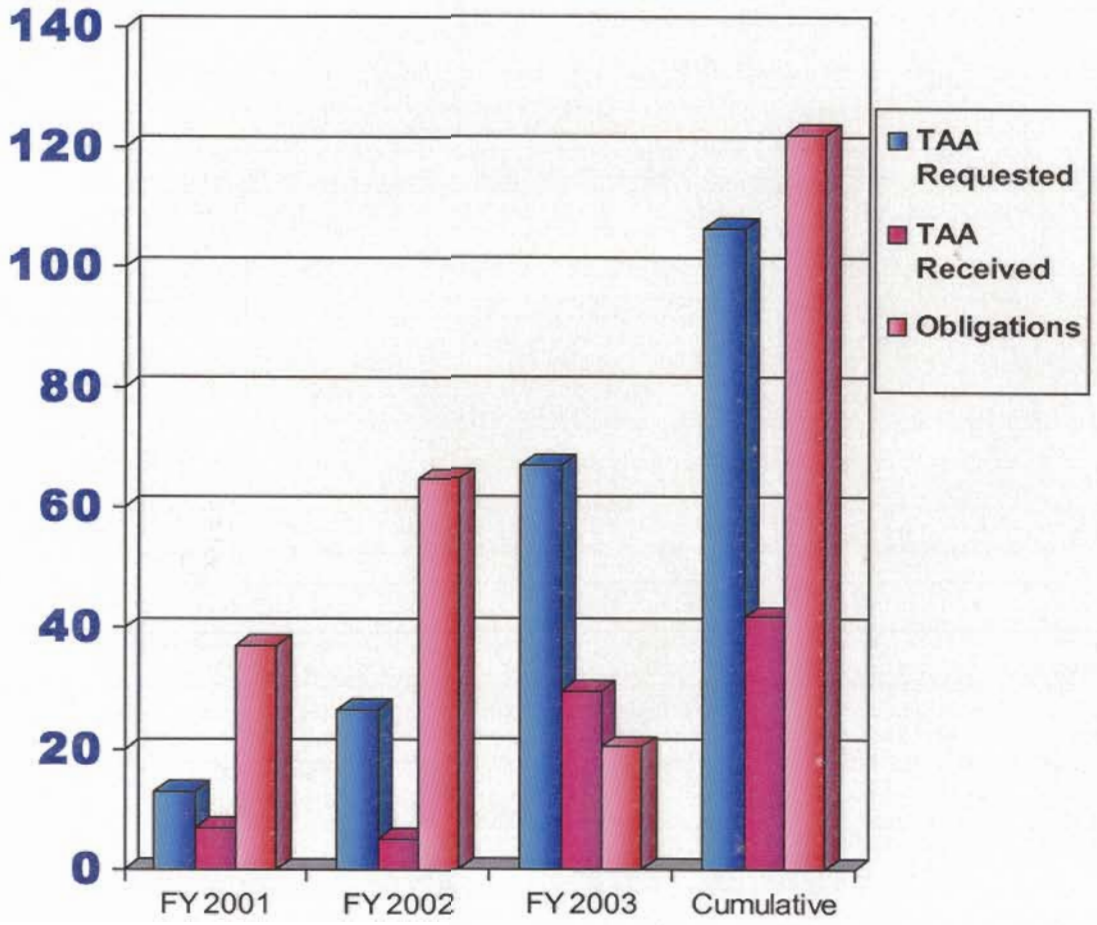
Unfunded Obligations for FY 2003

Date Ending	Cumulative TAA Funds Received	Cumulative Obligations	Total Cumulative Unfunded Obligations
12/31/2002	$4,485,000	$51,137,697 *	$(46,652,697)
3/31/2003	$21,735,000	$62,946,419	$(41,211,419)
6/30/2003	$29,631,981	$58,564,183	$(28,932,202)
*$33,033,883 worth of obligations that had not been expensed in FY 2002 were rolled over to the Trade Grant for FY 2003			

Average Obligations Per Participant

	FY 2001	FY 2002	FY 2003
Total Obligations Established	$37,083,455	$64,716,298	$20,406,713
Number of Participants Approved for Training	2,852	5,367	1,677
Average Obligation Per Participant	$ 13,003	$ 12,058	$ 12,169

PA's TAA Funds
Requested vs. Received



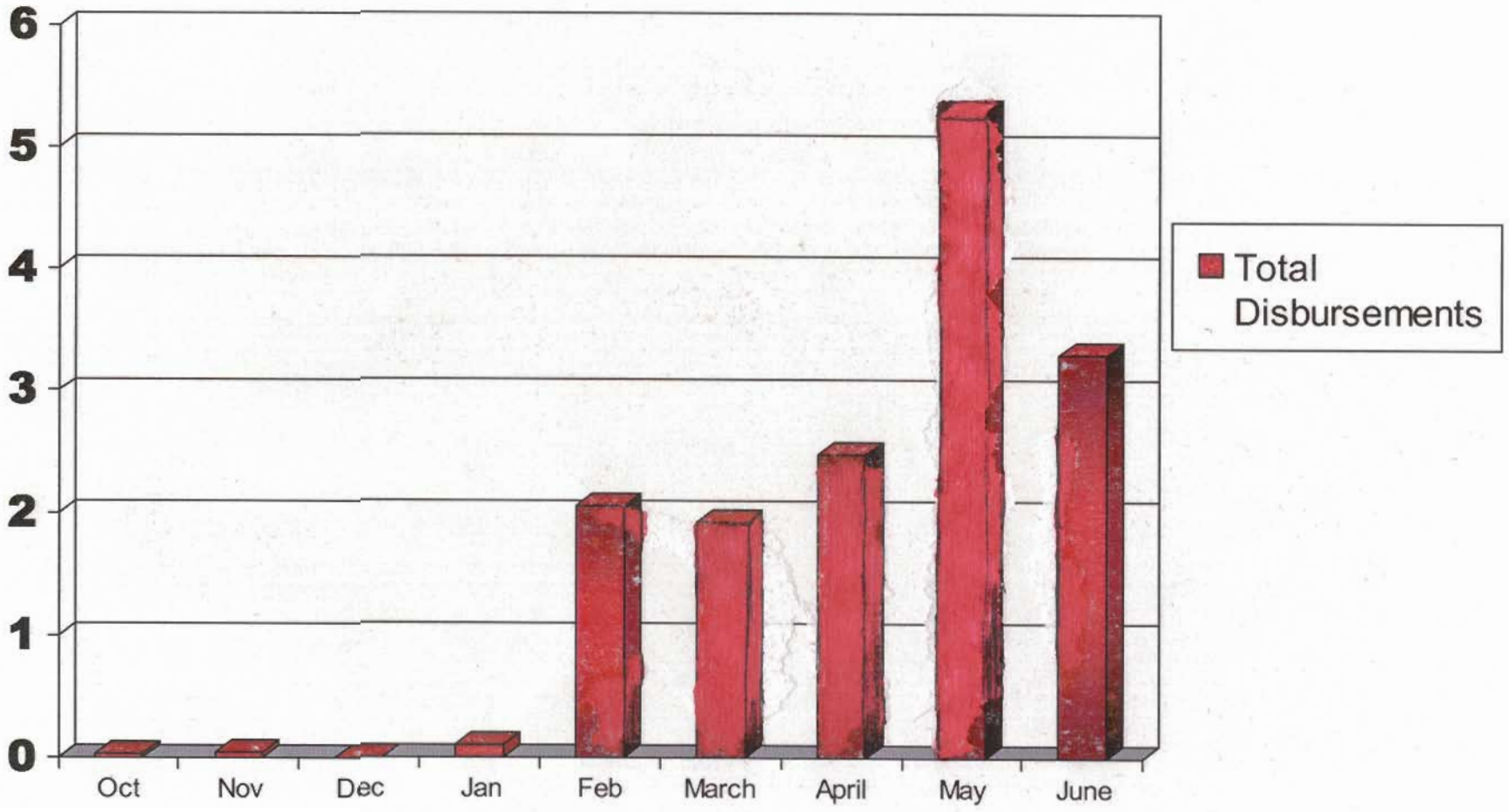
- FY 2001
  - Requested $13M
  - Received $6.93M
  - Obligations $37.08M
- FY 2002
  - Requested $26.52M
  - Received $5.19M
  - Obligations $64.72M
- FY 2003
  - Requested $66.97M
  - Received $29.63M
  - Obligations $20.4M
- Cumulative Total
  - Requested $106.49M
  - Received $41.75M
  - Obligations $122.2M

What specifically did the Commonwealth do with the $11.5 million that was recently transmitted to them for TAA job training?

The $11.5M was used for FY 2003 expenses

- Reviewed 2 Voucher Transmittals
  - 200 Invoices—each indicated TAA services performed and expenses incurred in FY 2003(1)
  - As of June 16, 2003, ~$8.7 M of the $11.5M was expended

PA's TAA FY 2003 Cash Disbursements
Oct 2002—June 16, 2003



PA's Funds Spent on TAA Program

- Decisions of L&I Officials
  - Used funds to pay invoices for TAA related expenses for FY 2003
  - Recognized shortage and requested additional funding
  - Suspended the program until additional funds were granted
- Based on our review of 200 invoices and PA Comptroller Records we concluded that TAA Current FY 2003 Funds were spent in accordance with grant requirements
- TAA Grant Modification did not specify that funds be spent on new and future training

Pennsylvania's TAA Funding Shortage

- FY 2001
  - $6.8 million
- FY 2002
  - $25.9 million
- FY 2003
  - $21.2 million
- Funding from National Emergency Grants were used to address TAA funding shortages

Pennsylvania's TAA Funding Shortage

- FY 2002

Outstanding $2.6M Deficit

- State will have to fund the $2.6M deficit

National TAA Funding Shortage

- ETA Survey—States' Funding Needs
  - April 2003 thru December 31, 2003
  - $219.5M states' funding needed through December 31, 2003
  - $65M available for TAA and NAFTA-TAA through September 30, 2003

Added Major Features to Program

- Secondary companies are now eligible for TAA
- Alternative TAA (ATAA) program for workers over 50 years of age
- Health Insurance Benefits available to 3 groups:
  - TAA participants eligible for income support
  - ATAA participants
  - PBGC recipients