



**STATE OF NEW JERSEY
OFFICE OF THE STATE COMPTROLLER**


**DEPARTMENT OF LABOR AND WORKFORCE
DEVELOPMENT**

**AMERICAN RECOVERY AND REINVESTMENT ACT/
SUMMER YOUTH EMPLOYMENT PROGRAM**

**A. Matthew Boxer
COMPTROLLER**

**April 29, 2010
PA-08**

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BACKGROUND



The Federal Workforce Investment Act

Under the Workforce Investment Act of 1998 (WIA), the nation’s workforce development system is federally funded through the U.S. Department of Labor’s Employment and Training Administration (DOLETA), but is administered at the state and local levels. The goals of WIA are to increase employment, job retention, and earnings of participants; advance the occupational skills of participants through training, education, and work experience; improve the quality of the nation’s workforce; reduce welfare dependency; and enhance the productivity and competitiveness of the nation as a whole.

WIA requires employment and training services to be provided through a single-service delivery system, referred to in New Jersey as “One-Stop Career Centers.” These One-Stop Career Centers, located throughout the State, are operated by 17 local Workforce Investment Boards (WIBs). Each WIB must operate a One-Stop Career Center where people from the local community can find information about and access to an array of job training, education, and employment services at a single location.

WIA also requires the establishment of a state-level WIB. In New Jersey, the State Employment Training Commission (SETC) acts as the state-level WIB. The SETC is allocated within the New Jersey Department of Labor and Workforce Development (LWD), but is independent of any supervision or control by that department. The SETC’s executive director and six staff members report to a board of commissioners. The board is appointed by the Governor and includes representation from the business community, trade and labor organizations, local elected officials, and educational and non-profit organizations associated with workforce development, as mandated by WIA. Other SETC board members include legislators from the State’s Assembly and

Senate, and ex-officio members from State agencies. The role of the SETC is largely to create policy, set performance measures, and support the local WIBs and One-Stop Career Centers in their delivery of services. The SETC does this, in part, by producing a five-year unified State plan, which establishes needs and priorities for the State, and by reviewing the local WIBs' own five-year plans.

WIA funds job search and placement activities, training, and other employment services for three groups: adults, dislocated workers, and youth. Youth is defined by WIA as individuals between the ages of 14 and 21. WIA requires local WIBs to develop youth activities, including occupational and study-skills training and work experience. WIA requires WIBs to take a year-round approach in developing youth programs, but does not specifically mandate a summer employment program.

The American Recovery and Reinvestment Act/Summer Youth Employment Program

The American Recovery and Reinvestment Act of 2009 (ARRA) directed more than \$1.2 billion in stimulus money nationwide toward assisting low-income youth who are disconnected from education and the workforce as an extension of WIA. ARRA was intended to preserve and create jobs, to promote the nation's economic recovery, and to assist those most impacted by the recession.

Under ARRA, the New Jersey WIBs were allocated a total of \$17.7 million to be used for youth activities. In addition, ARRA increased WIA's eligibility age for youth programs from 21 to 24. Funds were not expressly limited to use during the summer, defined as the period from May 1 to September 30, but the Congressional explanatory statement noted that "conferees are particularly interested in these funds being used to create summer employment opportunities for youth." DOLETA determined summer employment for these purposes to be any WIA youth service provided during the summer months as long as it included a work experience component. DOLETA characterized work experience as a structured learning experience that occurs in a workplace with the goals of career exposure and skills development. To create those opportunities, local New Jersey WIBs developed agreements with service

providers or worksites that attempted to describe the responsibilities of each party.

Programs funded through WIA must meet certain performance measures designed to monitor state and local performance and compliance with DOLETA objectives. Under WIA, a number of indicators, such as attainment of secondary school diplomas, placement in a training program, or placement in an apprenticeship are used to evaluate program performance. However, ARRA designated that work readiness skill attainment would be the only performance measure used by the federal government to assess the effectiveness of summer employment activities. DOLETA gave broad flexibility to states and localities as to how work readiness skills could be measured. Work readiness skills, as identified by DOLETA, encompass job and career search techniques, survival and daily living skills, and positive work habits and attitudes. At the completion of their summer youth employment experience, program participants were expected to attain a measurable increase in work readiness skills.

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY



The objectives of our audit were to evaluate the administration and monitoring of both the fiscal and programmatic components of New Jersey's Summer Youth Employment Program (Program) for the period May 1, 2009 through September 30, 2009, and to evaluate whether the Program met the performance goals of its State and federal administrators. Specifically, we evaluated:

1. compliance with applicable federal, State, and LWD policies related to the Program;
2. LWD's monitoring and oversight of the Program; and
3. achievement of federal and State Program goals and the measurement of Program outcomes.

This audit was performed in accordance with the State Comptroller's authority set forth in N.J.S.A. 52:15C-1 et seq. We conducted our audit in accordance with generally accepted government auditing standards applicable to performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As part of our audit procedures, we reviewed relevant legislation, applicable DOLETA Training and Employment Guidance Letters (TEGLs), reports issued by the U.S. Government Accountability Office on the use of ARRA funds, and policies of LWD. We also interviewed LWD and WIB personnel to obtain an understanding of their job responsibilities and system of internal control, including the manner in which funds are allocated to and spent by the WIBs. We reviewed selected financial data and federal and State reports, and also reviewed program-related documentation from other states for best practices.

We also examined the six highest-funded WIBs -- Atlantic/Cape May, Camden, Cumberland/Salem, Mercer, Newark, and Passaic -- for compliance with ARRA and TEGL requirements. We performed tests of payroll, expenditures, participant eligibility, work-readiness evaluations, and worksite agreements at each of the WIBs we selected. To obtain feedback from Program coordinators regarding the design, implementation, and outcomes of their Programs, we also sent a survey to all Program coordinators.

Our testing revealed no significant exceptions related to payroll, expenditures, or participant eligibility at the aforementioned WIBs. Our findings concerning other areas tested are set forth in the following pages.

SUMMARY OF AUDIT RESULTS

Our audit found that the Program attained its minimum objectives, including providing thousands of youth participants access to summer work experience and providing accountability in the use of ARRA funds. Although these overarching goals and objectives were attained, we identified several Program weaknesses and missed opportunities as follows:

- A lack of detailed guidance at the federal and State levels resulted in significant variations in the design and implementation of the Program. Programs varied across the State concerning, for example, the amount and content of classroom learning and training, the use of mentors, and the extent of outreach to out-of-school youth. The SETC did not institute state-level performance measures, making it impossible to evaluate outcomes or determine best practices. Even the assessment of work readiness skills varied in content across the State, making it difficult to determine and compare what level of work readiness was achieved. Further, New Jersey missed a substantial opportunity to provide youth workers with a nationally recognized credential certifying their skills.
- Contrary to federal guidance, the SETC and LWD excluded the recruitment of private-sector employers for the Program and instead steered local program operators to use public-sector (State, county, or municipal government) and nonprofit organizations to provide summer employment opportunities. This limited the range of work experiences for participants and the potential for continued employment after completion of the Program.
- Neither the SETC nor LWD developed a standard comprehensive worksite agreement. Nor did they provide local WIBs with guidance concerning WIA and ARRA legal or programmatic requirements

that should be included in such agreements. As a result, the content of the worksite agreements prepared by WIBs varied widely. Many agreements did not include basic legal requirements and programmatic assurances designed to protect youth participants, worksites, and local WIBs or Program operators. The resulting confusion led, for example, one WIB to shift worksites for more than 100 youth mid-summer after LWD expressed concern about failure to satisfy ARRA requirements.

- LWD did not accurately report the number of jobs the Program created on the required federal report. LWD did not require Program operators to submit documentation to support their jobs calculations, which contributed to the inaccuracies.

We make seven recommendations to improve LWD's oversight and monitoring of the Program.

AUDIT FINDINGS AND RECOMMENDATIONS

With the passage of ARRA, the State's workforce development system encountered a series of challenges in developing the summer program for targeted youth. WIA allows but does not mandate summer programs as part of youth activities, so local WIBs had to quickly develop a new program or greatly expand an existing program to meet ARRA's requirements.

Complicating the development of the Program were federal directives to expend funds quickly while ensuring quality programs. In a short time period, local WIBs had to recruit youth, employers, and staff; determine eligibility for hundreds of applicants; draft agreements with worksites; prepare employers; and establish payroll and paycheck distribution procedures for hundreds of temporary employees. Many WIBs also created educational and training programs for the youth participants, often working in conjunction with local, county, and State educational institutions.

The State met its projection of serving approximately 6,000 youth participants. The youth participated in a variety of work experiences, including office work, facilities maintenance and landscaping, child care, and senior services. Wages were paid with ARRA funds.

Our audit identified a number of successes resulting from the Program. For example, New Jersey recruited for its Program a higher percentage of out-of-school youth than the national average. Many youth who otherwise may have been unable to, earned money during the summer and gained valuable career exposure through training and worksite experiences at county colleges, vocational-technical schools, and employer worksites.

However, as described in the following pages of this report, in the areas of guidance and instituting performance measurements, the SETC and LWD did

not give adequate support to the design and implementation of the Program, thereby limiting its full potential.

Program Measurement

SETC and LWD did not ensure the implementation of a consistent statewide Program with measurable outcomes, resulting in an absence of standardized performance indicators and the potential for misuse of ARRA funds.

Program Variation and Inability to Measure Outcomes

By not developing minimum standards or performance indicators, the SETC did not meet its mandate as the policy director for the local WIBs. As a result, local programs varied widely across the State in terms of their measurement of work readiness skills, their supervision of worksites, whether and how youth mentors were used, and level of outreach to out-of-school youth, as well as other areas.

One example of varied Program elements occurred in the provision of classroom learning experiences. Despite the lack of a specific recommendation from the SETC, most WIBs in New Jersey incorporated training and/or academic teaching into their Programs. A few operators created training curricula in-house, while a number of WIBs partnered with local schools, non-profits, and community colleges to deliver classroom training. The amount of training differed, ranging from one-day, pre-program training to summer-long classroom training linked to a work experience component. In the absence of statewide performance indicators or outcome measures, however, it is difficult to conclude which academic programs could be considered best practices.

In general, the broad flexibility given in creating programs resulted in each WIB implementing different strategies to deliver their programs. A number of appropriate performance indicators were never instituted by LWD or SETC to assess the outputs, outcomes, and efficiencies of the programs, such as

measuring cost per participant, supervisor-to-participant ratios, out-of-school youth recruitment rates, and, most importantly, how many youth participants attained unsubsidized employment after the Program ended. In the absence of such performance indicators, it is difficult to determine whether Program goals were met, and what elements should be continued for future summer employment experiences.

Work Readiness Skills Measurement

In accordance with DOLETA's TEGL No. 14-08, LWD instructed Program operators to assess participants' work readiness skills at both the beginning and the end of the Program, and provided numerous assessment tools from which to choose. According to some Program operators, however, the directive to use both pre-Program and post-Program work readiness assessments was either received after the commencement of their programs or not received at all. Further, the quality and content of work readiness skill assessments differed across the State. For example, some WIBs used pre-Program and post-Program tests to measure participants' knowledge of employment, job search, and basic financial literacy issues. Other WIBs used a "portfolio" approach, using supervisor evaluations, interviews, and/or participant tests. These inconsistencies make it challenging for the SETC, LWD, or Program operators to determine best practices or evaluate individual or collective outcomes of the Program.

We reviewed many other states' programs for best practices. While all states encountered programmatic challenges, some states excelled in specific areas. For example, Illinois required the use of a single statewide pre- and post-program work readiness test by all of its local workforce boards. Further, "Illinois workNet," a web-based program, allowed state workforce leaders to collect data, provide information and online training opportunities, and track participants' outcomes. This leveraging of technology created a more unified and accessible program for all its users and allowed for comparison of results across the state of Illinois.

The Pacific Gateway Workforce Investment Network (Pacific Gateway) in Long Beach, California incorporated the newly developed National Work Readiness Credential (Credential) into their Program in a pilot phase. The Credential is a product of the National Work Readiness Council, a nonprofit organization established to produce nationally recognized work readiness standards and assessments. To earn the Credential, individuals must pass a four-module exam (situational judgment, oral language, reading with understanding, and using math to solve problems). The Credential acts as a certification, enabling employers across the country to identify job seekers who can carry out critical entry-level tasks and responsibilities.

At Pacific Gateway, training and assessments for the Credential were provided for approximately 290 participants, about 25 percent of their total program participants. Pacific Gateway used the Credential assessment as a pre-program and post-program test, following which 62 participants ultimately attained the Credential. The pilot project was deemed successful by Pacific Gateway. Although a number of challenges occurred, corrective actions were implemented and Pacific Gateway continued the pilot program in fall 2009.

The SETC opted not to implement the Credential through New Jersey's Program, despite being a founding member of the National Work Readiness Council. Eight Credential assessment sites are currently located in New Jersey, at One-Stop Career Centers and community colleges. The SETC considered using the Credential exam as a pre- and post-program test, but ultimately chose not to utilize it due to perceived difficulties in implementation. Using the Credential (even in a test or pilot program) would have given SETC and LWD policymakers a uniform and highly regarded measure of work readiness. In addition, it would have provided Program participants with a marketable credential upon successfully passing the test. While innovative tools such as the National Work Readiness Credential may present initial challenges, its benefits to youth merit consideration as a pilot project in New Jersey.

Recommendations

1. Create statewide performance measures that will assess the outputs, outcomes, and efficiencies of local programs.
2. Develop a standardized pre-Program and post-Program work readiness assessment tool that will measure skills attained and that can be used to analyze the performance of each local program.
3. Explore the use of web-based technology to create programmatic consistency through the collection of data and the delivery of information and training opportunities.
4. Consider initiating a pilot program using the National Work Readiness Credential to provide a uniform pre-Program and post-Program test and to maximize credential attainment among youth participants.

Private-Sector Employment Opportunities

SETC and LWD did not support private-sector job opportunities in their Program, thereby limiting participant exposure to diverse career paths.

To provide youth with a meaningful work experience, DOLETA guidance recommends selecting employers that would work closely with program staff and that a combination of public-sector, private-sector, and nonprofit summer employment opportunities be considered.

Despite the federal guidance, SETC and LWD issued guidance to local program operators to use ARRA funds to subsidize wages for jobs only in public-sector (state, county, or municipal government) and nonprofit organizations. As a result, the local Program operators that we interviewed told us that they believed ARRA funds could not be used for jobs in the private sector. When we asked SETC staff why they excluded private-sector companies, they stated their perception that organized labor groups in New Jersey would be displeased if federal funds were used to subsidize private-sector summer employment for youth.

Our research identified at least 35 other states that included private-sector employment. For example, a WIB in Pennsylvania partnered directly with the local Building Trades Council of the Lehigh Valley to provide pre-apprenticeship training for participants in the private-sector building and construction trades, while others worked in the private-sector fields of hi-tech digital arts and industrial maintenance at local manufacturing facilities. Also noteworthy was a New York City summer employment program hosted by CVS, a nationwide retail drug store chain that offered the potential of full-time or part-time employment opportunities at the end of the program.

Even in New Jersey, despite the lack of support from the SETC and LWD, the Jersey City and Bergen County WIBs reported that their programs opted to

include a small number of participants receiving experience in private-sector industries including health care, restaurant/hospitality, and retail/entertainment.

Including private-sector opportunities in the Program would afford a wider range of work readiness experiences for youth participants with the potential for continued employment after the Program is completed. By excluding private-sector employers from the Program, participants' exposure to diverse and growing career paths is limited, and the SETC and LWD may be missing opportunities to partner with private employers in promoting the State's workforce development system. Moreover, New Jersey's local and state budget constraints make it unlikely for many participants to attain employment in the public sector at the end of the Program.

Recommendation

5. Recruit private-sector employers to participate in the Program to expose participants to a larger variety of career paths that could lead to greater employment opportunities upon completion of the Program.

Worksite Agreements

The absence of a standardized worksite agreement or related content guidance resulted in many worksite agreements lacking legal requirements and appropriate programmatic assurances.

Worksites are the locations where youth in the Program participate in their summer work experiences. WIBs or contracted Program operators are responsible for identifying appropriate worksites for summer youth participants. In New Jersey, typical worksites included publicly funded or nonprofit child care centers, summer camps, hospitals, and faith-based and community organizations.

Program operators must have a comprehensive agreement with each worksite, generally called a worksite agreement, to ensure that summer work experiences are consistent with WIA and ARRA requirements. LWD did not develop a standardized agreement to be used by all WIBs, nor did it provide specific guidance to WIBs on what should be included in such agreements (e.g., child labor laws, health and safety legal requirements, a requirement that the employment would not impair an existing contract for services or collective bargaining agreement, or a requirement that employers not discriminate based on race, color, religion, sex, national origin, age, disability, or political affiliation or belief). Instead, each WIB was responsible for developing its own agreement.

Our review of the ARRA and WIA statutes identified a minimum of 14 legal requirements that should be incorporated into worksite agreements where applicable. In addition, worksite agreements should detail any specific programmatic assurances of the local WIBs or program operators (e.g., the number of supervisors per program participants, the contingency plan for outdoor worksites in case it rains, etc.).

Our audit reviewed 21 examples of worksite agreements provided by the WIBs. We found that the content of the agreements varied significantly. For example, Burlington County's worksite agreement contained only 2 of the 14 identified legal requirements and a few programmatic assurances. In contrast, Atlantic County's worksite agreement contained 9 out of the 14 legal requirements and provided a number of specific programmatic assurances. Atlantic County's worksite agreement was one of only two that specifically referenced ARRA and its prohibition of certain worksites.

Another common deficiency in the agreements we reviewed was the absence of requirements concerning the improper "supplanting" of existing workers. Federal guidance on this issue was provided by DOLETA TEGL No. 14-08, which states that ARRA funds should not be used to displace workers by replacing state or local funds already dedicated to workforce development or summer jobs. In other words, ARRA funds may be used to provide additional workers to local areas, but must not be used to replace current workers with ARRA-funded workers.

During the summer of 2009, an issue arose with the Passaic County WIB (PCW) and the City of Paterson regarding the possible supplanting of summer workers. Paterson runs an annual summer recreation program and typically employs college-age youth using City funds. In previous years, Paterson's summer program employed a small number of youth from the PCW, whose wages were paid using WIA funds. In 2009, with the influx of ARRA funds, a significantly larger number of youth were placed by PCW in Paterson's program. Many youth who had worked for the Paterson Recreation Program in prior years under City funding, and who had expected to retain the job for 2009 as well, were replaced by ARRA-funded youth.

Then, on July 10, 2009, LWD sent a letter to the County of Passaic stating that all youth employed in the Paterson Recreation Program that were funded by ARRA had to be removed and placed elsewhere. LWD explained that the assignment of ARRA-funded youth to the Paterson Recreation Program could

potentially be viewed as supplanting locally funded staff with youth whose wages are funded with ARRA funds.

As a result of LWD's letter, the PCW removed all 111 ARRA-funded youth from the Paterson Recreation Program and placed them in programs not funded by the City of Paterson. This process took approximately one month to implement fully and, in the interim, the ARRA-funded youth continued working at the Paterson Recreation Program. In total, approximately \$85,000 of ARRA funds were spent on wages for youths working in the Paterson Recreation Program. According to Paterson, after the transfer, the remaining 205 City-funded youths continued to work in the Paterson Recreation Program.

Although LWD and the WIBs had limited time to implement the Program, rules regarding issues such as supplanting of workers should have been provided earlier in the process. PCW did not provide adequate guidance concerning supplanting requirements, and the supplanting issue was not clear in the worksite agreement. A well-constructed worksite agreement that specified the supplanting rules may have averted this issue.

Recommendation

6. Develop a standardized worksite agreement or provide guidance that includes applicable legal requirements and appropriate programmatic assurances.

ARRA Reporting Requirements

LWD did not accurately report the number of jobs created on the required federal report.

ARRA requires, as a condition of receipt of funds, quarterly reporting on the use of such funds. Specifically, section 1512 of ARRA requires recipients to submit a quarterly report identifying, among other things, the use of ARRA funds and the estimated number of jobs created. According to the U.S. Office of Management and Budget, the jobs data is to be expressed as full-time equivalents (FTEs), i.e., the number of hours worked in jobs divided by the number of hours in a full-time schedule as defined by the recipient of the funds (in this case, the local WIB).

To calculate FTEs for jobs created by the Program, each WIB is responsible for submitting the total number of hours worked by ARRA-funded participants as well as the number of hours in the full-time schedule at the local WIB. This information is submitted on a quarterly basis to LWD staff, who then adds all FTEs to arrive at the total number of jobs created. We reviewed the first required report which was submitted to the federal government on October 15, 2009. The initial LWD report contained errors resulting from miscalculations and was subsequently revised. Moreover, our review of the revised numbers submitted by the six highest-funded WIBs found continued errors with the FTE totals.

LWD did not require the WIBs to submit documentation to support the numbers used in each WIB's calculation. In our review of the six WIBs, we found that two WIBs had documentation of the total hours worked that did not match LWD's data concerning number of hours worked. In one instance, the WIB did not include an entire two-week payroll period worth of data. In the other instance, we could not determine if the inaccuracy was due to an error by the

WIB or by LWD. If appropriate documentation had been required, such as a copy of pertinent payroll information, LWD could have confirmed the submitted data's accuracy.

In total, we found that FTEs were understated for the six WIBs we sampled. Upon informing the WIBs of the errors we identified, the WIBs subsequently corrected their calculations. Accordingly, reported FTEs increased from 626.68 to 661.25. Understatement of full-time jobs created by the Program could potentially affect perceptions concerning the effectiveness of the Program in creating jobs, which could ultimately affect future Program funding levels.

Recommendation

7. Require the WIBs to provide supporting documentation to verify the accuracy of the FTE data prior to LWD's submission of the section 1512 report.

REPORTING REQUIREMENTS



We provided a draft copy of this report to LWD officials for their review and comment. Their comments were considered in preparing our final report and are attached as Appendix A.

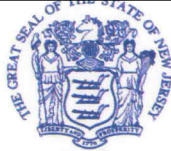
LWD's response generally concurred with the results of the audit. Concerning measurable outcomes, LWD pointed out that the Program satisfied the minimum federal measurement requirements. As discussed in our report, however, the basis used to calculate the required work readiness rate was inconsistent among the WIBs, rendering the calculation of limited utility. In addition, we recommend development of state-level performance measures. Such measures would enable State policymakers and the public to be able to assess the results and effectiveness of the Program. LWD acknowledged that additional measures may provide useful and relevant data.

Concerning private-sector employment, LWD states that while it did not promote private-sector employment, it did not explicitly prohibit it. However, the guidance LWD and SETC provided to local Program operators was to subsidize wages for "public sector and nonprofit jobs." As our audit found, the end result was the Program operators we interviewed believed ARRA funds could not be used for private-sector employment. Moreover, as noted, the SETC staff itself acknowledged that this was SETC's intent.

Regarding the inaccurate job calculation, LWD pointed to the short 10-day, federally required deadline for submitting such reports. LWD also noted the challenges associated with receiving late-arriving guidance in this regard from the federal Department of Labor.

LWD requested our audit workpapers concerning the calculation of the job numbers so that they can determine why and how the errors occurred. We have provided LWD with the requested information.

The Office of the State Comptroller is required by statute to monitor the implementation of our recommendations. To meet this requirement, LWD shall report periodically to this Office advising what steps have been taken to implement the recommendations contained herein, and if not implemented, the reasons therefore.



State of New Jersey

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

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April 23, 2010

A. Matthew Boxer
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Trenton, New Jersey 08625-0024

Dear Mr. Boxer:

Thank you for providing an opportunity to respond to your detailed audit of the American Recovery and Reinvestment Act (ARRA) funds used for the Summer Youth Employment Program.

We are pleased that your audit found that the program attained the required objectives which included providing thousands of youth participants access to summer work experience while providing accountability in the use of ARRA funds, with no significant exceptions related to payroll, expenditures or participant eligibility.

Where your report contains recommendations for improvement to the program, the department in cooperation with the State Employment and Training Commission (SETC), will address these matters taking into consideration the prospect that this program may not be funded for 2010, or at least not at the level of funding that was available for the 2009 summer program.

Our detailed response to specific recommendations is contained in the attachment to this letter. Thank you for your efforts to help improve our programs to better service the public.

Sincerely,

A handwritten signature in blue ink that reads "Harold J. Wirths".

Acting Commissioner

Attachment

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AD-181(R-1-10)

**N.J. DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT
RESPONSE TO
SPECIFIC AUDIT FINDINGS
ARRA SUMMER YOUTH EMPLOYMENT PROGRAM**

Program Management (Audit Report Page 9)

SETC and LWD did not ensure the implementation of a consistent statewide Program with measurable outcomes, resulting in an absence of standardized performance indicators and the potential for misuse of ARRA funds.

LWD Response

The Comptroller's office infers that LWD and the SETC did not have measurable outcomes from the summer youth employment program. In fact our program did include measurable outcomes as established by the federal government. Training and Employment Guidance Letter (#14-08) that the United States Department of Labor issued regarding the Summer Youth Employment Program, established two measurable goals for the program:

- Completion rate; and,
- Work readiness rate

Data on both of these criteria were maintained and New Jersey has achieved significant results in reaching these goals with a 90.9% workforce readiness rate and a 92.6% program completion rate. While additional measurements may provide useful and relevant data, the implication that there was an absence of standardized performance indicators paints an inaccurate picture.

In addition, the SETC engaged in an extensive discussion with stakeholders to establish key priorities for the program. This included discussions at the March 31st and May 26, 2009 Commission meetings, three regional WIB Chair meetings in April, 2009 and at each of the WIB/One Stop Operator monthly meetings from February, 2009 – June, 2009. As a result of these meetings, the SETC established twelve priorities for the administration of ARRA funds which included aligning training and placements to New Jersey's regional and local economies, obligating and spending funds quickly and effectively including establishing a goal for 85% of funds to be spent on direct participants services, significantly increasing enrollment levels in all programs, limiting permanent hiring and supplanting regular sources of funding with ARRA funds, leveraging other resources in support of ARRA programs and maintaining transparency and accountability in tracking expenditures and performance outcomes. Related specifically to youth funding under ARRA was the concern that historically local WIBs served a preponderance of in-school youth rather than focusing on the hardest-to-serve and hardest to reach populations. Therefore, a priority was established that local WIBs direct the majority of youth ARRA funding on youth who are out-of-school and disengaged from education and/or the workforce. As cited in the report from the Comptroller, New Jersey recruited for its program a higher percentage of out-of-school youth than the national average.

We do agree with the need to establish more consistency in the provision of work readiness skills and have already asked program staff to research the development of a list of required elements for the future. In the future, we would consider additional measurements, but only if it did not

preclude additional costs and staff effort as we believe that the focus of a summer youth employment program should be the provision of jobs in order to ensure that young people learn the value and importance of work. Establishing localized measurements is a worthy consideration, but that would require some baseline data which the past year may provide and is a good consideration moving forward. We will also consider using the National Work Readiness Credential now that the new test was released in mid-April, 2010. It will, however, be essential that local WIBs offer a remediation program so that all youth who do not pass the exam are given adequate training and preparation to pass the exam within the timeframe of the program. A recommendation to *Explore the use of web-based technology* will be considered in the future. Given the time frame for the 2009 program and the requirement to comply with public purchasing regulations, acquiring such a tool at this time was implausible.

The Illinois Work Net System referred to in your report as an example of web based technology, was already in existence and was modified to accommodate the new summer program.

We also wanted to note that the US DOL cited under notable practices in its Compliance Review that the SETC "initiated a requirement that local plans for ARRA services be submitted ... The process provided useful information for board consideration and identified priorities for technical assistance. It has been a number of years since local plans were required on a regular basis."

Audit Report Finding Page 13

SETC and LWD did not support private-sector job opportunities in their Program, thereby limiting participant exposure to diverse career paths.

LWD Response

While the department or SETC did not promote the private sector employment, neither issued any directive or guidance to the local area prohibiting it.

While ARRA funding did go towards jobs in the public and non-profit sectors, LWD did in fact operate another program, funded with State monies that provided unsubsidized jobs in all sectors including the private sector. While ARRA funded opportunities were all subsidized with public resources, LWD continued its operation of another program which provided dollars for transportation and life skills preparation, but did not subsidize wages.

Given the development time, partners in local government focused on the larger picture of developing the maximum number of opportunities so that 6000 young people may be served under the Recovery funded effort. The companion program, Summer HEAT (Help Employ Area Teens) provided opportunities including in the private sector for approximately 1000 more young people.

Should funds similar to Recovery be available again, we would revisit the use of such funds in the private sector. We also understand that because your audit scope did not include the Summer HEAT funds, you did not include it in your report.

Worksite Agreements (Audit Report Page 15)

The absence of a standardized worksite agreement or related content guidance resulted in many worksite agreements lacking legal requirements and programmatic assurances.

LWD Response

We agree with the Comptroller's office that a minimal set of requirements should be shared with local workforce partners to ensure that all include essential elements of an agreement. Worksite agreements were not a new matter for local workforce partners as each of them have a history of entering into such agreements from other funded programs including New Jersey's WorkFirst welfare reform efforts that include a significant number of work experience sites. In the future, we shall provide a list of what will be termed "Essential Elements for Worksite Agreement" to all local partners and other organizations which may be involved in similar efforts.

ARRA Reporting Requirements (Audit Report Page 18)

LWD did not accurately report the number of jobs created on the required federal report.

LWD Response

Revised instructions for calculating the jobs creation numbers were received from the USDOL on October 23, 2009 and the deadline for reporting or correcting final data for the first quarter of the ARRA report was October 29, 2009. It is very likely that the time frame for the first quarter did not allow the WIBs sufficient time to understand the revised methodology of calculating the jobs creation number to properly report the data.

Also, the reporting deadline for the ARRA reports does not allow sufficient time for verifying data for consistency and validity. ARRA reports are required to be submitted 10 calendar days following the end of the quarter. Since most of the Workforce Investment Boards are on a biweekly payroll cycle, it is quite likely that when the job creation numbers are due, the WIBs will not have actual data at their disposal. For example the due date for the 2010 first quarter report was April 10th. However, if a WIB was on a biweekly payroll cycle, the biweekly pay period did not end until April 2nd, and the WIB may not have had the actual payroll data until April 9th, allowing for a lag week for payment. Given that April 10, 2010 fell on a Friday, the LWD requested the jobs creation numbers from the WIBs on or before April 8th, therefore it is likely that the WIBs would have had to estimate the jobs creation number.

The LWD has asked for the audit workpapers of the Office of the State Comptroller to determine what mistakes were made in calculating the job numbers. Once we determine why or how these errors were made, we will determine whether technical assistance or some other form of verification is the appropriate method of insuring that the job creation numbers are properly reported.