

# STATE OF NORTH CAROLINA

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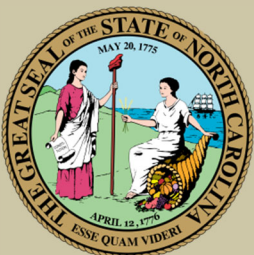
BETH A. WOOD, CPA



## OVERSIGHT OF WORKFORCE INNOVATION AND OPPORTUNITY ACT PROGRAMS

DEPARTMENT OF COMMERCE  
DIVISION OF WORKFORCE SOLUTIONS

PERFORMANCE AUDIT  
JUNE 2023



**NCOSA**  
The Taxpayers' Watchdog

# EXECUTIVE SUMMARY

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## OBJECTIVE

The objective of this audit was to determine whether the North Carolina Department of Commerce, Division of Workforce Solutions (DWS) designed and implemented procedures to **ensure** that Workforce Innovation and Opportunity Act (WIOA) funds were spent in accordance with program requirements and federal and state law.<sup>1</sup>

## BACKGROUND

The federal WIOA<sup>2</sup> provides federal funding to states for the purpose of helping job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with skilled workers. North Carolina receives funding from the United States Department of Labor (U.S. DOL) for the administration of four core programs:<sup>3</sup>

1. Adult Program.
2. Dislocated Worker Program.
3. Youth Program.
4. National Dislocated Worker Grants.

DWS is responsible for the state's administration and oversight of WIOA programs. WIOA program activities are administered locally through 23 local workforce development boards<sup>4</sup> that facilitate the delivery of workforce services to the state's citizens and employers by coordinating activities with economic development entities<sup>5</sup> and employers in their local areas.

The four WIOA programs listed above received and spent approximately \$158 million from July 1, 2020, through June 30, 2022, and reported providing services to approximately 21,000 program participants.

## KEY FINDING

\$128 Million of WIOA grant funds for programs meant to provide employment, education, and training services to job seekers in need was spent with no monitoring reviews.

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<sup>1</sup> Meaning (1) helping job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers, and (2) meeting WIOA program performance measure targets.

<sup>2</sup> 29 U.S.C. 3101, *et seq.*

<sup>3</sup> North Carolina administers two additional WIOA programs: the Reentry Employment Opportunities Program and the Wagner-Peyser Employment Service. However, these programs were **not included** in the audit scope because they do not directly provide employment opportunities to participants.

<sup>4</sup> Local workforce development boards are appointed by local elected officials and charged with the planning and oversight of WIOA programs and services in their area.

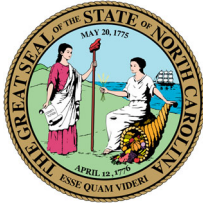
<sup>5</sup> A local agency or institution that regulates, promotes, or assists in local economic development. For example, a local chamber of commerce.

# EXECUTIVE SUMMARY (CONCLUDED)

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## **KEY RECOMMENDATIONS**

- DWS management should monitor local workforce development board activities and spending of WIOA grant funds and do so timely to ensure that WIOA programs funds are being spent to help job seekers access employment, education, training, and support services to succeed in the labor market.
- DWS management should allocate the necessary resources to monitor WIOA activities and grant funds in accordance with federal law.



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## AUDITOR'S TRANSMITTAL

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The Honorable Roy Cooper, Governor  
Members of the North Carolina General Assembly  
Machelle Baker Sanders, Secretary, Department of Commerce  
Chet Mottershead, Assistant Secretary, Division of Workforce Solutions

Ladies and Gentlemen:

We are pleased to submit this performance audit report titled *Oversight of Workforce Innovation and Opportunity Act Programs*. The audit objective was to determine whether the North Carolina Department of Commerce, Division of Workforce Solutions designed and implemented procedures to **ensure** that Workforce Innovation and Opportunity Act funds were spent in accordance with program requirements and federal and state law.

The Department of Commerce's Secretary, Machelle Baker Sanders, reviewed a draft copy of this report. Her written comments are included starting on page 16.

This audit was conducted in accordance with Chapter 147, Article 5A of the *North Carolina General Statutes*.

We appreciate the courtesy and cooperation received from management and the employees of the Department of Commerce and the Division of Workforce Solutions during our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Beth A. Wood".

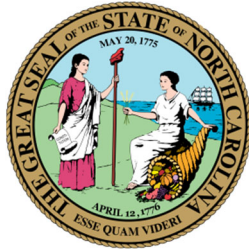
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# BACKGROUND

The federal Workforce Innovation and Opportunity Act (WIOA)<sup>6</sup> provides federal funding to states for the purpose of helping job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with skilled workers.

WIOA requires states to strategically align their **core workforce development programs** to coordinate the needs of **both job seekers** and **employers** through four-year state plans.

State plans essentially outline the strategy for the state's workforce development system. Plans include items such as: **analyses of state's economic conditions, workforce development activities, descriptions of the state's infrastructure**, and **activities** that are in place to help deliver workforce services to individuals and businesses and help the state's workforce development system to achieve its strategic goals. According to North Carolina's 2020-2023 State Plan, North Carolina's goals include:

1. Prepare workers to succeed in the North Carolina economy by increasing skills and education attainment.
2. Create a workforce system that is responsive to the needs of the economy by fostering employer leadership.
3. Promote replication of creative solutions to challenging workforce problems by supporting local innovation.
4. Promote System Access, Alignment, Integration, and Modernization.

North Carolina's plan was developed by the state's workforce partners<sup>7</sup> and submitted to the United States Department of Labor (U.S. DOL), the federal administering agency of the WIOA, to be approved for the state to receive WIOA funding.

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<sup>6</sup> 29 U.S.C. 3101, *et seq.*

<sup>7</sup> North Carolina Department of Commerce, North Carolina Community College System, North Carolina Department of Public Instruction, and North Carolina Department of Health and Human Services.

Based on the state's plan, the North Carolina Department of Commerce, Division of Workforce Solutions (DWS) received funding from the U.S. DOL, to administer four core WIOA programs.<sup>8</sup> See **Table 1** below.

**Table 1 – North Carolina WIOA Programs**

Program Name	Program Purpose
<b>Adult Program</b>	The Adult program serves individuals and helps employers meet their workforce needs. It enables workers to obtain jobs by providing them with <b>job search assistance</b> and <b>training opportunities</b> .
<b>Dislocated<sup>9</sup> Workers Program</b>	The Dislocated Worker program is designed to help workers get back to work as quickly as possible and overcome barriers to employment. <sup>10</sup>
<b>Youth Program</b>	<p>The Youth program primarily serves young adults ages 16-24 that face a variety of barriers to employment<sup>11</sup> through activities such as: occupational skills training, leadership development opportunities, adult mentoring, financial literacy education, etc.</p> <p>The overall goal of the youth program is to help youth complete a high school diploma or equivalent and to prepare for a career pathway that will transition into skilled employment and/or post-secondary education.</p>
<b>National Dislocated Worker Grants</b>	<p>National Dislocated Worker Grants come in two forms: 1) Employment Recovery Grants, and 2) Disaster Recovery Grants.</p> <ol style="list-style-type: none"> <li>1. Employment Recovery Grants provide employment and training activities for dislocated workers and other eligible populations in response to major economic dislocations and events such as large unexpected layoffs, plant closures, or realignments of military installations.</li> <li>2. Disaster Recovery Grants allow for the creation of disaster relief employment to assist with clean-up and recovery efforts from emergencies or major disasters and the provision of employment and training activities.</li> </ol>

<sup>8</sup> North Carolina administers two additional WIOA programs: the Reentry Employment Opportunities Program and the Wagner-Peyser Employment Service. However, these programs were **not included** in the audit scope because they do not directly provide employment opportunities to participants.

<sup>9</sup> As defined by WIOA. Generally, an individual who has been terminated or laid off as a result of mass layoffs, global trade dynamics, or transitions in economic sectors.

<sup>10</sup> As defined by WIOA. For example, includes low-income, disabilities, low levels of literacy, homelessness, older individuals, etc.

<sup>11</sup> As defined by WIOA. For example, includes low-income, disabilities, low levels of literacy, homelessness, youth that are in or aged out of foster care, etc.



### **WIOA Program Administration**

DWS is responsible for the state's administration and oversight of WIOA programs. WIOA program activities are administered locally through **23 local workforce development boards**<sup>12</sup> that facilitate the delivery of workforce services to the state's citizens and employers by coordinating activities with economic development entities<sup>13</sup> and employers in their local areas.

For example, local workforce development boards are responsible for the oversight and administration of the state's NCWorks Career Centers. The NCWorks Career Centers are one-stop-centers that provide access to a full range of core-employment related services to **help businesses find the skilled workers they need and help job seekers find careers**.

NCWorks Career Centers enroll individuals as WIOA participants, develop participant individual employment plans to meet employer needs, and maintain documentation to demonstrate WIOA program achievements.

To administer WIOA programs, local workforce development boards are required to submit local WIOA plans to the NCWorks Commission<sup>14</sup> for approval annually. Local WIOA plans include **requests for funds, objectives for the use of the funds, and methods to measure whether results were achieved** based upon federally required performance measures.<sup>15</sup>

Once approved, funding is awarded and allocated to each local workforce development board based on factors such as the unemployment rate, number of disadvantaged<sup>16</sup> adults and youth, or the presence of declining industries in a local workforce development board's jurisdiction. After receiving allocations, local workforce development boards make program expenditures and perform weekly drawdowns from the allocation to receive WIOA funds.

### **Measurement of WIOA Program Achievement**

The WIOA provides federal funding to states for the purpose of helping job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with skilled workers.

To assess and measure the effectiveness of states and local workforce development boards in the achievement of WIOA program intended results, federal law<sup>17</sup> requires DWS to measure and report performance outcomes and results achieved of WIOA programs annually.

WIOA program performance targets are negotiated between the local workforce development boards, states, and the U.S. DOL every two years. Factors that go into the negotiated performance targets include historical performance and the expected performance in the next two years. See **Table 2** on the following page for a description of WIOA performance measures and performance targets for WIOA Program Years 2020 and 2021.

<sup>12</sup> Local workforce development boards are appointed by local elected officials and charged with the planning and oversight of WIOA programs and services in their area.

<sup>13</sup> A local agency or institution that regulates, promotes, or assists in local economic development. For example, a local chamber of commerce.

<sup>14</sup> The designated state Workforce Development Board. Responsible for recommending policies and strategies to ensure that workforce partners, including local workforce development boards, meet strategic goals.

<sup>15</sup> Federally required performance measures include employment rate, median earnings, credential attainment rate, and measurable skills gains. See Table 2 for more information.

<sup>16</sup> [www.dol.gov/agencies/eta/budget/formula/disadvantagedyouthadults](https://www.dol.gov/agencies/eta/budget/formula/disadvantagedyouthadults) (accessed 01/05/2023).

<sup>17</sup> 29 USC 3141(b)(2)(A).

**Table 2 –WIOA Program Performance Measures and Targets  
Program Years 2020 and 2021**

			WIOA Program State Performance Targets <sup>18</sup>					
			Adult		Dislocated Workers		Youth	
Performance Measure	Measure Description		Program Year 2021	Program Year 2020	Program Year 2021	Program Year 2020	Program Year 2021	Program Year 2020
<b>Employment Rate</b>	The percentage of participants who are in unsubsidized employment <sup>19</sup> after 2 <sup>nd</sup> quarter and 4 <sup>th</sup> quarter exits from the program. For the Youth Program, the indicator is the percentage of participants in education or training activities, or in unsubsidized employment after exit.	2 <sup>nd</sup> Q	78.0%	77.0%	75.0%	74.0%	71.5%	71.0%
		4 <sup>th</sup> Q	75.0%	74.5%	73.0%	74.0%	73.0%	72.0%
<b>Median Earnings</b>	The earnings of participants who are in unsubsidized employment after exit from the program. The median is representative of the earnings of participants at the midpoint of all earnings.		\$5,600	\$5,300	\$6,800	\$6,600	\$2,900	\$2,750
<b>Credential Attainment Rates</b>	The percentage of those participants enrolled in an education or training program (excluding those in on-the-job training and customized training) who attain a recognized postsecondary credential or a secondary school diploma, or its recognized equivalent, during participation in or within one year after exit from the program.		56.0%	56.0%	59.0%	58.4%	53.0%	52.3%
<b>Measurable Skill Gains</b>	The percentage of program participants who, during a program year, are in an education or training program that leads to a recognized postsecondary credential or employment and who are achieving measurable skill gains, defined as documented academic, technical, occupational, or other forms of progress, towards such a credential or employment.		47.0%	44.5%	51.0%	49.5%	47.0%	44.5%

Source: 29 USC 3141(b)(2)(A) and DWS.

<sup>18</sup> Illustrates the state's performance targets negotiated with U.S. DOL for Program Years 2020 and 2021. DWS also negotiates performance targets with each local workforce development board within the state individually. Local workforce development board performance targets are reviewed and approved by DWS to ensure that they meet the state's overall WIOA program performance targets.

<sup>19</sup> Unsubsidized employment is defined as a position in which an employer pays the wages directly to the client and the employer is not reimbursed for wages by the government or any other public body.

DWS is responsible for the oversight of local workforce development boards and the state administration of WIOA programs.

The four WIOA programs included in this audit's scope received and spent approximately **\$158 million** of WIOA funds from July 1, 2020, through June 30, 2022, and reported providing services to approximately **21,000 program participants**. See Appendix.

**Key terms discussed in this report include:**

*Workforce Innovation and Opportunity Act (WIOA)* – The WIOA is federal legislation passed by Congress in 2014 that requires states to strategically align core workforce development programs to coordinate the needs of both job seekers and employers. The WIOA provides federal funding to implement and support its programs.

*Participant* – Participants are those individuals that are receiving services through a WIOA program.

*Barriers to employment* – Barriers to employment refer to conditions that make employment difficult. Individuals with barriers to employment include displaced homemakers; low-income individuals; Indians, Alaska Natives, and Native Hawaiians; individuals with disabilities, including youth who are individuals with disabilities; older individuals; ex-offenders; homeless individuals, or homeless children and youths; youth who are in or have aged out of the foster care system; individuals who are English language learners, individuals who have low levels of literacy, and individuals facing substantial cultural barriers; farmworkers (as defined at section 167(i) of WIOA and Training and Employment Guidance Letter No. 35-14); individuals within 2 years of exhausting lifetime eligibility under the Temporary Assistance for Needy Families program; single parents (including single pregnant women); and long-term unemployed individuals.

**Responsible parties discussed in this report include:**

*North Carolina Department of Commerce (Department)* – The Department's mission is to improve the economic well-being and quality of life for all North Carolinians. To do that, the Department works closely with local, regional, national, and international organizations to propel economic, community, and workforce development for the state.

*Division of Workforce Solutions (DWS)* – DWS is responsible for the administration<sup>20</sup> of the statewide system of workforce programs, including WIOA programs. DWS is overseen by the Department.

*Local workforce development board* – Local workforce development boards are charged with the planning and oversight responsibilities of workforce programs and services in their area. Local workforce development boards are overseen by DWS.

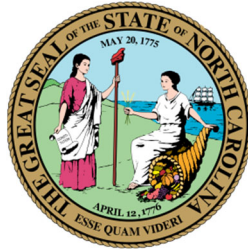
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<sup>20</sup> Including allocating money to and providing oversight of the state's local workforce development boards.

*NCWorks Commission* – The NCWorks Commission is the designated state workforce development board required by the WIOA. Led by a private sector chair, the 37-member Commission includes representatives from the business community, heads of state workforce agencies,<sup>21</sup> educators, and community leaders. All members are appointed by the Governor. The NCWorks Commission recommends policies and strategies to ensure that workforce partners, including local workforce development boards, meet the state workforce development system’s strategic goals.

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<sup>21</sup> North Carolina Department of Commerce, North Carolina Department of Administration, North Carolina Community College System, University of North Carolina System, North Carolina Department of Public Instruction, and North Carolina Department of Health and Human Services.



# **OBJECTIVE, SCOPE, AND METHODOLOGY**

The audit objective was to determine whether the North Carolina Department of Commerce, Division of Workforce Solutions (DWS) designed and implemented procedures to **ensure** that Workforce Innovation and Opportunity Act (WIOA) funds were spent in accordance with program requirements and federal and state law.<sup>22</sup>

The audit scope included the period of July 1, 2020, through June 30, 2022, and four WIOA programs: Adult Program, Dislocated Worker Program, Youth Program, and National Dislocated Worker Grants.

The audit scope **did not** include:

- Reentry Employment Opportunities Program.
- Wagner-Peyser Employment Service.
- Operations of local workforce development boards or NCWorks Career Centers.
- Determining whether monitoring reviews DWS completed of local workforce development boards were accurate, complete, or effective.

To achieve the audit objective, auditors:

- Reviewed relevant state and federal laws and regulations.
- Reviewed the North Carolina WIOA Unified State Plan for 2020-2023.
- Interviewed DWS personnel.
- Reviewed DWS policies and procedures for processes on allocating and monitoring WIOA funds to local workforce development boards.

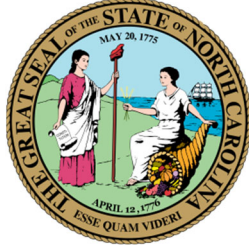
Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal controls significant to our audit objectives. As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. However, our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>22</sup> Meaning (1) helping job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers, and (2) meeting WIOA program performance measure targets.



# **RESULTS AND CONCLUSIONS**

The North Carolina Department of Commerce, Division of Workforce Solutions (DWS) did not design and implement procedures to **ensure** that Workforce Innovation and Opportunity Act (WIOA)<sup>23</sup> funds were spent in accordance with program requirements and federal and state law.<sup>24</sup>

Specifically, DWS did not monitor \$128 million (81%) of \$158 million local workforce development board<sup>25</sup> spending to ensure that WIOA funds were used for programs to help 21,000 job seekers<sup>26</sup> access employment, education, training, and support services to succeed in the labor market.

As a result, there was an increased risk that local workforce development boards could have spent the funds for purposes other than allowable WIOA program activities meant to help job seekers in need and did not provide services that met the needs of program participants without timely detection and correction when necessary.

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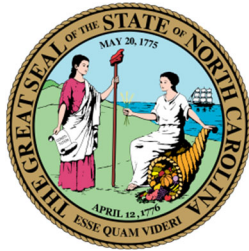
<sup>23</sup> The WIOA is federal legislation passed by Congress in 2014 that requires states to strategically align core workforce development programs to coordinate the needs of both job seekers and employers. The WIOA provides federal funding to implement and support its programs.

<sup>24</sup> Meaning (1) helping job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers, and (2) meeting WIOA program performance measure targets.

<sup>25</sup> Local workforce development boards are charged with the planning and oversight responsibilities of workforce programs and services in their area.

<sup>26</sup> According to DWS.





# **FINDING, RECOMMENDATIONS, AND RESPONSE**

## **\$128 MILLION OF WORKFORCE INNOVATION AND OPPORTUNITY GRANT FUNDS SPENT WITH NO MONITORING REVIEWS**

The Department of Commerce (Department), Division of Workforce Solutions (DWS) **did not** ensure that \$128 million (81%) of \$158 million in Workforce Innovation and Opportunity Act (WIOA)<sup>27</sup> grant funds were spent in accordance with program requirements and federal and state law. Specifically, DWS did not monitor all local workforce development board<sup>28</sup> activities and spending to ensure that WIOA funds were used for programs to help 21,000 job seekers<sup>29</sup> access employment, education, training, and support services to succeed in the labor market.

As a result, there was an increased risk that local workforce development boards could have spent the funds for purposes other than allowable WIOA program activities meant to help job seekers in need and did not provide services that met the needs of program participants without timely detection and correction when necessary.

DWS management stated that it had limited staff to perform reviews and to do so timely. However, federal law required DWS to monitor local workforce development board activities and spending of WIOA grant funds annually.<sup>30</sup>

### **Limited Monitoring of Local Workforce Development Board Spending of WIOA Grant Funds**

During the period July 1, 2020, through June 30, 2022,<sup>31</sup> DWS did not perform monitoring reviews to ensure \$128 million of WIOA grant funds spent by local workforce development boards were used for programs to help 21,000 job seekers<sup>32</sup> access employment, education, training, and support services to succeed in the labor market.

The WIOA is designed to strengthen and improve our nation's public workforce system, help get Americans (including youth and those with significant barriers<sup>33</sup> to employment) into high-quality jobs and careers, and help employers hire and retain skilled workers.

Specifically, DWS did not:<sup>34</sup>

- Examine payment vouchers, local board accounting records, canceled checks, and other documentation to ensure WIOA funds were used for allowable purposes meant job seekers in need.

<sup>27</sup> The WIOA is federal legislation passed by Congress in 2014 that requires states to strategically align core workforce development programs to coordinate the needs of both job seekers and employers. The WIOA provides federal funding to implement and support its programs.

<sup>28</sup> Local workforce development boards are charged with the planning and oversight responsibilities of workforce programs and services in their area.

<sup>29</sup> According to DWS.

<sup>30</sup> According to U.S. DOL frequently asked questions. Due to the COVID-19 pandemic, the U.S. Department of Labor permitted states to adapt their monitoring format from on-site to virtual reviews while making all efforts to continue monitoring of local workforce development boards. See <https://www.dol.gov/agencies/eta/coronavirus> (accessed 01/19/2023).

<sup>31</sup> Consists of WIOA Program Years 2020 and 2021. WIOA program years runs from July 1, through June 30, of the subsequent year. For example, Program Year 2021 is the period from July 1, 2021, through June 30, 2022.

<sup>32</sup> According to DWS.

<sup>33</sup> As defined by WIOA. For example, includes low-income, disabilities, low levels of literacy, homelessness, youth that are in or aged out of foster care, etc.

<sup>34</sup> The following are examples of monitoring procedures that should be completed according to the *DWS WIOA Financial Oversight and Review Guide* and *Programmatic Oversight and Review Guide*.

- Assess local workforce development boards spending on administrative costs to ensure amounts did not surpass 10% of the funds available through program year allocations.
- Review the written procedures of local workforce development boards on reimbursing NCWorks Career Centers to determine if procedures were adequate to safeguard and manage funds to prevent fraud, waste, abuse, and to ensure WIOA funds were used on allowable activities.
- Assess how local workforce development boards conduct oversight of NCWorks Career Centers, Youth activities, and Adult and Dislocated Worker employment and training activities.
- Assess the local workforce development boards process from participant application to participation in various programs to demonstrate how the local workforce development board integrates the objective assessment, service strategy, and service delivery.
- Assess the local workforce development boards steps for reviewing performance as well as the procedures to address performance deficiencies as they occur.

Auditors determined that DWS did not perform monitoring reviews on most local workforce development boards' spending (81%). DWS only completed 12 of the 60<sup>35</sup> (20%) monitoring reviews required of the 23 local workforce development boards during Program Years 2020 and 2021. Specifically, DWS only completed 5 of 23 (22%) required monitoring reviews in Program Year 2020 and 7 of 37 (19%) required monitoring reviews in Program Year 2021. See **Table 3** below.

**Table 3 – WIOA Grant Fund Monitoring of Local Workforce Development Boards  
(July 1, 2020 – June 30, 2022)**

Program Year	Number of Required Reviews	Number of Reviews Completed	WIOA Funds Allocated	WIOA Funds Not Monitored
2021	37 <sup>36</sup>	7	\$78.1 million	\$70.5 million
2020	23	5	\$79.7 million	\$57.5 million
Totals	60 (100%)	12 (20%) <sup>37</sup>	\$157.8 million (100%)	\$128.0 million (81%)

Source: DWS data and auditor analysis.

<sup>35</sup> Consists of required annual monitoring reviews of all 23 local workforce development boards in Program Years 2020 and 2021. Additionally, in Program Year 2021, 14 of 23 local workforce development boards were allocated additional funding (\$5.1 million) through the National Dislocated Work Grants Program requiring DWS to perform 14 additional monitoring reviews (23+23+14 = 60 required monitoring reviews).

<sup>36</sup> In Program Year 2021, 14 of 23 local workforce development boards were allocated additional funding (\$5.1 million) through the National Dislocated Work Grants Program requiring DWS to perform additional monitoring reviews. Of these funds, only a portion (\$3.7 million) was monitored during the program year.

<sup>37</sup> OSA did not review the accuracy, completeness, or effectiveness of the individual monitoring reviews completed by DWS. This was **not included** in the scope of this audit.

### **Resulted in Increased Risk of Funds Not Used for Intended Purpose**

Without monitoring the activities and spending of WIOA programs at 18 local workforce development boards in 2020 and 16 in 2021,<sup>38</sup> DWS **could not ensure** WIOA funds were used for programs to help 21,000 job seekers<sup>39</sup> access employment, education, training, and support services to succeed in the labor market.

For example, DWS could not **ensure** that local workforce development boards spent:<sup>40</sup>

- \$54 million on allowable activities for the Dislocated Worker Program that include items such as supplementing transportation costs for individuals who have been laid off, providing heat, shelter, food, clothing, assisting survivors in locating missing family members, and helping with filing claims for Disaster Unemployment Assistance.
- \$50 million on allowable activities for the Youth Program that include items such as tutoring, internships and job shadowing, and leadership development opportunities.
- \$48 million on allowable activities for the Adult Program that include items such as apprenticeship training and education, on-the-job training for new hires, and incumbent worker training to upskill employees.
- \$2 million on allowable activities for the National Dislocated Worker Grant Program that include items such as delivering food, medicine, and medical supplies; sanitizing quarantine and treatment areas, and placing temporary workers in manufacturing jobs for those who were unable to go to their regular workplace due to social distancing requirements due to the COVID-19 pandemic.

Additionally, since DWS did not perform monitoring reviews of local workforce development board activities and spending, it increased the risk that DWS would not identify whether WIOA programs met the needs of program participants and take timely corrective action when necessary.

For example, DWS could not **ensure** that participants:

- Obtained the correct education or training based on the participant's assessment.
- Obtained the correct credential or relevant skill gains based on the education or training received by the participant.
- Obtained the correct employment based on the education or credential received by the participant.

Performing monitoring activities would have allowed for:

- Timely detection and correction of misuse of funds or poor program performance.
- Relevant training opportunities for local workforce development boards.
- Potential reductions in future misuse of funds or poor program performance.

<sup>38</sup> See Appendix for list of local workforce development boards that received monitoring reviews in Program Years 2020 and 2021.

<sup>39</sup> According to DWS.

<sup>40</sup> Consists of WIOA Program Years 2020 and 2021.

### **Caused by Limited Staff for Monitoring**

DWS management stated that it did not monitor 100% of local workforce development board activities and spending because limited staff hindered its ability to promptly schedule the annual reviews. Instead, DWS management stated that it performed annual reviews as scheduling permitted.

According to DWS management, there is currently one employee trained to perform annual reviews; whereas in previous years, there were three employees trained to perform annual reviews.

### **Federal Law Required DWS to Monitor Program Activities and Spending**

Federal law<sup>41</sup> **required** DWS to **monitor** local workforce development board spending of WIOA grant funds and to take prompt corrective action when violations are found. Specifically, DWS was required to have a monitoring system in place that provided for **annual monitoring reviews** of local compliance with federal requirements.<sup>42</sup>

DWS was **required** to take **prompt** corrective action if any substantial violations were identified as a result of annual monitoring and impose sanctions if a subrecipient (i.e., local workforce development board) failed to take required corrective action.<sup>43</sup>

Federal law<sup>44</sup> also **required** DWS to:

Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

## **RECOMMENDATIONS**

DWS management should monitor local workforce development board activities and spending of WIOA grant funds and do so timely to ensure that WIOA programs funds are being spent to help job seekers access employment, education, training, and support services to succeed in the labor market.

DWS management should allocate the necessary resources to monitor WIOA activities and grant funds in accordance with federal law.

## **AGENCY RESPONSE**

See page 18 for the Department's response to this finding.

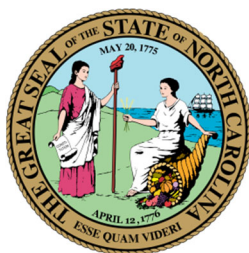
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<sup>41</sup> 29 U.S.C. 3244(a)(4).

<sup>42</sup> According to U.S. DOL frequently asked questions. Due to the COVID-19 pandemic, the U.S. Department of Labor permitted States to adapt their monitoring format from on-site to virtual reviews while making all efforts to continue monitoring of local workforce development boards. See <https://www.dol.gov/agencies/eta/coronavirus> (accessed 01/19/2023).

<sup>43</sup> 29 U.S.C. 3244(a)(5)(A) and 29 U.S.C. 3244(a)(5)(B).

<sup>44</sup> 2 C.F.R. § 200.332(d).

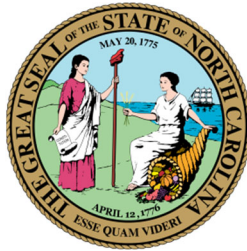


# APPENDIX

**North Carolina Local Workforce Development Boards (Program Years 2020 – 2021)**

Board	WIOA Funds Spent	Enrolled Participants	Monitoring Review Conducted by DWS	
			2020	2021
Charlotte	\$ 18,179,883.53	2,270	Yes	Yes
Capital Area	13,565,203.24	2,110	No	Yes
Eastern Carolina	10,397,851.80	408	Yes	Yes
Centralina	10,027,160.53	1,150	No	No
Guilford	9,853,425.61	1,675	No	No
Turning Point	9,404,415.69	836	No	No
Piedmont Triad	9,363,928.63	1,506	No	No
Cape Fear	9,040,545.39	1,438	Yes	Yes
Lumber River	8,948,442.20	1,277	No	Yes
Regional Partnership	6,240,325.10	1,099	No	No
Rivers East	6,150,306.18	719	No	No
Mid-Carolina	5,904,463.82	964	No	Yes
Mountain Area	4,972,088.63	556	No	No
Western Piedmont	4,546,490.88	612	No	No
Northeastern	4,169,236.76	547	Yes	No
Triangle South	4,141,156.67	634	No	No
Kerr Tar	4,043,600.69	444	No	No
Gaston	3,611,848.86	258	No	Yes
High Country	3,552,354.22	693	No	No
Durham	3,392,108.24	465	No	No
Region C	3,277,622.55	461	Yes	No
Southwestern	3,114,914.90	487	No	No
Davidson	1,882,767.25	408	No	No
<b>Total</b>	<b>\$ 157,780,141.35</b>	<b>21,017</b>	<b>5</b>	<b>7</b>

Source: DWS data and auditor analysis.



# **STATE AUDITOR'S RESPONSE**



The Office of the State Auditor (OSA) is required to provide additional explanation when an agency's response could potentially **cloud an issue**, **mislead** the reader, or inappropriately **minimize** the importance of the auditor findings.

Generally Accepted Government Auditing Standards state,

When the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement.

In its response, the Department of Commerce (Department) **agreed with the results** of the audit. However, the Department's response included statements that could **mislead** the reader and **minimize the importance** of the auditor's findings.

**FIRST**, the Department stated:

While federal law requires DWS to monitor local workforce development board spending of WIOA grant funds, those requirements were relaxed by the funder, DOL. DOL recognized that, due to COVID-19, grantees might be unable to conduct on-site program monitoring reviews required under WIOA and gave flexibility in oversight roles and responsibilities of recipients and subrecipients. DOL stated that: "**Monitoring and oversight** both of a fiscal and programmatic nature **can take many forms** and may include remote or desk monitoring" (emphasis added).

This response **misleads the reader** to believe that the Department was not required to perform monitoring reviews of local workforce development boards during the COVID-19 pandemic. While it is true that the United States Department of Labor (U.S. DOL) **allowed flexibility** in the performance of monitoring local workforce development boards due to COVID-19, the Department was **still required** to conduct monitoring reviews. The Department's response leads you to believe it performed alternate monitoring reviews from on-site reviews, but, to be clear, the Department **did not perform** on-site, remote, **or** desk monitoring reviews during the period covered by the audit.

**SECOND**, the Department stated:

There is no evidence that DWS failed to take prompt action where violations were identified.

This response **clouds the issue** presented in the audit report. This audit found that the Department **did not perform** federally required monitoring reviews on \$128 million (81%) of local workforce development board spending.

Since the Department did not perform the monitoring reviews, violations would not be identified for the Department to take prompt action to correct.

Further, in its response the Department discussed several other activities the Department performed during the time it **did not perform** federally required monitoring reviews on \$128 million (81%) of local workforce development board spending.

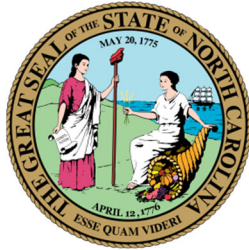
While the activities performed by the Department were necessary, the procedures were limited in their ability to ensure that federal funds were used for programs to help 21,000 job seekers access employment, education, training, and support services to succeed in the labor market.

As the report states, the Department did not:

- Examine payment vouchers, local board accounting records, canceled checks, and other documentation to ensure WIOA funds were used for allowable purposes meant job seekers in need.
- Assess local workforce development boards spending on administrative costs to ensure amounts did not surpass 10% of the funds available through program year allocations.
- Review the written procedures of local workforce development boards on reimbursing NCWorks Career Centers to determine if procedures were adequate to safeguard and manage funds to prevent fraud, waste, abuse, and to ensure WIOA funds were used on allowable activities.
- Assess how local workforce development boards conduct oversight of NCWorks Career Centers, Youth activities, and Adult and Dislocated Worker employment and training activities.
- Assess the local workforce development boards process from participant application to participation in various programs to demonstrate how the local workforce development board integrates the objective assessment, service strategy, and service delivery.
- Assess the local workforce development boards steps for reviewing performance as well as the procedures to address performance deficiencies as they occur.

As a result, there was an **increased risk** that local workforce development boards could have **spent the funds for purposes other than allowable WIOA program activities** meant to help job seekers in need and **did not provide services that met the needs** of program participants without timely detection and correction when necessary.

The **Governor, legislators**, and the **citizens** of North Carolina should consider these clarifications when evaluating the Department's response to this audit's finding and recommendations.



# **RESPONSE FROM DEPARTMENT OF COMMERCE**



**NC DEPARTMENT  
of COMMERCE**  
WORKFORCE SOLUTIONS

Roy Cooper  
GOVERNOR

Machelle Baker Sanders  
SECRETARY

Chet Mottershead  
ASSISTANT SECRETARY

May 26, 2023

The Honorable Beth A. Wood, State Auditor  
Office of the State Auditor

Dear State Auditor Wood:

Thank you for providing the Department of Commerce Division of Workforce Solutions (DWS) the opportunity to respond to the Oversight of Workforce Innovation and Opportunity Act (WIOA) Programs performance audit.

I would like to express my appreciation to your team for examining these issues and recommending strategies to improve the WIOA-funded programs. DWS agrees with the audit's finding that \$128 Million of WIOA grant funds for programs meant to provide employment, education, and training services to job seekers in need was spent with no monitoring reviews. I am pleased to report that many of the strategies recommended in the audit have already been implemented or are in the process of being implemented.

Following this letter are responses to the audit findings and recommendations. Please contact me if you have any questions regarding our efforts or response.

Sincerely,

A handwritten signature in cursive script that reads "Machelle Baker Sanders".

**Machelle Baker Sanders**  
Secretary, Department of Commerce

CC: Chet Mottershead, Assistant Secretary for Workforce Solutions

**North Carolina Department of Commerce  
Division of Workforce Solutions**

**Response to Oversight of Workforce Innovation and Opportunity Act Programs  
Performance Audit**

**May 26, 2023**

**Submitted to:**

Beth A. Wood, CPA  
State Auditor  
2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0600

**Response to Oversight of Workforce Innovation and Opportunity Act (WIOA) Programs  
Performance Audit**

The Office of the State Auditor (OSA) conducted a performance audit of WIOA grants administered by the North Carolina Department of Commerce – Division of Workforce Solutions (DWS). The audit scope included the period of July 1, 2020, through June 30, 2022, and four WIOA programs: Adult Program, Dislocated Worker Program, Youth Program, and National Dislocated Worker Grants. The audit objectives were to determine whether DWS designed and implemented procedures to ensure that:

1. Workforce Innovation and Opportunity Act (WIOA) funds were spent in accordance with program requirements and federal and state law.
2. WIOA programs were achieving their intended results.

The OSA issued a draft report to DWS on May 5, 2023. The report identified one finding. This memo provides the DWS' response to the finding in the OSA's report.

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**Finding # 1:** \$128 Million of WIOA grant funds for programs meant to provide employment, education, and training services to job seekers in need was spent with no monitoring reviews.

**Recommendations**

DWS management should monitor local workforce development board activities and spending of WIOA grant funds and do so timely to ensure that WIOA programs funds are being spent to help job seekers access employment, education, training, and support services to succeed in the labor market.

DWS management should allocate the necessary resources to monitor WIOA activities and grant funds in accordance with federal law.

**DWS Response**

DWS agrees with the finding. DWS acknowledges that it is catching up on monitoring local workforce development boards after being delayed due to a combination of the operational disruptions of the COVID-19 pandemic,<sup>1</sup> restructuring of the monitoring unit due to staff vacancies, and an identified need to create new internal training and updated procedures before resuming monitoring. DWS works in close cooperation on these matters, and others, with our federal funding and oversight agency, the U.S. Department of Labor (DOL), which provides guidance and input to the agency. DWS has historically completed monitoring timely, prior to March 2020.

While DWS has been restructuring the monitoring unit, hiring and training new monitors, and creating standard operating procedures, it has conducted substantial oversight and assistance

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<sup>1</sup> The period covered by the audit was July 1, 2020-June 30, 2022, a period dominated by the pandemic.



activities, as described further below. For example, DWS reviews and reconciles third-party audits of all local workforce boards. This process has led to some funds being recouped. DWS also provides technical assistance and trainings to help ensure that boards have the knowledge to spend federal funds appropriately.

DWS has begun conducting monitoring activities for Program Year (PY) 2020 and 2021 (the period covered by the audit), as well as PY 2022. If current staffing levels are maintained, DWS anticipates that PY 2020-2022 monitoring activities will be complete in approximately six to eight months, and DWS expects to be able to timely begin PY 2023 monitoring.

### Oversight Activities

While federal law requires DWS to monitor local workforce development board spending of WIOA grant funds, those requirements were relaxed by the funder, DOL.<sup>2</sup> DOL recognized that, due to COVID-19, grantees might be unable to conduct on-site program monitoring reviews required under WIOA and gave flexibility in oversight roles and responsibilities of recipients and subrecipients.<sup>3</sup> DOL stated that: “Monitoring and oversight both of a fiscal and programmatic nature can take many forms and may include remote or desk monitoring” (emphasis added).<sup>4</sup> As explained below, DWS did conduct many forms of oversight activities during this time period. There is no evidence that DWS failed to take prompt action where violations were identified.

Throughout each program year, the DWS Accountability Unit conducts oversight and supplemental monitoring activities. For example, with respect to the period covered by the audit (PY 2020 and 2021), the DWS Accountability Unit conducted the following activities timely:

- Ensured that third-party audits for all local workforce development boards were reviewed, reconciled, and funds recouped when necessary. Specifically, during the audit reconciliation process, the third party audit is reviewed against the financial information available in the online Workforce Information System Enterprise (WISE). If there are any variances or findings in the audit report, the financial monitor follows up with the WDB. This process has led to the repayment of \$19,254 from one local workforce development board.
- Conducted a compliance review of all local workforce development boards’ annual plans and other items that address compliance to ensure changes in local workforce development board policies are compliant with law, regulations, or state policy.
- Reviewed data pertaining to complaints submitted to the DWS Ombudsman by subrecipients or training vendors. Over the past two program years in question, the Unit has reviewed and assisted in rectifying issues surrounding over \$2 million from two local workforce development boards.

In addition, the DWS Accountability Unit provided technical assistance and trainings and worked on policies and guidance for the local workforce development boards in PY 2020 and 2021.

- Work-Based Learning technical assistance meetings are examples of DWS technical assistance services. Specifically, a requirement of the WIOA is that local youth programs

<sup>2</sup> Covid-19 Frequently Asked Questions, available at <https://www.dol.gov/agencies/eta/coronavirus#WioaGen>

<sup>3</sup> Covid-19 Frequently Asked Questions, available at <https://www.dol.gov/agencies/eta/coronavirus#WioaGen>

<sup>4</sup> Id.



must expend not less than 20 percent of the funds allocated to them to provide youth with paid and unpaid work experiences. DWS identified a weakness in this area and created a process to ensure the WDBs met their 20 percent requirement. Those who were in danger of not meeting this criterion with PY 2020 funding were required to attend a technical assistance meeting with DWS. North Carolina met the 20-percent requirement for PY 2020, and DWS is continuing the process that was created to expend PY 2021 funds.

- Some of the trainings provided to various WDBs have included:
  - Youth Work Experience – 20% Requirement (April 5, 2021)
  - PY 2019 Monitoring Findings and Best Practices Training (July 13, 2021)
  - NCWorks Data Entry for Finish Line Grants (September 9, 2021)
  - Cumberland County Local Area Training (October 22, 2021)
  - Individual Employment Plan Training (October 13, 2022)
- Some of the policies or notices (issued by the State) that provide assistance and guidance on WIOA funding to local workforce development boards have included:
  - CPS 02-2022 - Procurement and Contracting Policy
  - CPS 03-2022 - Local Workforce Development Area Transfer of County(ies) Policy
  - CPS 06-2022 - Monitoring and Oversight of Local Area Workforce Development Boards
  - OG 17-2021 - Electronic File Storage and Protecting Personally Identifiable Information (PII)
  - OG 22-2021, Change 1 - OJT Using WIOA Funds
  - OG 16-2021, Change 1 - Defining Data Validation Process and Procedures.

#### Cause of Delay

DWS is delayed in monitoring local workforce development board spending for two performance years for several reasons outlined below. DWS is aware of these issues and has been working diligently to improve. DWS has already taken action by filling some staff vacancies, restructuring, devoting additional resources to revising policies and creating new trainings, and issuing new policies or operational guidance notices.

#### COVID-19 State of Emergency

Prior to PY 2019, DWS monitoring had historically been substantially completed timely. Completion of PY 2019 monitoring was significantly delayed due to the start of the COVID-19 pandemic in March 2020. The DWS Accountability Unit was monitoring PY 2019 when the pandemic started. DWS transitioned on-site activities to virtual formats and, as in many workplaces, the transition and new technology ramp-up took time. During the pandemic, the Governor declared a State of Emergency in North Carolina. This caused various workforce development boards to be closed to the public and the inability to access on-site records. DOL did not conduct on-site monitoring during this period, either, and granted WIOA recipients flexibility by saying that monitoring and oversight can “take many forms.”<sup>5</sup> DWS did continue to provide ongoing oversight and technical support through virtual activities during this time. PY 2019

<sup>5</sup> Covid-19 Frequently Asked Questions, available at <https://www.dol.gov/agencies/eta/coronavirus#WioaGen>



monitoring was completed in the Spring of 2021, and then the Accountability Unit undertook restructuring and training activities.

Restructuring of Monitoring Program/Training Needs Supported by Federal Funding Agency

In the course of completing the PY 2019 monitoring, DWS identified several areas of concern and worked with a consulting firm and DOL to provide the necessary training to the monitors and the local workforce development boards during PY 2021. DWS worked in close cooperation with DOL on this, and DOL provided guidance. During this time, ongoing oversight and technical assistance were provided by DWS to ensure that funds were being expended properly.

The consulting firm and DWS created and conducted the following trainings for DWS monitors. All trainings, except for the Q&A Session, were subsequently made available for the local workforce development boards.

- |  |                  |
|--|------------------|
| o Contracts                                | December 7, 2021 |
| o Procurement                              | November 1, 2021 |
| o Indirect Costs                           | January 5, 2022  |
| o NCWorks Financial Management Q&A Session | March 8, 2022    |
| o Monitoring                               | May 19, 2022     |

In addition, the consulting firm and DWS created new standard operating procedures (SOPs) for monitoring staff that ensure consistency in monitoring. The DWS Accountability Unit met frequently to outline the steps they took in monitoring and to draft the SOPs. Upon completion, the consulting firm and DWS conducted a training on March 24, 2022. DWS also hired a temporary staff person with significant financial expertise to assist in creating the new monitoring procedures and working papers, which has led to greater consistency.

Limited Staff for Monitoring

The DWS Accountability Unit was not fully-staffed (three financial monitors, three program monitors, and a manager) from August 2019 and throughout the two years covered by the audit. The Unit has had five employees resign or retire since July 2021. Since there were no seasoned program monitors to train new program monitors, the Accountability Manager has been engaged in monitoring activities to train the new hires.

DWS management is aware of staffing issues and has been addressing the situation through the Human Resources hiring process. The recent challenges of recruiting and retaining employees in State government are not unique to DWS. In addition, the monitor position requires specific skills and experience. Through the diligent work of DWS staff, as of the date of this report, DWS only has one vacancy in the Accountability Unit.

Corrective Action

DWS has historically completed monitoring and can confirm it has completed 100% of monitoring activities for PY 2018 and 2019. Monitoring is in progress for PY 2020, 2021, and 2022.

# ORDERING INFORMATION

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