

March 30, 2020

Mr. Joseph Chrisman
State Auditor
Legislative Audit Bureau
22 E. Mifflin Street, Suite 500
Madison, WI 53703

Dear Mr. Chrisman:

The Department of Workforce Development (DWD) appreciates the Legislative Audit Bureau's (LAB's) diligent review of and thoughtful recommendations to improve the Wisconsin Fast Forward (WFF) program. DWD is committed to a culture of continuous improvement and evaluated how best to incorporate the recommendations proposed in LAB Report 19-24 into enhancing the program overall.

DWD staff have been working hard to implement the best solutions to revise WFF to maximize the outcomes for Wisconsin business owners, workers, and job seekers across geographic and industry sectors. All Grant Program Announcements (GPAs) and contracts for SFY 2020 were closely reviewed and revised to align with statutory and administrative rule authority, updated to reflect more clear direction on deliverables and requirements, and to focus on how the success of the grantee can be measured.

I provide responses to each of the recommendations from LAB Report 19-24 below:

Category 1: Improve how DWD closes standard program grants, reports standard program results, and assesses standard program results (pp. 24, 26, and 39)

LAB Recommendation 1: Verify the information submitted to DWD by at least a sample of standard program grant recipients (p. 24)

Response: DWD began collecting self-reported information on trainees for WFF grants awarded after October 2018 and will begin incorporating Unemployment Insurance (UI) wage data into program evaluation activities to assist in tracking program performance beginning SFY 2021. DWD plans to verify the wage data for a sample of 10% of trainees by grant following the grant closeout. Due to the timing of the UI wage data, this information will be used to verify employment with the first completed quarter after the grant has closed. The UI wage match will allow DWD to determine the trainees' work status after the grant has closed, providing a method to track the employment status and earning trends by trained individual identified through the grant. All information on the trainees will be monitored by comparing the stated goals from the grant application to the outcomes received by the grantee.

LAB Recommendation 2: Establish a minimum length of time that individuals must remain employed or receive increased compensation after completing program-funded training in order to be counted as standard program successes (p. 24)

Response: Tracking the success of the program will be accomplished through the tracking of trainees'

employment status and employment trends over time. The Department will track UI wage data to determine the trainees' work status after the grant has closed, providing a method of tracking the employment status and earning trends by each trained individual identified through the grant, even after they have left the employment of the original grantee.

A standard timeframe will be developed prior to the release of SFY 2021 GPAs to define the minimum length of time the individual must remain employed or receive increased compensation following the completion of the training to be counted towards the grantees' success.

LAB Recommendation 3: Improve the accuracy of DWD's statutorily required annual report on standard program results, including by reporting the results for only grants it has closed (p. 26)

Response: Changes were made to the calendar year 2019 WFF report to align the success measures with statutorily required elements. Due to legislative changes made to WFF through 2017 Wisconsin Act 370 in December 2018, the recommended report changes could not be fully accommodated for the WFF 2019 Annual report. The following changes are planned for the 2020 Annual report:

- Only grants that have closed will be included;
- Information on employment type (part-time, temporary, and seasonal positions) will be included; and
- New hire information will be removed.

Additional changes will be made to future reports based on changes made to GPAs in SFY 2020. Please note that new hire information has been removed from all GPAs.

LAB Recommendation 4: Identify in DWD's statutorily required annual report the number of individuals who were counted as standard program successes and worked in part-time, temporary, and seasonal positions (p. 26)

Response: DWD developed a system to pull this data and this information will be incorporated into the WFF 2020 Annual Report. Please also see response to LAB Recommendation 3 above.

LAB Recommendation 5: Annually assess all standard program grants that ended and were closed and determine whether grants to certain types of entities or for certain types of training activities were more successful or cost effective than others (p. 39)

Response: DWD reviews all grants that close out and completes a Past Performance Report for each grantee that details its contractual performance as well as its ability to administer the grant program. GPAs, applications, and rubrics have been revised to better focus on training outcomes. DWD will continue to evaluate the Past Performance Report across sectors to determine how to best address these results in future GPAs and rubrics following the 2020 WFF GPAs.

LAB Recommendation 6: Use the results of these annual assessments when awarding future program grants (p. 39)

Response: DWD is developing a plan to review and evaluate grants that are closed to assess whether certain industry sectors, types of training, and/or GPAs are more successful than others. The plan will be developed prior to the release of SFY 2021 GPAs.

Category 2: Take appropriate actions when closing expanded program grants, reporting expanded program results, and assessing expanded program results (p. 41)

LAB Recommendation 7: Verify the information submitted to DWD by at least a sample of expanded program grant recipients and, when applicable, establish a minimum length of time that individuals must remain employed or receive increased compensation after completing program-funded training in order to be counted as expanded program successes (p. 41)

Response: DWD will develop a plan to verify this information, determine the applicability for each expanded GPA for a minimum length of time for employment and/or increased compensation, and establish those timeframes following the submission of the evaluation of the 2020 WFF applications. This plan will include requirements for the individual GPAs, as each is very different in terms of the deliverables identified. For example, the outcomes for the technical education equipment grants are for purchasing equipment and software for advanced manufacturing fields, which is very different from the provision of training to a set number of individuals under the standard grant.

LAB Recommendation 8: Accurately report information on expanded program results (p. 41)

Response: All GPAs and contracts that were in progress at the end of calendar year 2019 have been modified to include additional requirements that ensure complete information and a standardized format for reporting outcomes associated with the expanded programs. Where possible, DWD will adhere to the WIOA performance standards for consistency among programs offered.

LAB Recommendation 9: Annually assess all expanded program grants that ended and were closed, determine whether grants to certain types of entities or for certain types of training activities were more successful or cost effective than others, and use the results of these annual assessments when awarding future program grants (p. 41)

Response: All GPAs and contracts that were in progress at the end of calendar year 2019 have been modified to include additional requirements that ensure complete information and a standardized format to more accurately report on the outcomes associated with the expanded programs. These results will be used to develop future GPAs. DWD will establish policies for expanded WFF programs to ensure GPAs, guidelines, reporting, outcomes, and contracts are consistent.

Category 3: Consistently comply with DWD administrative rules, establish comprehensive program policies, and promulgate statutorily required rules (pp. 45, 46, and 47)

LAB Recommendation 10: Consistently comply with DWD administrative rules when awarding grants under s. 106.27, Wis. Stats. (p. 45)

Response: 2013 Wisconsin Act 9 created s.106.27, Stats., which is commonly known as the standard Fast Forward program. Section 106.27(2g) grants rulemaking authority to DWD to promulgate rules "prescribing the procedures and criteria for awarding grants under [s. 106.27(1)] and the information with respect to those grants that must be contained in the reports required under [s. 106.27(2g)3]." When DWD 801 was adopted, only the standard Fast Forward grant provisions under s. 106.27(1)(intro) had been enacted. 2015 Wisconsin Act 283, 2017 Wisconsin Act 59, and 2019 Wisconsin Act 9 subsequently added expanded Fast Forward grant programs under s. 106.27(1)(a)-(g). DWD has begun promulgating rules to better implement the expanded programs under s. 106.27(1) and provide reporting requirements for the expanded programs under s. 106.27. The statement of scope for DWD 801 was published in the Wis. Administrative Register on March 23, 2020. To the extent that DWD 801 applies to grant programs under s. 106.27(1), DWD is applying the administrative rules consistently.

LAB Recommendation 11: Establish policies for all components of the expanded program (p. 46)

Response: DWD has added transparency and consistency to the grant process under the WFF grants that were issued in SFY 2020. DWD will develop policies for all SFY 2020-funded expanded program grants, and it is anticipated these policies will be in place and available for the public to view before the SFY2021 GPAs are released.

LAB Recommendation 12: Comply with statutes by promulgating rules for awarding grants for technical education equipment for advanced manufacturing fields (p. 47)

Response: The emergency rule for technical education equipment grants under s. 106.275 went into effect on February 25, 2020 (EmR 2001). DWD is concurrently working to promulgate the permanent rule for the

grant program. The Governor approved the statement of scope for the permanent rule, DWD 802, on February 13, 2020 and it was published in the Wis. Administrative Register on March 9, 2020 (SS 007-20). DWD will continue to work on promulgation of the final DWD 802 for implementing the technical education equipment grants program under s. 106.275.

Category 4: Improve how DWD reviews grant applications, awards grants, and manages and oversees contracts (pp. 50, 52, 54, 55, and 56)

LAB Recommendation 13: Document in writing DWD's reasons for awarding grants to applicants that did not receive the highest numeric scores during the application review process and to applicants to which the evaluation committee or its Office of Skills Development had recommended not awarding grants (p.50)

Response: DWD revised its process related to the granting of awards through the revision of the GPAs. Beginning with the SFY 2020 WFF grant awards, DWD standardized the scoring to apply a minimum score that applicants must earn to be eligible to proceed, and grant funding is awarded in descending order based on score. A process has also been identified for situations where full funds cannot be awarded (i.e., insufficient grant funds to full grant the next applicant). DWD has implemented a consistent evaluation committee to review and score applications for each GPA. The new procedures will be implemented and incorporated into the WFF policy manual prior to the release of SFY 2021 GPAs.

LAB Recommendation 14: Consistently follow statutes and administrative rules when awarding program grants (p. 52)

Response: DWD made significant changes to the GPAs to more clearly communicate to grant applicants what is allowable under the requirements. In addition, DWD modified the evaluation staff and review processes that occur following the submission of the grant to ensure that grantees are not paid for costs that are not allowed under the statutes and administrative rules.

LAB Recommendation 15: Consistently award program grants only for the stated purpose of the grants (p. 52)

Response: DWD made significant changes to the GPAs to more clearly communicate to grant applicants what is allowable under the requirements. In addition, DWD modified the evaluation staff and review processes that occur following the submission of the grant to ensure that grantees are not paid for costs that are not allowed under the statutes and administrative rules.

LAB Recommendation 16: Ensure that any widely varying training costs per person are necessary to accomplish the stated purposes of program grants (p. 52)

Response: DWD developed a dashboard enabling staff to compare the average training cost by industry sector for all awarded grants. DWD also developed a detailed tracking sheet to analyze specific types of training that allows program staff to compare the applicant's costs to the average costs from a historical perspective. DWD will continue to improve this process with more experience with each of the grant types and the changes that have been made in the grant process.

LAB Recommendation 17: Contractually specify DWD's methodology for not paying grant recipients the retained funds and then consistently adhere to this methodology (p. 54)

Response: DWD is revising both the GPAs and contracts to ensure that all the terms and conditions that are necessary for understanding the retainage and when it could be withheld. DWD has clarified that it shall retain a percentage of the grant funds and that the amount withheld will only be disbursed to Grantee upon completion of the deliverables set in the grant contract. If the deliverables in the grant contract are not met, the amount withheld will be forfeited.

As grants close that were initiated prior to SFY 2020, DWD will be evaluating the application of the retainage to ensure consistency. Policies will be updated and publicly posted for transparency and clarity prior to the SFY 2021 GPAs.

LAB Recommendation 18: Consider modifying contractual provisions regarding the results that grant recipients must achieve in order to avoid being required to repay funds and then consistently adhere to these provisions (p. 54)

Response: DWD revised both the GPAs and contracts to clarify the performance metrics to ensure both parties understand what is required of the grantee to be paid in full under the grant. DWD deleted standard contract language that, as LAB noted, was inconsistently applied to grantees. Further, DWD has clarified that it shall retain a percentage of the grant funds and that the amount withheld will only be disbursed to Grantee upon completion of the deliverables set in the grant contract. If the deliverables in the grant contract are not met, the amount withheld will be forfeited.

LAB Recommendation 19: Consider modifying the circumstances in which the program will pay to train non-Wisconsin residents (p. 55)

Response: DWD modified the GPAs to reflect that non-Wisconsin residents may participate in these programs if the employer has a base of operation in Wisconsin and the individual is working in that location.

LAB Recommendation 20: Better manage and oversee all statutorily required contracts (p. 55)

Response: DWD revised both the GPAs and contracts to clarify the performance metrics to ensure both parties understand what is required of the grantee to be paid in full under the grant. The new contract language includes clearer expectations about deliverables and retainage, which will allow DWD to better manage and oversee the contract performance.

LAB Recommendation 21: Consistently require recipients of program grants to submit the contractually required documentation before reimbursing them for grant-related expenses (p. 56)

Response: DWD is monitoring reimbursements on an ongoing basis to ensure grantees' reimbursements are consistent with the contracted cost per trainee and number of trainees served. This monitoring for each reimbursement request by the grantee allows for improved ongoing monitoring.

DWD revised both the GPAs and contracts to ensure that all the terms and conditions that are necessary for understanding the retainage and when it could be withheld. Future efforts will focus on how this is applied at the completion of grants that were initiated prior to SFY 2020 to ensure that DWD is applying retainage consistently.

LAB Recommendation 22: Contractually require grant recipients to use a minimum proportion of grant funds to train employees (p. 56)

Response: DWD revised the contracts to strengthen the language on the expected deliverables and when reimbursement should be made. The costs per trainee have largely been limited by the administrative costs being capped at 10%. DWD will monitor the per trainee costs going forward to determine what the appropriate level of funding is to train employees to continually improve this process.

Category 5: Improve DWD's consultation with other entities about the program (p. 58)

LAB Recommendation 23: Convene DWD's technical review committee at least quarterly and solicit guidance on how to focus program funding (p. 58)

Response: DWD is using the Governor's Council on Workforce Investment (CWI) as an advisory body. The workplans for the standard grants will be shared on an annual basis. The agencies defined in Wis. Stat. §

106.27(2m) are members of CWI along with others that may be able to assist with providing context or information that would assist in determining how to target the GPAs.

Thank you again for your constructive review and recommendations for the WFF program. We are pleased with the progress that has been made so far and will continue to build on the changes that we have begun. If you have any questions regarding this update, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, reading "Caleb Frostman", enclosed in a thin black rectangular border.

Caleb Frostman
Secretary