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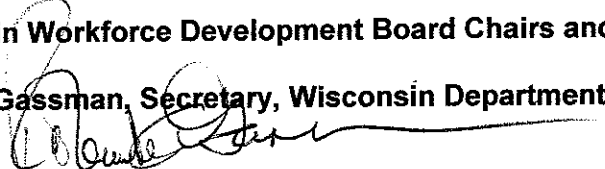
ENCLOSURE 11



State of Wisconsin  
Department of Workforce Development  
Jim Doyle, Governor  
Roberta Gassman, Secretary

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**TO: Wisconsin Workforce Development Board Chairs and Executive Directors**

**FROM: Roberta Gassman, Secretary, Wisconsin Department of Workforce Development (DWD)** 

**DATE: Tuesday, October 20, 2009**

**RE: WIA Fund Distributions for PY 08, PY 09 & ARRA and Related Fund Distribution Adjustments**

Recently, one of Wisconsin's workforce development boards (WDBs) came to the department with what they believed was an error in the calculations used to determine Workforce Investment Act (WIA) funding allocations to the eleven boards. Specifically, they questioned whether DWD's Division of Employment and Training (DET) had correctly calculated the high concentrations of unemployed as the data criteria used by the division appeared to be unchanged since 2007, even though the national recession has had a strong and uneven impact on the state's eleven different WDB regions. Given the seriousness of the charge, I asked DWD's Bureau of Finance auditors to conduct an independent analysis of DET's calculations and decision-making to determine whether the division properly distributed PY 08 and PY 09 WIA funds and American Recovery and Reinvestment Act (ARRA) funds to all WDBs.

DWD's Finance auditors have reviewed DET's decisions in question and have confirmed that errors were made by DET in applying proper criteria to DWD's PY 08 and PY 09 WIA and ARRA allocations to all eleven WDBs. The staff uncovered that the ASU data used was incorrect because it had not been properly updated since 2007. The DET errors affected their PY 08 and PY 09 WIA and ARRA funding allocation decisions.

DWD Finance staff also uncovered the following related errors by DET in these funding calculations:

- The Census Based Unemployment was not adjusted for local areas;
- The ASU and EU rates were calculated by dividing the Unemployed by the Employed rather than the Labor Force;
- ARRA Youth and Adult calculations used two years for hold-harmless period [one year was required by U.S. Department of Labor (DOL) guidance]; and,
- ARRA Youth and Adult LAUS data reference period was calendar year based (DOL guidance required Youth and Adult reference period to be the prior program year); only the Dislocated Worker program used the calendar year data.

As we considered possible corrective actions, Governor Doyle made it clear that no board should be penalized because of these errors. The Governor strongly believes that all boards should receive the funding due to them under the correct calculations, and that no board should be penalized by having to return inadvertent overpayments. To that end, the Governor has directed the department to allocate his discretionary WIA funding directly to the eleven WDBs to correct DET's allocation errors. Both

Governor Doyle and I understand and appreciate the demands and pressures the national economic recession has placed on Wisconsin's workforce system, workers, families and communities. During these challenging economic times, the Governor's decision to utilize his discretionary funding will ensure that no board will be required to return inadvertent overpayments.

The attached chart, "DWD Adjustments to PY 08, ARRA and PY 09 WIA Formula Allocations," shows how we will allocate the Governor's discretionary funds to those boards owed resources that were inadvertently under-allocated for PY 08, PY 09 and ARRA. Additionally, the chart lists the overpayments in PY 08, PY 09 and ARRA WIA funds that some boards received. In all, the Governor has directed DWD to correct the DET calculation errors by allocating \$5,556,086 of his discretionary funds directly to the boards for worker training and services.

### **Next Steps**

To avoid any such errors in the future, I have directed the following additional steps:

1. By November 13, 2009, clear written instructions will be written by DET managers, with Finance staff assistance, for DET staff responsible for carrying out DOL funding distributions. This will include an operational guide, protocols and a checklist, to ensure proper future distribution of all future workforce board funding allocations.
2. The checklist will require verification and sign-off by the following entities:
  - a. Labor Market Information Section Chief;
  - b. Workforce Section Chief, Bureau Director and DET Administrator;
  - c. DWD Chief Financial Officer; and,
  - d. Two of the eleven WDB Executive Directors.
3. By November 13, 2009, DWD's Director of Human Resources will be adding additional responsibilities to the job descriptions of DET's supervisors and staff who will oversee and implement DWD's new decision-making regarding allocation of DOL workforce funds to Wisconsin's eleven WDBs.
4. DWD's Human Resources staff, with input from Finance, are conducting an investigation to be completed by November 13, 2009, to include findings, personnel actions and recommendations regarding the management and implementation of DET's DOL allocations to the eleven WDBs.

### **Related Background Information**

- The United States Department of Labor (DOL) allocates federal Workforce Investment Act (WIA) and American Recovery and Reinvestment Act (ARRA) workforce funds to DWD.
- DWD, based on calculations carried out by DET, distributes 85% of these funds to Wisconsin's eleven WDBs following a DOL and Wisconsin-approved distribution plan for Youth and Adult programs. Additionally, for Dislocated Worker allocations, DWD distributes 65% of its state allocation to the eleven boards, retains 25% for rapid response activities throughout the year, and retains the remaining 15% of all state allocations for administrative and discretionary projects that advance innovation in workforce investment and system improvements.

### **Factors Upon Which DET's Youth Formula and Adult Formula for Distributing DOL Funds are Based:**

- The number of unemployed for Areas of Substantial Unemployment (ASUs), averaged for the 12-month period, such as from July 2007 through June 2008, as prepared by the states using special 2000 Census data based on households, obtained under contract with the Census Bureau and provided to states by the Bureau of Labor Statistics (BLS);

- The number of excess unemployed individuals or the ASU excess (depending on which is higher) averages for the same 12-month period as used for ASU unemployed data; and,
- The number of economically disadvantaged youth (age 16 to 21, excluding college students and military) from special 2000 Census tabulations [data for the number of economically disadvantaged adults (age 22 to 72, excluding college students and military) are used for Adult formula].

**Factors Upon Which DET’s Dislocated Worker Formula for Distributing DOL Funds are Based:**

- Dislocated Worker Activity funds for PY 2009 allotments are to be distributed among local workforce investment areas (subject to reservation of up to 25 percent for statewide rapid response activities) and up to 15 percent designated for statewide workforce investment activities fund allotments by state and a comparison to PY 2008.

<b>DET Allocation Criteria</b>	<b>Weight Assigned In DWD Formula Criteria</b>	<b>Data Source(s) and Time Period for DWD Allocations</b>
Unemployment Concentrations	25%	A sub state area had to meet or exceed the state unemployment rate or have 10% or more of the unemployed workers in the state in order to qualify for this factor. Qualifying sub state areas receive a prorated share based on the total number unemployed located in sub state areas meeting the threshold.
Declining Industries	25%	The decline in employment by industry from a 1982-84 base period to the most recent year for which data is available is used to determine long-term trends and provide consistency. Sub state areas receive a prorated percentage of the state total.
Farm Hardship	12.5%	Sub state areas receive a prorated percentage of the total loss in the number of farms from a 1982-84 base period to the most recent year for which data is available.
Plant Closing/ Mass Layoff	12.5%	Sub state areas receive a prorated percentage of the total number of persons reported as being laid off from their employment by employers who file notification under state and federal plant closing/mass layoff laws.
Long-Term Unemployment	18.75%	Sub state areas receive a prorated percentage of the total number of persons who received unemployment compensation payments for at least 15 weeks in a benefit year.
Insured Unemployment	6.25%	Sub state areas receive a prorated percentage of the total number of persons who received at least one unemployment compensation payment in a benefit year.

I hope you find this information helpful and please let me know if you have any questions. I thank you for all you do in serving our workers, especially during these difficult economic times in our country, and I thank Governor Doyle for his dedicated leadership on these issues.

Attachment: “DWD Adjustments to PY 08, ARRA and PY 09 WIA Formula Allocations”

cc: Governor Jim Doyle  
JoAnna Richard, Jessica Erickson, Susan Canty, Ron Danowski

**DWD Adjustments to PY 08, ARRA and PY 09 WIA Formula Allocations**

Board	PY 08 Youth	PY 08 Adult	PY 08 DW	Total	PY 08 Overpaid	PY 08 TOTAL Owed
1. Southeast	\$210,774	\$181,563	(\$83,632)	\$308,705	\$0	\$308,705
2. Milwaukee	(\$512,092)	(\$408,471)	(\$583,456)	(\$1,504,019)	\$1,504,019	\$0
3. WOW	(\$143,822)	(\$102,950)	\$14,114	(\$232,658)	\$232,658	\$0
4. Fox Valley	\$0	\$0	\$480,122	\$480,122	\$0	\$480,122
5. Bay Area	\$241,719	\$195,670	\$372,424	\$809,813	\$0	\$809,813
6. North Central	\$202,391	\$172,105	(\$68,588)	\$305,908	\$0	\$305,908
7. Northwest	\$0	(\$18,061)	(\$84,629)	(\$102,690)	\$102,690	\$0
8. West Central	\$79,212	\$19,689	\$296,582	\$395,483	\$0	\$395,483
9. Western	\$0	\$0	(\$235,133)	(\$235,133)	\$235,133	\$0
10. South Central	(\$107,226)	(\$66,825)	(\$54,182)	(\$228,233)	\$228,233	\$0
11. Southwest	\$29,043	\$27,279	(\$53,620)	\$2,702	\$0	\$2,702
	(\$1)	(\$1)	\$2	\$0		
					<b>\$2,302,733</b>	<b>\$2,302,733</b>
<b>Board</b>	<b>ARRA Youth</b>	<b>ARRA Adult</b>	<b>ARRA DW</b>	<b>Total</b>	<b>ARRA Overpaid</b>	<b>ARRA Total Owed</b>
1. Southeast	\$253,244	\$90,602	(\$47,972)	\$295,874	\$0	\$295,874
2. Milwaukee	(\$463,194)	(\$185,879)	(\$376,596)	(\$1,025,669)	\$1,025,669	\$0
3. WOW	(\$197,769)	(\$65,659)	\$7,482	(\$255,946)	\$255,946	\$0
4. Fox Valley	(\$138,834)	(\$36,475)	\$292,733	\$117,424		\$117,424
5. Bay Area	\$396,438	\$138,239	\$328,089	\$862,766	\$0	\$862,766
6. North Central	\$243,260	\$87,422	(\$44,404)	\$286,278	\$0	\$286,278
7. Northwest	(\$23,262)	(\$18,556)	(\$55,319)	(\$97,137)	\$97,137	\$0
8. West Central	(\$47,223)	(\$9,552)	\$142,961	\$86,186		\$86,186
9. Western	\$0	\$0	(\$186,855)	(\$186,855)	\$186,855	\$0
10. South Central	(\$111,660)	(\$31,099)	(\$31,888)	(\$174,647)	\$174,647	\$0
11. Southwest	\$89,001	\$30,958	(\$28,233)	\$91,726		\$91,726
	\$1	\$1	(\$2)	\$0		
					<b>\$1,740,254</b>	<b>\$1,740,254</b>

**DWD Adjustments to PY 08, ARRA and PY 09 WIA Formula Allocations**

Board	PY 09 Youth	PY 09 Adult	PY 09 DW	Total	PY 09 Overpaid	PY 09 Total Owed		
1. Southeast	\$126,700	\$105,712	(\$48,422)	\$183,990		\$183,990		
2. Milwaukee	(\$398,842)	(\$318,140)	(\$355,431)	(\$1,072,413)	\$1,072,413			
3. WOW	(\$58,248)	(\$41,695)	\$7,158	(\$92,785)	\$92,785			
4. Fox Valley	\$0	\$0	\$282,472	\$282,472		\$282,472		
5. Bay Area	\$200,074	\$168,939	\$316,099	\$685,112		\$685,112		
6. North Central	\$113,721	\$96,356	(\$43,023)	\$167,054		\$167,054		
7. Northwest	(\$1,575)	(\$14,134)	(\$52,242)	(\$67,951)	\$67,951			
8. West Central	\$37,469	\$8,755	\$136,762	\$182,986		\$182,986		
9. Western	\$0	\$0	(\$178,753)	(\$178,753)	\$178,753			
10. South Central	(\$43,427)	(\$27,064)	(\$30,706)	(\$101,197)	\$101,197			
11. Southwest	\$24,129	\$21,271	(\$33,915)	\$11,485		\$11,485		
	\$1	\$0	(\$1)	\$0	\$1,513,099	\$1,513,099		
<b>Board</b>	<b>PY 08 Overpaid</b>	<b>PY 08 Owed</b>	<b>ARRA Overpaid</b>	<b>ARRA Owed</b>	<b>PY 09 Overpaid</b>	<b>PY 09 Owed</b>	<b>Grand Total Overpaid</b>	<b>Grand Total Owed</b>
1. Southeast	\$0	\$308,705	\$0	\$295,874	\$0	\$183,990	\$0	\$788,569
2. Milwaukee	\$1,504,019	\$0	\$1,025,669	\$0	\$1,072,413	\$0	\$3,602,101	\$0
3. WOW	\$232,658	\$0	\$255,946	\$0	\$92,785	\$0	\$581,389	\$0
4. Fox Valley	\$0	\$480,122	\$0	\$117,424	\$0	\$282,472	\$0	\$880,018
5. Bay Area	\$0	\$809,813	\$0	\$862,766	\$0	\$685,112	\$0	\$2,357,691
6. North Central	\$0	\$305,908	\$0	\$286,278	\$0	\$167,054	\$0	\$759,240
7. Northwest	\$102,690	\$0	\$97,137	\$0	\$67,951	\$0	\$267,778	\$0
8. West Central	\$0	\$395,483	\$0	\$86,186	\$0	\$182,986	\$0	\$664,655
9. Western	\$235,133	\$0	\$186,855	\$0	\$178,753	\$0	\$600,741	\$0
10. South Central	\$228,233	\$0	\$174,647	\$0	\$101,197	\$0	\$504,077	\$0
11. Southwest	\$0	\$2,702	\$0	\$91,726	\$0	\$11,485	\$0	\$105,913
	\$2,302,733	\$2,302,733	\$1,740,254	\$1,740,254	\$1,513,099	\$1,513,099	\$5,556,086	\$5,556,086