

Report Highlights

Why DLA Performed This Audit

In response to concerns over the efficacy of TVEP, this audit was requested to make objective information available to lawmakers prior to reauthorizing the program. TVEP is set to expire June 30, 2024.

What the Legislative Auditor Recommends

1. The legislature should consider repealing AS 23.15.835(d) and allowing TVEP funding to be awarded via a grant process guided by AWIB goals and priorities.
2. The Department of Labor and Workforce Development's commissioner should work with the Office of Management and Budget to resolve the underpayments for seven FY 22 TVEP training providers.

A Special Review of the Department of Labor and Workforce Development, Technical Vocational Education Program

October 10, 2023

Audit Control Number 07-30104-24

REPORT CONCLUSIONS

The audit concluded that \$12.9 million of Technical Vocational Education Program (TVEP) funding was expended during FY 22. Thirty-two percent was spent to maintain and operate training facilities, 61 percent was spent to train participants, and seven percent was spent for administration. A total of 6,688 TVEP participants were trained during FY 22.

The audit concluded that TVEP is not structured to effectively meet Alaska's technical and vocational education needs or to ensure training providers have a fair opportunity to participate in the program. Access to training, need for specific types of training, and training capacity do not drive the annual award process. Further, TVEP statutory performance metrics are not evaluated against stated objectives or goals and the Alaska Workforce Investment Board (AWIB) does not use the metrics to evaluate the program or to allocate funding. As required by AS 23.15.835(d), TVEP funds are awarded in set percentages to specific training providers without regard to regional/industry training needs or performance. Further, the audit found TVEP training providers were subject to limited accountability and oversight procedures.

Since the creation of TVEP through FY 22, a total of \$204 million of Unemployment Insurance (UI) employee taxes has been diverted from the UI Compensation Fund (UI Fund) to the State's TVEP account (a subfund of the general fund). The diversions reduced the UI Fund balance, which may have contributed to increased employer UI tax rates. Further, auditors noted the FY 22 TVEP fund balance of \$2.4 million was swept into the Constitutional Budget Reserve Fund (CBRF), which effectively resulted in the use of employee taxes to repay the general fund's CBRF liability.

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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

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November 9, 2023

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24, we have reviewed the activities of the Department of Labor and Workforce Development's Technical Vocational Education Program (TVEP) and the attached report is submitted for your review.

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT TECHNICAL VOCATIONAL EDUCATION PROGRAM

October 10, 2023

Audit Control Number
07-30104-24

The audit reviewed the use of TVEP funds and evaluated the program's structure, performance measures, and oversight procedures.

The audit was conducted 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. Fieldwork procedures utilized in the course of developing the findings and recommendations presented in this report are discussed in the Objectives, Scope, and Methodology.

A handwritten signature in blue ink, appearing to read "Kris Curtis".

Kris Curtis, CPA, CISA
Legislative Auditor

ABBREVIATIONS

AAC	Alaska Administrative Code
ACN	Audit Control Number
AEC	Amundsen Educational Center
AS	Alaska Statute
ATC	Alaska Technical Center
AVTEC	Alaska Vocational Technical Center
AWIB	Alaska Workforce Investment Board
CBRF	Constitutional Budget Reserve Fund
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
DAS	Division of Administrative Services
DLA	Division of Legislative Audit
DLWD	Department of Labor and Workforce Development
FY	Fiscal Year
GED	General Education Diploma
GILA	Galena Interior Learning Academy
HB	House Bill
NACTEC	Northwestern Alaska Career and Technical Center
OMB	Office of Management and Budget
PPD	Partners for Progress in Delta, Inc.
SAVEC	Southwest Alaska Vocational and Education Center
SB	Senate Bill
TVEP	Technical Vocational Education Program
UA	University of Alaska
UI	Unemployment Insurance
UI Fund	UI Compensation Fund
WIOA	Workforce Innovation and Opportunity Act

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ORGANIZATION AND FUNCTION

Department of Labor and Workforce Development

Per AS 23.05.010, the Department of Labor and Workforce Development (DLWD) shall foster and promote the welfare of state wage earners, improve working conditions, and advance opportunities for profitable employment. To accomplish its duties, DLWD is organized into multiple divisions, and oversees multiple boards and agencies, including the Alaska Workforce Investment Board (AWIB).

Alaska Workforce Investment Board

AWIB is the State's lead employment training planning agency. Per AS 23.15.550–.585, AWIB plans and coordinates the federal, state, and local human resource program efforts related to employment training. AWIB is composed of 26 members that represent a variety of sectors in Alaska, including business, industry, education, organized labor, and state government.

As the State's lead training planning agency, AWIB is responsible for identifying employment training and education needs, developing a plan to meet the needs, and overseeing the related use of money and resources. AWIB is also responsible for advising on the development of state and local standards and measures for related programs, preparing a biennial strategic plan to accomplish the goals developed to meet the needs, and monitoring the implementation and effectiveness of the plan. AWIB provides oversight for the planning and coordination of employment related education training programs operated by the State and requires the training programs meet specific requirements. AWIB may disburse money, including grants, to human resource projects, and may enter into partnership agreements with private industry training entities within the state in order to facilitate the coordination of training opportunities.

During FY 23, AWIB was supported by a staff of 11 full-time and two non-permanent positions. The AWIB executive director and staff were organizationally located within the DLWD commissioner's office. Administrative support included providing project assistance and administrative services to five AWIB committees, and grant

administration and financial management services for State and federally funded training programs operated across the state. The Management Services section within DLWD's Division of Administrative Services provided additional support in the form of budget planning and grant payment processing.

BACKGROUND INFORMATION

Creation of TVEP

The Technical Vocational Education Program (TVEP) was created in FY 01 for the purpose of adequately funding vocational and technical education and building capacity at the post-secondary level. The original legislation had a termination date of June 30, 2001. As of June 2023, TVEP had been extended eight times and was set to terminate June 30, 2024. A summary of TVEP related legislation is included as Appendix A to this report.

Training providers that receive TVEP funds use the monies to provide technical and vocational education to Alaskans. The Alaska Workforce Investment Board (AWIB) defines technical and vocational education as training

...to include customized training, on-the-job training, skill or industry-specific training, vocational training, literacy training, adult basic education, post-secondary training, and classroom job-linked training.

Further, AWIB states that training should result in individuals receiving portable, industry-recognized credentials and employment that includes an adequate wage or wage increase following training. Technical and vocational education may also include continued training and/or education following career exploration.

TVEP providers include large entities located on Alaska's road system, as well as smaller training centers located in rural areas off the road system. A description of each TVEP FY 22 training provider is included as Appendix B to this report.

TVEP Intended To Be A Grant Program

The original legislation intended to award TVEP funds through a competitive grant process administered by an oversight board. To prevent a delay in awarding funds while the oversight board formulated grant regulations and procedures, a provision was added in uncodified law to allocate funds to the following entities during the first year of the program: University of Alaska (UA) (52 percent), Kotzebue Technical Center (16 percent), and the Alaska Vocational

Technical Center (AVTEC) (32 percent). After the first year, TVEP grants were to be awarded according to grant regulations developed by the oversight board, which was also responsible for promulgating guidelines and adopting a priority list on an annual basis. TVEP grant regulations were adopted in 2002.

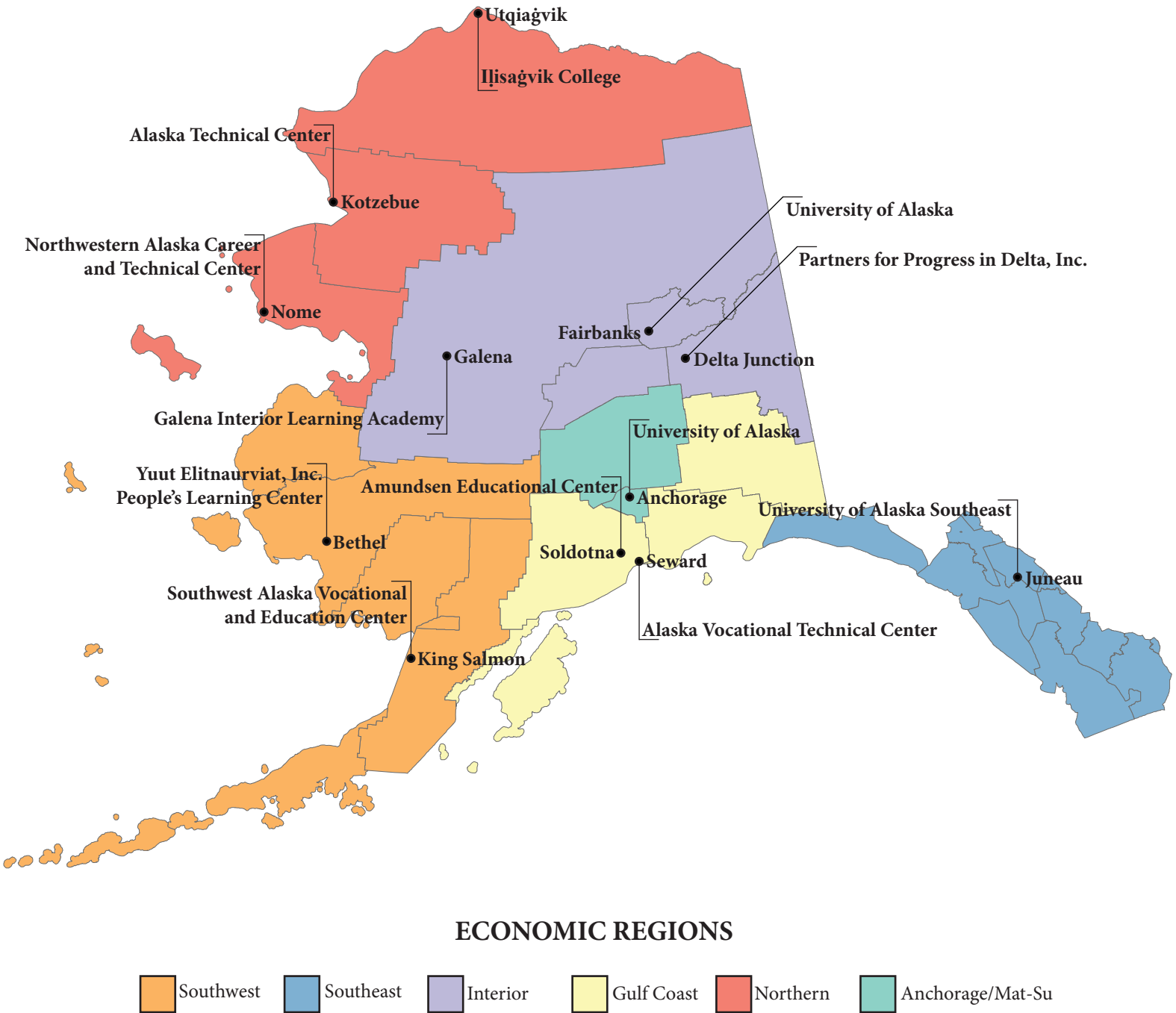
Although the enabling legislation established a grant award process, direct funding of training providers continued as directed by uncodified law until 2008 and then by codified law (AS 23.15.835(d)) through the date of this audit.

The number of TVEP providers identified in law has increased since the program was first created. Three providers were awarded TVEP funding during FY 01 compared to 10 providers during FY 22. The training providers and allocation percentages specified in statute as of FY 22 are summarized in Exhibit 1. A map showing the location of FY 22 training providers by economic region is shown in Exhibit 2.

Exhibit 1

TVEP Funding Allocation Percentages Per AS 23.15.835(d)	
UA	45 percent
AVTEC	17 percent
Alaska Technical Center	9 percent
Yuut Elitnaurviat, Inc. People’s Learning Center	9 percent
Iĭisaġvik College	5 percent
Galena Interior Learning Academy	4 percent
Northwestern Alaska Career and Technical Center	3 percent
Southwest Alaska Vocational and Education Center	3 percent
Partners for Progress in Delta, Inc.	3 percent
Amundsen Educational Center	2 percent

FY 22 TVEP Providers by Economic Region



Source: Economic regions were provided by the Alaska Department of Labor and Workforce Development, Research and Analysis Section.

Employee Unemployment Taxes Pay For TVEP

Per AS 23.15.835(a), a percentage of Alaskan employees' unemployment taxes is diverted from the Unemployment Insurance (UI) Compensation Fund into a subfund of the State's general fund. The program was initially funded through a .10 percent diversion. The diversion amount was increased in FY 09 to .15 percent and increased in FY 15 to .16 percent.

Annually, in accordance with AS 23.15.835(d), monies in the TVEP subfund are appropriated for payments to the 10 training providers shown in Exhibit 1 on page 4. UA and AVTEC, as State entities, are appropriated TVEP funds in the entities' yearly operating budgets. Galena Interior Learning Academy is part of the Galena City School District and receives its TVEP funding through the Department of Education and Early Development's budget. The other seven training providers are appropriated monies through DLWD's budget and are awarded funds monthly on a reimbursement basis through DLWD's Division of Administrative Services, which is overseen by AWIB staff.

TVEP Annual Report Must Include Specific Performance Metrics

Statutes require TVEP training providers submit an expenditure and performance report to AWIB by November 1 of each year to aid in the preparation of the TVEP annual report. The information required to be reported is set out in AS 23.15.835(e) as follows:

- Percentage of former participants who have jobs one year after leaving the training program;
- Median wage of former participants employed seven to 12 months after leaving the program;
- Percentage of former participants who were employed after leaving the program who received training under the program that was related or somewhat related to the former participants' jobs seven to 12 months after leaving the program;

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- A description of each vocational education course funded through the TVEP allocation that permits high school students to earn dual credit upon course completion, and the number of high school students who earned dual credit in the past year;
 - A copy of any articulation agreement¹ established that was either in effect for the preceding year or is in process for the next year of funding, and the number of high school students who earned dual credit under each articulation agreement; and
 - The performance and financial information needed to verify the performance of the program as specified by the department by regulation.

Since training providers do not have access to job and wage information, DLWD's Research and Analysis section determines employment outcomes for inclusion in the TVEP annual report by matching participant data reported by providers to UI wage records.

¹ An articulation agreement is a written partnership agreement between institutions that recognizes credits from one school that may be applied to specific degree programs or graduation requirements in another school.

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REPORT

CONCLUSIONS

This audit was requested due to concerns over the efficacy of the Technical Vocational Education Program (TVEP), with the goal of making objective information available to lawmakers prior to reauthorizing the program. The program is set to expire June 30, 2024. Audit objectives include reporting the use of TVEP funding for FY 19 through FY 22, evaluating the degree TVEP is structured to effectively meet the technical and vocational training needs by region and/or by industry, evaluating the sufficiency of the program's performance measures, evaluating the adequacy of accountability and oversight procedures, and determining whether the TVEP funds were awarded in an equitable manner.

The audit concluded that \$12.9 million of TVEP funding was expended during FY 22. Thirty-two percent was spent to maintain and operate training facilities, 61 percent was spent to train participants, and seven percent was spent for administration. A total of 6,688 TVEP participants was trained during FY 22.

The audit concluded that TVEP is not structured to effectively meet Alaska's technical and vocational education needs or to ensure training providers have a fair opportunity to participate in the program. Access to training, need for specific types of training, and training capacity do not drive the annual award process. Further, TVEP statutory performance metrics are not evaluated against stated objectives or goals and the Alaska Workforce Investment Board (AWIB) does not use the metrics to evaluate the program or to allocate funding. As required by AS 23.15.835(d), TVEP funds are awarded in set percentages to specific training providers without regard to regional/industry training needs or performance. Further, the audit found TVEP training providers are subject to limited accountability and oversight procedures.

Since the creation of TVEP through FY 22, a total of \$204 million of Unemployment Insurance (UI) employee taxes has been diverted from the UI Compensation Fund (UI Fund) to the State's TVEP account (a subfund of the general fund). The diversions

reduced the UI Fund balance, which may have contributed to increased employer UI tax rates. Further, auditors noted the FY 22 TVEP subfund balance of \$2.4 million was swept into the Constitutional Budget Reserve Fund (CBRF), which effectively resulted in the use of employee taxes to repay the general fund's CBRF liability.

Detailed conclusions are as follows.

A total of \$12.9 million of TVEP funding was expended during FY 22.

Each year the legislature appropriates TVEP funding, which is awarded to specific training providers in accordance with AS 23.15.835(d). In total, \$12.9 million of TVEP funding was expended during FY 22. As shown in Exhibit 3, TVEP providers expended a total of approximately \$12.5 million. In addition, the Department of Labor and Workforce Development (DLWD) expended approximately \$393 thousand. The audit noted that Alaska Technical Center (ATC) expended only 65 percent of its FY 22 award, while the rest of the training providers expended almost all of their respective TVEP awards

While reviewing TVEP expenditures, auditors learned that DLWD's AWIB staff calculated FY 22 awards for seven training providers based on preliminary estimates that resulted in cumulatively underpaying the providers a total of \$666,500. Training providers that were underpaid are identified with an asterisk next to the provider name in Exhibit 3. (See Recommendation 2) The three providers not impacted by the error received TVEP allotments via a direct appropriation rather than through monthly reimbursement requests processed by DLWD staff.

Exhibit 3

FY 22 TVEP Training Provider Expenditures

Provider Name	Expenditure Amount
University of Alaska (UA)	\$ 6,095,000
Alaska Vocational Technical Center (AVTEC)	2,257,513
ATC*	681,331
Yuut Elitnaurviat, Inc. People’s Learning Center*	1,042,600
Iḷisaġvik College*	579,200
Galena Interior Learning Academy	541,800
Northwestern Alaska Career and Technical Center*	347,500
Southwest Alaska Vocational and Education Center*	337,969
Partners for Progress in Delta, Inc.*	347,500
Amundsen Educational Center*	231,700
Total	<u>\$12,462,113</u>

* Underawarded TVEP monies during FY 22.

Exhibit 4 on the following page shows FY 22 TVEP expenditures by category (training, maintenance and operations, and administration). Maintenance and operations were 32.3 percent of total FY 22 TVEP expenditures and included such things as utility costs, facility insurance, internet access, and equipment and facility repairs. The audit noted that AVTEC and Yuut Elitnaurviat, Inc. spent almost all of the FY 22 TVEP allotment on maintenance and operations.

According to AS 23.15.840(e), AWIB must limit the amount of grant proceeds spent on administration to no more than five percent of the proceeds of the TVEP subfund, including any amounts spent on AWIB administrative activities. Exhibit 4 shows that administration was 7.1 percent of total FY 22 TVEP expenditures. The administrative limit was not monitored or enforced by AWIB

until FY 23 due to a misunderstanding that the limitation was only applicable if AWIB awarded funds via a grant process. Department of Law guidance provided during FY 22 clarified that the limitation on administration costs must be enforced.

Exhibit 4

FY 22 TVEP Expenditures* by Expenditure Category		
Expenditure Category	Amount	Percent
Training	\$ 7,794,208	60.6%
Maintenance and Operations	4,154,064	32.3%
Administration	907,103	7.1%
Total	\$12,855,375	100.0%

* Includes expenditures from training providers (\$12,462,113 and DLWD administrative costs of \$393,262).

Exhibit 5 reports the \$7.8 million of training expenditures by type of training. The training categories include expenditures for related equipment. For example, UA spent approximately \$1.2 million on instructional equipment for training related to the health industry. None of the training providers reported using FY 22 TVEP funds for capital projects; however, auditors identified that TVEP funding had been used for capital projects prior to FY 22. Health was the largest training category and construction was the second largest with \$1.7 million and \$1.4 million expended, respectively.

Exhibit 6 summarizes the FY 22 TVEP participants by training category. In total, providers reported training 8,008 participants during FY 22. The largest number of participants was trained in the health industry, the second largest was trained in the transportation and maritime industry, and the third largest was trained in the construction industry. Auditors noted that participants may be reported more than once in Exhibit 6 if participants received more than one type of training. The number of people served by

Exhibit 5

FY 22 TVEP Training Expenditures by Training Category

Health	\$ 1,723,412
Construction	\$ 1,404,622
Transportation and Maritime	\$ 1,262,633
Other Career and Technical Education	\$ 871,821
Mining, Oil, and Gas	\$ 631,395
Information Technology	\$ 491,102
Fisheries and Seafood	\$ 462,554
Public Safety	\$ 443,879
Adult Education, Non-Industry Specific (GED, Driver's Education, etc.)	\$ 392,540
Renewable Energies	\$ 110,250

Exhibit 6

**FY 22 TVEP Training Participants
by Training Category**

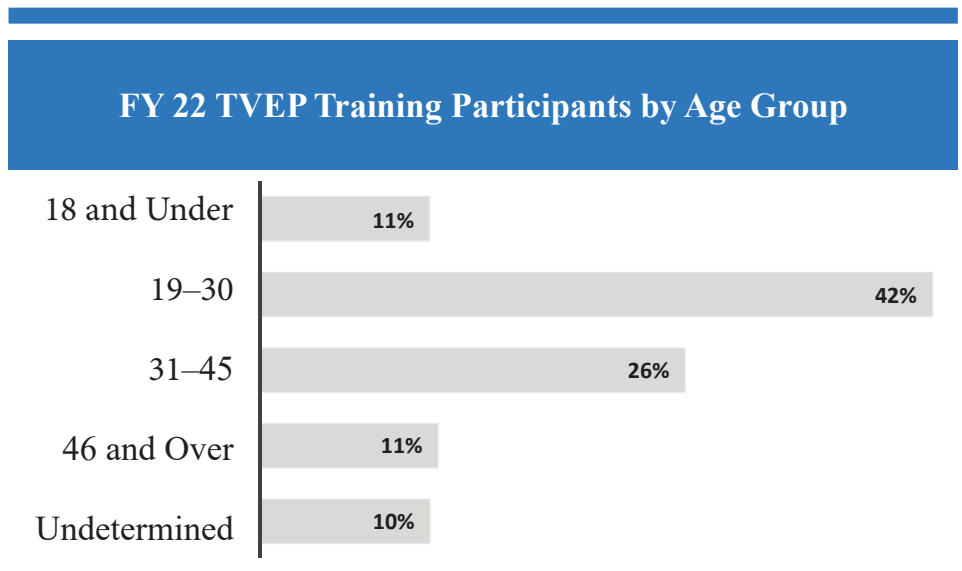
	Total	Percent
Health	1,916	23.9%
Transportation and Maritime	1,366	17.1%
Construction	1,327	16.6%
Adult Education Non-Industry Specific (GED, Driver's Education, etc.)	1,053	13.1%
Other Career and Technical Education	1,052	13.1%
Mining, Oil, and Gas	369	4.6%
Information Technology	291	3.6%
Public Safety	259	3.2%
Undeterminable	204	2.6%
Fisheries and Seafood	111	1.4%
Renewable Energies	60	0.8%
Total:	8,008	100%

Source: Training providers.

the program during FY 22, counting each participant only once, was 6,688.

Exhibit 7 summarizes TVEP training participants by age.

Exhibit 7



Appendix C reports TVEP expenditures for FY 19 through FY 22 by budget expenditure category.

Unspent TVEP funding was swept into the CBRF.

When creating the governor’s proposed budget each year, DLWD requested an appropriation based on an estimate of the amount of TVEP funding that would be collected. DLWD’s process for preparing the estimate included projecting the annual amount of revenue expected to be collected, adding in unspent funds from the prior year, and deducting an amount between \$500,000 and \$1 million to account for volatility of the revenue projection. The methodology routinely resulted in a balance in the TVEP subfund each year.

The TVEP subfund of the general fund is subject to the Alaska Constitution requirement to transfer available fund balance to

the CBRF at the end of each fiscal year as repayment of amounts borrowed from the CBRF. The repayment is known as the “sweep”. Historically, the next year’s operating budget included a “reverse sweep” provision to restore fund balance to subfunds that were swept. Beginning in FY 22, the operating budget did not include provisions for a reverse sweep. As noted earlier, during FY 22, one of the TVEP providers expended much less than it was awarded and \$666,500 was underawarded for seven of the 10 providers.¹ DLWD’s methodology for requesting the TVEP operating appropriation as well as the unspent and underawarded amounts resulted in an ending FY 22 TVEP subfund balance of \$2.4 million that was swept into the CBRF. Since TVEP is funded by employee UI taxes, the TVEP sweep effectively resulted in the use of employee taxes to repay the general fund’s CBRF liability.

TVEP is not operating as originally intended.

As discussed in the Background Information section of this report, TVEP was established in FY 01 as a grant award program administered through the State’s lead workforce training planning entity, the Alaska Human Resource Investment Council.² To prevent a delay in awarding funds while the council formulated regulations and procedures, a transitional provision was included in uncodified law outlining how the funds were to be awarded during the program’s first year, including specifying what percent was to be awarded to specific entities.

Through the date of this audit, TVEP funds have never been awarded through a grant process. Senate Bill 137 was passed the year after TVEP was created to extend the transitional provision for direct funding for two more years in order to allow other entities to prepare their facilities for the influx of new students. In the bill’s 2001 transmittal letter, Governor Knowles disagreed with the continuation of the one-time funding provision and stated:

¹ ATC, Yuut Elitnaurviat, Inc. People’s Learning Center, Iļisaġvik College, Northwestern Alaska Career and Technical Center, Southwest Alaska Vocational and Education Center, Partners for Progress in Delta, Inc., and Amundsen Educational Center.

² The Alaska Human Resource Investment Council was replaced with AWIB.

It is disturbing to see these line-items again this year, and to see to the practice expand in scope with new grantees without any formal selection process.

Legislation was again passed the next year to continue the direct funding of specific entities for an additional three years. Governor Knowles again voiced concerns about TVEP's funding process in the bill's 2002 transmittal letter stating:

This is the third time the Legislature has chosen to use the Alaska Technical and Vocational Education Program account for specific grants to the University of Alaska, Kotzebue Technical Center and Alaska Vocational Technical Center and the second time for the Galena Vocational Training Center. And this bill is promising the funds to these four entities for another three years—through 2006.

The first time these grants were made, in 2000, they were presented as a one-time, transitional provision until the Alaska Human Resource Investment Council was able to establish the grant program. Rather, the Legislature is making this an annual grant, attempting to bind future legislatures and totally circumventing the appropriate grant process that is now in place.

Employers should be equally outraged at this grant process because the funds come out of the taxes they pay into the Unemployment Insurance Trust Fund. Furthermore, employers should be concerned that this statutory deferral from the UI Trust Fund of Training Vocational Education Program funds is not being used for its stated purpose, technical and vocational training, but rather for capital expenditures at selected institutions.

During 2008, the direct award of TVEP funds to specific providers was moved from uncodified law into codified law. The grant

process, as set up in original legislation, still remains in statute (AS 23.15.840(f)); however, the process has been circumvented by AS 23.15.835(d), which awards funds directly to specific training providers. AWIB's role in TVEP is limited to facilitating monthly payments to seven of the 10 training providers identified in statute and compiling the annual report.

TVEP's funding structure limits its ability to effectively meet Alaska's technical and vocational education needs.

An objective of the audit was to determine the degree to which TVEP is structured to effectively meet the technical and vocational training needs by region and/or by industry. The audit concluded that the funding process, which bypasses the State's lead workforce training agency, has limited the ability of TVEP to respond to training needs by industry or region. There has been no analysis as to whether the services provided by the various training providers are meeting the needs of the specific regions. Regional access to training, need for specific types of training, and training capacity do not drive the annual award process. While those types of considerations may have been part of the legislative process when TVEP was reauthorized, industry/regional needs are not considered annually by AWIB and do not guide policy and funding decisions.

Performance metrics outlined in TVEP statutes are not used to influence funding decisions or evaluate whether the program is meeting objectives.

This audit evaluated TVEP's performance measures and identified whether alternative measures would be more useful. For audit purposes, performance measurement is defined as the ongoing monitoring and reporting of progress toward pre-established goals, which are established to meet a program's objectives. The process for identifying performance measures includes developing performance objectives and goals, selecting performance indicators and targets, collecting and analyzing data, and reporting and communicating performance. Before establishing performance goals, a program's mission in context with the overall objectives should be clearly stated in terms that can be used to evaluate progress toward achieving those objectives. Performance measures can then be

used to evaluate program effectiveness in meeting overall stated objectives and guide decision making.³

The audit concluded that TVEP does not have sufficient performance measures. TVEP performance metrics required by AS 23.15.835(e) are not evaluated against stated objectives or goals. Without benchmarks the output data falls short of communicating program effectiveness. AWIB does not use the statutory performance metrics to evaluate the program or to allocate funding. As required by AS 23.15.835(d), TVEP funds are awarded in set percentages to specific training providers without regard to performance metrics.

If the TVEP program was administered as a grant program, performance against pre-established goals could be used to guide policy and funding decisions. AWIB administers other training grant programs that have stated targets and goals, and AWIB evaluates progress toward the program objectives. For example, the Workforce Innovation and Opportunity Act (WIOA) youth program, funded by the U.S. Department of Labor, is administered by AWIB via an annual competitive grant award process. An objective of the WIOA youth program is to help youth with significant barriers to employment get into high-quality jobs and careers. To meet this objective, grants are awarded to entities that provide industry-driven vocational, academic, and supportive services to eligible in-school and out-of-school youth, with the majority of resources targeting out-of-school, homeless, foster care, and adjudicated youth demographics. To measure the effectiveness of the program in meeting the objectives, AWIB has negotiated target rates for youth employment, median earnings, credentials, and measurable skill gains. The target rates are compared to actual outcomes to evaluate how the grantees performed and can be used to further evaluate how the program objectives are being met and to guide decision making.

³ United States General Accounting Office, Testimony Before the Committee on Governmental Affairs, United States Senate by Charles A. Bowsher, Comptroller General of the United States. GAO/T-GGD-92-35.

Training providers were not given a fair opportunity to receive TVEP funding.

An objective of the audit was to determine whether TVEP funds were awarded in an equitable manner. For the purposes of this audit, the administration of a government program was considered equitable if it consistently serves members of the public, distributes public services, and implements public policy in a manner that promotes fairness, justice, and equality. According to guidance published by the Government Accountability Office,⁴ auditing whether the administration of a government program or activity is equitable may include assessing the:

- equality of access to and provisions of services;
- procedural fairness and equal treatment of individuals in government programs and policies;
- causes of disparate outcomes; or
- distributional impacts of public policies, programs, resources, and services.

AWIB does not gather and report data regarding access to TVEP-provided training, distributional impacts of the program, or outcomes that would allow an analysis of equity. Consequently, the audit was unable to assess equity using those measures. In regard to procedural fairness, the audit concluded that all training providers in Alaska were not provided a fair opportunity to apply for TVEP funding as the monies were not awarded through a grant process.

TVEP training providers were subject to limited accountability and oversight procedures.

The 10 TVEP training providers were subject to different levels of oversight. Seven⁵ of the 10 TVEP training providers annually request funding from AWIB staff. Before each fiscal year, the seven providers submit a proposed budget that includes proposed

⁴ GAGAS Performance Audits: Discussion of Concepts to Consider When Auditing Public Functions and Services.

⁵ ATC, Yuut Elitnaurviat, Inc. People's Learning Center, Iġisaġvik College, Northwestern Alaska Career and Technical Center, Southwest Alaska Vocational and Education Center, Partners for Progress in Delta, Inc., and Amundsen Educational Center.

spending by expenditure category (personnel services, travel, contractual, supplies, equipment, participant support services, administration, and capital improvements). The budgets are reviewed by AWIB staff, follow-up questions are asked, and amendments to the budgets are made when necessary in the event a proposed expenditure is not eligible. Once the budgets are approved, the seven providers submit monthly reimbursement requests to AWIB staff. Reimbursement requests include documentation to support the expenditure amounts. Once AWIB staff confirm that documentation supports the reimbursement request, the requests are approved for payment.

UA, AVTEC, and Galena Interior Learning Academy do not submit annual budgets or request monthly reimbursements. Instead, the entities are paid the TVEP allotment without monthly oversight. AWIB monitoring is limited to staff review of performance information submitted after the end of the fiscal year as part of the annual TVEP report compilation process.

In contrast, AWIB non-TVEP grantees are subject to more rigorous oversight procedures. Prior to award, federally funded non-TVEP training grantees are required to submit information regarding the grantees' financial management functions, which includes copies of procedures. AWIB staff reviews the adequacy of the procedures to gain assurance that grantees have the proper financial management procedures in place before an award is approved. Post-award, AWIB conducts risk assessments for non-TVEP training providers to determine whether each grantee will be subject to an on-site visit or a desk review. At the completion of the desk review/on-site visit, each grantee is provided a review report that lists findings and recommendations for corrective action and resolution, if applicable. Technical assistance is also offered as part of the monitoring process and findings are followed up by AWIB staff the following year. In contrast, TVEP training providers are not required to demonstrate proper financial management procedures and are not subject to desk reviews or on-site visits.

TVPEP reduced the UI Fund balance, which may have increased employer UI tax rates.

The UI Fund is comprised of employer and employee payroll tax contributions. The purpose of the UI Fund is to assist Alaskan workers who become involuntarily unemployed. Solvency of the UI Fund is the financial ability of the fund to pay out expected benefits. Each year the solvency of the UI Fund is evaluated by DLWD staff. The evaluation includes calculating a reserve rate, which is the ratio of the fund's balance to the total wages of taxable employers. Per AS 23.20.290(f), if the reserve rate is less than three percent, employers must pay a fund solvency surcharge as part of the employer UI tax rate. Conversely, if the reserve rate is greater than 3.3 percent, employers receive a fund solvency adjustment credit as part of the UI tax rate.

As discussed in the Background Information section of this report, TVPEP is funded by diverting a percentage of employees' UI taxes that would otherwise be deposited in the UI Fund. As a result, the UI Fund receives less revenue from employee taxes. For the period FY 01 through FY 22, \$204 million in TVPEP taxes was diverted from the UI Fund to the general fund's TVPEP subfund. The diversion reduced fund balances, which reduced the reserve rate. Because UI Fund solvency adjustments are charged to employers, the diversion of the employee taxes from the UI Fund may have contributed to higher employer tax rates. The audit notes that the State Training and Employment Program is also funded by diverting a percentage of employees' UI taxes (.10 percent diversion). As such, it may also increase employers' UI tax rates. According to DLWD economists, since the beginning of TVPEP in 2001 through calendar year 2022, a solvency surcharge has been assessed 10 times and a solvency credit has been assessed seven times.

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FINDINGS AND RECOMMENDATIONS

Recommendation 1:

The legislature should consider repealing AS 23.15.835(d) and allowing TVEP funding to be awarded via a grant process.

Technical Vocational Education Program (TVEP) funds are not awarded through a grant process. Instead, monies are paid directly to 10 training providers as outlined in statute. The direct award of funding to specific entities restricts the program's ability to effectively meet training needs by region or industry and does not afford training providers a fair opportunity to apply for TVEP funding.

Although a grant process is outlined in AS 23.15.840, the statute conflicts with AS 23.15.835(d), which requires TVEP funding to be awarded to specific training providers. According to Department of Labor and Workforce Development (DLWD) representatives, the Department of Law advised that AS 23.15.835(d) supersedes AS 23.15.840. It is unclear why TVEP direct awards became codified law when the direct allocations were intended to be a temporary transitional provision.

We recommend the legislature consider repealing AS 23.15.835(d), to allow TVEP funding to be awarded via a grant process guided by Alaska Workforce Investment Board (AWIB) goals and priorities.

Recommendation 2:

DLWD's commissioner should work with the Office of Management and Budget (OMB) to resolve the underpayments for seven FY 22 TVEP training providers and establish a procedure to ensure the correct TVEP amounts are awarded in the future.

During FY 22, AWIB did not award the correct amount to the following seven training providers:

- Alaska Technical Center,
- Yuut Elitnaurviat, Inc., People's Learning Center,
- Iḷisaġvik College,
- Northwestern Alaska Career and Technical Center,
- Southwest Alaska Vocational and Education Center,
- Partners for Progress in Delta, Inc., and
- Amundsen Educational Center.

In total, the seven providers were underpaid \$666,500, which reduced TVEP related services. Unpaid amounts were part of the year-end fund balance that was swept into the Constitutional Budget Reserve Fund at the end of the fiscal year.

Alaska Statute 23.15.835(d) specifies the percentage to be annually awarded to specific training providers. In FY 22, the amounts awarded to the seven TVEP training providers identified above were based on a preliminary funding calculation and not updated when the final amount available for allocation became available. The underpayments occurred due to human error and miscommunication between AWIB management and DLWD administrative staff. No internal control procedure existed to ensure the preliminary estimates were updated when the final amount available for allocation became available.

We recommend DLWD's commissioner work with OMB to resolve the underpayments for seven FY 22 TVEP training providers and establish a procedure to ensure the correct TVEP amounts are awarded in the future.

OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we have conducted a performance audit of the Technical Vocational Education Program (TVEP).

Objectives

The objectives were to:

- Identify and report on the use of TVEP funding for the period FY 19 through FY 22 to include, by institution, the types of training provided, age of students, and number of students, as well as any non-training specific spending, such as capital improvements.
- Evaluate the degree TVEP is structured to effectively meet the technical and vocational training needs by region and/or by industry.
- Evaluate TVEP's performance measures and determine whether TVEP training institutions are consistently reporting reliable performance information and whether alternative measures would be more useful in measuring the degree to which training institutions are successfully meeting the intent of the program.
- Evaluate the sufficiency of the accountability and oversight procedures in place over TVEP training institutions identified in AS 23.15.835 and determine how those procedures differ from other training grantees.
- Determine whether TVEP funds are awarded in an equitable manner. If warranted, recommend an alternative funding mechanism for meeting the intent of the TVEP program.
- Follow up on any related concerns the legislative auditor identifies during the audit.

Scope

The audit examined TVEP activity from July 1, 2018 through June 30, 2022. The audit evaluated TVEP legislation from the time

it was created in FY 01 through FY 22. The audit reported training provider expenditures for maintenance and operations, training, and administrative costs from July 2021 through June 2022. The audit also reported TVEP expenditures for FY 19 through FY 22 by budget category.

Methodology

To address the audit objectives, auditors:

1. Reviewed and evaluated the following to gain an understanding of TVEP and how it has changed since inception:
 - TVEP statutes and regulations, and
 - Legislative bills, sponsor statements, and legislative committee meeting minutes
2. Performed internet searches and reviewed Government Accountability Office resources to identify criteria for evaluating equity and the sufficiency of TVEP performance metrics.
3. Interviewed the following Department of Labor and Workforce Development (DLWD) staff, Alaska Workforce Investment Board (AWIB) staff, and board members:
 - AWIB's assistant director, board chair, and immediate past chair to gain an understanding of AWIB's involvement in administering the TVEP program.
 - AWIB's grant administrators to gain an understanding of TVEP monitoring procedures.
 - DLWD's research and analysis staff to gain an understanding of the TVEP annual report process related to performance metrics and to gain assurance over the reliability of the wage performance metrics in the FY 22 TVEP annual report.

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- DLWD’s economists to gain an understanding of TVEP’s funding process and the Unemployment Insurance Compensation Fund sufficiency factor.
4. Observed AWIB staff monitoring procedures over TVEP and other programs administered by AWIB.
 5. Determined the accuracy of FY 22 TVEP expenditure and participant information by conducting site visits at five TVEP training providers. Training providers were judgmentally selected after gaining an understanding of the program. The five training providers selected represented 77.5 percent of total FY 22 TVEP expenditures. Testing results were not projected to the population. Site visits included:
 - Interviews, and observations and inspection of supporting documents to gain assurance over the categorization of expenditures and participants by industry and expenditure type.
 - Inspected participant files for a sample of TVEP participants to gain assurance over participant counts; training category; types of certifications, degrees, and/or grades awarded; and dates of program participation. The non-statistical random sample size of 42 adult participants and 15 high school participants was based on low audit risk and moderate level of assurance. The number of participants tested during each site visit was based on the number of participants for a training provider relative to the universe of total participants of the five providers chosen for the site visits.

No internal controls were tested as no controls were found significant to the audit objectives.

Completeness of Institutional Information

We were not able to obtain ages of participants for three of the training providers. Participants with unknown ages represents 10 percent of total participants in Exhibit 7. In addition, one training

provider did not identify the training categories for its participants. The undetermined training categories represented three percent of total participants in Exhibit 6.

APPENDICES

SUMMARY

Appendix A: This appendix summarizes Technical Vocational Education Program (TVEP) legislation since the program's creation, highlighting the changes and/or extensions for the program. Abbreviations are defined on page iv.

Appendix B: For the purposes of this audit, TVEP training providers classified FY 22 expenditures into one of three categories (training, administration, and maintenance and operations) to allow a comparison between providers. Auditors gained assurance over the categorization methodology by conducting audit procedures at five training providers that represented 77.5 percent of the universe of training provider expenditures. Auditors note that Appendix C summarizes TVEP expenditures for each training provider for FY 19 through FY 22 using a different format; however, total FY 22 expenditures are the same by training provider in both Appendices B and C.

Appendix C: The expenditures presented in Appendix C for seven training providers were obtained from the Alaska Workforce Investment Board (AWIB) information system that is used by TVEP training providers to request monthly reimbursements. Expenditures for the University of Alaska and Galena Interior Learning Academy were obtained from the State's accounting system and represent the payments of funding to the provider, rather than how the funding was expended by the provider. Lastly, the expenditures for the Alaska Vocational Technical Center were obtained from the State accounting system and reflect how the monies were expended by the training provider; however, the expenditure categories are different than those used by the AWIB information system. The differences limit the ability to compare the expenditure categories between providers. Appendix B recasts the expenditures into uniform expenditure categories that allow a comparison between providers.

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Technical Vocational Education Program Legislation 2000 through 2022	
Bill Number and Effective Date	General Description
SB 289 <i>July 1, 2000</i>	<ul style="list-style-type: none"> Created the TVEP subfund within the general fund and established a competitive grant program Called for the Alaska Human Resource Investment Council (now AWIB) to reorganize to improve its ability to efficiently and effectively serve as the State’s primary planning and coordinating entity for vocational and technical education Specified three TVEP funding recipients in uncodified law
SB 137 <i>July 1, 2001</i>	<ul style="list-style-type: none"> TVEP extended through FY 03 Four TVEP funding recipients specified in uncodified law
SB 252 <i>July 1, 2002</i>	<ul style="list-style-type: none"> Renamed Alaska Human Resource Investment Council to AWIB TVEP extended through FY 06 and four TVEP funding recipients specified in uncodified law
HB 123 <i>July 1, 2004</i>	<ul style="list-style-type: none"> TVEP extended through FY 10 and six recipients named in uncodified law
HB 2 <i>July 1, 2008</i>	<ul style="list-style-type: none"> Repealed uncodified law that named TVEP funding recipients Extended TVEP through FY 14 and codified ten TVEP recipients through new subsection of AS 23.15.835 Increased TVEP employee contribution diversion from 0.10% to 0.15% Added requirements for annual expenditure and performance report
HB 278 <i>Multiple effective dates</i>	<ul style="list-style-type: none"> Extended TVEP through FY 17 (<i>effective May 14, 2014</i>) Increased TVEP employee contribution diversions from 0.15% to 0.16% (<i>effective July 1, 2014</i>) Continued to have ten TVEP recipients specified in AS 23.15.835, although some of the names changed (<i>July 1, 2014</i>) Requirements for annual expenditure and performance report expanded (<i>effective July 1, 2015</i>) Added an articulation agreement requirement (<i>effective July 1, 2015</i>)
HB 141 <i>June 30, 2017</i>	<ul style="list-style-type: none"> Extended TVEP through FY 20
HB 235 <i>April 21, 2020</i>	<ul style="list-style-type: none"> Extended TVEP through FY 21
HB 100 <i>June 30, 2021</i>	<ul style="list-style-type: none"> Extended TVEP through FY 24

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Amundsen Educational Center

Amundsen Educational Center (AEC) is a residential faith-based, non-profit educational and vocational training school located in Soldotna, Alaska. AEC offers residential construction and advanced residential construction courses. Students are required to live on campus and also participate in life skills learning activities. During FY 22, AEC served four students in the 19 to 30 age group.

AEC FY 22 TVEP Expenditures by Category

Training	\$ 131,697.03
Administration	7,500.00
Maintenance and Operations	<u>92,502.97</u>
Total	\$ 231,700.00

Alaska Vocational Technical Center

Alaska Vocational Technical Center (AVTEC) is a vocational training center operated by the State of Alaska, Department of Labor and Workforce Development and is located in Seward, Alaska. AVTEC offers residential dormitory accommodations for students needing housing. AVTEC courses include Alaska maritime training, business and office technology, construction technology, culinary arts, diesel heavy equipment technology, industrial electricity, industrial welding, information technology, plumbing and heating, refrigeration, and technical instruction for registered apprenticeship.

AVTEC FY 22 Participants by Age Group

Age Group	Number	Percent
18 and Under	86	9.59%
19–30	365	40.69%
31–45	261	29.10%
46 and Over	<u>185</u>	<u>20.62%</u>
Total	897	100.00%

AVTEC FY 22 TVEP Expenditures by Category

Training	\$ 0
Administration	0
Maintenance and Operations	<u>2,257,512.43</u>
Total	\$ 2,257,512.43

APPENDIX B (Continued)

TVEP Training Provider Profiles

Alaska Technical Center

Alaska Technical Center (ATC) is an educational and vocational school located in Kotzebue, Alaska. ATC offers residential dormitory accommodations for students needing housing. ATC courses include adult education, boiler maintenance, certified nurse’s aide, commercial driver’s license, construction trades technology, culinary arts, heavy equipment operator, introduction to solar energy, process technology, and Toyo stove repair.

ATC FY 22 Participants by Age Group

Age Group	Number	Percent
18 and Under	6	18.75%
19–30	11	34.37%
31–45	9	28.13%
46 and Over	6	18.75%
Total	32	100.00%

ATC FY 22 TVEP Expenditures by Category

Training	\$ 0
Administration	0
Maintenance and Operations	681,331.29
Total	\$ 681,331.29

Galena Interior Learning Academy

Galena Interior Learning Academy (GILA) is a residential school offering vocational training for students in the 9th through 12th grades, as well as for adult learners located in Galena, Alaska. GILA courses include applied mechanics, aviation, construction trades, cosmetology, driver’s education, educators rising, health science, and media and information technology. During FY 22, GILA served 305 students.

GILA FY 22 TVEP Expenditures by Category

Training	\$ 478,399.32
Administration	63,400.68
Maintenance and Operations	0
Total	\$ 541,800.00

APPENDIX B (Continued)

TVEP Training Provider Profiles

Iḷisaġvik College

Iḷisaġvik College (Iḷisaġvik) is a two-year college located in Utqiagvik and is the only federally recognized tribal college in Alaska. Iḷisaġvik offers residential dormitory accommodations for students needing housing. Iḷisaġvik College courses include health, construction, electrical, heavy equipment operations, driver's education, welding, maritime, and business.

Iḷisaġvik FY 22 Participants by Age Group

Age Group	Number	Percent
18 and Under	55	10.78%
19–30	158	30.98%
31–45	163	31.97%
46 and Over	134	26.27%
Total	510	100.00%

Iḷisaġvik FY 22 TVEP Expenditures by Category

Training	\$ 427,644.00
Administration	88,871.60
Maintenance and Operations	62,684.40
Total	\$ 579,200.00

Northwestern Alaska Career and Technical Center

Northwestern Alaska Career and Technical Center (NACTEC) is a joint-venture regional vocational training center located in Nome, Alaska that offers residential dormitory accommodations for students needing housing. NACTEC courses include small engine repair, heavy equipment operator, aviation, health, welding, construction, driver's education, and cultural related education and survival skills.

NACTEC FY 22 Participants by Age Group

Age Group	Number	Percent
18 and Under	401	81.67%
19–30	53	10.79%
31–45	26	5.30%
46 and Over	11	2.24%
Total	491	100.00%

NACTEC FY 22 TVEP Expenditures by Category

Training	\$ 347,500.00
Administration	0
Maintenance and Operations	0
Total	\$ 347,500.00

APPENDIX B (Continued)

TVEP Training Provider Profiles

Partners for Progress in Delta, Inc.

Partners for Progress in Delta, Inc. (PPD) is a nonprofit career advancement education and training facility offering training to high school and adult learners located in Delta Junction, Alaska. PPD offers courses in numerous fields, including construction, welding, health, business, aviation, technology and systems, heavy equipment, and electrical.

PPD FY 22 Participants by Age Group

Age Group	Number	Percent
18 and Under	113	55.39%
19–30	26	12.75%
31–45	26	12.75%
46 and Over	37	18.13%
Undetermined	2	0.98%
Total	204	100.00%

PPD FY 22 TVEP Expenditures by Category

Training	\$ 224,242.92
Administration	4,583.34
Maintenance and Operations	118,673.74
Total	\$ 347,500.00

Southwest Alaska Vocational and Education Center

Southwest Alaska Vocational and Education Center (SAVEC) is a nonprofit career and workforce development training center located in King Salmon, Alaska. SAVEC serves the Bristol Bay area residents as well as other rural communities from around the state. SAVEC offers courses in numerous fields, including commercial driver's license and driver's education written preparation, hazardous waste operator certifications, power sports repair and maintenance, tribal entrepreneurship, and wilderness first aid. The courses offered at SAVEC change based on the needs of the surrounding area that are identified with the assistance of the Bristol Bay Native Corporation.

SAVEC FY 22 Participants by Age Group

Age Group	Number	Percent
18 and Under	2	2.04%
19–30	33	33.67%
31–45	34	34.70%
46 and Over	29	29.59%
Total	98	100.00%

SAVEC FY 22 TVEP Expenditures by Category

Training	\$ 337,969.42
Administration	0
Maintenance and Operations	0
Total	\$ 337,969.42

APPENDIX B (Continued)

TVEP Training Provider Profiles

University of Alaska

The University of Alaska (UA) is a public university and comprehensive provider of workforce training in Alaska. UA has three main campuses: Fairbanks, Anchorage, and Juneau. Each main campus has several satellite campuses that serve the needs of the surrounding areas. UA offers many courses in various industries, including fisheries, seafood, maritime, construction, health, transportation, mining, oil and gas, information technology, career and technical education, and green jobs. UA passed TVEP funding through to the Fairbanks Pipeline Training Center, which served 399 participants in FY 22.

UA FY 22 Participants by Age Group

Age Group	Number	Percent
18 and Under	12	0.32%
19–30	1,844	49.54%
31–45	1,153	30.98%
46 and Over	314	8.44%
Undetermined	399	10.72%
Total	3,722	100.00%

UA FY 22 TVEP Expenditures by Category

Training	\$ 5,745,515.00
Administration	349,485.00
Maintenance and Operations	0
Total	\$ 6,095,000.00

Yuut Elitnaurviat, Inc. People’s Learning Center

Yuut Elitnaurviat, Inc. People’s Learning Center (Yuut) is a nonprofit career and workforce development training center serving the Yukon-Kuskowim Delta and Southwest Regions located in Bethel, Alaska. Yuut offers residential dormitory accommodations for students needing housing. Yuut administers the adult education/GED program and offers courses in the construction trades, public safety aircraft maintenance, license practical nursing, and certified nurse’s assistant.

Yuut FY 22 Participants by Age Group

Age Group	Number	Percent
18 and Under	29	6.82%
19–30	286	67.30%
31–45	87	20.47%
46 and Over	23	5.41%
Total	425	100.00%

Yuut FY 22 TVEP Expenditures by Category

Training	\$ 101,240.34
Administration	0
Maintenance and Operations	941,359.66
Total	\$ 1,042,600.00

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APPENDIX C

TVEP Expenditures by Budget Category, FY 19 through FY 22

Amundsen Educational Center				
	FY 19	FY 20	FY 21	FY 22
Personnel Services	\$ 87,019.46	\$180,672.89	\$226,413.40	\$212,484.67
Travel	-	3,570.12	-	-
Contractual	84,467.39	34,158.57	17,656.78	11,715.33
Supplies	3,876.34	3,357.14	1,969.00	-
Equipment	-	-	-	-
Participant Services	-	-	-	-
Administration	43,536.81	27,941.28	9,860.82	7,500.00
Total	<u>\$218,900.00</u>	<u>\$249,700.00</u>	<u>\$255,900.00</u>	<u>\$231,700.00</u>

Alaska Vocational Technical Center				
	FY 19	FY 20	FY 21	FY 22
Personnel Services	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-
Contractual	1,729,725.10	1,917,123.34	2,226,925.88	2,254,091.86
Supplies	145,294.90	92,816.22	-	3,420.57
Equipment	-	38,504.89	23,429.67	-
Participant Services	-	-	-	-
Administration	-	-	-	-
Total	<u>\$1,875,020.00</u>	<u>\$2,048,444.45</u>	<u>\$2,250,355.55</u>	<u>\$2,257,512.43</u>

**APPENDIX C
(Continued)**

**TVEP Expenditures by Budget Category,
FY 19 through FY 22**

Alaska Technical Center				
	FY 19	FY 20	FY 21	FY 22
Personnel Services	\$656,618.60	\$619,930.31	\$700,086.47	\$380,563.96
Travel	-	-	-	-
Contractual	238,040.37	237,302.51	197,820.89	265,326.73
Supplies	33,107.42	45,643.11	60,417.43	35,440.60
Equipment	-	-	-	-
Participant Services	-	-	-	-
Administration	-	-	-	-
Total	<u>\$927,766.39</u>	<u>\$902,875.93</u>	<u>\$958,324.79</u>	<u>\$681,331.29</u>

Galena Interior Learning Academy*				
	FY 19	FY 20	FY 21	FY 22
Total	\$437,900.00	\$499,500.00	\$511,800.00	\$541,800.00

* Note: Galena Interior Learning Academy receives pass-through funding through the Department of Education and Early Development (this is a one-time payment for the full grant amount). As such, the grantee does not submit reimbursement requests or progress reports to DLWD. For this reason, we were not able to determine Galena's expenditures by budget line item.

**APPENDIX C
(Continued)**

**TVEP Expenditures by Budget Category,
FY 19 through FY 22**

Iiisaġvik College				
	FY 19	FY 20	FY 21	FY 22
Personnel Services	\$166,138.87	\$509,042.27	\$438,245.19	\$375,452.34
Travel	38,834.82	2,897.70	8,109.89	10,381.35
Contractual	152,740.78	10,687.97	55,062.79	89,569.00
Supplies	15,135.90	2,561.12	12,506.86	6,613.70
Equipment	-	-	-	-
Participant Services	72,190.64	8,485.94	5,475.27	8,312.01
Administration	102,358.99	90,725.00	120,300.00	88,871.60
Total	\$547,400.00	\$624,400.00	\$639,700.00	\$579,200.00

Northwestern Alaska Career and Technical Center				
	FY 19	FY 20	FY 21	FY 22
Personnel Services	\$199,184.92	\$239,932.47	\$238,135.96	\$265,939.75
Travel	-	-	3,070.01	4,775.21
Contractual	19,552.82	27,803.01	58,315.99	37,444.25
Supplies	19,552.26	23,124.95	52,824.91	16,015.29
Equipment	-	-	-	-
Participant Services	76,350.00	38,284.00	-	12,483.50
Administration	13,760.00	14,054.47	9,760.01	10,842.00
Total	\$328,400.00	\$343,198.90	\$362,106.88	\$347,500.00

**APPENDIX C
(Continued)**

**TVEP Expenditures by Budget Category,
FY 19 through FY 22**

Partners for Progress in Delta, Inc.				
	FY 19	FY 20	FY 21	FY 22
Personnel Services	\$ 88,718.02	\$ 78,046.78	\$ 97,909.56	\$105,717.21
Travel	2,947.95	2,786.32	568.99	811.61
Contractual	199,002.98	135,962.45	308,706.58	220,430.03
Supplies	4,530.99	11,749.97	26,460.38	15,728.42
Equipment	-	-	-	-
Participant Services	14,209.00	-	17,969.46	229.39
Administration	18,991.06	11,267.02	18,949.38	4,583.34
Total	<u>\$328,400.00</u>	<u>\$239,812.54</u>	<u>\$470,564.35</u>	<u>\$347,500.00</u>

Southwest Alaska Vocational and Education Center				
	FY 19	FY 20	FY 21	FY 22
Personnel Services	\$320,450.00	\$317,969.80	\$236,660.65	\$ 96,011.60
Travel	1,206.00	-	-	-
Contractual	-	23,378.64	23,200.00	126,350.43
Supplies	1,744.00	22,988.82	4,749.00	2,000.00
Equipment	-	-	-	-
Participant Services	-	-	-	2,057.20
Administration	5,000.00	10,262.74	108,552.57	111,550.19
Total	<u>\$328,400.00</u>	<u>\$374,600.00</u>	<u>\$373,162.22</u>	<u>\$337,969.42</u>

**APPENDIX C
(Continued)**

**TVEP Expenditures by Budget Category,
FY 19 through FY 22**

University of Alaska				
	FY 19	FY 20	FY 21	FY 22
Personnel Services	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-
Contractual	4,926,400.00	5,619,300.00	5,757,400.00	6,095,000.00
Supplies	-	-	-	-
Equipment	-	-	-	-
Participant Services				
Administration				
Total	<u>\$4,926,400.00</u>	<u>\$5,619,300.00</u>	<u>\$5,757,400.00</u>	<u>\$6,095,000.00</u>

Yuut Elitnaurviat, Inc. People's Learning Center				
	FY 19	FY 20	FY 21	FY 22
Personnel Services	\$ 494,730.08	\$ 436,186.83	\$ 476,231.52	\$ 459,825.23
Travel	591.51	1,553.10	-	-
Contractual	417,001.37	661,693.31	649,096.06	565,777.36
Supplies	57,976.64	24,366.76	26,172.42	16,997.41
Equipment	-	-	-	-
Participant Services	-	-	-	-
Administration	15,000.40	-	-	-
Total	<u>\$ 985,300.00</u>	<u>\$1,123,800.00</u>	<u>\$1,151,500.00</u>	<u>\$1,042,600.00</u>

**APPENDIX C
(Continued)**

**TVEP Expenditures by Budget Category,
FY 19 through FY 22**

DLWD Administration Expenditures				
	FY 19	FY 20	FY 21	FY 22
Personnel Services	\$ 341,073.94	\$ 290,362.56	\$ 326,878.72	\$ 336,564.96
Travel	2,864.18	334.61	53.36	1,527.37
Services	82,766.34	140,186.96	76,854.93	53,230.89
Commodities	1,788.96	991.86	1,914.01	1,939.08
Total	<u>428,493.42</u>	<u>431,875.99</u>	<u>405,701.02</u>	<u>393,262.30</u>
Total TVEP Expenditures	<u><u>\$11,332,379.81</u></u>	<u><u>\$12,457,507.81</u></u>	<u><u>\$13,136,514.81</u></u>	<u><u>\$12,855,375.44</u></u>

Agency Response from the Department of Labor and Workforce Development



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Labor and
Workforce Development

Office of the Commissioner

PO Box 111149
Juneau, Alaska 99811
Main: 907.465.2700

December 21, 2023

Ms. Kris Curtis
Legislative Auditor
Alaska State Legislature
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Curtis:

Thank you for the opportunity to respond to the preliminary audit report dated December 13, 2023. Enclosed is the Department of Labor and Workforce Development (DOLWD) response to the preliminary audit report conclusions and for the two findings for the DOLWD, Technical Vocational Education Program (TVEP).

Sincerely,

A handwritten signature in blue ink that reads "Catherine Muñoz".

Catherine Muñoz
Acting Commissioner

RECEIVED

DEC 22 2023

LEGISLATIVE AUDIT



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Labor and Workforce Development

Office of the Commissioner

PO Box 111149
Juneau, Alaska 99811
Main: 907.465.2700

DOLWD Response to Conclusions:

Report Conclusion - The audit concluded that the Technical Vocational Education Program (TVEP) is not structured to effectively meet Alaska's technical and vocational education needs or to ensure training providers have a fair opportunity to participate in the program.

Response:

DOLWD agrees with the finding that training providers do not have commensurate access to TVEP funds under the current structure as awards are not issued through a competitive process. Regarding the finding surrounding the "sweep" of funds to the Constitutional Budget Reserve Fund (CBRF), the DOLWD worked with the Office of Management and Budget (OMB) to address this concern prior to this audit finding. As of Fiscal Year (FY) 2024, specific language for the TVEP can be found in the language section of the operating budget, preventing the funds from being swept into the CBRF.

DOLWD does not agree with the conclusion that TVEP is not effective in meeting Alaska's vocational technical educational needs. TVEP is one tool in a holistic approach that the department employs to serve the training and employment needs of Alaskans.

Further, TVEP funding provides a predictable revenue stream for the statutorily named recipients which allows for program stability.

DOLWD Response to Recommendations:

Recommendation 1 – The legislature should consider repealing AS 23.15.835(d) and allowing TVEP funding to be awarded via a grant process.

Response to Recommendation 1

DOLWD is neutral on this finding as it is a recommendation specifically for the Alaska Legislature. DOLWD will work with the Legislature should they choose to move to a fully competitive TVEP grant process. If this change is made the Alaska Workforce Investment Board (AWIB) grants unit will have an increased workload, and DOLWD will need to determine if existing resources are adequate.

Recommendation 2 – DOLWD's commissioner should work with the Office of Management and Budget (OMB) to resolve the underpayments for seven FY22 TVEP training providers and establish a procedure to ensure the correct TVEP amounts are awarded in the future.



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Response to Recommendation 2

DOLWD is neutral on this finding. The department agrees on the amounts not fully distributed to the seven providers. At the end of FY2022, two of the seven providers returned an unspent portion of their allocated funds. Those unspent portions were swept, and a lack of reverse sweep meant none of those funds carried forward. As FY2022 is closed, and funds are no longer available, DOLWD will work with OMB on consideration of an additional appropriation request to restore the amount that was swept.

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Legislative Auditor's Additional Comments

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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January 2, 2024

Members of the Legislative Budget
and Audit Committee:

I have reviewed the response to the audit report from the Department of Labor and Workforce Development. Nothing contained in the response caused me to revise or reconsider the report conclusions and recommendations.

The commissioner believes that the Technical Vocational Education Program (TVEP) is structured to effectively meet Alaska's technical and vocational education needs and states that TVEP is "one tool in a holistic approach that the department employs to serve the training and employment needs of Alaskans. Further, TVEP funding provides a predictable revenue stream for the statutorily named recipients which allows for program stability."

In response to the commissioner's comments that TVEP is part of a holistic approach to training, I reiterate the following audit conclusions:

- There has been no analysis as to whether the services provided by the various TVEP training providers are meeting the needs of the specific regions.
- Regional access to training, need for specific types of training, and training capacity do not drive the annual TVEP award process.
- Performance metrics outlined in TVEP statutes are not used to influence funding decisions or evaluate whether the program is meeting objectives.
- TVEP training providers are subject to limited accountability and oversight procedures.
- All Alaska training providers were not given a fair opportunity to receive TVEP funding.

In summary, I reaffirm the report conclusions and recommendations.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kris Curtis".

Kris Curtis, CPA, CISA
Legislative Auditor