

# Legislative Oversight Committee

## Summary Report on the

### SC Department of Employment and Workforce

#### September 2019

---



The South Carolina Department of Employment and Workforce is responsible for paying unemployment insurance benefits, collecting unemployment taxes, helping people find jobs, matching businesses with qualified candidates, and collecting and disseminating state/federal employment statistics. DEW should ensure that its budget accurately reflects expenditures, actively market its services to businesses, track and evaluate all training programs used by participants, and work with the Department of Administration and the Comptroller General to adopt the recommended accounting system. The Department of Employment and Workforce Review Committee should review the continued need for the contingency assessment account, the WIOA regional realignment plans, services consolidation, the executive turnover at the agency, real property holdings, DEW's relationships with local workforce boards, and collaboration and cooperation with entities with workforce and economic development responsibilities.

### *Agency at a Glance*

The Department of Employment and Workforce states that its mission is to promote and support an effective, customer-driven workforce system that facilitates financial stability and economic prosperity for employers, individuals, and communities. The agency pays unemployment benefits to qualified claimants and collects taxes from businesses to fund those payments. DEW also assists job seekers with career guidance, training, and job referrals and works with employers to find qualified employees. Twelve local workforce development areas administer the 48 SC Works centers which provide the services to job seekers and employers with DEW and partner agencies. For FY 15-16, the agency had a recurring funds authorization of \$181,613,209, total expenditures from all funds of \$118,540,903 for FY 14-15, and an average of 685 filled FTEs over the last three years.

### *Issues*

#### BUDGET CATEGORIES

DEW's budget has a category with funds allocated for appeals, but no expenditures are charged to that category.

- **Agency Recommendation:** The Department of Employment and Workforce should take the necessary steps to bring the budget into conformity with expenditures by either requesting to have the budget revised to accurately reflect expenditures or ensuring that expenditures are posted against the appropriately budgeted programs.

#### WORKFORCE DEVELOPMENT

The business community reports a lack of communication from DEW regarding its services.

- **Agency Recommendation:** The Department of Employment and Workforce should actively market its services to businesses. The agency could also host seminars to train human resources personnel about how to utilize the services that DEW offers.

## TRAINING PROGRAMS

DEW currently does not track all of the training programs that participants can be referred to because it was not required by federal law. According to DEW, this data will become available after FY 16-17 because it is required by WIOA.

- **Agency Recommendation:** The Department of Employment and Workforce should evaluate all training programs used by Work Center participants to determine the number of participants completing each program and the number of participants obtaining employment in the fields they received training.

## INFORMATION TECHNOLOGY/ACCOUNTING

DEW states that it must use both SCEIS and the Federal Accounting and Reporting System (FARS) to meet federal cost accounting requirements. This significantly increases the costs and labor involved as well as the potential for errors.

- **Agency Recommendation:** The Department of Employment and Workforce should work with the Department of Administration and the Comptroller General to identify and implement an accounting system to replace FARS.

### *Issues for Review by Department of Employment and Workforce Review Committee*

In addition to the recommendations to the department, there are additional issues which need further review by the Department of Employment and Workforce Review Committee.

- **Continued Need for Contingency Assessment** - The revenue generated from businesses by a .06% assessment on employee wages has increased 84% from \$7.4 million in FY 10-11 to \$13.6 million in FY 14-15. The agency also relies on several independent reporting systems to track this fund resulting in imprecise and unreliable accounting.
- **Regional Alignment** - DEW proposes organizing 12 local workforce development areas into 4 planning regions to align workforce and economic development activities and resources. In June 2015, DEW consolidated 8 of its 14 unemployment insurance hubs into 6 regional hubs.
- **Executive Turnover** - There has been a high level of employee turnover at the deputy director level since 2013 with five positions being vacated.
- **Real Property** - DEW owns land and buildings in 30 counties in the state with 13 of those properties identified as surplus which DEW reports are for sale. It is unclear how DEW determines which properties to sell and how the proceeds are used.
- **Local Workforce Investment Boards** - Concerns have been expressed about the relationship between the local workforce development boards and DEW. Three counties have two SC Works centers and one county has no center.
- **Collaboration among Workforce Development Entities** - Collaboration among workforce and economic development entities may be needed to prevent duplication and clarify roles. Multiple state and local entities have responsibility for parts of workforce development.

# Legislative Oversight Committee

## South Carolina Senate



Report on

S.C. Department of  
Employment and Workforce

September 2019

The South Carolina Department of Employment and Workforce is responsible for paying unemployment insurance benefits, collecting unemployment taxes, helping people find jobs, matching businesses with qualified candidates, and collecting and disseminating state/federal employment statistics. DEW should ensure that its budget accurately reflects expenditures, actively market its services to businesses, track and evaluate all training programs used by participants, and work with the Department of Administration and the Comptroller General to adopt the recommended accounting system. The Department of Employment and Workforce Review Committee should review the continued need for the contingency assessment account, the WIOA regional realignment plans, services consolidation, the executive turnover at the agency, real property holdings, DEW's relationships with local workforce boards, and collaboration and cooperation with entities with workforce and economic development responsibilities.

## ***I. Agency at a Glance***

### ***A. Mission***

The Department of Employment and Workforce (DEW) states that its mission is to promote and support an effective, customer-driven workforce system that facilitates financial stability and economic prosperity for employers, individuals, and communities. The agency is responsible for paying unemployment insurance benefits, collecting unemployment taxes, helping people find jobs, matching businesses with qualified candidates, and collecting and disseminating state/federal employment statistics. South Carolina law requires DEW to cooperate with the United States Secretary of Labor to the fullest extent, and act, through the promulgation of appropriate rules, regulations, administrative methods and standards, as necessary to secure to this State and its citizens all advantages available under the provisions of the Social Security Act that relate to unemployment compensation, the Federal Unemployment Tax Act, the Wagner-Peyser Act, and the Federal-State Extended Unemployment Compensation Act of 1970 (S.C. Code Ann. §41-29-230).

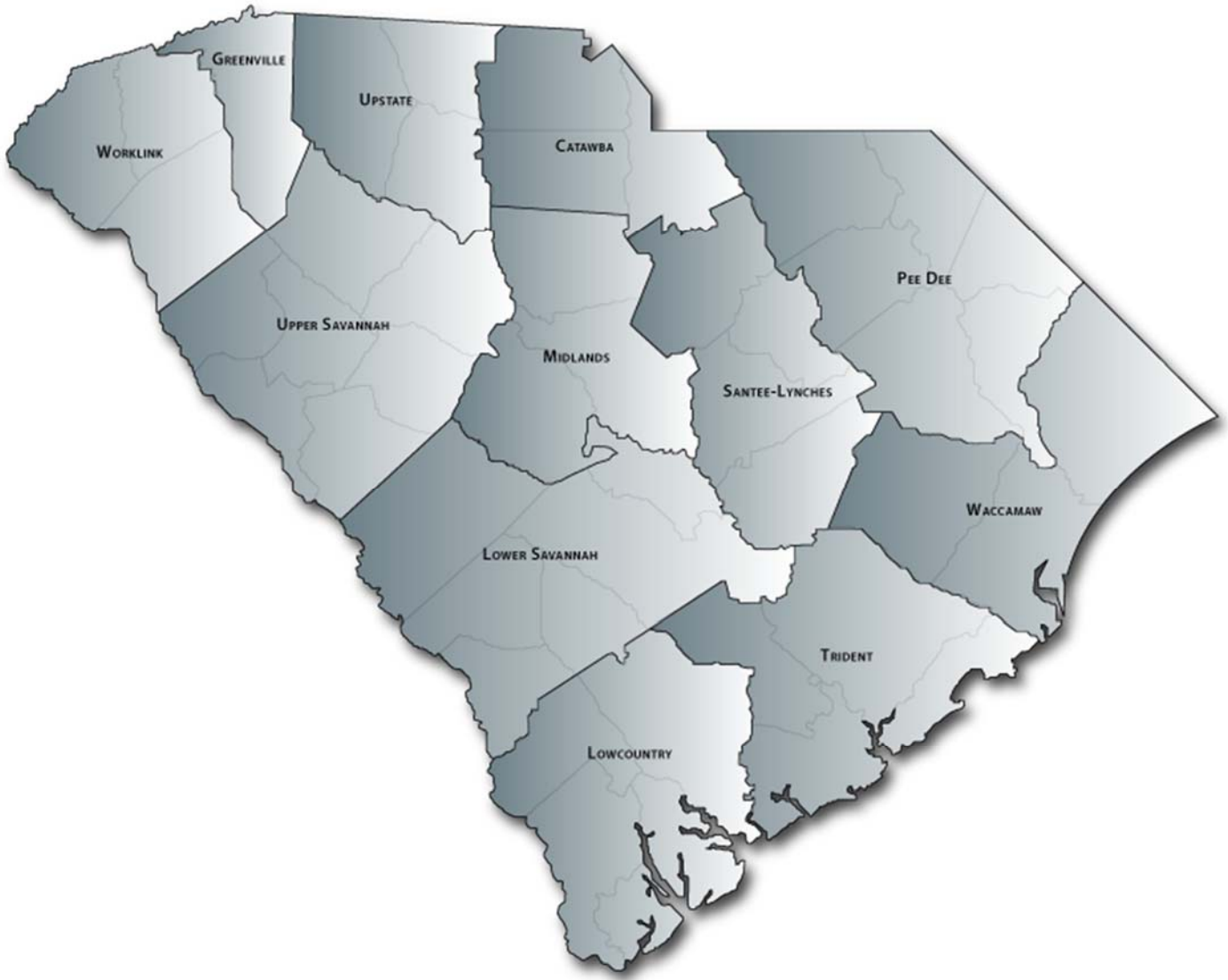
### ***B. Governing Authority***

The agency is largely governed by federal law which provides grants to states for public employment service programs and unemployment insurance benefits.

The agency began as the Employment Security Commission in 1936. In 2010, the commission became the Department of Employment and Workforce which is an agency in the Governor's cabinet. The agency is given guidance on workforce development issues by the 31-member State Workforce Development Board (SWDB), which is appointed by the Governor and comprised of business leaders, members of the General Assembly, local elected officials, workforce partners, and representatives of community-based organizations. Twelve local workforce investment boards administer the 48 SC Works centers which provide services to job seekers and employers with DEW and partner agencies such as educational entities, community organizations, and other state agencies.

## Local Workforce Areas

Catawba	Greenville	Lowcountry	Lower Savannah	Midlands	Pee Dee
Chester Lancaster York	Greenville	Beaufort Colleton Hampton Jasper	Aiken Allendale Bamberg Barnwell Calhoun Orangeburg	Fairfield Lexington Richland	Chesterfield Darlington Dillon Florence Marion Marlboro
Santee Lynches	Trident	Upper Savannah	Upstate	Waccamaw	WorkLink
Clarendon Kershaw Lee Sumter	Berkeley Charleston Dorchester	Abbeville Edgefield Greenwood Laurens McCormick Newberry Saluda	Cherokee Spartanburg Union	Georgetown Horry Williamsburg	Anderson Oconee Pickens



*Department of Employment and Workforce Review Committee*

On a state level, S.C. Code Ann. §41-27-700 created the Department of Employment and Workforce Review Committee to perform the following duties: to nominate three qualified candidates for consideration as executive director of the agency, screen Department of Employment and Workforce Appellate Panel candidates for qualifications, submit to the General Assembly and the Governor, on an annual basis, a performance review of the executive director and the committee's evaluation of the performance of the Department of Employment and Workforce, assist in developing an annual workshop of at least six contact hours concerning ethics and the Administrative Procedures Act for the executive director and employees of the Department of Employment and Workforce as the committee considers appropriate, submit a letter to the General Assembly with the annual budget proposals of the Department of Employment and Workforce, indicating the committee has reviewed the proposals, and undertake additional studies or evaluations as the committee considers necessary. The Committee is composed of nine members, three of whom must be members of the House of Representatives appointed by the Speaker, at least one of whom must be a member of the minority party; three of whom must be members of the Senate appointed by the President Pro Tempore, at least one of whom must be a member of the minority party; and three of whom shall be appointed by the Governor from the general public at large, of whom one must represent businesses with fewer than fifty employees and one of whom must represent businesses with fewer than five hundred employees. The committee meets at least once annually and at the call of the chairman or a majority of the members.

South Carolina law gives this Committee the authority to administer oaths and affirmations, take depositions, and issue subpoenas to compel the attendance of witnesses and the production of books, papers, correspondence, memoranda, and other records considered necessary in connection with the committee's investigation. No person involved in the review process is excused from attending and testifying or from producing books, papers, correspondence, memoranda, or other records before the committee on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture. S.C. Code Ann. §41-27-725. The Committee uses Senate and House staff from the Labor, Commerce and Industry Committees. The committee may also employ or retain other professional staff, upon the determination of the necessity for other staff by the committee.

Position	Position Title	Current Members	Appointed By	Appointment Date
Public	Member	Brendan P. Bryant	Governor	4/11/2016
Public	Member	Michelle P. Kelley	Governor	2/16/2016
Public	Member	Patrick M. Michaels	Governor	2/16/2016
Representative	Member	Kenneth A. "Kenny" Bingham	Speaker of the House, James H. Lucas	1/28/2015
Representative	Member	Jenny Anderson Horne	Speaker of the House, James H. Lucas	1/28/2015
Representative	Member	Joseph A. "Joe" McEachern	Speaker of the House, James H. Lucas	1/28/2015
Senator	Member	Thomas C. Alexander	Senator John Courson, Former President <i>Pro Tempore</i>	2/20/2013
Senator	Member	Luke Rankin	Senator John Courson, Former President <i>Pro Tempore</i>	2/20/2013
Senator	Member	John L. Scott, Jr.	Senator John Courson, Former President <i>Pro Tempore</i>	2/20/2013

*Department of Employment and Workforce Appellate Panel*

The sole purpose of this statutorily-created panel is to hear and decide appeals from decisions of the department's divisions. The Department of Employment and Workforce Review Committee must screen a person and find him qualified for each of the three available seats before he may be elected to serve as a member of the appellate panel. The members of the appellate panel must be elected by the General Assembly, in joint session, for terms of four years and until their successors have been elected and qualified, commencing on the first day of July in each presidential election year.

Department of Employment and Workforce Appellate Panel					
Position	Position Title	Current Members	Appointed By	Initial Appointment Date	Expiration Date
Seat 1	Member	Evelyn Belicia Ayers	General Assembly	4/7/2012	7/1/2020
Seat 2	Member	Timothy N. Dangerfield	General Assembly	4/17/2012	7/1/2020
Seat 3	Member	Stephen Kelly, Jr.	General Assembly	6/17/2012	7/1/2020

*C. Finances: Allocations, Budget Requests, Expenditures, Administrative Contingency Assessment, and WIA Incentive Grants*

*Allocations*

For FY 15-16, the agency had a total of \$181,621,858 in recurring authorization and \$28,761,097 in non-recurring authorization. The recurring authorization is divided among administration, employment services, unemployment insurance, Workforce Investment Act, Trade Adjustment Assistance, appeals, and employee benefits. The federal non-recurring funding was for the Southeast Consortium for Unemployment Benefits Integration. This will provide the federal spending authorization required for the agency to act as the lead procurement state for this joint project between North Carolina, South Carolina, and Georgia in upgrading the current system.

In FY 15-16, DEW received recurring state general fund appropriations of \$374,038 for the SC Occupational Information System. However, proviso 117.120 transferred that program and the associated funding and FTEs to the SC Department of Education.

Allocations to the local workforce investment boards are determined based upon a variety of weighted demographic and other factors per the US Department of Labor to ensure that programs are funded to meet the needs of the target populations. The allocation methodology is described below.

*Adult Funds*

South Carolina uses the standard allocation formula: 1/3 for the number of unemployed for Areas of Substantial Unemployed (ASUs), 1/3 for the number of excess unemployed individuals or the ASU excess (depending on which is higher), and 1/3 for the number of economically disadvantaged adults, age 22-72.

*Youth Funds*

South Carolina uses the standard allocation formula: 1/3 for the number of unemployed for Areas of Substantial Unemployed (ASUs), 1/3 for the number of excess unemployed individuals or the ASU excess (depending on which is higher), and 1/3 for the number of economically disadvantaged youth, age 16-21.

Dislocated Worker Funds

South Carolina has chosen to distribute 70% of available funds by formula to local areas. The state uses the following weights for the six federally mandated factors:

- 30% Average Insured Unemployment Data for the most current year.
- 25% Average Long-term Unemployment Data for the most current year.
- 25% Unemployment Concentrations (ASU Statistics) for the most current year.
- 10% Mass Layoff Statistics data for the most current year.
- 5% Declining Industries Data through the last 5 years.
- 5% Farmers/Rancher economic hardship data through the most current year.

The State Workforce Development Board may also approve statewide activities or Rapid Response grants based upon need and requests for additional funds. These grants may have a shorter period for expenditure. After the files are created for each funding stream, the calculation for the statewide portion is configured based upon the formula factors specified in the Act.

**INTERNAL ALLOCATION PROCESS**

For FY 15-16, allocations to the Local Workforce Investment Areas (LWIA) are as follows:

- Youth 90%
- Adult 95%
- Dislocated Workers 80%

Ten percent of each funding stream may be used for LWIA administration while 5 percent of each funding stream is kept at the state level for administration.

The following table shows the allotment of Workforce Investment Opportunity Act (WIOA) federal funds to the local areas for FY 15-16.

Local Areas	Allotment
Catawba	\$2,635,669
Greenville	2,073,458
Lowcountry	1,325,241
Lower Savannah	3,028,587
Midlands	3,608,940
Pee Dee	3,189,018
Santee Lynches	1,626,839
Trident	3,212,685
Upper Savannah	1,751,091
Upstate	2,243,804
Waccamaw	3,077,682
WorkLink	1,881,282
State	5,375,251
Total	\$35,029,547



## Budget Requests

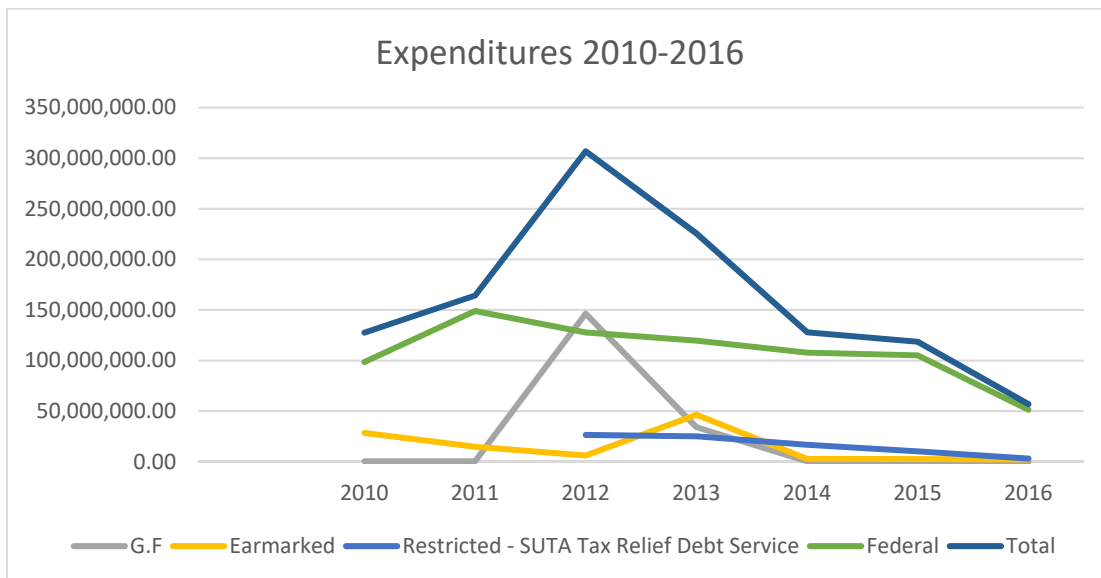
In its FY 16-17 budget request, the agency is asking for \$1.8 million for the Certified Work Ready Communities program (CWRC). This program certifies communities as work ready based upon four criteria: high school graduation, soft skills development, business support, and National Career Readiness Certificate holders. If approved, these funds would pay for a subcontractor (ACT) to administer the Workkeys test assessing the foundational and soft skills of the workforce and other associated assessment costs.

The agency has also requested to have the federal authorization reduced in several areas. Due to reductions in the federal allocations over the past three years, authorization reductions in Workforce Initiative Opportunity Act of -\$9 million and Trade Adjustment Assistance of -\$5.2 million have been requested. This change will result in the agency's budget more accurately reflecting the availability of federal funding for these programs.

In FY 12-13, DEW received \$50 million in Supplemental Budget Request funds from the U.S. Department of Labor for the Southeast Consortium for Unemployment Benefits Integration (SCUBI) project. These funds are to build and implement an integrated unemployment benefits system for South Carolina, Georgia and North Carolina to replace the legacy systems currently in use. South Carolina was selected to be the pass-through fiscal agent for this joint project. The agency received \$15 million in additional authorization in FY 14-15 and \$28.8 million in FY 15-16. For FY 16-17, additional authorization of \$23.2 million has been requested. Since the additional authorization is an estimate of the non-recurring funds that will be needed and only those funds actually required to pay for delivered products are expended, additional authorization must be requested each year.

## Expenditures

As shown in SCEIS, the agency's total expenditures have been declining since 2013. The large increase in expenditures in 2012 and 2013 is due primarily to the influx of state general funds to repay the loan from the federal government for unemployment insurance.



In FY 14-15, the agency had total expenditures from all sources of funds of \$118,540,903. Allocations and expenditures of federal funds were in the following categories:

<b>2015 (in millions)</b>		
	Allocations	Expenditures
Administration	\$14.3	\$7.7
Employment Services	28.6	8.9
Unemployment Insurance	51	28
Workforce Investment Act	52.7	39.2
Trade Adjustment Assistance	15.7	9.6
Appeals	2.6	0
Employee Benefits	16.4	11.6
<b>TOTAL</b>	<b>\$181.3</b>	<b>\$105</b>

Despite an allocation of \$2.6 million for appeals beginning in 2012, there does not appear to have been any expenditures from this line. It appears that all appeals expenditures are charged against the Unemployment Insurance administrative grant. The agency is uncertain of the reason why Appeals established as a separate budget category in 2010. Although the agency feels that the Appeals portion of the budget could be eliminated entirely, it was advised that this change would constitute a “reorganization” rather than a budget realignment. The agency states that it is their intent to address this issue in the budget planning session for FY 17-18.

**Agency Recommendation:** The Department of Employment and Workforce should take the necessary steps to bring the budget into conformity with expenditures by either requesting to have the budget revised to accurately reflect expenditures or ensuring that expenditures are posted against the appropriately budgeted programs.

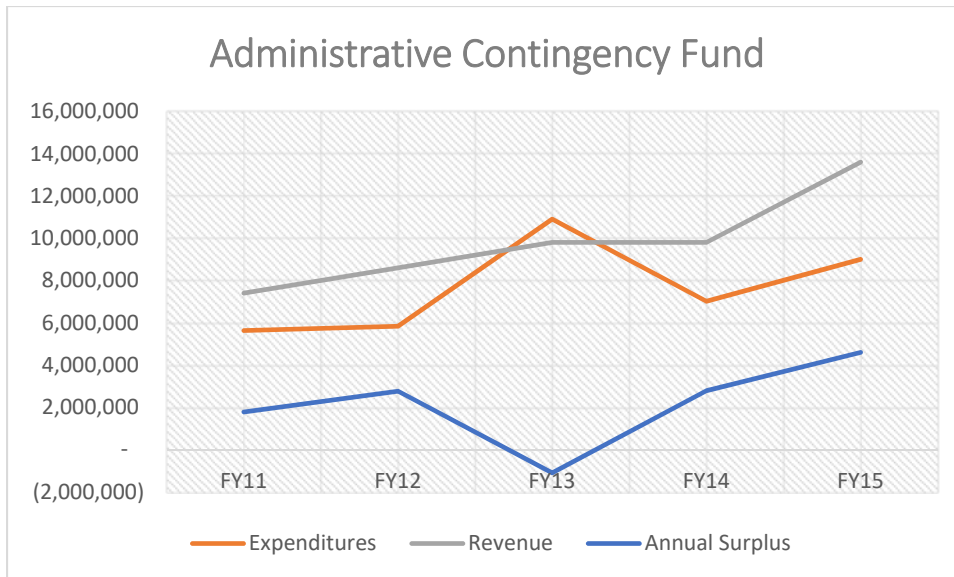
*Administrative Contingency Assessment*

As of 1986, SC Code Section 41-27-410 authorizes the Department of Employment and Workforce to assess six one-hundredths of one percent (.06%) upon the wages as defined in Section 41-27-380(2) with some designated exceptions. These funds can only be used for certain activities defined in state law. The enumerated uses for these funds listed in Section 41-33-710 are to:

- (1) assist with the reemployment of unemployed workers using the most efficient and effective means of service delivery;
- (2) undertake a program or activity that furthers the goal of the department as provided in Chapter 42 of Title 41;
- (3) supplement basic employment security services with special job search and claimant placement assistance designed to assist unemployment insurance claimants to obtain employment;
- (4) provide employment services, like recruitment, screening, and referral of qualified workers to agricultural areas where those services have in the past contributed to positive economic conditions for the agricultural industry; and
- (5) provide otherwise unobtainable information and analysis to the legislature and program managers about issues related to employment and unemployment.

A budget proviso further requires that 30% of the funds be used for activities related to unemployment insurance claimants.

Although the department indicates a balance of \$14.5 million existed at the end of 2015, it appears that the contingency fund had a balance of \$33.9 million in the state’s accounting system. The data provided by the department could not be independently confirmed since they state that SCEIS does not accurately reflect the status of the fund. Per the agency, the revenue generated from employers has increased from \$7.4 million in FY 10-11 to \$13.6 million in FY 14-15. This represents a growth of 84% in four years. This fee has generated an average of \$2.2 million per year above expenditures from the fund. It appears that the agency relies on several independent reporting systems to track this fund resulting in imprecise and unreliable accounting.



- Legislative Recommendation:** The Department of Employment and Workforce Review Committee should examine the continued need for the contingency assessment account.

#### *WIA Incentive Grants*

DEW received an incentive grant of \$1,079,016 under the Workforce Investment Act for exceeding performance goals in workforce and education programs in program year 2012. Agencies are to use the funds for programs that are innovative, comprehensive and coordinated, and targeted to improve system performance. DEW stated in its grant application that it would use the funds for career pathways and awareness and to develop and implement a uniform, statewide, classroom-based soft skills curriculum for high schoolers and adults. The state must spend the funds by June 30, 2016.

The career pathways and awareness is offered in seven counties: Allendale, Bamberg, Barnwell, Clarendon, Edgefield, Hampton, and Orangeburg. The SC Technical College System offers occupational training in advanced manufacturing (13 students in Orangeburg), healthcare (6 students in Orangeburg and 7 in Bamberg), and transportation (5 in Edgefield). The SC Department of Education has 17 students enrolled in a workplace simulation automotive program in Edgefield. As of December 1, 2015, the only expenditures reported by DEW for these programs are \$3,371 in administrative expenses for the SC Technical College System.

A soft skills curriculum that will be in the classroom and interactive online has not yet been developed. A soft skills task force has been created and vendors have made presentations. DEW states that the procurement process for the curriculum will begin in January 2016 and will be for two years.

In 2015, the U.S. Department of Labor conducted a review of DEW’s compliance with federal requirements for grants. The report noted that DEW was not submitting the required quarterly reports about the grant on a timely basis and that the grant expenditures were low. In its response to the report, DEW stated that staffing changes at DEW and the State Department of Education caused the grant to lose momentum and a lack of awareness of reporting requirements. DEW indicated that staff has been assigned to the project and all reports have now been submitted.

#### *D. Staffing*

At the end of FY 14-15, DEW had 1,034.27 authorized FTEs. However, with 278 positions vacant for over a year, the agency will have 255 of these FTEs deleted with 23 exempted under the provisions of proviso 104.2. For the past three years, the agency has averaged approximately 685 filled FTEs.

As of June 30, 2015, the Agency had a total of 789 employees:

- 6 Unclassified Employees
- 663 Full-Time Employees
- 85 Temporary Grant Employees
- 35 Temporary Employees

The department is heavily reliant on temporary staff with fifteen percent of the agency's workforce in temporary or temporary grant positions. DEW states that this provides flexibility to respond to changing conditions in funding and/or programmatic needs as economic conditions change.

### *E. Programs: Employment Services, Unemployment Insurance, Organizational Integrity, Business Intelligence*

The agency is divided into six divisions: organizational integrity division; workforce and economic development division; unemployment insurance division; division of information and business solutions; legal; and the administration, support and operations division. The scope of this review focused primarily on the services provided within the workforce and economic development division.

#### *Employment Services: Wagner-Peyser, Veterans Services, WIOA, SC Works Centers, Trade Adjustment Assistance/Rapid Response*

**Wagner-Peyser.** The federal Wagner-Peyser Act of 1933 established a nationwide system of public employment offices known as the Employment Service. The Act was amended in 1998 to make the Employment Service part of the "One-Stop" services delivery system. The One Stop delivery system provides access to a variety of labor exchange services. Under this system, workers, job seekers, and businesses can find services in one stop, and frequently, in one location.

Employment services focus on providing a variety of employment-related labor exchange services including job search assistance, job referral, and placement assistance for job seekers, re-employment services to unemployment insurance claimants, and recruitment services to employers with job openings. Services are delivered in one of three ways: self-service, facilitated self-help services, and staff-assisted service delivery approaches. Depending on the needs of the labor market, other services may be available, such as job seeker assessment of skill levels, abilities and aptitudes, career guidance when appropriate, job search workshops and referral to training.

The services offered to employers, in addition to referral of job seekers to available job openings, include assistance in development of job order requirements, matching job seeker experience with job requirements, skills and other attributes, assisting employers with special recruitment needs, arranging for job fairs, assisting employers analyze hard-to-fill job orders, assisting with job restructuring and helping employers deal with layoffs.

**Veterans Services.** Under the federal Jobs for Veterans Act of 2002, job seekers who are veterans receive priority referral to jobs and training as well as special employment services and assistance. Veteran representatives are available in centers throughout the state to help veterans transition into the workforce. Veterans receive priority service in all SC Works centers.

The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to employers for hiring individuals from certain target groups who have consistently faced significant barriers to employment. This is largely utilized for hiring disabled workers and veterans.

**Workforce Innovation and Opportunity Act.** The Workforce Innovation and Opportunity Act of 2014 (WIOA) amends the Workforce Investment Act of 1998 (WIA). WIOA establishes new performance and reporting requirements for Eligible Training Providers (ETPs). It also amends the Adult Education and Family Literacy Act, the Wagner-Peyser Act, and the Rehabilitation Act of 1973. Generally, the Act took effect on July 1, 2015, but certain portions of the legislation do not take effect until July 1, 2016.

WIA was originally created to assist businesses in meeting their needs for skilled workers and to provide individuals with access to training that helps them prepare for work. The Act also provided workforce services through three funding streams for youth, adults, and dislocated workers to increase employability and occupational skill attainment of program participants. Under WIA, DEW received federal funds directly from the U.S. Department of Labor annually to administer and oversee the program. Funds were distributed by formula to twelve workforce areas in the state.

WIOA amended WIA, with the purpose of assisting job seekers access employment, education, training, and support and matching employers with a skilled workforce. WIOA combines skill development, employment and training services for adults, dislocated workers, youth, and Wagner-Peyser employment services administered by the Department of Labor (DOL) through formula grants to states. Additionally, the Act brings together adult education and literacy programs and Vocational Rehabilitation state grant programs that assist individuals with disabilities in obtaining employment administered by the Department of Education (DoED). WIOA also authorizes programs for specific vulnerable populations, including the Job Corps, YouthBuild, Indian and Native Americans, and Migrant and Seasonal Farmworker programs as well as evaluation and multistate projects administered by DOL. In addition, WIOA authorizes other programs administered by DoED and the Department of Health and Human Services.

SC Works Centers. WIOA services are delivered through the state's SC Works system. SC Works Centers in most counties offer job seekers and businesses access to employment and training opportunities, as well as other services provided by SC Works system partner agencies that support employment and training. Eligible veterans and spouses are given priority for training and other services. Twelve local workforce investment boards administer the 48 SC Works centers.

DEW staff took oversight staff to visit SC Works centers in Greenville, Richland, Florence, Marion, and Edgefield counties. The centers varied in size and services available to jobseekers, but serve as a centralized location to pursue employment, skills training, and job counseling. Each center offers workshops throughout the month, such as resume writing and interview preparation, but there are no metrics kept for the success of these workshops. Partner agencies have representatives within the centers to assist jobseekers. Jobseekers can use the computers to conduct job searches and send out resumes. Some centers host businesses hiring in the area to hold job fairs and conduct interviews, but oversight staff noticed that there was not consistent communication among the centers regarding job fairs, training opportunities, or about businesses hiring new employees. The work center staff in each location were friendly, helpful, and available to assist visitors at the work center. The staff also expressed needs at the centers including additional computers or dedicated meeting space.

Trade Adjustment Assistance/Rapid Response. Trade Adjustment Assistance (TAA) provides reemployment services to workers adversely impacted by increased imports or by a shift in production of services to another country. The program provides training and weekly allowances to facilitate the reemployment of those dislocated workers directly impacted by imports or by a shift in production in their firm. This program was created under the Federal Trade Adjustment Assistance Act. DEW receives federal funds directly from the U.S. Department of Labor annually to administer and oversee the program. TAA participants are often co-enrolled in WIOA.

Rapid Response is an information-sharing service for employers and employees designed to facilitate access to the state's public workforce system and services in order to assist workers in finding new employment. The Rapid Response Team is a collaborative effort involving several workforce partners, such as DEW, Employment Service, Unemployment Insurance, WIOA, and the TAA. Rapid Response activities begin by having an initial meeting with the company management staff. Upon conclusion of this meeting, a schedule is agreed upon whereby the Rapid Response Team can share the same information with the affected workers on site before the first layoff is expected to occur.

### *Unemployment Insurance<sup>1</sup>*

While the scope of this review does not include an analysis of the Unemployment Insurance (UI) Trust Fund, an update for FY 14-15 is provided. Briefly, the UI Division is responsible for operating the statewide UI program, which involves employer tax liability determination, collection, and records maintenance, as well as processing and claims payment for

---

<sup>1</sup> By October 1<sup>st</sup> of each year, the agency is required to submit a report to the Governor, General Assembly, and the DEW Review Committee indicating the amount in the UI Trust Fund and make an assessment of its funding level in accordance with S.C. Code Ann. § 41-33-45. The information provided above is from introductory page of the report. The full report may be found online at [http://www.dew.sc.gov/documents/transparency/2015 Annual Assessment and Transparency Report.pdf](http://www.dew.sc.gov/documents/transparency/2015%20Annual%20Assessment%20and%20Transparency%20Report.pdf)

unemployment benefits. The UI Division is made up of Employer Tax Services, UI Local Operations and Benefits, and UI Assurance and Measures.

For each fiscal year, the South Carolina Department of Employment and Workforce is required to submit, by October 1st, a report to the Governor, General Assembly and the Review Committee indicating the amount in the Unemployment Insurance Trust Fund and making an assessment of its funding level in accordance with Section 41-33-45 of the South Carolina Code of Laws.

#### FY 14-15 Status

Unemployment benefit payments for FY 14-15 totaled \$193,065,875. Revenues generated to fund the unemployment insurance programs (including benefit payments, loan repayments and interest repayment) totaled \$428,886,783.

As of June 30, 2015, the Unemployment Compensation Trust Fund had a positive adjusted balance of \$280,378,541 with all federal loans being repaid prior to the end of the fiscal year.

#### Future Outlook

Based on current economic conditions, it is projected that approximately \$207.5 million in state UI benefits will be paid in FY 15-16. Per SC Code Ann. §41-27-380, the taxable wage base increased in January 2015 to \$14,000. It should be noted that this increase in the taxable wage base will not necessarily increase the amount of taxes collected, but rather spread the taxation across a greater amount of wages and period of time. The projection for benefit contributions to be raised in FY 15-16 is \$358.5 million -- to cover FY 15-16 benefit payments and the beginning of trust fund rebuilding, per SC Code of Laws Ann. §41-31-45(C) and SC Code of Regulations 47-501.

#### *Organizational Integrity & Business Intelligence Divisions*

DEW created the Organizational Integrity Division in 2014 with the purpose of improving its improper payment recovery and prosecution business. The division was focused on audit and detections, as well as investigations and collection recovery efforts. The agency partnered with a vendor, APPRISS, to cross match claimants in real time who are incarcerated in local and county jails while filing for benefits, and therefore unavailable to work. The program launched in 2014, and as of April 2015, more than \$219,000 in potential trust fund savings and nearly \$45,500 in actual trust fund savings had been realized by preventing improper payment to incarcerated individuals. The Assistant Executive Director in charge of the division resigned from DEW in 2016 and the division no longer exists.

The Business Intelligence Division was created in 2015. It merged three separate divisions into one unit. This division collects, analyzes, and disseminates statistics in cooperation with the U.S. Department of Labor's Bureau of Labor Statistics and the Employment and Training Administration. Some examples of data this division maintains include:

- Labor force statistics;
- Occupation and industry projections;
- Employment and wage data;
- Program performance metrics;
- Unemployment compensation statistics; and
- Demographic data.

The collected data is used to help monitor and forecast national, state, and local economic trends.

## ***II. Issues***

### ***A. Workforce Development***

DEW offers a variety of programs to assist jobseekers and employers; however, communication with the business community is an issue. Oversight staff spoke with human resources representatives from companies of various sizes via the South Carolina Chamber of Commerce's Human Resources Committee to better understand how DEW interacts with businesses. Their responses indicated a lack of communication between the agency and local employers regarding workforce development and programs and services offered for job training to employers. They stated that the only way to find out what services DEW offered with job placement required the employer to contact DEW, rather than DEW proactively marketing their services. They expressed frustration with DEW, especially as compared to private staffing agencies, who actively contact businesses to place potential employees in jobs.

It is worth noting that in the committee's previous meeting minutes, a representative from DEW attended to present information about new programs at DEW. Some of the members present also attended that meeting, but said that there was little to no outreach about the services discussed.

The agency co-hosted a workforce development symposium with the S.C. Chamber of Commerce and the State Workforce Development Board on February 17-18, 2016. The agenda featured a variety of topics from sector strategies, aging workforce concerns, and available education initiatives to provide a job-ready workforce in an effort to unite the business community with economic development and workforce professionals.

- **Agency Recommendation:** The Department of Employment and Workforce should actively market its services to businesses. The agency could also host seminars to train human resources personnel about how to utilize the services that DEW offers, much like the symposium that DEW co-hosted with the S.C. Chamber of Commerce and the State Workforce Development Board.

### ***B. Job Training***

The Department of Employment and Workforce does not provide job training but refers eligible participants to training programs. According to the Workforce Investment Act Annual Report for program year 2014 filed by DEW, the number of participants receiving training decreased 11% from FY 13-14 to FY 14-15 from 15,789 to 14,059. Only 4% of all of the participants at the workforce centers received training. Only 5 of the 12 workforce centers achieved 100% of their goal for youth attaining a degree or certificate.

Employment services are provided to claimants receiving unemployment insurance benefits as well as other job seekers through the local SC Works Centers located throughout the state. The services provided include:

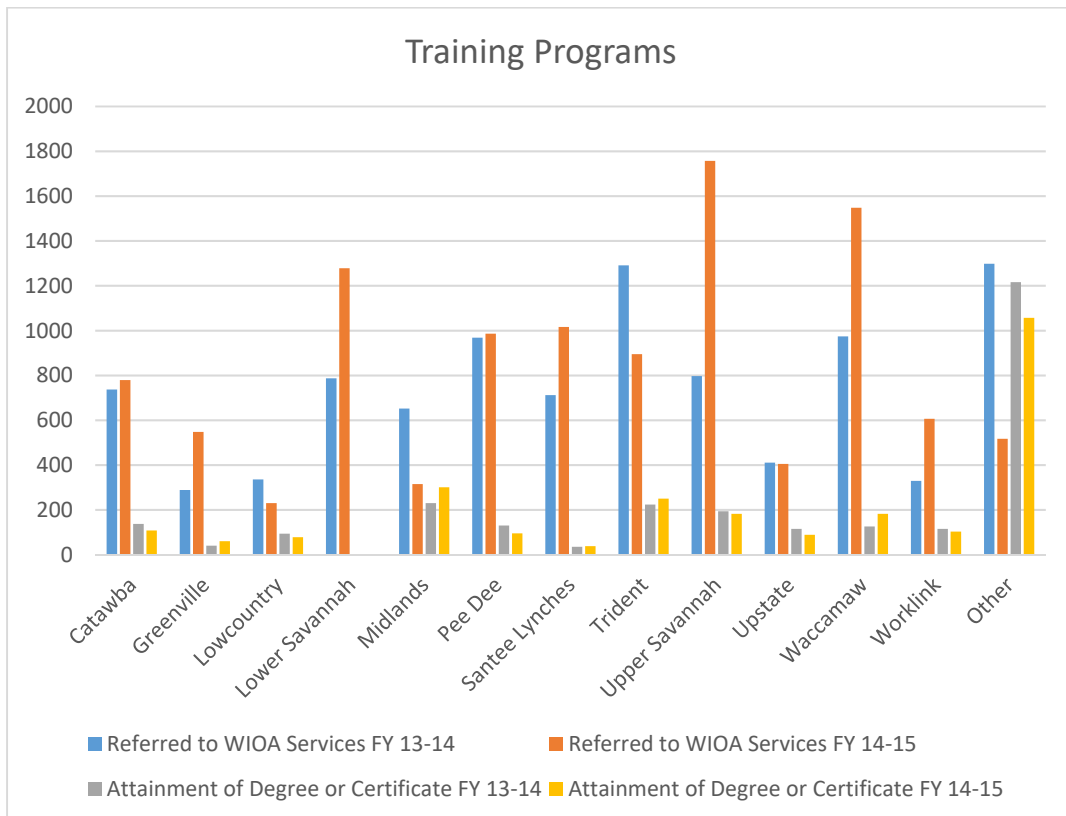
- Staff-Assisted Services such as workshops, job search assistance, and orientations;
- Career guidance such as career counseling, assessments, and labor market research; and
- Employment referrals such as referring participants to job postings for which they qualify.

From FY 13-14 to FY 14-15, the local centers have provided more staff-assisted services but fewer career guidance or employment referral services.

Services Provided						
	Staff-Assisted		Career Guidance		Employment Referrals	
	FY 13-14	FY 14-15	FY 13-14	FY 14-15	FY 13-14	FY 14-15
Catawba	11,354	13,237	3,354	3,004	6,792	6,572
Greenville	10,373	14,667	1,734	2,544	5,384	6,398
Lowcountry	5,873	7,379	992	1,072	2,321	3,113
Lower Savannah	16,767	23,975	2,524	1,604	6,283	7,374
Midlands	18,485	23,930	4,701	4,000	10,171	11,298
Pee Dee	21,388	23,828	3,080	3,737	7,563	7,450
Santee Lynches	13,298	13,407	1,449	2,067	7,073	5,027
Trident	15,026	15,205	4,508	3,154	6,263	3,579
Upper Savannah	12,481	11,675	1,645	1,197	6,986	4,901
Upstate	14,495	15,559	1,993	1,658	6,422	6,444
Waccamaw	11,430	13,995	2,573	2,565	3,473	4,070
Worklink	8,105	10,721	1,634	2,183	3,444	4,248
Other*	26,790	5,706	5,514	819	8,762	1,870
Total	185,865	193,284	35,701	29,604	80,937	72,344

\*According to DEW, services provided to participants may not be associated with a work center location but are included in the total of services provided.

In addition to providing a variety of services, the local centers can refer participants to training programs funded by the federal Workforce Innovation and Opportunity Act (WIOA). Training is funded by WIOA and taught through certified training providers. Referring participants to the programs does not mean that they qualified, participated, or received training. The number of participants who attain a degree or certificate is about 25% of those who are referred to the services. For FY 13-14 and FY 14-15, 20,461 participants in the state were referred to WIOA services while 5,202 attained a degree or certificate.





Some regions had very few participants who attained a degree or certificate. For example, Lower Savannah had only 3 participants attain degrees or certificates during those two fiscal years despite 2,065 referrals to WIOA services.

DEW currently does not track all of the training programs that participants can be referred to because it was not required by federal law. According to DEW, this data will become available after FY 16-17 because it is required by WIOA.

- **Agency Recommendation:** The Department of Employment and Workforce should evaluate all training programs used by Work Center participants to determine the number of participants completing each program and the number of participants obtaining employment in the fields they received training.

When looking at the counties with the highest unemployment rates for FY 14-15, about 65% of the participants received services assisted by the staff of the centers in those counties, about 23% were referred to jobs they qualified for, and only 4% were referred to WIOA service with only 7% of those attaining a degree or certificate.

	Unemp Rate	Participants	Staff Services	Career Guidance	Employ Referral	WIOA Services	Attain Degree
Allendale	12.4	1,074	658	46	179	139	0
Bamberg	11.9	996	346	50	145	17	0
Barnwell	9.6	2,504	1,711	115	355	147	0
Chester	9.4	3,607	2,478	563	1,247	106	13
Dillon	9.6	2,642	1,584	125	347	25	0
Laurens	9.3	3,649	2,311	215	1,065	212	23
Marion	10.7	4,718	3,027	1,010	1,138	223	11
Marlboro	10.7	5,140	3,931	354	1,257	67	29
Orangeburg	11.9	15,409	10,356	827	3,421	650	1
Williamsburg	9.6	3,361	1,792	281	706	33	41
Total		43,100	28,194	3,586	9,860	1619	118

We were unable to determine the challenges facing these work centers to provide needed training programs or services to address the unemployment issues in those counties.

### C. Information Technology/Accounting

The Department of Employment and Workforce uses several computer systems for various aspects of the agency's operations. These include federal reporting, unemployment tax accounting, payments for unemployment benefits, cost accounting for federal programs, and others. Currently, the department utilizes a mainframe system to house three separate operating systems. Two of these systems - SC Automated Tax System (SCATS) and Automated Benefits Payment System (ABPS) - will be replaced once the SCUBI system comes online. However, the Federal Accounting and Reporting System (FARS) will not be phased out with the adaption of the SCUBI system.

The department states that due to the federal cost accounting requirements, SCEIS does not meet the agency's needs. Also, because the two systems do not communicate, it is necessary to maintain accounting systems in both FARS and SCEIS, which significantly increases the costs and labor involved, as well as increases the potential for errors. The agency also says that the absence of an interface between the two systems means that reports that are run in SCEIS do not accurately portray the financial status of the department.

The solution proposed by the department is to purchase the Microsoft AX system. Like SCEIS, this is an Enterprise Resource Planning (ERP) System. The agency believes that this system could be purchased and implemented for approximately \$1 million. Their assertion is that this system would meet all of the agency's federal reporting and cost accounting requirements and seamlessly communicate with SCEIS. The Microsoft system was previously available through state procurement, but has been removed since the adoption of SCEIS as the South Carolina state-wide accounting system.

The SC Department of Administration indicates that a cost allocation module exists for SCEIS that could be adapted to meet the requirements of DEW. However, to ensure that SCEIS can be utilized to accomplish all of the needs of DEW, the Department of Administration must go through the process of documenting the needs of the agency to develop the appropriate specifications for the system. Thus far, they have been unable to perform this step in evaluating the suitability of SCEIS. Once this is done, a determination could be reached regarding the need to purchase an alternative product or use the state’s existing enterprise system. The Department of Administration’s position is that South Carolina elected to adopt SCEIS as the state’s single enterprise system. Therefore, when appropriate, it should be the platform used for all state agency accounting systems. South Carolina Code section 11-53-20 seems to clearly express the legislative intent that SCEIS be the accounting system for all state agencies not expressly exempted.

- **Agency Recommendation:** The Department of Employment and Workforce should work with the Department of Administration’s Division of Technology to document the requirements for the agency’s accounting system. The Division of Technology should then make a recommendation regarding the system that should be selected to replace the FARS system. The Comptroller General and the Department of Administration should then make a final determination regarding which system must be employed by the Department of Employment and Workforce. Once this decision has been reached, DEW should proceed with plans to transition to the recommended system to replace FARS.

*D. Agency Operations*

There are additional areas which were outside the scope of this report which should be reviewed by the Department of Employment and Workforce Review Committee.

*Regional Alignment and Consolidation of UI Hubs*

DEW has proposed organizing the 12 local workforce development areas into 4 planning regions: Upstate, Central, Pee Dee, and South Coast. The purpose is to align workforce and economic development activities and resources to provide coordinated and efficient services to job seekers and employers. Additionally, in June 2015, DEW consolidated 8 of its 14 unemployment insurance hubs into 6 hubs.

- **Legislative Recommendation:** The Department of Employment and Workforce Review Committee should examine whether this regional alignment and service consolidation fulfills the agency’s mission.

*Executive Turnover*

There has been a high level of executive turnover since 2013. This information was requested from the agency, but was not provided. According to information filed with Office of Human Resources, the following positions have been vacated since 2013. Oversight staff is aware that the former General Counsel resigned earlier this year, although this was not reflected in the OHR report, and the assistant executive director for organizational integrity resigned in April 2016.

Effective Date	Employee	Position Title	Job Class	Job Class Title
5/16/2013		AED - WORKFORCE & ECONOMIC DEVELOPMENT	UA03	DPTY/DIV DIRECTOR-EXEC COMP
7/23/2013		ASSISTANT EXECUTIVE DIRECTOR-APPELLATE	UA03	DPTY/DIV DIRECTOR-EXEC COMP
1/23/2015		UI DIRECTOR	UA03	DPTY/DIV DIRECTOR-EXEC COMP
11/4/2015		AED - WORKFORCE & ECONOMIC DEVELOPMENT	UA03	DPTY/DIV DIRECTOR-EXEC COMP

- **Legislative Recommendation:** The Department of Employment and Workforce Review Committee should examine what has led to the high level of executive turnover and determine whether this should be addressed with the agency.

### *Real Property*

DEW owns land and buildings in 30 counties in the state. Thirteen of those properties are identified as surplus which DEW reports are up for sale. It is unclear how DEW determines which properties to sell and how the proceeds are used.

- **Legislative Recommendation:** The Department of Employment and Workforce Review Committee should examine the agency's real property holdings to determine its use and disposition of funds.

### *Local Workforce Investment Boards*

Concerns have been expressed about the relationship between the local workforce boards and DEW. The Workforce Innovation and Opportunity Act requires the designation of local workforce development areas. In South Carolina, there are twelve areas with SC Works Centers in every county except Jasper. Three counties, Greenwood, Pickens, and Spartanburg, have two centers. In Spartanburg County, unemployment benefits and employment services are located in different offices. A review by the U.S. Department of Labor of the Upstate Workforce Board and DEW's operations in that area noted that DEW and the Upstate Board should work together to reach an agreement about the location and resource sharing for services and offered its technical assistance to facilitate that process.

- **Legislative Recommendation:** The Department of Employment and Workforce Review Committee should examine the relationship between DEW and the local workforce boards.

### *Collaboration among Workforce Development Entities*

Collaboration and coordination among workforce and economic development entities may be needed to prevent duplication and clarify roles. Multiple state and local entities have responsibility for parts of workforce development. The Department of Commerce has twelve regional workforce advisors who serve as a connection between the business and education communities. Local workforce boards have expressed a need to strengthen collaboration among workforce and economic development entities.

- **Legislative Recommendation:** The Department of Employment and Workforce Review Committee should identify entities with workforce and economic development responsibilities and methods to achieve greater collaboration and coordination.