Mr. ANGRISANI. Considering that we will probably have in 1982 about 20 percent of the actual amount of discretionary money that we had in 1981, the answer to that is, yes; and that we are going to reallocate resources within our Department to do that job. I do assure you, the freeze on travel and expenses will be lifted once we pass this initial crunch and get into our 1982 funding process, for which I still do not have a budget, which is part of my problem.

Senator KENNEDY. Of course you have ongoing and continuing contractual responsibilities, that will be ongoing and continuing and are ongoing and continuing now, which involve hundreds of millions of dollars.

It seems to me that what we really have to do is develop the kind of procedures both in-house and also in the field to assure adequate protection of the taxpayers' resources. That is the point. When we are seeing the cutback in personnel and the freeze on the ability to travel and do monitoring, I just wonder if that is the most effective and efficient way to carry forward the kind of oversight which I think all of us want.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Kennedy.

You did indicate that the freeze, you are convinced, will come off once you get your funds?

Mr. ANGRISANI. Yes, sir. The freeze is primarily in place because of the uncertainty of 1982 budget levels. We are trying to protect all of our options. As soon as we get a budget, we will lift that freeze.

The CHAIRMAN. Will you have enough funds at that time?

Mr. ANGRISANI. Yes, sir, considering we have 20 percent of the amount of current discretionary contracts.

The CHAIRMAN. I take it that during this first period of time you are trying to get the management systems into effect, so that at least they award the contracts properly and build the file properly.

Mr. ANGRISANI. That is exactly right. We have 3,200 people in the Employment and Training Administration. With the alterations that Congress approved on PSE and the other programs, there is the ability to free up resources to do other things. One is the creation of this financial controls unit, which is going to be staffed largely by reallocations of resources within the Agency.

The CHAIRMAN. I agree with Senator Kennedy—you have to have some travel to audit these funds. As I understand it, they froze the funds in the last administration, except for Mr. Green and Mr. Godwin. Is that correct?

Mr. ANGRISANI. I do not know that.

The CHAIRMAN. That is what I understand, and maybe I am wrong on that.

You are convinced then that in the new budget you have enough money allocated for travel to resolve Senator Kennedy's problem?

Mr. ANGRISANI. I believe so.

Senator KENNEDY. It is not Senator Kennedy's problem.

The CHAIRMAN. Well, of course Senator Kennedy raised the issue, and I think properly so. I think it is well raised, and I agree with him. But the key is to make sure that you have the tools to be able to do the appropriate job. I suppose it would help you if you had, say, $500,000 more to do some of the travel.

Mr. ANGRISANI. You know, Senator, I have found that giving up money and giving up power is a very difficult thing to do in Washington. Sometimes more money presents a problem. I think our budget levels, as they were approved by the Congress, are sufficient to do the job I outlined to you. To the extent that the Congress asks me to make other changes, I will do so. But I promise you, one of the things I will not sacrifice is my own financial integrity and the integrity of the Department. We will assign appropriate resources to that, and if I do not think they are there I will come back to you.

The CHAIRMAN. You will come back and ask for the additional money?

Mr. ANGRISANI. I promise.

The CHAIRMAN. And I know that Senator Kennedy and I will work to get you those funds, if that is what you need.

Senator Quayle?

Senator QUAYLE. Thank you, Mr. Chairman.

On page 9—just to pursue the point that the chairman and Senator Kennedy made—it says, "We have established new standards that will serve to increase the frequency and quality of the on-site monitoring that is conducted on our contractors and grantees. We plan to monitor each contractor and grantee on-site at least once a year." Under the present budget you can do that?

Mr. ANGRISANI. Yes, we can, because we will have 20 percent of the current amount of funds.

Senator QUAYLE. I appreciate your statements on pages 3 and 4 outlining the management changes, because I believe that is certainly the direction that we are going to go in, and I am glad you have taken the lead on that.

I believe the heart of the matter on this question of oversight is shown on pages 12 and 13 where you say, "On January 31, 1981, ETA held 600 backlogged audit reports." On those 600, what dates are we talking about? Are we talking about 5 or 6 years ago?

Mr. ANGRISANI. Yes, they go back as far as 5 years.

Senator QUAYLE. Back to the inception of CETA?

Mr. ANGRISANI. Just about.

Senator QUAYLE. Which was when?

Mr. ANGRISANI. 1973.

Senator QUAYLE. Over that time, how much money was spent on CETA?

Mr. ANGRISANI. About $53 billion.

Senator QUAYLE. $53 billion?

Mr. ANGRISANI. In 7 years. That is PSE and the whole spectrum.

Senator QUAYLE. And that 600 I presume includes PSE?

Mr. ANGRISANI. For the most part, no.

Senator QUAYLE. It did not?

Mr. ANGRISANI. I do not believe so.

Senator QUAYLE. If you take PSE out, how much are we talking about in total audits?

Mr. ANGRISANI. Maybe $30 billion, just using round numbers.

Senator QUAYLE. $30 billion. So you are talking about $23 billion—right—of the 600?

Mr. ANGRISANI. Yes.

Senator QUAYLE. Of the $23 billion that was audited, it says on page 13 that as of September 30, 1981, a total of $200 million had been questioned by the Inspector General auditors in the backlogged audit reports. "The audit resolution established that the U.S. Treasury was owed about $75 million of the $200 million in questioned costs."

Mr. ANGRISANI. That is about correct—yes.

Senator QUAYLE. Was that $75 million of $23 billion?

Mr. ANGRISANI. Yes.

Senator QUAYLE. What percentage is that?

Mr. ANGRISANI. It is small.

Senator QUAYLE. It is very small.

Mr. ANGRISANI. Yes.

Senator QUAYLE. It is about one-half of 1 percent.

Mr. ANGRISANI. Yes.

Senator QUAYLE. How does this compare with other non-CETA programs?

Mr. ANGRISANI. I see where you are coming from.

Senator QUAYLE. I am trying to find out if this is a particular problem with CETA, or on a comparison basis perhaps CETA has been better run than it is given credit for.

Mr. ANGRISANI. Once again, there is one more element of the equation that has been left out, and that is the number of audits that we have done to get to those determined costs.

For example, in title IV, the youth programs—based on my last conversation with the Inspector General—no audits had been done of any funds in that account. So the volume of audits coming out of the Inspector General's Office and coming out of whatever areas of Government they may come from has been, in my opinion, too low.

So really we cannot get to the question you are driving at, Senator, until we first determine what is the appropriate level of audit activity in these accounts and the appropriate levels of funds to be moved over there.

When we get into CETA reauthorization, as I testified before your subcommittee, there is no doubt in my mind that we have to look at that relative to the debt collection process. I think the volume and frequency of our auditing is too small, and I think the debt collection process is too slow.

So I really cannot answer your question, except to say—and I think this is a fact—that there should be no reason in the world why we should have 600 unresolved audits. Our audit status should be current at any one time, like it is now. But as soon as the Inspector General mounts his effort into title VI and PSE on the closeout side, I expect to see that backlog go up. So I am going to have to allocate sufficient resources to keep that current.

So it is a Harvard Business School management problem when you really look at it. We have to get at the frequency and the volume of our audits before I can answer that.

Senator QUAYLE. I am just looking at the facts that are available here. If you go back and review the 600 audits over a period of 7 or 8 years, you come up with $23 billion and you find $75 million that is owed. We are not going to say that is OK. I am trying to put this on a comparison basis and see if this is really of significant difference from other programs run by the Federal Government.

I would make the case that perhaps there is a great deal of inefficiency in other Government programs as well, not just CETA. We seem to have singled out CETA in the training and employment area, which I think we have got to get into. There is no excuse for the testimony that we have had today from GAO and others. No one is trying to excuse that, but what I am trying to do is put it in its proper perspective.

If you put it in its proper perspective, you find $75 million out of $23 billion. It is very, very small, is it not?

Mr. ANGRISANI. Except that those are incomplete. We do not know how many audits should have been done. I think it is inexcusable that title VI has not had a single audit done on it.

Senator QUAYLE. Are there other backlogged cases in the audit division?

Mr. ANGRISANI. We are current in terms of the backlog right now, but the point of the matter is this: Depending on the amount of resources that the Inspector General puts into the auditing of all the accounts—and I believe there is legislation or there is something somewhere that says they should be audited every 2 years. If that was actually done, goodness knows how many unresolved audits we would have right now.

The point of the matter is that we were not auditing with the frequency that we were mandated to. The thing I can control, which is keeping the audits that were presented to us current—we have controlled. But now we have to address the other side of the equation or the other element in the equation, and that is the frequency of the audits. If they are to be done every 2 years, or in some cases every 1 year, like discretionary contracts should be, who knows what that number of unresolved audits could rise to.

It is a very difficult question to answer, and I do not think that we should try to answer it based on what is known here.

Senator QUAYLE. You probably would not have the information, but I wonder if there is a way, Mr. Chairman, that we could get a comparison with a non-CETA program, particularly in the Department of Labor, to see what kind of balance we are talking about. We might find that, on a comparison basis, the figures we had before show that it is probably better run than some of the other programs.

The CHAIRMAN. I think we should do that as part of our oversight responsibility, and I think we should check as many things in Labor as we can.

Mr. ANGRISANI. Mr. Chairman, if I could just share one comment that Mr. McBride made to me that might help—the way the Department was currently structured prior to his going there, they were spending—despite not performing the frequency level of audits that I think should have been done—about 70 percent of the resources in the Inspector General's office on CETA. So they were trying, but it is just that this is a very meticulous and time-consuming process.

When you put Federal dollars out there in the way that we do—and this is something to think about in the reauthorization process—where you have the Federal Government here, and then between us and the direct user of our services, think of the layers of government that we have to audit. We have the primes, we have

the contractors that the primes subcontract their business to, and we have the subcontractors that the contractors subcontract their business to. So we have almost three levels of administration and bureaucracy between us and the direct users. Those levels are absorbing a certain percentage of every dollar that the Federal Government intended to get to the direct user.

So when you think about that, and you think that we had some 50,000 subcontractees and grantees in the CETA process, you begin to see how big this is.

Senator, if I could, I would say to you that in the reauthorization process that you are very much in control of right now, that is a critical thing to look at. Can we afford to have all those layers of administration and bureaucracy between us and the direct user and the corresponding management problems that it develops?

I think, from where I am sitting right now, that that is a very, very difficult management job to give me and this administration and that we should use the lessons of the last 7 years to deal with that problem.

Senator QUAYLE. And you believe that in that reauthorization we can come up with some substantive changes in the delivery system.

I appreciate your comments and also your input publicly. It is a difficult area—how we are going to come up with the best system possible—but we are going to try.

Let me just follow up on that. Do you believe that in the area of auditing and contract procedures for employment training that we should have some legislative remedies, or do you believe that this can all be handled by better management and administration?

Mr. ANGRISANI. Senator, I have a great deal of confidence in my own management abilities; but I have learned in a few short months in Washington that it has got to be written for it to mean something. I would very strongly recommend to you again, as I did at your subcommittee hearing, that auditing procedures and collection procedures be addressed in the legislative process and that we get some sign-off from the Congress and the administration that these are manageable procedures. The current process that is there right now is not.

Senator QUAYLE. I think that is a very good comment. This is just diametrically opposed to what we heard before from GAO. They basically said it is just the administration. I asked the question two or three times, and they said there were no changes in legislation that were necessary. They felt it could all be corrected by better management.

Here is the person who is in charge of it, Mr. Chairman, saying to us specifically that we have got to change the contract procedures in employment and training and the auditing process as it goes on.

The CHAIRMAN. Maybe we can chalk that up to the fact that they are not policy people but you are. I agree with Senator Quayle. It is interesting that they think there need to be no changes and you feel that there must be in order to fulfill your responsibilities.

Mr. ANGRISANI. I think it is a political element. If the Federal Government were a private corporation—the GAO would be right—you could set up an audit control organization that would function at the discretion of the chairman of the company and

which could administratively accomplish what you wanted to see accomplished. A private sector organization works that way.

Given the fact that we are not a private corporation and we are the Federal Government, and given the politics that are involved and all the things that I do not need to talk about here that you all know, it is very important that, to manage it properly from my perspective, it be in writing and that the Congress sign off on it, so that I can come to you and say, "We need help in carrying out the intent of the legislation."

So GAO is looking at it—and I understand their perspective; from a puristic standpoint, they are right; but with the political elements in here it has to be in writing and it has to be clean.

As I indicated to you in our subcommittee testimony, there is an 11-step appeal process that anyone who is challenged by an audit can go through. That process can extend over a period of 5 years before I can say we might even, in fact, have a chance of getting the money back. Then when you get in a position where you might be able to get the money back, there is no guarantee that the contractor is going to be there.

I have to have something to work with here to guarantee performance.

Senator QUAYLE. Thank you very much, Mr. Angrisani. I certainly appreciate your comments.

Quite frankly, Mr. Chairman, I side with the person who is responsible for administering this. We are going to have to make some changes in the legislation.

The CHAIRMAN. You are in charge of it.

Senator QUAYLE. He is well known for his managerial expertise and ability, and here he is admitting it. Once again, he talked about it in the subcommittee hearings. That is why I wanted to bring that out—that there is a request from people who are over there for us to do something.

I look forward to working with Mr. Angrisani and members of the committee to put together a good package. Thank you.

The CHAIRMAN. Thank you, Senator Quayle.

Let me just clarify a couple of points. One is that one of the first things, as I understand it—and correct me if I am wrong—you did when you got there was to stop the cost overrun—in other words, the $42 million. Is that right?

Mr. ANGRISANI. That is correct.

The CHAIRMAN. In that sense, you have saved that $42 million.

I was interested in your discussion with Senator Kennedy when you indicated that you feel that the bulk, although not all, of these programs should have continued funding. These are programs already in existence that have been funded and are continuing to be funded. Is that correct?

Mr. ANGRISANI. Yes, but I caution against taking that as a broad statement. I said that, to the extent that we are a new administration, it would be improper to make any judgment except to bring the books into balance, with that 1981 funding level. To that extent you could say that the others deserved funding.

The CHAIRMAN. That is my point. And you are presuming that the bulk of those are valid programs. Is that correct?

Mr. ANGRISANI. Yes.

The CHAIRMAN. Do you know whether they are or not?

Mr. ANGRISANI. We have no performance data that have been done by us under our new procedures.

The CHAIRMAN. Are you going to do anything about it?

Mr. ANGRISANI. Yes. That is exactly what I said in our contracting process here. We intend to be sure that, before a contract is expended in the future, performance will be analyzed against the original contract proposals. At that point you can say whether a program does deserve funding. That includes a review of any current outstanding audit items.

The CHAIRMAN. How many total projects or contracts do you have out?

Mr. ANGRISANI. I do not know. We have several hundred now. In 1982 we will probably have significantly fewer. It will be manageable.

The CHAIRMAN. In the GAO sample universe of 479, they said 73 percent had no cost evaluation whatsoever.

Mr. ANGRISANI. That is probably correct.

The CHAIRMAN. And 68 percent were unnegotiated.

Mr. ANGRISANI. That is probably true.

The CHAIRMAN. On 68 percent the costs were unnegotiated; on 34 percent there was no evidence of monitoring whatsoever; on 47 percent more there was little or no monitoring; and only 19 percent had regular monitoring.

In essence, is it fair to say that you really do not know at this point but you are starting that process of trying to find out?

Mr. ANGRISANI. From the standpoint of performance, that is correct. From the standpoint of fulfilling the obligation that we have to spend the money in that account, we feel that we have done the best job we could to do that.

The CHAIRMAN. I understand. You have presumed that most of those programs are valid, but you do not know whether they are or not, and you have to check that out.

Mr. ANGRISANI. We do not have sufficient performance data to make that an absolute statement; that is correct.

The CHAIRMAN. So there may be many that are not valid or at least are not as valid as you are presuming them to be at this time. Is that correct?

Mr. ANGRISANI. That is possible.

The CHAIRMAN. Thank you, Mr. Angrisani. We appreciate your coming and testifying. We appreciate the reforms that you are instituting down there, and we wish you luck. We hope that they stay instituted, and we hope that we do not have to have any more hearings like these.

Mr. ANGRISANI. Thank you, Mr. Chairman. It is a pleasure being here again.

The CHAIRMAN. Our next group of witnesses will be a panel of Labor Department officials: William Kacvinsky, Steve Puterbaugh, Margie Maith, Fernando Alegria, Frank Slobig, James Aaron, and Renee Crucil.

If you folks would come up and take your places, we would appreciate it.

Would you all raise your right hands? Do you all swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. KACVINSKY. I do.

Mr. PUTERBAUGH. I do.

Ms. MAITH. I do.

Mr. ALEGRIA. I do.

Mr. SLOBIG. I do.

Mr. AARON. I do.

Ms. CRUCIL. I do.

The CHAIRMAN. Do any of you have any statements to make, or would you just like us to ask questions?

Mr. KACVINSKY. No, sir.

The CHAIRMAN. We also had Ms. Deborah Barnett, a Federal representative of the Office of Youth Programs, who was to be here. She is not here, but maybe we can see where she is.

Mr. Kacvinsky is the Acting Administrator of the Office of National Programs; Steve Puterbaugh is the Director of the Program Management Staff in the Office of National Programs; Ms. Maith is the program representative of the Office of National Programs; Mr. Alegria is the Office Director of the Office of Special National Programs and Activities; Mr. Slobig is in the Office of Youth Programs; Mr. Aaron is the Federal representative of the Office of National Programs; Deborah Barnett would be a Federal representative, Office of Youth Programs. She is, as I understand it, an unofficial representative on loan from IBM; and Ms. Crucil the Federal representative for the older workers program.

Am I correct in all that?

Mr. KACVINSKY. Yes, sir.

The CHAIRMAN. OK.

Mr. Kacvinsky, for the record please relate to the committee a short résumé of your Government employment and your previous employment in the private sector.

STATEMENT OF WILLIAM KACVINSKY, ACTING ADMINISTRATOR, OFFICE OF NATIONAL PROGRAMS, DEPARTMENT OF LABOR, ACCOMPANIED BY STEVE PUTERBAUGH, DEPUTY TO ADMINISTRATOR, OFFICE OF NATIONAL PROGRAMS; MARGIE MAITH, FEDERAL REPRESENTATIVE, OFFICE OF NATIONAL PROGRAMS; FERNANDO ALEGRIA, OFFICE DIRECTOR, OFFICE OF NATIONAL PROGRAMS; FRANK SLOBIG, OFFICE OF YOUTH PROGRAMS; JAMES AARON, FEDERAL REPRESENTATIVE, OFFICE OF NATIONAL PROGRAMS; AND RENEE CRUCIL, FEDERAL REPRESENTATIVE, OLDER WORKERS PROGRAM

Mr. KACVINSKY. Mr. Chairman, prior to coming to the Government I was with the Aluminum Co. of America for 19 years in their training division. I also was an apprentice who learned his trade as a journeyman die sinker prior to going to the training division within ALCOA.

In 1962 during the Kennedy administration, I came on board with the Department of Labor under the Manpower Development and Training Act, where we set up programs which Congress had put into place for MDTA.

I was then with the Bureau of Apprenticeship and Training which had authorization for what we then called title 1 of the MDTA Act.

Then I went with the Office of National Programs when the ONP was taken away from the Bureau of Apprenticeship and Training and was made a separate unit within the Manpower Administration. With the advent of CETA, we were still a separate unit of ONP under the Employment and Training Administration.

I have been a deputy administrator of ONP since 1972.

The CHAIRMAN. Generally speaking then, you have been involved in the history of the training of minorities and economically disadvantaged people for the entire history of the program. Is that correct?

Mr. KACVINSKY. Yes, sir.

The CHAIRMAN. Would you say the program has been a failure?

Mr. KACVINSKY. No, sir.

The CHAIRMAN. If not a failure, what then would you have to say about it?

Mr. KACVINSKY. I have to go back, Mr. Chairman, to why the Office of National Programs was established under the Manpower Development and Training Act and then continued on into CETA.

Under MDTA, there was a feeling that national organizations, such as manufacturing associations and international unions, could better help in training and placing of minorities, women, and veterans into the various skilled occupations. They felt that it was better done on a national basis.

With the inception of CETA, Congress had put into the act that those programs of demonstrated effectiveness should be continued. We continued those programs on a national basis in CETA. These were people-oriented programs. These were programs where we gave direct services to individuals, helping them to get employment.

Coming from the private sector, I feel that the best way to get a job is to go on a job; where you receive wages immediately, where you get training; where you are trained by supervisors, journeymen, and skilled technicians in the area; where also industry has a commitment to this by providing wages.

This was the whole intent of the Office of National Programs from the inception of MDTA and continued on into the Employment and Training Administration.

These programs have, in my judgment, been successful. They have been cost effective, and they have done the job in placing minorities, women, and veterans into these programs.

The CHAIRMAN. Have there been any failures in these programs?

Mr. KACVINSKY. Oh, sure. You have failures—various specific failures in different types of training programs. You may have an industry where, because of an economic situation, the hiring or the training is not available, and you have got to curtail them. In others, they have been a failure because they just could not cope or do the job.

The CHAIRMAN. Have these failures been throughout the lifetime of the program, or has there been a more intense time where there have been more failures in the operation of CETA?

Mr. KACVINSKY. No, sir, there have been more good programs than bad. Those that were not good we had done away with.

The CHAIRMAN. OK.

As I understand it, you have indicated to some of our investigators that there were some changes that came back in 1977 and from that point on. Could you describe those?

Mr. KACVINSKY. Yes, sir, in the Office of National Programs, where we were directly responsible for dealing with national organizations and national associations in providing direct services—on-the-job training—to individuals, there came a change where we now started to deal with individual organizations rather than national organizations. We started to go into some, what we call, think tank-type programs where, rather than dealing with direct individuals or direct supportive services, we were now going into demonstration type of objectives.

Within ETA there is an office, which is called the Office of Policy Evaluation and Research, that does, on a regular basis, do demonstration types of programs. That is where those programs were done in the past. Within the last 2 or 3 years, they started to infiltrate into the Office of National Programs also to do the demonstration programs.

The CHAIRMAN. You have indicated there was an infiltration starting within the last 2 or 3 years of a kind of middlemen, consultants, or think tank-type people. What effect did that have on these programs?

Mr. KACVINSKY. It took the resources that we had set aside for such successful programs as national on-the-job training programs, our apprenticeship Outreach program which we later changed to the targeted Outreach program. It took the resources, not only in funds but also in personnel, away from these programs.

The CHAIRMAN. And put them where?

Mr. KACVINSKY. And put them into the other programs that were coming about—the demonstration type of programs.

The CHAIRMAN. You are talking about these middlemen-type programs and think tank-type programs—these planning-type programs?

Mr. KACVINSKY. Yes, sir.

The CHAIRMAN. I take it that you have had extensive work in both the private and public sector. Maybe you could tell us who introduced you into this world of work.

Mr. KACVINSKY. Could you repeat that, sir?

The CHAIRMAN. Who got you to start working early in your life? Tell us a little bit about your work history.

Mr. KACVINSKY. My father got me to start working immediately.

The CHAIRMAN. How was that?

Mr. KACVINSKY. When I left school, he asked me what I intended to do. When I came out of the military and he asked me what I intended to do, I told him that I intended to go and finish my education, and he said, "And then what are you going to do?" and I said, "I am going to get a job."

Well, my dad being an immigrant, he felt that no one was successful unless they worked with their hands. He thought that I ought to follow not only the higher education but I should also learn a skill in working with my hands.

Over the years, I have felt that the advice that my dad gave me was good. However, there were a lot of individuals who could not get this kind of advice. It is just one of the things that we have in our modern-day education. If you do not have a college degree or a master's degree, you are a failure. People do not look upon individuals who work with their hands—skilled technicians—as being successful in life.

I feel that these training programs that we instituted under MDPA and continued on into CETA were a way of getting individuals trained. Later, when we were going into where there was discrimination within the various trades, giving minorities the opportunities in to learn these trades, I felt that this was an area where we could do a lot of good, and we did.

The CHAIRMAN. If I understand you correctly, because of your private sector experience and public sector, you feel that these funds would better serve these young people getting them into jobs in the private sector where they can learn the skills necessary and achieve the self-esteem that comes from working, that will keep them working and producing in our society.

Mr. KACVINSKY. Yes, sir.

The CHAIRMAN. And you inherited these traits, I take it, from your father. My father believed the same thing your father did. He thought that to be worth something you really had to be able to perform a trade and use your hands, so I learned a trade too, and I understand what you are saying.

The committee has been advised by our professional staff that millions of dollars were expended—and I think GAO indicated this also—on somewhat questionable projects. Do you agree with that?

Mr. KACVINSKY. Mr. Chairman, I would almost have to go into detail project by project by project.

The CHAIRMAN. Do you believe there has been expending of millions of dollars on some questionable projects?

Mr. KACVINSKY. Yes. I would say that there were some questionable projects.

The CHAIRMAN. Our staff reviewed hundreds of procurement action request—what you call PAR's—that were requested in the final months of the last administration. Obviously, millions of dollars were approved to be spent, not only on questionable but what would appear to be curious descriptions. Perhaps I could show you what has been marked as "Item F." You can look this over with me.

[The information referred to follows:]

'F'

DATE DOCUMENT PREPARED (Month, Day, Year)	U.S. DEPARTMENT OF LABOR Employment and Training Administration	2. OFFICE SYMBOL, DOCUMENT NO., AND FISCAL YEAR INITIATED
10-17-80	PROCUREMENT ACTION REQUEST	TYCR FY 1981

TO:	4. FROM:
Office of National Programs Procurement Action Request Control Unit	Office of Youth Programs Division of Program Review and Analysis

5. REQUIREMENT (Identify the procurement action by specific program and project title.) SOLE SOURCE JUSTIFICATION MUST BE APPROVED AND ATTACHED. (See DLMS 2, Section 830)

a. TYPE OF ACTION	b. NAME OF PROGRAM OFFICIAL TO BE CONTACTED AND TELEPHONE NUMBER
☒ New Procurement ☐ Modification to Contract/Grant No. _____	Bob DeBernardis

c. NAME OF CONTRACTOR/GRANTEE	d. NUMBER OF ENROLLMENT OPPORTUNITIES	e. INDICATE ACTION OFFICE	
		National Office	REGION
National Alliance of Business Washington, D.C.	3100	X	

f. DESCRIPTION OF PROJECT

The objective of this contract is to conduct administrative activities as part of a multi-jurisdiction test of alternative approaches for operating vocational exploration programs. More specifically, the Vocational Exploration Demonstration Project II is built upon experience from the first year of operations and is structured to facilitate assessment of implementing various program approaches incorporating benchmarking, standard core curriculum, and targeting by demographics and needs and competencies.

6. ENTER DOLLAR AMOUNTS →	Total dollar estimate deemed necessary $ 9,200,000
7. TYPE NAME AND SIGNATURE (Initiating Program Official) Janice Mapp	8. TYPE NAME AND SIGNATURE (Program Administrator) Timothy Barnicle Timothy Barnicle
9. PROGRAM ACTIVITY (Specify) Vocational Exploration Demonstration Project II	10. FUNDING SOURCE (Program requirement by Act, Title, Section) CETA Title IV, Part A, Subpart 3 YETP

11. IS PROGRAM/PROJECT INCLUDED IN ASSISTANT SECRETARY FOR EMPLOYMENT & TRAINING APPROVED PROJECT PLAN?
☑ YES ☐ NO IF "YES", ENTER PROJECT AMOUNT. $ 9,200,000

PROCUREMENT ACTION REQUEST CONTROL UNIT USE ONLY →	FISCAL YEAR OF FUNDS	DOLLARS CURRENTLY AVAILABLE IN PROGRAM ACCOUNT
	2074-H-(YETP)- 7	$

FINAL PROGRAM APPROVAL AND COMMITMENT OF FUNDS

12. ON BEHALF OF ASSISTANT SECRETARY FOR EMPLOYMENT & TRAINING (Administrator, ONP's signature)	DATE (Mo., Day, Yr.)
for Charles Brandon	10/21/80

(Formerly YA 3-81)

ETA 3-81
Rev. Aug. 1977

The CHAIRMAN. This description says, "The objective of this contract is to conduct administrative activities as part of a multi-jurisdiction test of alternative approaches for operating vocational exploration programs. More specifically, the vocational exploration demonstration project 2 is built upon experience in the first year of operations and is structured to facilitate assessment of implementing various program approaches incorporating benchmarking, standard core curriculum, and targeting by demographics, and needs, and competencies." Is this kind of what you have been speaking about? Is this one illustration?

Mr. KACVINSKY. That is a lot of words. I would almost need Webster's Dictionary to help me out with that.

However, the vocational exploration program that has been run over the years has been a successful program that I would say was one that we would want to continue if we had the opportunity.

These are taking youths who are in their later years of high school and giving them the opportunity of visiting various firms within their community to see the types of occupation, not only just to go in and see what a toolmaker is doing but also to go in and see what an accountant is doing in the plant—to get a feel of the all-around type of occupation.

I think this is something that was started some time ago and was continued under the youth program, and it is one that I highly recommend.

The CHAIRMAN. So you would think this was a good one, in spite of all the words?

Mr. KACVINSKY. Yes, sir.

The CHAIRMAN. Okay. But you are indicating that there were others that were not so good and really were a waste of taxpayers' money?

Mr. KACVINSKY. Yes, Mr. Chairman.

The CHAIRMAN. Mr. Kacvinsky, as Deputy Administrator to Lamond Godwin, you were asked to approve many matters that did not meet your approval or, for that matter, the general approval of your peers and subordinates. Is that correct?

Mr. KACVINSKY. Yes, sir.

The CHAIRMAN. In the final weeks of the last administration, you went on a business trip out of the country. Is that correct?

Mr. KACVINSKY. I went on a Government trip, sir, to Israel.

The CHAIRMAN. I see. Did you plan this trip so that you could be away and others would have to authorize your last-minute telegrams and contracts?

Mr. KACVINSKY. I do not think I can take credit for that kind of a move. There are those who have come up to me and said, "That was the smartest thing you have done in a long time." [Laughter.]

But really, sir, no. The Department of Labor entered into an agreement with the Israeli Ministry of Labor wherein various teams were to go from the Department of Labor and also individuals from private industry, to go on various missions into Israel and take a look at their various training, the types of occupations, and the methods of training that they had.

I was charged with the responsibility of taking a team of private sector individuals to Israel, and we evaluated the on-the-job training that they had in the private sector in Israel.

The CHAIRMAN. So you did not plan this trip to be out of the country?

Mr. KACVINSKY. No; that was planned some time ago. In fact, we were to go in October; and then because the State of Israel asked that it be postponed, we did not go until January.

The CHAIRMAN. I see. Did your superiors know about this trip?

Mr. KACVINSKY. Yes, sir. In fact, they assigned me to it.

The CHAIRMAN. When did you return?

Mr. KACVINSKY. The day before Inauguration Day I returned to my office.

The CHAIRMAN. Did you meet with Mr. Green or Mr. Godwin at that time?

Mr. KACVINSKY. I met with Mr. Godwin. I met with Mr. Godwin after I had met with my staff when I returned from Israel and I returned to my office. My staff came in and were telling me the activities that were going on during the time that I was away—during those 3 weeks. I was alerted to the fact that there might be an overcommitment of funds here and that there were contracts and also telegrams were being signed during the last days. They brought all of this to my attention.

When Mr. Godwin, who was then my administrator, came in, I had a chat with him. We spoke about the trip—how the trip was—and I then informed Mr. Godwin that I had no intention of signing any contracts or grants.

He had told me that there were grants and contracts to be signed, but I told him that, given what I had just heard from the staff, I was not going to sign any. Mr. Godwin did say that he appreciated my position and that he would not require me to sign them.

The CHAIRMAN. When you got back, did you meet for the first time with Ms. Alexis Herman?

Mr. KACVINSKY. I did not meet with Ms. Alexis Herman. When I left Mr. Godwin's office, I went to my office and I gave staff specific information that I did not want to be bothered by anyone except staff—no outsiders.

I understand that my office was being used during the last few days by Assistant Secretary Green and by Alexis Herman as their base for operations in the Office of National Programs.

When I returned and I was in my office, while I was behind the desk, Ms. Herman walked into the office and seemed kind of surprised that I was there. She said, "Who are you?" and I said, "I'm Mr. Kacvinsky." She said, "Oh, we didn't expect you back so soon."

The CHAIRMAN. I see. How did the rest of that particular day go?

Mr. KACVINSKY. Well, I was notified by staff that during the afternoon the staff was having a farewell party for Mr. Godwin, and they wondered if I would come out and say a few words for the staff because Mr. Godwin would be gone by that time. During the course of that time when they had the party and when I did say a few words for the staff, Assistant Secretary Green at that time also gave Mr. Godwin an award.

The CHAIRMAN. I see. Did you observe the signing of contracts in Mr. Godwin's office during the day?

Mr. KACVINSKY. No, sir, because I stayed away as much as possible. However, I did hear that there were some documents being signed.

The CHAIRMAN. As I understand it, many contractors were there throughout the day. Is that correct?

Mr. KACVINSKY. There were a lot of individuals, outside individuals in the outer lobby of the offices, yes.

The CHAIRMAN. Well, is it true as some say that Mr. Green, Mr. Godwin, and Ms. Herman had contractors waiting in line to present their contracts for signature at that time?

Mr. KACVINSKY. There was a lot of talk to that effect from the staff, yes.

The CHAIRMAN. I have been advised that in addition to signed contracts, these individuals were also given autographed photographs. Is that correct?

Mr. KACVINSKY. Yes, they were giving them to the staff.

The CHAIRMAN. Have you observed changes in the program since January 20—that was the date of the inauguration—1981?

Mr. KACVINSKY. Mr. Chairman, I came back in Tuesday and I met with my special assistant, Steve Puterbaugh, I said to Steve, "There have been some serious allegations made here of overcommitment. I understand projects were signed that were not in our funding plan for 1981." I said, "We must immediately get with our contracting staff, and gather together everything that has been done."

I immediately notified our contracting office to cease any further telegrams, any further letters, or any further contract signing. I had Steve and the staff here work with me in pulling together everything that had been done. Mr. Puterbaugh identified the overcommitment and with this information I then went up to the Acting Deputy Assistant Secretary at that time, Mr. Lawrence Weatherford.

I made him aware of what we were doing. I told him that I had put a freeze on all signing of documents. I recommended that he follow suit in this matter, and that we do a thorough check of everything that had been done over the past month or 6 weeks so that we could get ourselves in a position where we were better able to answer questions to the new Secretary.

The CHAIRMAN. Have Mr. Angrisani and the other new members of the administration been cooperative with you in trying to accomplish the savings that you are talking about?

Mr. KACVINSKY. Yes, sir, absolutely.

The CHAIRMAN. Are you pleased with the current changes? Do you feel that they have placed the emphasis where the emphasis belongs?

Mr. KACVINSKY. Absolutely. In fact, Mr. Angrisani delegated the authority to my office, this task force that he talked about where we are setting up the new contractual procedures. I have a gentleman from my office who is heading that task force and has a staff of people, and they have been working and we have been working closely with Mr. Angrisani and other officials in ETA in getting this done.

To say that this is something new, it is not something new. It is something that we should have been doing. It is something that we

should have been following. We have Department of Labor regulations on contracting, just like any other agency. However, over the years there are always shortcuts that you take or other means of doing a procurement action.

They are not illegal. For example, you have heard a lot about the fact that we did a lot of sole-source, that GAO said we do sole-source. We have those programs that have been carried over that are of demonstrated effectiveness. These programs have done the job.

When we come up with our funding plan for the year, we include these programs into our funding plan. We submit them to a sole-source board that we have in the Department of Labor and they in turn give us the OK to continue with these contracts. Anything that was not in the plan had to go sole-source or was supposed to go sole-source.

The CHAIRMAN. Were some if not all of these think-tanks, consultants, and others who you have indicated may have profited from the CETA program at the expense of young people or the aged getting jobs, perhaps taking a great share of CETA funds—are you happy that they have been cut off? Have they been cut off?

Mr. KACVINSKY. Sir, you do not like to be happy about anything. I feel that there is a place for everything.

The CHAIRMAN. How do you feel about that?

Mr. KACVINSKY. I feel that those programs, had we been given enough funds, could have been done in other areas but not in the Office of National Programs. I think in our demonstration programs they might have been better utilized.

The CHAIRMAN. I suppose you are not only referring to these middlemen and think-tanks and others, but the travel, lunches, dinners, hotel rooms, and all of the expenses spent in so-called training of the disadvantaged might have been best used on direct training those who could have used it best?

Mr. KACVINSKY. Direct services, that is right. I still feel that direct services, dealing with people, is the best way of training.

The CHAIRMAN. Well, then, do you believe that the current administration under Mr. Angrisani, despite the criticism it has received, has in reality forced a change in the program back to the original intent of the program?

Mr. KACVINSKY. Yes, sir. We are going back to dealing with the private sector and providing direct services.

The CHAIRMAN. I take it that there is still room for growth there, though——

Mr. KACVINSKY. Oh, yes.

The CHAIRMAN [continuing]. And that we still have to continually watch and do everything we can to make sure that these changes are all right.

Mr. KACVINSKY. Mr. Chairman, we can set up the best policy, we can set up the best guidelines we can. There is no guarantee that anybody coming in 2, 3, 4, 5 years from now will not go around those policies for their own purposes, for political purposes. Again, they are not something that you would do—they are not illegal. However, ethical, you have to question that.

The CHAIRMAN. Senator Kennedy, do you have any questions?

Senator KENNEDY. Are you going to question all of them?

The CHAIRMAN. If you would like, I could go through all of them but my questions were a little longer than I intended them to be so we might want to go individually.

Senator KENNEDY. When you are finished with the panel, that will be fine.

The CHAIRMAN. Mr. Puterbaugh—am I pronouncing that right, Mr. Puterbaugh?

Mr. PUTERBAUGH. Yes, sir, close enough.

The CHAIRMAN. In your position as an administrative assistant, it is my understanding that you met with the Steering Committee on a regular basis and proposed contracts and/or grants were actually discussed. Is that correct?

Mr. PUTERBAUGH. That is correct, sir.

The CHAIRMAN. Now it is my understanding that you met with the Steering Committee for a period of time but in the end the Steering Committee really did not function as a committee. Am I correct on that?

Mr. PUTERBAUGH. That is also correct, sir.

The CHAIRMAN. Why is that so?

Mr. PUTERBAUGH. I cannot answer that question. I do not know the answer.

The CHAIRMAN. Well, I understand you told our staff that Mr. Green became the steering committee, in essence, and most of the decisions were his. Is that right?

Mr. PUTERBAUGH. Yes, sir. I can say that—well, to go back a few steps, the committee as you know consisted of four members.

The CHAIRMAN. Yes.

Mr. PUTERBAUGH. They met regularly from September of 1979 right through to October of 1980. Now it so happens that the last decisionmaking meetings concerning the CETA title III funding plan occurred in mid- and late November, and those were not attended by the full membership of the committee. I believe the second to the last meeting was attended by only two official members of the committee, Mr. Green and Mr. Knapp, and the last decisionmaking session which took place in the last week of November was attended by only one member of the committee, Mr. Green.

The CHAIRMAN. I think you said to my staff at one time, or to the committee staff, "I was in charge of running the meeting to the extent that I gave brief instructions on proposed awards," and you recalled, "I recall one instance after I had given statements on 12 or 13 or 20 proposals, I realized that we were then out of funds." Is that correct?

Mr. PUTERBAUGH. That is correct.

The CHAIRMAN. You then said, "I then stated to Assistant Secretary Green, 'That's it. We are out of money.' Green, however, ignored me and kept on approving funds." Is that correct?

Mr. PUTERBAUGH. That is essentially correct.

The CHAIRMAN. In the Washington Post article of March 9, 1981 former Assistant Secretary Green stated, and I quote, "All the approvals were for projects that had been previously OK'd, at least in concept, by a special departmental committee" consisting of himself and several other aides to then-Secretary Ray Marshall. "Moreover," he said, "there was full documentation to justify all

approvals, and if current officials say it was lacking in various places 'then they tore up the justification.' "

Now in view of Mr. Green's comments, Mr. Puterbaugh, do you agree with his statement, No. 1, that "all approvals were for projects that had been previously OK'd"?

Mr. PUTERBAUGH. No, I could not agree with that.

The CHAIRMAN. No. 2, that "there was full documentation to justify all approvals"?

Mr. PUTERBAUGH. I could neither disagree nor agree with that. I was not aware of all of the——

The CHAIRMAN. You do not know that one?

Mr. PUTERBAUGH. I do not know.

The CHAIRMAN. OK. No. 3, "if it was lacking in various places 'then they tore up the justification,' " would you agree with that?

Mr. PUTERBAUGH. Well, I can only offer my opinion that I think it would be very unlikely that staff in the Labor Department would destroy documents of that nature.

The CHAIRMAN. It is also my understanding that after the election of President Reagan, that you were aware that former Assistant Secretary Green sent out a memo to all personnel that he was personally taking over the funding process. Is that correct?

Mr. PUTERBAUGH. That is correct, sir.

The CHAIRMAN. Mr. Green indicated his concern over the large amount of new funding that was to be handled, and he decided by December 1980 that he would also control the Steering Committee. Is that also correct?

Mr. PUTERBAUGH. I do not know the answer to that question.

The CHAIRMAN. OK. Now it is my understanding that you told my staff that he sent his special assistant, Arlene Gilliam, to put pressure on the movement of certain contracts, and kept a running balance sheet reflecting uncommitted balances of those funds available for allocation. Is that correct?

Mr. PUTERBAUGH. Well, sir, with respect to Ms. Gilliam, she did appear over in our offices to track the progress that was being made on a number of contracts which were of special concern to Mr. Green at the time. As far as the running balances are concerned, I think that has to do with a different area.

The CHAIRMAN. I see. Now you also told committee staff that documentation became nonexistent, and contrary to Mr. Green's statement, you say: "I am not aware of any justifications being 'torn up' because I am not aware of any justifications." Is that correct?

Mr. PUTERBAUGH. Could you repeat that question, Mr. Chairman?

The CHAIRMAN. Yes. As I understand it, you indicated that documentation became nonexistent at this time, and contrary to Mr. Green's statement, quoting you, "I am not aware of any justifications being 'torn up' because I am not aware of any justifications" for those contracts.

Mr. PUTERBAUGH. Yes. I would stand by that statement, and I would like to say that there were some instances where projects had been approved where I had no personal knowledge of extensive written justifications and explanations for the projects being approved. I cannot say with absolute certainty that that type of

material did not exist at all. Perhaps it was in the hands of other Labor Department employees.

The CHAIRMAN. However, you do not know of any existence of it?

Mr. PUTERBAUGH. No, sir.

The CHAIRMAN. Could you tell us in your opinion, Mr. Puterbaugh, could you describe for us what is meant by a "sole-source contract"?

Mr. PUTERBAUGH. Yes, sir. That refers to a contract that is awarded without competition, that is, a contract that is awarded by the Labor Department without examining whether more than one firm can do the work successfully.

The CHAIRMAN. All right. Thank you.

Ms. Maith, perhaps I could turn to you. With regard to a contract for $150,000 to the National Association of Southern Poor, did you review a proposal for this project submitted by the association?

Ms. MAITH. I did.

The CHAIRMAN. Did you find that proposal totally satisfactory?

Ms. MAITH. Yes, I did.

The CHAIRMAN. You did? My staff tells me that you told them, "No, I had to contact the contractor to attempt to shape up the proposal." Is that correct? Did you tell them that?

Ms. MAITH. That was with regards to the budget.

The CHAIRMAN. I see.

Ms. MAITH. It was not with regards to the narrative part of the proposal.

The CHAIRMAN. Could you tell the committee of your contact with the contractor's project officer, Mr. Anderson, and how you were informed that the contract should be approved?

Ms. MAITH. The proposal was submitted and the initial proposal budget was in the amount of $300,000. After we learned that the $300,000 was not included in the funding plan for fiscal year 1981, I contacted Mr. Anderson to inform him that those funds were not available. After contacting Mr. Anderson, he in turn called Mr. Green and informed him that I had called to inform him that the funds were not available. Mr. Anderson called me back and informed me that he had been in contact with Mr. Green's office and he was told that $150,000 could be made available to him.

The CHAIRMAN. I see. Did anyone from the Secretary's office call you to verify what the contractor, the National Association of Southern Poor, actually said?

Ms. MAITH. No. As a Federal representative, I do not have direct communications with the Assistant Secretary nor the Administrator.

The CHAIRMAN. Therefore, you were going primarily or solely on the grantee or the contractor's word, is that correct, at that point?

Ms. MAITH. No. After I received the information from the contractor I went to my supervisor, Mr. Alegria, and informed him of the information that Mr. Anderson had conveyed.

The CHAIRMAN. Your supervisor was Mr. Alegria. Is that correct?

Ms. MAITH. Alegria.

The CHAIRMAN. Alegria. I am sorry. As I understand it you told your immediate supervisor, Mr. Alegria, that the contractor was in effect authorizing his own—what was it?—$150,000 contract.

Ms. MAITH. I am sorry. Would you please repeat your question?

The CHAIRMAN. As I understand it you told your immediate supervisor, Mr. Alegria, that the contractor was in effect authorizing his own $150,000 contract. Is that correct?

Ms. MAITH. No, I did not say that.

The CHAIRMAN. You did not? Did Mr. Alegria relieve you of this dilemma by giving you permission to work up the PAR?

Ms. MAITH. No. Mr. Anderson came in and he met with Mr. Alegria and he met with me. We had a joint meeting, and after the meeting there was no immediate decision made as to whether or not the $150,000 PAR—procurement action request—would be made up. However, later I was informed to develop the $150,000 PAR, and I did.

The CHAIRMAN. I see. As I understood it, you told our staff that Mr. Alegria said basically that if Mr. Green wants them to have it, to work up the paperwork and then submit it to him. Is that correct?

Ms. MAITH. That is not correct.

The CHAIRMAN. That is not correct? OK.

Mr. Alegria, did Mr. Green or Mr. Anderson call you at any time soon after this occurred to tell you what the deal was?

Mr. ALEGRIA. No, sir.

The CHAIRMAN. What course of action did you decide upon at that time?

Mr. ALEGRIA. Let me say that there was a lot of confusion at that point in terms of what was approved and what was not approved. Therefore, what we decided to do—I think I had a discussion with Steve Puterbaugh—we decided that what we would do is, we would make up the paperwork for the Association of the Southern Poor.

The CHAIRMAN. Who made up the paperwork?

Mr. ALEGRIA. Marge, Marge Maith. I asked her to go ahead and make it up.

The CHAIRMAN. Therefore, you asked Ms. Maith to make up the PAR then?

Mr. ALEGRIA. In other words, make up the paperwork, unsigned, of course. I in turn gave it to Steve Puterbaugh, who collected all of these pieces of paper, and then he would have it reviewed through some kind of a system, and if Mr. Green wanted it approved he would sign it. In other words, all he had at that point was just an unsigned piece of paper.

In other words, the statement that you made, what Marge said, in essence that is really what happened. She prepared the paperwork at my request and I turned it over to Steve, who handled the unsigned PAR's. Then at some point he would meet either with Mr. Green or Arlene Gilliam or somebody, and if in fact the Assistant Secretary had approved such an award, he would of course sign it. If not, he obviously would not sign it. It is just like a check. A Secretary prepares a check, but if it is unsigned, it is not worth the piece of paper it is written on.

The CHAIRMAN. Thank you, Mr. Alegria.

Mr. Slobig, could you tell the committee how you came to be the program representative for Dr. Penick's contract proposal?

Mr. SLOBIG. Yes. I was not the program representative for Dr. Penick. I was and continue to be the chief of the program review unit in the Office of Community Youth Employment Programs.

The CHAIRMAN. I see.

Mr. SLOBIG. A staff person who works for me had for some time been assigned responsibility for being the Federal representative on a set of projects that we funded in cooperation with the Women's Bureau, generally referred to as the solo parent demonstration projects. It was in the context of that set of demonstration projects that the Benson Penick situation arose. Ms. Ross, who was the Federal representative on the particular project, did not happen to be available at the time the situation with Dr. Penick ensued, and therefore I as her supervisor assumed responsibility for dealing with it.

The CHAIRMAN. Was Alexis Herman there at the Women's Bureau at that time?

Mr. SLOBIG. Alexis Herman was the Director of the Women's Bureau at that time. Yes, she was.

The CHAIRMAN. I see. Why wasn't this funded through that office?

Mr. SLOBIG. It was never funded through that office. To the extent that it was ever funded—and it was really never funded in a formal grant award process—money was ultimately given to Dr. Penick just in terms of settlement, an after-the-fact settlement based on a telegram that he had received authorizing him to incur costs.

The CHAIRMAN. As I understand it, you recommended against funding this award based on certain shortcomings which you defined as, No. 1, work statement failed to present an understandable and defensible approach, and, No. 2, the objectives were a mishmash of evaluation. You actually described the program in terms much more blunt than that on one occasion. Is that correct?

Mr. SLOBIG. That is correct.

The CHAIRMAN. On Friday, January 16, 1981 you attended a meeting with other program people and Dr. Penick to attempt to resolve the deficiencies. Is that correct?

Mr. SLOBIG. That is correct.

The CHAIRMAN. Who was present at that meeting, and could you tell us who defended the funding of this contract?

Mr. SLOBIG. Well, there were two or three different meetings that ensued over the course of a couple of days. I am not quite sure of the chronology of meetings and who attended what meeting, so I may not be able to reconstruct exactly who was present at the particular meeting to which you made reference.

Generally, over the course of time that this was an issue that we were attempting to resolve, Ms. Herman was involved; Dorothy Wigglesworth, a staff person from the Women's Bureau who was the project officer within the Women's Bureau for this set of demonstration projects, was involved; Jim McConnell, who was the Special Assistant to the Director of the Office of Community Youth Employment Programs, was involved; Sanford Cohn, who was the Director of the Office of Contract Services in Mr. Kacvinsky's organization, was involved; I was involved; Mr. Penick was involved; and there may have been others I cannot recall.

The CHAIRMAN. Without objection, we will put exhibit number 6—which is a memorandum concerning the contractor, Dr. Benson A. Penick, on the project solo parents demonstration project at a cost of $175,000—in the record at this point.

[The information referred to follows:]

6

CONTRACTOR: Dr. Benson E. Penick

PROJECT: Solo Parents Demonstration Project

COST: $175,000

BACKGROUND STATEMENT OF WORK: On Friday, January 16, a meeting attended by Frank Slobig, Jim McConnell, Alexis Herman and Dr. Penick was convened at the request of Sandy Cohn of ONP's contract shop to review the statement of work for a proposed contract with Dr. Penick to do work on the Women's Bureau Solo Parent projects. At that time, a multitude of questions surrounding this venture were raised. Subsequent revisions failed to clarify the intent. It is far from clear what the contractor really proposes to do. The little documentation we have suggests a mishmesh of evaluation, technical assistance and direct provision of services.

STATUS: A package consisting of the documents listed below is on hand at OYP: (1) a PAR signed and dated 12/4/80 for $175,790, (2) incomplete and unsigned sole source justification papers, (3) an unclear statement of work, (4) a 1/19 memo from Hugh Davies to Janice Mapp detailing numerous deficiencies in the statement of work; also, a TWX was forwarded on 1/19/81 authorizing costs not to exceed $20,000.

RECOMMENDATION: The statement of work fails to present a sufficiently understandable and defensible approach that would warrant funding. In light of the questions that have been raised, this effort should be terminated at the convenience of the government.

Mr. SLOBIG. Yes, I have that before me.

The CHAIRMAN. You have that before you.

Now who defended the funding of that particular contract? Do you remember?

Mr. SLOBIG. The funding was being defended by Ms. Alexis Herman and to some extent by Dorothy Wigglesworth of the Women's Bureau staff.

The CHAIRMAN. How did that meeting come about, that particular meeting?

Mr. SLOBIG. To the best of my recollection, I was requested through Mr. McConnell to go to the Office of National Programs to sit in on a meeting to attempt to resolve what at that point in time appeared to be an impasse regarding the approval for funding for Dr. Benson Penick, and so I did.

The CHAIRMAN. I understand Dr. Penick just suddenly showed up outside the door at this meeting.

Mr. SLOBIG. Well, I had never had any contact with Dr. Penick until one of those days right near the——

The CHAIRMAN. When he just showed up.

Mr. SLOBIG. Well, Dr. Penick was obviously an interested party. Dr. Penick apparently had had discussions and conversations with staff in the Women's Bureau relative to his role in this set of projects. Apparently he had had a previous relationship on another set of demonstration projects that the Women's Bureau was involved in. However, I had never had any personal contact with Dr. Penick before this incident.

The CHAIRMAN. I see. As a result of this particular meeting, were you satisfied as the program representative responsible, that questions raised had been resolved satisfactorily to go ahead and fund?

Mr. SLOBIG. As the Chief of the Program Review Unit, I was not satisfied, and so indicated.

The CHAIRMAN. Was this contract in fact funded?

Mr. SLOBIG. To my knowledge a contract was never awarded to Dr. Penick. A telegram was sent out to Dr. Penick authorizing him to incur costs.

The CHAIRMAN. That was the $20,000 that was mentioned earlier in the day?

Mr. SLOBIG. That is correct.

The CHAIRMAN. I see. Are you saying you do not know whether the full contract was ever fully awarded?

Mr. SLOBIG. I know in fact that it was not. I mean, there subsequently was a settlement with Dr. Penick for costs incurred, costs the justification for which was never discussed within our organization, and yet a settlement was made by appropriate staff in the Office of National Programs, apparently, for an amount in excess of the $20,000.

The CHAIRMAN. How much was that amount, approximately?

Mr. SLOBIG. It is in that GAO report. I cannot remember what it was. I think it was $27,000.

Mr. KACVINSKY. Mr. Chairman, that was $7,950 more.

The CHAIRMAN. That was $7,950 more on top of the $20,000?

Mr. KACVINSKY. Yes.

The CHAIRMAN. Did the Department get anything for the work that had been done? Was there any completed work at all?

Mr. SLOBIG. I had no subsequent involvement with the situation beyond those last days of January.

The CHAIRMAN. Do you know, Mr. Kacvinsky?

Mr. KACVINSKY. No, Mr. Chairman. This was one of the programs that we did an indepth study with Assistant Secretary Angrisani and at the time we felt that they did not meet the plan that was set out for the youth program at that time. Therefore, a termination for the convenience of the Government was sent to Dr. Penick on March 2, 1981 telling him that his program would be terminated and that a settlement would be negotiated with him.

The CHAIRMAN. OK. Mr. Aaron——

Mr. SLOBIG. May I make one comment, Senator?

The CHAIRMAN. Sure.

Mr. SLOBIG. It just seems to me that it is important that the committee understands something. I feel somewhat at a disadvantage, being the only representative from the Office of Youth Programs who happens to be here, and yet I will hazard to at least speak my own mind. I cannot necessarily speak for the office but I think it is important to understand——

The CHAIRMAN. I might add Ms. Barnett was supposed to be here but——

Mr. SLOBIG. Ms. Barnett was on an Intergovernmental Personnel Act assignment to our office and her assignment ended last Friday.

The CHAIRMAN. I see. That is probably why she is not here.

Mr. SLOBIG. The only comment that I would like to make is simply that the Penick situation, as far as I am concerned, was an aberration. It was not representative. It is one of a lot of contracts and grants awarded with Office of Youth Program title IV moneys over the last 4 years.

The CHAIRMAN. I would suggest that you may spend some time on the GAO report and all the statistics, evaluations, and recommendations they made. Be that as it may, do that and then let us know where you disagree with the GAO report. We are as interested in that as we are in finding out just what is wrong over there at the Department. If the GAO was wrong, I want to show they are wrong. Therefore, we will leave the record open, and anything you would care to refute that the GAO has stated here today or in their reports that have been filed with the committee, we will be happy to place that in the record.

Mr. SLOBIG. Thank you very much.

The CHAIRMAN. We will keep that record open for you.

Mr. Aaron, approximately when were you notified to negotiate the PUSH contract or the PUSH grant?

Mr. AARON. I think it was some time early in December.

The CHAIRMAN. Of 1980?

Mr. AARON. Of 1980.

The CHAIRMAN. Now as I understand it, Mr. Godwin was the person who gave the direction for your office to become responsible for that project, which was formerly in the Office of Youth Programs. Is that correct?

Mr. AARON. That is correct, Mr. Chairman.

The CHAIRMAN. As I understand it, the reason you were given for the Office of Youth Programs not handling this particular negotia-

tion, is that Mr. Godwin advised you that title IV funds were unavailable. Is that correct?

Mr. AARON. Could you repeat——

The CHAIRMAN. The reason——

Mr. AARON. This was, in fact, funded under title IV. Do you mean title III?

The CHAIRMAN. My point is that the reason given to you by Mr. Godwin, why the Office of Youth Programs did not handle the negotiations for this, as I understand it, was that title IV funds were unavailable. They did not have any more title IV funds.

Mr. AARON. I do not think that is correct, Mr. Chairman.

The CHAIRMAN. I see. What were your instructions from Mr. Godwin as to what you were to do with the negotiations?

Mr. AARON. I believe, Mr. Chairman, that I received those instructions from Mr. Alegria, who was the office director.

The CHAIRMAN. Mr. Alegria? OK. You were told you were going to negotiate a 2-year, $2 million contract or grant?

Mr. AARON. That is essentially correct, Mr. Chairman, that those were the parameters.

The CHAIRMAN. Now as I understand it, you were aware or became aware shortly after this that the PUSH grant proposal had encountered opposition from the OYP office in its present form. Could you list for us what those questions were that were raised?

Mr. AARON. Mr. Chairman, I am not familiar with the total specifics in terms of the status of the program in the Office of Youth Programs.

The CHAIRMAN. I see. As I understand it, you told committee staff that OYP had serious questions regarding, one, the cost to do additional research that they, OYP, thought unnecessary; and, two, that the number of participants—that is, children to benefit—was considerably low, approximately 200 in the original proposal. Is that correct, and were you aware of those facts?

Mr. AARON. I believe that is substantially correct.

The CHAIRMAN. OK. Your office, as I understand it, attempted to negotiate with PUSH representatives to address these deficiencies. Could you tell the committee what improvements you were able to write into the grant?

Mr. AARON. Well, as the chairman may be familiar with the grant, the proposal consisted of two parts: One was a direct service portion and the second was for a PUSH for Excellence Institute which would be undertaking certain kinds of research and assistance to their program operations. The original proposal that came in, as you indicated, proposed to train about 230 kids, economically disadvantaged youth, over the period.

I worked with the representatives from PUSH to sort of restructure their approach. They had been looking at it in terms of a year's basis. We worked it down to a semester's basis for these children and we were able to bring it up to 1,000 children over the period of the grant.

Second, with regard to the Institute we had a number of discussions both with the PUSH officials and Mr. Alegria and myself in terms of what should be in that part of the grant. Mr. Alegria had some experience in the Youth Office and was able to give me some guidance.

Basically, the tact that we took was that there should be no original research because we felt that enough of that had been done under the Youth Act, and second, that for different portions of the activities of the Institute we would ask them to submit a plan which we could then review and approve all or part of it if it satisfied us.

The CHAIRMAN. Therefore, if I summarize what you said, you would cut out some research and increase the number of children participants.

Mr. AARON. That is correct.

The CHAIRMAN. OK.

Mr. AARON. We put in what we felt were safeguards in terms of allowing us to review their plans.

The CHAIRMAN. OK. Did you understand that this grant would be signed anyway?

Mr. AARON. I think I assumed that it would have—wait, that it would have been signed whether I were successful or not?

The CHAIRMAN. Well, once you made the changes. Yes, whether or not you were successful, whether or not you made the changes.

Mr. AARON. No; I do not think that I assumed that it would be signed, necessarily. As it happened, it did not get to that.

The CHAIRMAN. Committee staff tell me that what you did say is, "We just tried to shore up the Government's position as best as possible before processing the papers." Is that correct or incorrect?

Mr. AARON. Well, the situation in which you are told that you will negotiate a program makes you assume that—you can assume that there is some interest in the program, and that is the starting point. As it happened, we were successful in negotiating what we felt was a strengthening of the proposal and improvements in the proposal.

I guess I assumed that there was sufficient interest that it would be funded but it is never actually automatic. We did not get to the point where we had to dig our heels in.

The CHAIRMAN. I see. Did you dig your heels in on this particular grant?

Mr. AARON. At one point; yes.

The CHAIRMAN. However, in the final analysis——

Mr. AARON. In the final analysis I believe that we were successful in protecting the Government's interests.

The CHAIRMAN. I see. Mr. Aaron, what is the difference between a contract and a grant?

Mr. AARON. I could explain it to you but I would really rather not because it is sort of technical. [Laughter.]

It is technical, and I am not an expert. I am not a contracts expert.

The CHAIRMAN. Let me see if I can put it in layman's terms, and see if you agree: As I understand it, basically the Government can maintain some semblance of control over a contract. It can unilaterally cancel it. A grant is different. It is a different situation. It cannot be canceled unilaterally. You are aware of that?

Mr. AARON. Yes, I am, Mr. Chairman.

The CHAIRMAN. You are shaking your head?

Mr. KACVINSKY. Yes, that is very true.

Mr. AARON. I think, if I may, the underlying assumption as I have had some of our lawyers explain it to me is that in a contract situation the Government is asking for something which it may then decide it does not need, and in a grant situation an organization is saying, "We propose to do something with Government assistance," and that has something to do with whether it can be unilaterally terminated.

The CHAIRMAN. I see. Well, as I understand it, the Government has to enter into detailed negotiations and if unsuccessful, it has to leave it to the courts to decide if possible, if the two parties cannot agree. Is that right?

Mr. KACVINSKY. That is true.

The CHAIRMAN. What is the current status of the PUSH grant, if you know?

Mr. AARON. Well, the status of the PUSH grant has been referenced earlier. I will not repeat that, Mr. Chairman. To my knowledge, as a result of communications between this committee and the employment and training administration, we have now sent—I believe the date was October 7—we sent them a closeout package and we agreed to their assertion in their letter to you that they had terminated the program.

The CHAIRMAN. Now have they agreed with you that it is, in fact, terminated?

Mr. AARON. I have not heard anything to the contrary.

The CHAIRMAN. I see. Is it not true that the Labor Department had been negotiating since last spring to terminate this grant?

Mr. AARON. That is correct, Mr. Chairman.

The CHAIRMAN. Are there any other grants with which you had similar problems?

Mr. AARON. How do you mean?

The CHAIRMAN. During this period of time since——

Mr. AARON. Problems terminating?

The CHAIRMAN. Yes, since September of last year up until today.

Mr. AARON. The only other program that is in that status——

The CHAIRMAN. Let's limit it to Mr. Godwin's programs, so that we know. Limit it to Mr. Godwin's programs, programs he was working with.

Mr. AARON. Well, most of the programs which have been terminated were contracts and therefore they were just terminated. There were a few other grants, and I think they are all in the process of negotiation right now or will be at some future date.

The CHAIRMAN. I see. As I understand it, there is a similar problem existing in Cleveland, Ohio on a grant also funded by Mr. Godwin, where the grantee is the person who negotiated the PUSH grant, a Mr. Bustemante. Is that correct?

Mr. AARON. Mr. Bustemante did not negotiate the PUSH grant.

The CHAIRMAN. OK. Did he represent the person who did negotiate it?

Mr. AARON. He is PUSH's general counsel.

The CHAIRMAN. I see. Now what is that grant all about?

Mr. AARON. That is a private sector oriented program to train economically disadvantaged youth in a variety of occupations which occur in the financial or banking industry.

The CHAIRMAN. Was it subcontracted to any particular bank?

Mr. AARON. The First National Bank Association.

The CHAIRMAN. Is that Mr. Bustemante's bank.

Mr. AARON. He is associated with the bank, I know.

The CHAIRMAN. I see. What was the amount of that particular grant?

Mr. AARON. That grant was in the amount of $572,000, I believe.

The CHAIRMAN. I see. Now as I understand it, there has been a decision—you have indicated that—to terminate this grant as well. Is that correct?

Mr. AARON. They received the telegram as a result, I guess, of this process of balancing the books that Mr. Angrisani talked about, that we wish to negotiate termination of that program.

The CHAIRMAN. Do you know whether or not that program has in fact been terminated as of this date?

Mr. AARON. I know that it has not been terminated.

The CHAIRMAN. Has the grantee spent any of the original funds?

Mr. AARON. I am sure that they have. Yes, I have received reports indicating that they have.

The CHAIRMAN. Prior to this freeze on trips, have you made any trips to the site?

Mr. AARON. I have not been able to.

The CHAIRMAN. Now I suppose you agree with Senator Kennedy and me that it would be helpful to you if you can have onsite inspection of some of these grants——

Mr. AARON. Indeed it would, Mr. Chairman. I should say that we have scheduled trips to visit that program but have been unable to complete them.

The CHAIRMAN. Therefore, you plan on going to visit that program. Is that correct?

Mr. AARON. I certainly hope to.

The CHAIRMAN. OK.

Mr. AARON. I might say also that we do, as you would expect, receive written reports—in this case they have been rather voluminous—indicating that the program is meeting with some success, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Aaron. We will await such time as we can locate Ms. Barnett and have her respond to the questions that we have for her to answer.

Therefore, we will move to you, Ms. Crucil. Ms. Crucil, according to our staff review of the grant files, you were assigned the contract supervision of the Southern Vocational College in 1979. Is that correct?

Ms. CRUCIL. Yes, sir. I think it was 1979. I keep wanting to say 1978 but it is in that period.

The CHAIRMAN. Therefore, that would be approximately February 1979. Would that be pretty close to when it would be?

Ms. CRUCIL. Yes. I think I took it over, actually, about September/October 1978.

The CHAIRMAN. I see. Therefore, it might have been a little bit before 1979.

When you assumed responsibility for that file, did you undertake any reviews to prepare yourself to be able to handle that file?

Ms. CRUCIL. First of all, I did not negotiate the grant——

The CHAIRMAN. I understand.

Ms. CRUCIL [continuing]. And I had a problem with it from the beginning. I believe it was in February 1979, somewhere in early February, that I did do an onsite review. At that time, because of my concerns with the fiscal management, just based on the letter of credit drawdowns and the reports and so on, I decided I had better take a heavyweight in the way of a fiscal officer with me, which I did.

The CHAIRMAN. I see. At about January or February 1979, did you get a telephone call from the FBI?

Ms. CRUCIL. Yes. One day I got a call from the State licensing bureau in Alabama saying that they had some concerns, and they did not really want to give a permanent license to this organization until they were satisfied that these rumors they were hearing were not true.

The following day, the FBI from Montgomery did call me and said that they were concerned. They had heard these stories but because the Departments of Labor, Veterans Administration, the now-HHS—there were several Federal agencies being talked about—that they really wanted something done.

At that time I told them that I could not take any action unless I had a piece of paper, and would they please just send the letter—which they did—and at that time we would turn it over to our OIG, Office of Inspector General.

Somewhere in that time frame, because of the fiscal report that my counterpart had written, I asked if we could have a comprehensive audit. I knew that the HEW, then-HEW, in Atlanta had frozen their funds because they had gone in and in the space of a couple of hours decided that there was some impropriety.

The CHAIRMAN. Could you describe the impropriety?

Ms. CRUCIL. Well, we surfaced such things as whited-out signatures on invoices, double signatures on checks, and there was a person—I recall one, I believe, had a pharmacy and that man was on the board of directors, and it seemed like that was a conflict. There were several things like this: Dates on invoices whited out and new dates substituted. There were just a lot of things that had us concerned.

The CHAIRMAN. I understand there was even what you considered to be nepotism in hiring practices.

Ms. CRUCIL. That is right.

The CHAIRMAN. You considered that as a representative of the Department of Labor, I take it?

Ms. CRUCIL. Pardon?

The CHAIRMAN. You considered that to be wrong?

Ms. CRUCIL. Well, it was a husband, wife, and son that were running this whole thing.

The CHAIRMAN. I see. When you returned to Washington, did you and Mr. Rensbarger—who was the member of the Office of Inspector General who accompanied you, as I understand it—did you and Mr. Rensbarger submit reports? Did you receive any other updates?

Ms. CRUCIL. Well, right about that time I got a call from—there are two sections in the OIG. There is the investigative and the audit section. I got a call from the investigative section saying, "I want to see this report as soon as it comes in". I subsequently found out that the FBI had also called them, so that they received

every single piece of paper from us which was subsequently sent to Atlanta to the fieldman down there, so that when the comprehensive audit took place he would have all the materials.

The CHAIRMAN. Without objection, then, we will put exhibits 8 (a), (b), (c), and (d) into the record at this point. We will also put in a letter from the U.S. Department of Justice dated March 14, 1979, regarding the Southern Vocational Community College, Tuskegee, Ala., migrant seasonal workers program, into the record at this point as well. We will also put an April 6, 1979, letter to Reverend Haygood, from the State of Alabama Department of Education, into the record at this point, without objection.

[The information referred to follows:]

1/20/79

Harry: re: Southern Voc. Com. College
Tuskegee, Ala.

I had a call today from Bob Hauser, 382, Montgomery, Ala. He said he had heard some allegations, but like the Ala State Board of Educ, they were general. However, since the Veterans Admin, HEW & DOL had all be named in the allegations, he was preparing a letter for all the agencies to alert them.

He has asked for a copy of the grant & the regs, which I will send him. He asked for names and addresses of all current and former enrollees. I told him that I would appreciate the latter request in writing & he had no problem with that.

I explained Marcia's visit & said if information warranted, the matter would be turned over to him for appropriate action. Gave him your name for contact.

Rene

MAR 29 1979

MEMORANDUM FOR: LINDSAY L. CAMPBELL

FROM: GERALD W. PETERSON
Audit Division - Acting Chief

SUBJECT: Fiscal Assessment of Southern Vocational Community College, Tuskegee, Alabama

Mr. John Rensberger of OIG - Audit Division accompanied Ms Renee Crucil, ETA-ONP to the Southern Vocational Community College in Tuskegee, Alabama on March 19 through 21. The purpose of Mr. Rensberger's visit was to assess the fiscal integrity of the CETA Title III, Section 303, Economic Stimulus Program. Federal Management Circular 73-6 established HEW as the cognizant audit agency for all colleges and universities. Therefore, our assessment had to be limited to an overview of the financial system as it pertained to the management of DOL funds. The fiscal assessment was limited to those financial practices and procedures currently in effect and did not encompass any compliance aspects.

The fiscal management system at Southern Vocational Community College is extremely poor and cannot properly administer the DOL funding. It is our opinion that management has deliberately disregarded good fiscal practices. The following problems were noted.

1. SVCC has no written accounting procedures manual. Mr. Harvey L. Smith, CPA (on March 20) stated that he was working on such a procedures manual and it would be in use in a couple of weeks. On March 23 Rev. Haygood, the program's president stated that there was no accounting procedures manual and that he would ask Mr. Smith to begin working on such immediately. The program has been in effect since September, 1978 and SVCC in operation for almost 10 years, it is highly irregular for an organization not to have developed written accounting procedures during this time. Also, it is highly irregular for the president of an organization and the organization's public accountant to give conflicting statements relative to these procedures.

2. SVCC initiated "Request for Payment on Letter of Credit" on January 26, 1979 and February 9, 1979. These requests cited a 3 day cash need of $36,139 and $10,400, respectively. Our review indicated that

these amounts represented 20 days and 17 days supply of cash, respectively.

3. SVCC's check register does not identify: Later clarified. 2c

   a. The reasons for the disbursements;

   b. The nature/reasons for the deposits.

4. Documentation supporting the administrative salaries is poor and suspect:

   a. Forged signature was observed on the request for payment for November;

   b. Not all payment authorizations are signed, e.g., September, November and December, 1978;

   c. Some payment authorizations are xerox copies of subsequent month's authorizations, i.e., January's authorization originally was indicated as 2/1/79 - 2/28/79. The dates were then whited-over and 1/1/79 - 1/31/79 inserted. The February authorization was a xerox copy of January's with 1/1/79 - 1/31/79 whited-over and 2/1/79 - 2/28/79 inserted. The salaries authorized to be paid remained the same though there were fewer work days.

5. There is no relationship between the staff time being charged to the grant and the staff salaries being paid. SVCC is charging the grant monthly with the full budgeted amount of the grant divided by the grant period (18 mos).

6. Telephone charges are not based on actual cost incurred. The monthly charge is determined by dividing the grant budget ($4,725) by the grant period (18 mos) to derive the monthly fee of $262.50. This is the same procedure used in determining salaries in Item 5.

7. Purchase order alterations and vendor invoice alterations (by SVCC) were also observed.

   a. Vendor's invoices totalling $896.55 for supplies were originally marked by the vendor as being shipped to the SVCC General Fund #100. SVCC whited over the General Fund indication and typed in "Migrant & Seasonal Farmworkers Program #112." The type was matched to an existing typewriter at SVCC. No reason was given for the alteration at the exit conference.

   b. Two purchase orders originally dated January 5 and 12, respectively, were backdated by SVCC to January 3 and 10, respectively. The

vendor's invoices corresponding to the above purchase orders were dated January 5 and 12, respectively. The vendor is located immediately next to SVCC.

c. We could determine no basis for large quantities of supplies being ordered from the vendor.

8. There is inadequate separation of responsibilities:

a. Rev. Haygood approves all prices, requests all payments, approves all payments and signs all checks, the latter with his wife.

b. We could not determine if a responsible individual approved the receipt of all goods prior to a check being drawn for payment. On an order for consumable supplies, an individual signed the vendor's invoice but did not indicate if the goods were received or date the order.

c. On two occasions there was no evidence that pharmaceutical supplies procured for participants by SVCC personnel had ever been received by the participants. The owner of the drugstore was on SVCC's Board of Directors and had check writing authority.

9. We observed several instances of double endorsed checks. In one instance Vernon L. Richardson had endorsed checks made out to Ivy Jean Jones (terminated 2/19/79), Sheley Jackson, Bertha Falls and Jennie B. Freeman (terminated 2/19/79). Our questioning of personnel disclosed no one who knew Vernon L. Richardson. The checks were noted because they had been filled out on a typewriter. All other checks had been printed on an EAM type machine.

From a fiscal perspective, I can only conclude that Southern Vocational Community College is incapable of administering the DOL grant. Since SVCC is also funded by HEW, I am recommending that a comprehensive audit be performed of all funds and that ETA consider the suspension of funding pending the outcome of the audit and/or the investigation. Any other solution I would consider unwise in light of the serious fiscal problems raised by Mr. Rensbarger's assessment. If you need any additional information, please contact John Rensbarger on 523-8190.

cc: Official Yellow
CETA FILES (2)
DeMarco (2)
Rensbarger (1)

Graham R. Schatz
Renee Crucil ✓

SR:J. RENSBARGER:GI:
3/28/79:Rm S5030:NDOL:
EX 38424

UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION
Post Office Box 2128
Mobile, Alabama

In Reply, Please Refer to

March 14, 1979

Ms. Rence Crucil
Government Authorized Representative
Room 6214
601 D Street, N. W.
Washington, D. C. 20213

Re: SOUTHERN VOCATIONAL
COMMUNITY COLLEGE,
TUSKEGEE, ALABAMA -
MIGRANT SEASONAL
WORKERS PROGRAM

Dear Ms. Crucil:

Enclosed is a copy of a memorandum setting forth information obtained concerning the captioned matter.

This memorandum further details allegations and complaints received by the FBI as discussed with you telephonically on January 30, 1979.

This information is also being furnished to the VA, HEW, and Alabama State Approving Agency. All the receiving agencies are being requested to conduct appropriate investigations or audits if after reviewing this information it appears warranted. As indicated in the memorandum, it appears very possible that violations of fraud are being committed.

You indicated a review of this program at Southern Vocational Community College was scheduled for March. It is suggested that if this review is complete, a number of abuses will be found, as well as fraud.

This matter has been discussed with Assistant U. S. Attorney D. Broward Segrest, Montgomery, Alabama, and he recommends the investigation be handled by the

Enclosure

individual agencies involved at this time. However, the FBI will gladly assist when needed and you may obtain further details from Special Agent Robert E. Houser, FBI, Montgomery, Alabama, telephone 205-263-1961, FTS 534-7314. The mailing address is Post Office Box 4040, Montgomery, Alabama 36101.

Your attention to this matter is greatly appreciated.

Sincerely yours,

C. EDWIN ENRIGHT
Special Agent in Charge

By: ROBERT L. FRYE
Supervisory Senior
Resident Agent

UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

In Reply, Please Refer to File No.

Mobile, Alabama
March 14, 1979

SOUTHERN VOCATIONAL
COMMUNITY COLLEGE,
TUSKEGEE, ALABAMA

Information was received by the FBI Resident Agency, Montgomery, Alabama, on January 10, 1979, from a student at Southern Vocational Community College (SVCC), Tuskegee, Alabama. The student's complaint concerned the delay in payment of her Basic Educational Opportunity Grant (BEOG) from SVCC after deductions were made for tuition and other school expenses. She indicated long delays in these payments were common with other students. She also made statements which suggested the Veterans Administration (VA) program and a Migrant Workers Program (later determined to be administered by the Department of Labor (DOL)), were not being handled in a proper manner.

A friend of the complainant was subsequently interviewed and provided essentially the same information. The friend, also a SVCC student, had also been told her BEOG was not being paid for a recent semester because she was on academic probation. No policy concerning suspension of BEOG's for academic probation at SVCC has been found.

A limited inquiry was subsequently conducted to determine if there are fraudulent practices being committed by SVCC in connection with the receipt and administration of its different Federal Financial Aid Programs. During this inquiry, interviews were conducted with former employees of SVCC, current and former students, current instructors, other sources familiar with the Tuskegee area, and representatives of the HEW, DOL, VA, and Alabama State Approving Agency.

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

87-811 O—82——11

SOUTHERN VOCATIONAL
COMMUNITY COLLEGE

As a result of this investigation, which has to date been limited, a number of allegations which are general in nature and some that are specific, have been made or implied. It is noted these allegations have not been confirmed. However, due to the nature and number of allegations, it appears a thorough investigation and/or audit by the different agencies concerned as mentioned above and hereafter would most probably show abuses in these programs and violations of Fraud Against the United States Government.

Listed below are some of the complaints and allegations against SVCC as determined thus far:

Receipts issued to students showing BEOG payments with the receipt dated months before it was actually issued.

Withholding students' BEOG money on the basis the student was on academic probation although student was not advised until the semester started. It is not known if HEW was advised to discontinue payment for the student.

Rev. Lawrence F. Haygood, President of SVCC, has requested the financial aid officer to transfer BEOG funds from the next fiscal year to the current year. This occurred with a former employee who refused and later resigned.

Teachers do not report excess absences during the semester. At the end of the semester when the financial aid officer discovered the absences from the teachers' records, Haygood told the officer not to report some of the students to the VA.

Students are recruited with assurances to veterans that they can collect VA benefits and not be required to attend regular classes.

SOUTHERN VOCATIONAL
COMMUNITY COLLEGE

VA students' grades changed so they would continue to qualify for academic eligibility and VA benefits.

Many VA students rarely, if ever, attend classes and are not reported to the VA.

Attitude and requirements of SVCC are very lax on attendance and academic requirements.

Possibility that early dropouts in VA, BEOG, and Migrant Workers Program are not reported as dropouts and tuition not refunded and benefits stopped.

Possibly carrying students on Migrant Workers Program on school rolls after the student has quit and left town.

Taking duplicate tuition out of BEOG and Migrant Workers Program.

Long delays in paying students the balance of their grants after deducting tuition and expenses. Delays even into the following semester and possibly not paying at all to students who did not return.

Work study students not fully used or given any work. Hours not kept properly.

Excessive class enrollment for size room and number of instructors needed. Some classes frequently not held.

Students failing one course are allowed to take the next course in a series even though the failed course is a prerequisite for the next course.

High tuition charged and virtually all students on some kind of grant, VA or other Federal aid program. The cost and quality of education provided are such that virtually no one attends SVCC unless they receive some kind of aid as an enticement.

SOUTHERN VOCATIONAL
COMMUNITY COLLEGE

Numerous violations were noted in an HEW Program Review in August, 1978, even though not an in-depth or widescope stude was made. This would seem to indicate a more detailed audit could show extensive violations and abuses.

It appears there are a number of allegations and findings of abuse of the financial aid programs and management of SVCC. Should the agencies receiving this information conduct individual investigations or audits for their particular area of responsibility, it is very possible criminal acts of Fraud Against the Government will be discovered, in addition to non-criminal abuses and misuse of the aid programs.

State of Alabama
Department of Education
State Office Building
Montgomery, Alabama 36130

Wayne Teague
State Superintendent of Education

April 6, 1979

Reverend Lawrence F. Haygood, President
Southern Vocational Community College
Post Office Box 688
Tuskegee, Alabama 36083

Dear Reverend Haygood:

The review made of your school on March 28, 1979, regarding compliance with Code of Alabama, Title 16-46-1:10, has confirmed a positive effort to achieve the minimum standards required for licensure. It has been concluded by this office that a conditional license may be issued to the school subject to accomplishing the proposed timetable previously supplied by letter of March 14, 1979, and the concerns expressed in this letter. Concerns which have not been properly addressed in the communication referenced are outlined subsequently for your information and made a part of conditional licensure requirements. This conditional license should not be construed to imply that the institution is in compliance with all other local, State or federal regulations over which this office has no jurisdiction.

A. Academic Program and Faculty

1. Additional instructors in BCT and Allied Health to permit a ratio not to exceed 1-20 students in laboratory courses. These will be identified on PS-11 forms.

2. A structured laboratory and clinical practice training program which will establish quality control and formalize community facility commitments is mandatory for Fall 1979 and strongly urged Summer 1979.

   (a) Identify tasks, standards, and conditions of performance for each course offered which is dependent upon community resources for laboratory or clinical experience.

   (b) State the amount of clock hours or the standard of performance required of each identified task and determine whether the task will be learned in the classroom, laboratory, or clinical setting. This will clarify the amount of credit hours allowance for each hour of performance and establish with appropriate community centers the support you are requesting from them.

   (c) Establish written agreements with each facility identifying responsibilities of the community facility, SVCC, and the students. Initiate quality control procedures to assure that students have achieved the required standards in all identified tasks prior to awarding academic credit.

(d) Since the effective use of the excellent community facilities available is essential to achievement of the stated course objectives, this requirement should receive a high priority with immediate attention.

3. Program revisions in BCT should be proposed to make possible achievement of course objectives with the limited equipment available in this laboratory.

B. Publications

1. The Bulletin and Student Handbook should be corrected as soon as possible by addenda and revised when reprinted.

(a) Consistency of titles "Southern Vocational College" or "Southern Vocational Community College" and correct address, location, and telephone visibly displayed.

(b) Refund policies revision effective Fall Quarter 1979.

(c) Listing of class, laboratory, and shop hours for credits awarded.

2. Copies are requested of all SACS reviews, self studies, and audits whenever available.

C. Fiscal Management and Stability

1. Final determination of fiscal management and financial stability is impossible because of a denial of information connected with certain federal programs which comprise 40-50% of the operational budget. Because a majority of students enrolled (perhaps as high as 100%) are supported by State and federal assistance, any significant changes in the status of these programs could seriously jeopardize the financial stability of the school.

(a) Please supply the names of Department of Labor officials and federal regulation number prohibiting release of information requested concerning Grant #99-8-1801-15-47.

(b) A response is needed to explain the proposed revision of the consultants reimbursement procedure.

(c) Copies of DOL and DHEW audits are requested whenever available and are essential in discharging the responsibility described in paragraph C-1.

D. Student Enrollment and Attendance policies

1. Attendance policies must be enforced as published.

2. Enrollment of students to avoid co-mingling of classes and overtaxing of facilities or instructors must be controlled.

E. Facilities

1. Laboratory, shop, and clinical experience facilities have been previously addressed, but ample evidence of solutions to these concerns will be necessary.

2. Library facilities at this point in time are inadequate, but a plan is underway to correct these limitations. It will be essential that volumes on hand be catalogued and sufficient to serve the curricula offered. Community support facilities will be identified as to the extent that these facilities are available to students for library usage and check-out utilization.

As of this date we have on file your PS-2, which is the $10,000.00 surety bond and PS-11, personal data forms for instructors. We are returning three of these for signatures of instructors. Additional forms required are completed PS-1, PS-7, and 8. PS-5 and 10 are optional should you desire to receive the complimentary agent's permit. These completed forms are required before the conditional license may be processed.

An affirmative response will be required attesting to the conditions established relative to the concerns expressed in this letter and in previous communications prior to issuance of the conditional license. This conditional license may be revoked upon determination that the agreed timetables established in your letter of March 14, 1979, and other deficiencies noted in this letter, have not been corrected.

Yours very truly,

E. C. Stephens, Program Director
State Approving Agency
817 South Court Street
Montgomery, Alabama 36104

ECS:cs
Enclosures: PS-11 forms for signature by instructors
C: Dr. Wayne Teague
Dr. John Porter, ACHE

PRE-AWAR REVIEW OF CONTRACTOR'S R..PONSIBILITY

E OF PROSPECTIVE CONTRACTOR
Southern Vocational College

DRESS (Number, Street, City, State, ZIP Code)
P.O. Box 688 Tuskegee, Alabama 36083

E OF CONTRACT
Regional On the Job Training (NOJT) Youth

AMOUNT
$400,262

TIONS TAKEN TO DETERMINE CONTRACTOR'S RESPONSIBILITY. Every NO answer must be explained in
MENTS. (Instructions on reverse of form)

	YES	NO
Verified that prospective contractor is not suspended or debarred from Government work.	☒	☐

COMMENTS:

Verified that prospective contractor has financial and other resources to perform the Government requirements.	☒	☐

COMMENTS:

Verified that prospective contractor has previously performed satisfactory work.	☒	☐

COMMENTS: The Office of the IG are currently auditing this contractor as to allegations of fiscal and related problems. Preliminary IG report indicates no serious problems. Nevertheless, the proposed contract will contain provisions for monthly reports and invoices. Approval to continue contract will be required on a monthly basis.

Conducted On Site Pre-Award Survey	☐	☒

COMMENTS: Contractor currently has a grant with the Migrant Division, and are being monitored by them.
It is my stated intension to visit this contractor within the next three months.

Contacted Office of Labor - Management and Welfare Pension Reports (*if applicable*)	☐	☒

COMMENTS: N/A.

NATURE OF PERSON WHO CONDUCTED REVIEW
Ernest Hodgkins

DATE
April 17,1980

SEA 6-163

U.S. DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
WASHINGTON, D.C. 20213

To: Official Contract Files April 17, 1980

From: Ernest Hodgkins

Subject: MEMORANDUM OF NEGOTION Southern Vocational College

On April 14, 1980 Lamond Godwin read to Bill Kacvinsky and me portions of a preliminary report from the IG Office stating, in essence, that there are no serious problems as to the allegations leveled against the subject contractor relating to his current grant with the Migrant Division under Sec. 303 of CETA.

I was further instructed to assist Rev. L. Haygood in developing a proposal under Sec. 301 of CETA for $625,000. It was agreed to limit Rev. Haygood to 30 day contract periods pending receipt of monthly reports and invoices - this would permit direct and close control over contract performance pending: 1) a final report from the IG and, 2) successful performance in the pending contract on a monthly basis.

Rev. Haygood and I negotiated on April 15-16, 1980 and developed a proposal agreeable to both of us for $496,262.
He agreed to submit monthly reports and invoices. He further agreed to provide me with job descriptions and the names of persons that will fill those positions.
Of the 250 enrollees, he agreed to 110 economically disadvantaged, 75%(188) minority and 50% (125) female.

I informed Rev. Haygood that I would be his federal representative the first several months, and that I intended to visit his program within the next few months.

Initial proposal was approved for $625,000. Rev. Haygood was informed that $126,738. would be deducted from that amount, leaving a funded contract for $[illegible], [illegible] under the prior rate for a $[illegible] overrun in his Sec 303 grant in the indirect rate line item.

Rev. Haygood was also informed that the award of this pending contract was dependant upon his agreeing to provide DOL with a copy of the audit currently being conducted for HEW.

U.S. DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
WASHINGTON, D.C. 20213

Date: April 18, 1980

Subject: New Contract Package for Southern Vocational College

To: Sandy Cohn Chief, Divl of Contracting Services

Negotiations for Southern Vocational College have been completed.

Sole source justification has been waived in accordance with the Secretary's Order number 24-74, dated November 1, 1974. The necessity for Sole Source justification has been waived as follows:

Under Section 5 (applicability),
Part a (exemptions)
☐ Item #1 (Interagency Agreements)
or
☒ Item #3 (OJT, JTP, AOP, P&D, JO or CWT)

Enclosed are a pre-award survey, memorandum of negotiation, PAR, two copies of the contractor's budget and statement of work and any other necessary and related papers. Please prepare a contract as follows:

Period of Performance: April 21, 1980 to April 20, 1981

Funding Level: $498,262

Slots: 250

The Federal Representative is: Ernest Hodgkins

Monthly invoice and narrative report are required. Contract is to be for 30 day periods, the continuation of which will be dependentupon their performance each 30 days. Contract no. is 99-0-1801-92-16. Prior to award, the contractor must certify that he will make available to the DOL copies of audit being conducted for HEW.

WAYNE E. RIEVE, Chief
Division of National Training Programs

U.S. DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
WASHINGTON, D.C. 20213

MEMORANDUM FOR: LAMOND GODWIN

FROM: HAROLD E. RIEVE

SUBJECT: Southern Vocational College Youth Employment and Training Proposal

Because of the current FBI investigation and the impending audit of the Inspector General's office, I would recommend that you consider withholding funding of the proposal with Southern Vocational College. HEW has taken Southern Vocational College off the letter of credit and put them on a cost reimbursable basis and has recommended that we consider doing the same. Bob Houser, FBI said there is a question concerning the licensing of Southern Vocational College - that it probably was not acceptable for accreditation since they found misuse of funds in the VA, HEW, and DOL grants. Dawn Schraegle - DOL 523-8396 Inspector General's office - Main Labor states she is going to conduct an audit on Southern Vocational College books the last week in February - and would recommend that we hold up on awarding any contract at this time.

The CHAIRMAN. Now, in April, you have had the benefit of three independent reports with serious, specific allegations concerning Southern Vocational College and its administration and financial practices. Subsequent to this, the IG, the Inspector General, finally did request an audit, a draft of which was completed in March of 1980, as I understand it. Is that correct?

Ms. CRUCIL. I think that is about the right date.

The CHAIRMAN. Now, as a result of your and Mr. Rensbarger's efforts, the FBI's interest, and the State Board of Education in Alabama, as I understand it, the grant money for Southern Vocational College was taken off or rescinded. Is that correct?

Ms. CRUCIL. It was taken off the letter of credit and put on a reimbursable basis.

The CHAIRMAN. Right. Therefore, it was taken off a letter of credit and put on a cost-reimbursement basis. Is that correct?

Ms. CRUCIL. Right.

The CHAIRMAN. I think those were the two exhibits we placed in front of the GAO when they were here testifying.

For the record, are you aware of any preliminary report from the Inspector General around April of 1980 that indicated that these allegations were not so serious?

Ms. CRUCIL. I do not believe so.

I should say that around about the first of November of 1979, I transferred into another program. I have some idea of what went on after that, but not real specific.

The CHAIRMAN. Well, you have seen the memo that we have listed as exhibit 8(e), which we will make part of the record, from Mr. Milici. Am I pronouncing that right?

Ms. CRUCIL. That is right.

The CHAIRMAN. That memo reinforces that concerns were still quite serious in the spring of 1980. Is that correct?

Ms. CRUCIL. That is correct.

The CHAIRMAN. Then, without objection, we will put that in the record at this point.

[The information referred to follows:]

Exhibit # 8(e)

MAR 03 1980

MEMORANDUM FOR: LINDSAY L. CAMPBELL

FROM: CASTILLO J. MILICI

SUBJECT: Grant Modification for Southern Vocational Community College (SVCC)

You told me today that Lamond Godwin instructed you to extend SVCC's grant for one month beyond the current expiration date of March 1, 1980. I strongly recommend against that action.

As you and Colwin are aware, SVCC has been under investigation by the FBI since January 1979. The seriousness of the allegations raised by that investigation led to an assessment visit in March 1979, by Bence Orcil of the Office of Farmworker Programs, and John Rensbarger of the Inspector General's Office. The irregularities turned up by their review prompted Godwin to refer a CMR to the Office of Investigations and Compliance.

The above actions led in turn to taking SVCC off the letter of credit and putting them on a cost reimbursable basis; and to a request by OFT for an immediate DOL audit of SVCC. (That audit was begun February 25, 1980, by Metcalf, Frix & Company.)

Now, as Godwin points out, the allegations leveled at SVCC have yet to be proved. On that basis, we have no justification for denying SVCC the remainder of the funds in its grant. However, it is one thing to give a grantee his money because the terms of the grant entitle him to it. It is quite another thing to give a grantee new money when we have no obligation to do so, and all the critical warning signs counsel caution rather than precipitous action. Indeed, if we have an obligation it is to suspend action until the truth of the allegations has been resolved.

Therefore, I consider it my duty to recommend that we not give SVCC any additional funds. I also urge you to try dissuading Godwin from acting hastily.

cc:Milici, Files
TMPT:JOE MILICI:bjt 3/3/80:Rm. 6318 PHB:
EXT. 66128:

The CHAIRMAN. It says here—this is a memorandum for Lindsay L. Campbell from Carmelo J. Milici, subject: grant modification for Southern Vocational Community College—

You told me today that Lamond Godwin instructed you to extend SVCC's grant for 1 month beyond the current expiration date of March 8, 1980. I strongly recommend against that action.

As you and Godwin are aware, SVCC has been under investigation by the FBI since January 1979. The seriousness of the allegations raised by that investigation led to an assessment visit in March 1979, by Renee Crucil of the Office of Farmworker Programs, and John Rensbarger of the Inspector General's office. The irregularities turned up by their review prompted Godwin to send a QAR to the Office of Investigations and Compliance.

Ms. CRUCIL. Questionable activities report.

The CHAIRMAN. Oh, I see.

The above actions led in turn to taking SVCC off the letter of credit and putting them on a cost reimbursable basis; and to a request by OFP for an immedite DOL audit of SVCC. That audit was begun February 15, 1980, by Metcalf, Frix & Company.

You are aware of that memorandum as well?

Ms. CRUCIL. Yes.

The CHAIRMAN. OK. At this point I would like to ask Mr. Kacvinsky if this was what Mr. Godwin read to him and Mr. Hodgkins, and if he actually saw, reviewed, and included this report in the file.

Mr. KACVINSKY. Mr. Chairman, I recall Mr. Godwin calling Mr. Hodgkins and I into his office, and he read from a report which I had not seen. He read that there was no wrongdoing that he could see from that report.

I also am aware of a memo that was to Mr. Godwin from a Mr. Harold Rieve, prior to this investigation, again reiterating the FBI

investigation and the impending audit of the Inspector General's office, that recommendations of withholding funding of the proposal should be done. However, I did not see the report at that time. He did read from it.

The CHAIRMAN. As I understand it, as I mentioned to Ms. Crucil, so far we have had three independent assessments in 1979, continued concerns of program officials through 1980, a draft report by the Inspector General, and a final report and audit released which confirmed the activities in 1979. We will put all of those reports in the record at the appropriate points.

Senator Kennedy?

Senator KENNEDY. Thank you, Mr. Chairman.

Just as a matter of interest, I see where on our witness list, Mr. Chairman, we have 10 witnesses that were supposed to appear here this morning. I see we have seven. Do we know where the other three are?

The CHAIRMAN. Excuse me, Senator Kennedy. I was interrupted.

Senator KENNEDY. Yes. We have 10 Labor Department officials on the list and I think we are fortunate to have 7 here this morning. Do we know where the other three are?

The CHAIRMAN. What other ones are you referring to?

Senator KENNEDY. Well, if you add them up——

The CHAIRMAN. On the list I have, I have eight from the Labor Department plus——

Senator KENNEDY. Well, the witness list I was given has 10 on it.

The CHAIRMAN. That is different from the one I have.

Senator KENNEDY. Are you giving out different ones? [Laughter.]

The CHAIRMAN. I do not know. Deborah Barnett is not here. We do not know where she is but we will certainly try to find her, and hopefully either get her in or get her sworn statement. Who were the other two?

Senator KENNEDY. Ron Luden and Fred Romero.

The CHAIRMAN. I understand that witness list is 2 weeks old and this is the current one.

Senator KENNEDY. We just received it last evening.

Mr. Slobig, as I understand, you are the senior official from the Office of Youth Programs.

Mr. SLOBIG. In the absence of anyone else here today, that is correct. [Laughter.]

I am certainly not the senior official from the Office of Youth Programs.

Senator KENNEDY. Well, with regard to our panel?

Mr. SLOBIG. With regard to this table, that is true, Senator.

Senator KENNEDY. I want to first of all thank all of you for joining with us here today.

Now a number of serious allegations have been made this morning about the contracts awarded in the last days of the previous administration. Are these reports representative of the way the Office of Youth Programs has been conducting business over the last 3½ years?

Mr. SLOBIG. Absolutely not, and to construe that they are in any way representative of the last 4 years of effort by a dedicated professional staff who have tried, I think, to efficiently and effec-

tively safeguard the expenditures of the taxpayers' money, is misconstruing what I perceive as the reality of what I have experienced.

Senator KENNEDY. You heard Mr. Angrisani this morning. He talked about improving the management of the agency, about efficiency, effectiveness. How would you evaluate the performance to date since January, in terms of these kinds of contractual responsibilities? Have you seen a very noticeable improvement?

Mr. SLOBIG. Well, Senator, I think before attempting even to answer that question, it is important to step back from the specifics that have been discussed at the table this morning and to look at title IV discretionary funds in the perspective of history, congressional history, as well as administrative experience.

I may not have everything accurate but at least this is my perception of what has occurred since August of 1977. When Congress in its wisdom passed the Youth Employment Demonstration Projects Act in 1977, which was envisioned at that time to be a short-term, limited, high-funded demonstration effort, they gave the responsibility for implementing that effort to the Employment and Training Administration, who very quickly assembled a task force which Ms. Higgins was a part of, and only over the course of several months established a formal organization which became the Office of Community Youth Employment Programs to assume the responsibility for carrying out Congress' mandate.

I think it is very important to keep that in mind when we talk about the kinds of procedural issues that the General Accounting Office focused on in their scrutiny of title IV grants and contracts. The process and the experience was established early on, necessitated by the fact that we had a limited-duration, short-term demonstration effort, to mount it fast, to get projects up as quickly and efficiently as possible within the constraints that we had to deal with, and to try to do it in as professional and defensible a manner as could conceivably be done.

I think if you will look back over the history, right now our office has a contract inventory system of over 600 separate contracts and grants that have been funded out of title IV resources since the passage of the act. To look at the 19 projects that the General Accounting Office selected as a sample from a slice of history in the Employment and Training Administration—which I think everyone at this table will admit was an aberration, I mean, that period of time was not a normal time from our experience. It certainly is not a normal time from my experience in the 10 years I have spent in the employment and training administration.

It is important to say that—and also to view what has happened in our professional existence as administrators of those discretionary contracts and grants—that an enormous amount of resources was provided over the fiscal years since that time to the present to fund discretionary efforts. Only history and subsequent efforts on the part of auditors and evaluators and researchers can really bottom-line what that experience tells us.

However, from my perspective I think that we went about it in a responsible, efficient, professional manner. My own sense is that the 600 items that are funded—maybe half, 40 percent of which are still alive out there—will stand the test of time both in terms of

bottom-line effectiveness as far as the programs that we funded as well as, in the final analysis when they can complete all the audits in the world that they want, I daresay that we will not find an outrageously surprising percentage of finally disallowed costs.

I mean there are two bottom lines, it seems to me, that we have to keep in mind. There is a bottom line that Mr. Angrisani seems to want to focus on which is audit, balance-sheet related. There is a bottom line that I and other program-oriented people have focused on.

I am not a contract specialist. I was not hired to be a contract specialist. I cannot defend the Employment and Training Administration's contract procedures but I can defend the kind of professional judgment and decisionmaking that was done on a program-oriented basis to fund the projects that we funded, and I will defend it against anybody's attacks.

Senator KENNEDY. Just a quick reaction from other members of the panel: Do you agree or disagree on it? Just make it brief, make it quick, so we can——

Mr. KACVINSKY. Senator Kennedy, you heard Mr. Slobig defend the youth programs and you heard me earlier defend the title III national programs. I think in about the same way we do have a parallel there. Programs that we were running that we were supposed to be doing were professionally done, and they were good programs, and they were getting people to work.

Mr. ALEGRIA. I would just like to add to that, that even in the chaos of the last couple of months, PUSH is a very good example where we had the grant redone, where we negotiated, where I think we got the very best for the Government. As Jim Aaron pointed out, there were certain things in there that we did not want. We eliminated those. We put in safeguards, and the bottom line is, even in those cases things went off to the best interest of the Government.

I might add that we were definitely told how much and for how long by the previous administration but, on the other hand, nobody ever stopped me from insuring that it was programmatically sound, and if I wanted any safeguards in there, I insisted and got them.

Senator KENNEDY. Mr. Aaron, the Greater Cleveland Growth Corp. has been referred to earlier as one of "midnight specials," how efficient and how effective has the program been? Would you fund it again?

Mr. AARON. Yes, I would, Senator. As I explained to Chairman Hatch, I have not been able to visit the program onsite but the reports that I have received, it appears that it is excellent.

Senator KENNEDY. Mr. Slobig, what sort of current frustrations are you feeling? We hear them there, both in what you are saying and——

Mr. SLOBIG. Well, aside from the fact that like most of the rest of the Employment and Training Administration staff, I got my reduction-in-force notice yesterday——

[Laughter.]

Mr. SLOBIG [continuing]. Which says something, I guess, about the projected level of staffing that we may have to deal with the winding down of all that we have wrought over the last 4 years, I think that once again I would like to step back and suggest that

the frustration that I have and the frustration that I hear expressed to me every day by the staff that I have—and let me digress again and say that I am in the Division of Program Review and Analysis in the Office of Community Youth Employment Programs.

We have had, since the inception of the title IV effort, responsibility in that division for basically mounting, overseeing, carrying out, all of the demonstration, research, and evaluation activities funded out of discretionary resources. Probably out of the three-quarters of a billion dollars, three-quarters of a billion dollars of taxpayers' resources that have been expended in that area, I would guess 80 percent of it has been under our division's responsibility.

Right now, there are seven full-time professional staff people in that division. I do not know of any private sector business that would try to run a multimillion-dollar corporation with seven professional staff people.

Be that as it may, my point about the big picture backdrop is simply this: We have gone, in a period of 1 year, from being the darling of the previous administration—the singular domestic initiative in the last fiscal year of the previous administration, with an administration-recommended level of resource support, if I recall, in excess of an additional billion dollars to what we previously had had—that is what the level of anticipation and mood backdrop was about a year and a half ago.

The level of recommended resources for title IV youth programs in the present administration's budget was zero. I mean, when you talk about a microcosmic reflection of the pendulum swings in the different budgeting and policy direction from one administration to the next administration, you have perhaps the quintessential example of the folks that feel like they have been "ying-yanged." [Laughter.]

I mean, you cannot go much more than from $2 billion to zero. Therefore, that is there as a backdrop, I think, that colors the whole mood, the level of staff morale, and the kind of feeling that people have about their jobs. That is independent of RIF notices. That only adds to the frustration and the anxiety that people feel.

You have, along with that, a kind of wrenching philosophical change which suggests, to me at any rate, that we have moved from a distinctly program-oriented focus, clearly to a process, procedural-oriented focus which leaves people like myself who are basically program people, who have worked in the program field for 10 years or more in the Employment and Training Administration pretty much at sea in terms of even how you see your job.

I do not know whether the same kind of frustrations are shared by other long-term members of the Employment and Training Administration staff that sit beside me here but I certainly feel that way, and I think that the staff that work for me are a reflection of that kind of feeling. There is a sense that no one above us really either knows about what we have done for the last 4 years or really cares.

It was stated this morning, I believe, by Senator Quayle, that what he was really concerned about in the final analysis is that we learn from this whole experience what works best for whom and why. Well, it seems to me that in no other organization that I

know of around town, we have consciously and carefully designed a set of demonstration projects in our organization that fit under an overall umbrella that provides us the basis for being able to make those kinds of judgments.

Senator KENNEDY. Yes, but with all fairness—and let me just be the devil's advocate here—you have heard a lot of other charges and allegations this morning, memoranda and statements as well on it, with regard to these programs and how decisions are made to fund them. Now what are we supposed to take out of this hearing? I think you have made a very eloquent——

Mr. SLOBIG. Well, I think what we need to take out of this hearing is that clearly there were deficiencies, procedural deficiencies in the way things were handled. I think Mr. Kacvinsky admitted this. He admitted that if you look back over the past 10 years, if this hearing had taken place 8 years ago we probably would have come up with the same conclusions. I think that there have to be distinct changes made in the way things are done.

I am not so sure that swinging from a substantial amount of sole-sourcing to "everything has to go competitive" is the right way to go. Your reference to how the Defense Department does business this morning was an interesting one because it raised some questions in my mind about compromise ways in which you could go sole-source.

I would be the first to admit that the majority of the things that we funded out of our office were done on a sole-source basis. They were done on a sole-source basis because if we had to go a competitive process we never would have gotten them done. We could not have gotten them done within the constraints of time that were originally laid out in the congressional mandate to run with it and go.

Senator KENNEDY. Well, how are the decisions being made now?

Mr. SLOBIG. There aren't any decisions being made, and that is the biggest frustration that I have. [Laughter.]

I say that in all seriousness. I mean, we have right now—I think there are approximately 260 projects funded out of our office with fiscal 1981 resources in them. Only 41 of those projects are conceivably going to be alive after December 31, 1981—41. A list of 41 projects, as I understand—it has been held close to the vest—but a list of 41 projects has been sent forward to Assistant Secretary Angrisani for consideration for extension beyond December 31, either with or without additional funds, depending upon the nature of the project, and for varying durations of time.

We have not even begun to think about fiscal 1982 projects yet but that set of projects went forth almost 2 months ago and no decision has been made. Contractors are sitting there, people went out of business technically on September 30 because no decisions were made. After the fact, they had to be informed by telegram that they were extended for a period of time. That is the kind of frustration that we have.

My perception is that the mentality that I have had to work under for the last 9 months suggests that a decision deferred is a dollar saved. I even wonder to the point where, in the implementation of reduction-in-force procedures which we are about to undergo in the Employment and Training Administration, whether that

same attitude will not prevail, and that scares me. As the sole supporter of five kids and a wife, it really scares me.

The CHAIRMAN. Well, I have to admit I hate to see anybody receive a reduction in force, regardless of differences in philosophical and ideological beliefs.

Senator KENNEDY. The hour is late. This was a very eloquent and forceful statement but I do not want to cut anybody off. I would welcome the chance to hear from any other panelists, briefly. If the others want to make a brief comment, I would welcome it.

Mr. SLOBIG. I will welcome the opportunity that Senator Hatch gave me earlier of submitting additional information for the record.

The CHAIRMAN. We would be happy to have that. I think it is safe to suggest that you have violent disagreements with the present administration on how CETA is or is to be operated.

Mr. SLOBIG. I do not think that is necessarily true. I do not think you should necessarily infer that from the comments that I made.

The CHAIRMAN. OK.

Mr. SLOBIG. I mean, it is not a partisan political point of view. I came into this man's government under a Republican administration, Mr. Nixon, and worked for him and worked for Mr. Ford and worked for Mr. Carter, and now I work for Mr. Reagan. I try to see my job as carrying out as efficiently and effectively as possible the professional mandate that I have as an employment and training expert.

The CHAIRMAN. I see.

Mr. Kacvinsky, just one last question: In spite of what Mr. Slobig has said, you are not going to back down on your statement that you felt that some of these funds were being used for middle-management consulting and other things rather than going to getting kids to work. Is that correct?

Mr. KACVINSKY. Yes, sir. It is correct.

The CHAIRMAN. You will still stick by that statement? I think that says something pretty eloquently, also.

Let's take a 5-minute break and we will be back.

[Brief recess.]

The CHAIRMAN. We will resume the latter part of this hearing.

Up until now we have had a certain tolerance for expressions of emotion in here but we would prefer that we have no expressions of emotion one way or the other. Let's listen to the witnesses and give them every consideration, and let's proceed from here.

We will now call on Mr. Green, former Assistant Secretary of Labor.

Mr. Green, I understand you have a statement.

Mr. GREEN. Yes, sir. I do.

STATEMENT OF ERNEST G. GREEN, FORMER ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY ROBERT WASHINGTON AND JIM CHRISTIAN, FINLEY CUMBLE & WAGNER

Mr. GREEN. Mr. Chairman, I am accompanied by my firm's counsel from the law firm of Finley Cumble & Wagner, Robert Washington to my left and Jim Christian to my right, both partners.

Mr. Chairman and members of the committee, at your committee's invitation I am happy to be here today to present testimony regarding the administration of the CETA program during my tenure as Assistant Secretary for Employment and Training within the U.S. Department of Labor. I was appointed to that post by President Carter in March 1977 and served until Jan. 20, 1981.

It is my understanding that one of the catalysts for your committee's inquiry into this area was a flurry of recent press reports raising questions about the process by which CETA contracts and grants were awarded during the last months of the Carter administration. Further, it is my understanding that the committee, pursuant to its authority and its response to the press reports, requested the General Accounting Office to conduct an investigation which has been reported in two studies, HRD-81-111 and HRD-81-145. These reports closely scrutinize a number of awards made during that period using CETA titles III and IV discretionary funds. While reviewing some of the same questions raised in the press reports, the GAO reports seem to refine the issues that appear to be of interest to this committee.

Because of my own role in the Department of Labor's employment and training policies, I am delighted to have the opportunity to directly address any criticism of the manner in which these programs were administered during my tenure in public office. Hearings such as these are sound mechanisms for airing any questions which the public may have about the administration of large Federal programs and laying such questions to rest.

I am especially pleased to participate in these hearings because of my belief that the actions of the past administration, particularly with regard to CETA, will stand up to close public scrutiny, and because of my desire to remove any cloud that recent reports may have placed on the merits of CETA itself. Before responding to specific questions that the committee may have, I would like to address in a general fashion issues raised on the GAO report by the press concerning my administration of titles III and IV, discretionary funds during the last 4 months of the Carter administration.

The CHAIRMAN. Mr. Green, could I interrupt you?

Mr. GREEN. Excuse me?

The CHAIRMAN. If I could, I forgot to swear you in. Would you stand and raise your right hand?

Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GREEN. I do.

Senator KENNEDY. Does that apply to the earlier testimony he has given already?

The CHAIRMAN. I would think, knowing Mr. Green, it would.

Mr. GREEN. It has been suggested by some and implied in the media that I and other Department officials responsible for making the determination on CETA awards proceeded after November 4 to dispense Federal moneys to our political friends with wild abandon, knowing that soon we would not be able to help them. One report goes so far as to quote a person as saying that while the activities were not illegal, they were unethical.

In our view, the GAO reports discredit the notion that one or a few individuals possessed unfettered power to dispense grants in this fashion or that they actually did so. In reality, the awards made during the transition period were not only in complete accord with the law but they were a product of careful review and scrutiny under comprehensive systems of checks and balances established within the Department. These rigorous new procedures were first voluntarily instituted by the Carter administration and Secretary Marshall as an added safeguard to ensure sound administration and management of CETA.

In other words, the awards in question were subject to the same process of thorough review that others made before November 4 were subjected to. Although the moneys were discretionary, the awards certainly were not made arbitrarily. I think it is important to restate for the committee the approval process which preceeded the granting of noncompetitive awards.

First, the Procurement Review Board had primary responsibility for approving a proposed noncompetitive contract involving $10,000 or more. This board was chaired by the Assistant Secretary for Administration and Management, and included others in the Department, but members of the Employment and Training Administration were excluded from serving on that board.

Certain Office of National Programs awards under title III were exempted from the review board's consideration. Proposals in this category consisted of those made by community organizations with "demonstrated effectiveness" in the delivery of employment and training services. A number of Office of Youth Programs discretionary funding awards under title IV were also in this exempted category.

The so-called demonstration program awards required, however, the specific approval of the Secretary's Steering Committee established by a memorandum issued by Secretary Marshall. The Secretary's committee consisted of five individuals: the Executive Assistant and Counselor to the Secretary, Paul Jensen; the Deputy Under Secretary for Legislation and Intergovernmental Relations, Nick Eddes; myself; my deputy, Charles Knapp, who was also serving as Special Assistant to the Secretary; and Lamond Godwin, Administrator of the Office of National Programs.

Thus, discretionary title III and IV funds, which did not have to be approved by the review board, nevertheless had to be approved by the Secretary's Steering Committee. In short, all awards treated in the GAO report were specifically authorized by committee review. Neither I nor anybody on my staff had the authority to unilaterally approve a discretionary fund award or a modification of an award.

I want to emphasize that no contracts or grants were made without committee review and approval. It is important to recognize that award proposals submitted for review under the process I have just described had to also fit within the carefully developed funding plans for title III and IV discretionary funds. During my tenure, I set forth written procedures for developing and executing such plans. For the record, I would like to submit a copy of a memorandum dated Oct. 2, 1979 from me to the ETA executive

council, as an illustration of the budget review procedures implemented.

As a result of these procedures, funding requests from various offices were carefully considered and reviewed by the executive committee I created, whose members included among others, Charles Knapp; Robert Jones, the Director of the Office of Assistance; and Lamond Godwin. It was only after this body's consideration that a plan was sent forward to the Secretary for his consideration and approval.

Thus, the funding parameters were very carefully and clearly established in accordance with congressional authorizations prior to reviewing specific award applications. GAO reports identify a total of 4 awards made under title III that were not in the OMP funding plan, and 18 made under title IV that were not in the OYP funding plan.

As the reports indicate, there is no legal issue with respect to the funding of unplanned awards. On the contrary, the 1978 CETA reauthorization act contemplates that the Assistant Secretary for Employment and Training will have to make readjustments in the funding and authorizes him to do so.

However, even in those instances where I determined that a readjustment would be necessary, the decision was reached only on the basis of review and approval by the Secretary's Steering Committee. I wish to note that the GAO report HRD-81-145 exhibits C and D overstate the number of awards made which were not part of the funding plan.

Two of the awards, Community Services and the Pacifica Services under title III, and three of the awards under title IV, Delta Sigma Theta Sorority, University of the District of Columbia, and Dr. Benson Penick, were line items in a legislative budget whose funding by definition was contemplated. A prior focus of the GAO report concerns the number of telegrams that were sent to contractors and grantees in the last month of the Carter administration authorizing the use of funds. Telegrams sent out on January 19, 1981, the last full day of the Carter administration, a total of 25, appear to have elicited a special degree of scepticism.

There is, of course, no question raised about the propriety of Labor Department officials doing business in this fashion. The authorization to incur costs pending finalization of a contract is a long-standing Labor Department practice intended to avoid unnecessary delays in the startup or continuation of grants and contracts that have already been approved as to the awardee and the amount by the process I previously described.

In no case could the sending of a telegram represent the unilateral decision of the individual signing the telegram to authorize the addressee to incur costs. Transmission of a telegram was essentially a ministerial function providing immediate notification to a contractor or grantee to begin performance on the award pursuant to the Labor Department's prior approval at higher levels.

In most instances, an awardee's application had been under consideration at the Department for some time. However, the negotiations process had been completed; only formal execution of the contract remained to be done, and this was a stage which generally speaking I did not get involved in.

The committee also asked GAO to make a comparison between the number of telegrams sent in January 1981 with the total number sent during a normal period of operation. Although GAO's data does not allow a valid comparison, the reports indicate that there were more telegrams sent during the first 19 days of 1981 than all of fiscal year 1979.

However, even if there was a high degree of telegram activity in the final days of the Carter administration, the reason for its existence is clear. It was due to the tremendous time pressures we were operating under during the final period of the outgoing administration. During that period immediately following October 1, the beginning of a new fiscal year, the Department was operating under a continuing resolution and without any clear picture of the total amounts that would be authorized for programs.

In keeping with this state of affairs, there was no commitment of title III and title IV money until the exact authorization became known. It was also difficult to convene the review board because of unavailability of its members during this period, and awards could not be approved without their review.

The end result was that there was a significant backlog of pending applications which were subsequently considered in the normal course of business and disposed of in accordance with established procedures. The number of telegrams was symptomatic of breaking the bottleneck after review procedures had been complied with. This activity was, of course, in keeping with President Carter's directive to the departments and agencies to continue rendering service to the American people during the transition period, up until the last days of his administration.

I would like to submit for the record a table analyzing the nature of the contracts with respect to which telegrams were sent out on the 19th. The summary of this analysis shows that although the contracts involved a total of $9.287 million, only $4.441 million or 47.5 percent of the contract awards were authorized to be spent by the telegram addressees.

Many of the press reports have suggested that the activity of the Department resulted in an overcommitment of funds and corresponding Antideficiency Act violations. As we understand the GAO reports, no such overcommitments in either title III or title IV discretionary funds have been found to exist. GAO report HRD-81-145 indicates that of available funding of $156.1 million under fiscal year 1981 title III moneys, only $51.2 million had been obligated as of January 30, 1981. Of a total funding of $201.3 million under title IV, only 52.2 million had been obligated.

I must express my own personal disappointment at finding out that less than one-third of the total funds available for fiscal year 1981 were actually obligated, and that even these amounts have been reduced by the current administration in seeking closeout or termination on the theory that funds have been overcommitted.

As a former administrator of the CETA program, I fully appreciate the value of outside inspection by the GAO. Although I disagree with some of its conclusions, I believe that the reports also contain valuable insights that provide a basis for improved management of titles III and IV discretionary funds.

Before turning to the questions, I want to express my own personal conviction of the need for Federal employment training programs. It is with personal frustration and deep regret that I and others concerned about public jobs programs witness the retrenchment being made.

Ironically, these cuts are being made at a time when a broad range of improvements in CETA, supported by former Secretary Marshall and myself, are being effectively implemented. These improvements include tighter eligibility standards for public service jobs, tax credits and training subsidies for private employers of the "hard core," and more stringent monitoring and auditing. These improvements allowed CETA to focus more intensely on its original goal, which was, in 1973, to provide jobs for the hard core unemployed.

The Carter administration was dedicated to the same commitment the previous two Republican administrations had made to assist economically disadvantaged citizens in finding jobs that would lead to permanent employment and eventually self-sufficiency. A conscious effort was made by the Carter administration to encourage the administration of CETA programs by individuals with backgrounds similar to the backgrounds of people CETA reached out to and assisted.

Since 1973, CETA has provided job and training opportunities to hundreds of thousands of disadvantaged citizens all over the country. For most of these people, CETA provided the only opportunity to pull out of what would otherwise be a severe personal and economic crisis. It encourages people to help themselves by providing jobs, the opportunity to learn new skills, and needed incentives.

CETA has been enormously successful in helping individuals dependent on general public assistance to work toward complete self-sufficiency. I know this last point is an objective which members of this committee strongly support. Public jobs programs are critical to meeting this objective.

I would like to respectfully point out that the elimination of public job training programs would by no means save the Government the total cost of the programs. With each such cut, general public assistance expenses and unemployment benefits increase while social security and income taxes decrease. It is my understanding that if public job and training programs were completely eliminated, as much as 25 percent of the savings to the Government would be offset by the increase in public assistance expenses and a decrease in tax revenue. In my judgment there is no doubt about this proposition.

Employment and training legislation has served the useful purpose of identifying and providing a response to the problem of unemployment generally and the hard-core unemployed in particular. It is ironic that at a time when economic conditions are deteriorating, especially those affecting the economically disadvantaged, the trend toward the elimination of salutary public programs of this type is even more strident.

The administration on Sunday acknowledged that the country is in a "slight recession." However, that sector of our economy which these programs target is in fact in a depression. I respectfully note

that the unemployment among blacks is currently at its worst level in over 20 years, 16.3 percent.

I am proud of the role that I have played in the field of employment and training, trying to address the needs of those most in need—the unemployed, underemployed, and economically disadvantaged. I stand on my record of demonstrated commitment and capability.

Senator KENNEDY. Mr. Chairman, before we get started, I noticed Congresswoman Cardiss Collins is back.

The CHAIRMAN. We are happy to welcome you, Congresswoman.

Senator KENNEDY. Is it possible that she could come up here?

The CHAIRMAN. Cardiss, why don't you come up here. Come on up, Congresswoman Collins. We will be glad to have you up here. We are happy to welcome you to our hearing this morning.

Mr. Green, where did you incorporate Green-Herman, Inc.?

Mr. GREEN. Where? It was incorporated in Delaware.

The CHAIRMAN. Delaware? As I understand it, it was incorporated on January 20, 1981. Is that correct?

Mr. GREEN. That is correct, Senator.

The CHAIRMAN. On June 24, 1981, staff members of this committee handcarried a letter to your attorney, who accepted it as counsel for Green-Herman, Inc. Are you aware of that letter?

Mr. GREEN. Yes, sir, I am.

The CHAIRMAN. For the elucidation of the committee, those present, and of course for our record, Mr. Green's firm was asked in the letter to identify contracts, subcontracts, grants, or subgrants from CETA, whether the firm had been receiving any funds from prime or subcontractors under any other Federal grant or contract program, and whether or not it had set up any service projects utilizing Labor Department funds directly or indirectly.

This information was asked to be sent on any of the above since January 1981. Counsel was authorized to respond for Mr. Green, as I understand it, and also Ms. Herman, and replied unequivocally in the negative. Is that correct?

Mr. GREEN. That is correct, Senator. We read your letter of June 23 to ask three questions: One, whether Green-Herman had contracts or grants with the Department of Labor either as a prime or sub under the funds authorized by CETA; or, two, whether Green-Herman had received any funds either as a prime or sub under any and all the Federal grant or contract programs, including social security, SBA, Department of Education; or whether Green-Herman set up any service projects that pertained to Labor Department funds, directly or indirectly.

Senator, we indicated that there were none of those. Subsequently, we understood that you were including local jurisdictions in that and upon my discussion with your counsel, we indicated full disclosure of the Mobile contract and of any other contract that we had regarding that.

The CHAIRMAN. You mean after you received the letter and I received back a response from your counsel. Is that correct?

You can answer too, counsel.

Mr. WASHINGTON. Yes. My name is Bob Washington, Mr. Chairman.

I guess it is a function of our construing your letter, Mr. Chairman. We read your letter to mean whether or not Green-Herman had any contracts with the Department of Labor with funds authorized under the CETA act, and our respective response was that there were no contracts. We did not read the Mobile contract as coming within the contemplation of that question.

However, when we met with your staff and we had further illumination and further edification, we disclosed that that was that relationship. Therefore, if anything is true, Mr. Chairman, it was his counsel's opinion as to the import of your letter, and as soon as we understood what you were seeking we think we forthwith came with full and complete information.

However, let me hastily add, Mr. Chairman, I trust your comments are not implying directly or indirectly any improper conduct on the part of Green-Herman by virtue of this contract. I assume your question relates to whether or not our letter was responsive to your inquiry.

The CHAIRMAN. My counsel tells me that the first time that you responded to tell him about Mobile was last Thursday. Is that correct?

Mr. WASHINGTON. That is the first time we had a meeting with your staff. That is correct, Mr. Chairman, but again, I——

The CHAIRMAN. That was by way of acknowledgment at that time.

Mr. WASHINGTON. Well, Mr. Chairman, I am perplexed. I am not sure that I understand the nature of your question. Is your question as to the propriety of the contract or is your question as to whether or not we responded to your letter in great detail?

The CHAIRMAN. Let me make it clear. I think the letter speaks for itself.

Mr. Green, let me ask you this: The letter says—and it is dated June 23, 1981:

> The Committee on Labor and Human Resources is currently conducting an oversight inquiry into Labor Department Contracts and Grants let under the Comprehensive Employment and Training Act since June 30, 1980. To assist us in this inquiry, I would appreciate your providing the committee a list of any and all contracts, subcontracts, grants, or subgrants that your firm has received since its incorporation in January 1981. Where subcontracts or subgrants are involved, please specify the prime contractor or prime grantee. Also specify the date that contracts or subcontracts, grants or subgrants were received, and list the dollar amount of each. In addition, please provide the committee with an accounting of all funds received from prime or subcontractors under any and all other Federal grant or contract programs, that is, Social Security, Small Business Administration, Department of Education, et al. If your firm has set up any service projects utilizing Labor Department funds directly or indirectly, please specify. I hope to receive your response by the close of business Thursday, July 2. Any inquiry regarding this request should be directed to Mr. Dan Gill of the committee staff at 224-9285. Your cooperation is greatly appreciated.

Signed by me.

On July 2, 1981, we did get back; I take it it was your letter—Mr. Christian's letter—wherein you state:

> As counsel for Green-Herman and Associates, Inc., Green-Herman, we are authorized to respond to your letter request to Green-Herman asking that the Committee on Labor and Human Resources be provided with, one, a list of any and all contracts, subcontracts, grants, or subgrants that the firm has received since its incorporation in January 1981 from the U.S. Department of Labor under the Comprehensive Employment and Training Act; two, an accounting of all funds received

from prime or subcontractors under any and all other Federal grant or contract programs; and, three, an enumeration of any service projects utilizing Labor Department funds directly or indirectly. Green-Herman is most willing to be of whatever assistance it can to the committee as it conducts an oversight inquiry into the Labor Department's letting of contracts under the Comprehensive Employment and Training Act. In keeping with this willingness, Green-Herman has conducted a thorough review of all its contractual undertakings since January 1981 and can state unequivocally that, one, it has not received any contracts, subcontracts, grants, or subgrants from the U.S. Department of Labor under the Comprehensive Employment and Training Act; two, it has not received any funds from prime or subcontractors under any other Federal grant or contract program; and, three, it has not set up any service projects utilizing Labor Department funds, directly or indirectly. We trust that the foregoing is responsive to your request. Green-Herman will gladly provide any additional appropriate information that the committee might require. If you or your staff have any further questions regarding any aspect of this matter, please contact me.

Now Mr. Green, at that time did you have the understanding that we were just talking about local programs or the CETA programs?

Mr. GREEN. That was exactly my understanding and on the advice of counsel, this is the response that we put forward. As I indicated, Senator, when we met with your staff we were fully willing to disclose any and all contracts that we had and did do that in our discussion with them.

The CHAIRMAN. That was last Thursday.

Mr. GREEN. That was the first time I met with your staff.

The CHAIRMAN. I see. What you are saying is, at the time this letter was written you knew of the Mobile contract then.

Mr. GREEN. Certainly we knew of the Mobile contract.

The CHAIRMAN. You were performing pursuant to the Mobile contract.

Mr. GREEN. We did not attempt to hide it, and think that we know that that contract does not violate any law.

The CHAIRMAN. Is Mobile a prime contractor under CETA? I take it you were familiar with the Mobile contract as well.

Mr. GREEN. The Mobile contract, Senator, is a closeout that was approved by the present administration in phasing out the program. One has to do with placement of the PSE participants; the other has to do with audits and inventory and other closeout. It was with Mel Harris & Associates of Crystal, Minn., that we did the work.

The CHAIRMAN. How long have you known Mr. Harris & Associates?

Mr. GREEN. I suppose I met him some time this year, and did not know him before.

The CHAIRMAN. I see. I am correct, though, that they were at that time a prime sponsor for CETA located in Mobile, Ala.?

Mr. GREEN. The Mobile Consortium; yes.

The CHAIRMAN. OK. When you were Assistant Secretary of Labor, were you aware that this organization had a large contract under CETA?

Mr. GREEN. No, I was not.

The CHAIRMAN. OK. Does Mr. Harris, or did he at the time have subcontracts with CETA prime contractors?

Mr. GREEN. I have no knowledge of it, sir.

The CHAIRMAN. You did not know that?

Mr. GREEN. No.

The CHAIRMAN. You did not know whether he had a contract with Mobile County Consortium——

Mr. GREEN. No; I did not know that.

The CHAIRMAN [continuing]. When you entered into this agreement with him?

Mr. GREEN. When we entered into the agreement with him there was a discussion about the contract and performing those services, sure, in April.

The CHAIRMAN. Therefore, you knew about it, then, in April.

Mr. GREEN. Yes, on April 3, 1981.

The CHAIRMAN. OK. You are saying that the work you did pursuant to this contract was closeout work to assist the Mel Harris & Associates group in the administrative and closeout technical assistance for the Mobile County Consortium. Is that right?

Mr. GREEN. That is true.

The CHAIRMAN. OK. The amount of your contract with Mel Harris & Associates, as I understand it, was $75,000.

Mr. GREEN. That is correct. The document reflects that. It is broken into two parts. One is that personnel cost, and then fixed cost of $11,930.

The CHAIRMAN. I see. For a total of $75,000?

Mr. GREEN. Yes, sir, that is true.

The CHAIRMAN. OK. We would put a copy of the contract in the record at this point, without objection.

[NOTE.—The material referred to appeared earlier in the record and may be found on p. 37.]

The CHAIRMAN. As I see it, then, Green-Herman, Inc., filed incorporation records on January 20, 1981. On June 24 you were officially asked by the committee to identify all contracts, subcontracts, directly and indirectly, with the Labor Department or any other Federal grant or subcontract program. On July 2 your attorneys write back stating unequivocally that you have not engaged in any contractual undertakings described in the June 24, 1981 letter.

Mr. WASHINGTON. Mr. Chairman?

The CHAIRMAN. Yes, sir?

Mr. WASHINGTON. Respectfully, there are three separate questions you are asking. The question of direct and indirect only relates to No. 3? Respectfully, may I read No. 3? "Any enumeration of any service projects utilizing Labor Department funds directly or indirectly."

I think it important to state and to emphasize that in responding to your inquiry, we in no wise sought to foreclose or not to disclose information to this committee. Again, let me reiterate, at the earliest possible time when your staff indicated to us what in fact the committee sought, we disclosed the information.

Clearly, I trust you are not suggesting or intimating that this contract relationship violates any Federal act or conflict of interest.

The CHAIRMAN. Well, it does bother us that on April 3——

Mr. WASHINGTON. However, to "bother"and to violate a law—I mean, I just want the record to be clear.

The CHAIRMAN. All we are trying to do, Counsel, is of course go into this and resolve the problem, hopefully.

Mr. WASHINGTON. There have been so many intimations, Mr. Chairman—we are very concerned about reputations here—sort of intimations of relationships. So long as the committee takes the view that Mr. Green or Green-Herman has not violated any law——

The CHAIRMAN. We do not take any view on this. I think that is up to other people to take any contrary views. All the committee is saying is that on April 3, approximately 3 or 4 months before we received the letter from you, Green-Herman entered into a contract recognizing that they knew about the Mobile County Consortium.

Mr. WASHINGTON. Our letter was dated July 2, Mr. Chairman.

The CHAIRMAN. That is what I am saying.

Mr. WASHINGTON. We responded——

The CHAIRMAN. I am talking about the April 3 contract between Green-Herman and, of course, Mel Harris & Associates, Inc., which is now made part of the record, fully known a number of months before your letter came to us which was unequivocal in its assertion.

Now, Mr. Green, let me return to the period of time after the election and through January 19, 1981. Testimony today in considerable—and I have to admit, I do not know that anybody should be able to criticize because of newspaper articles—but considerable newspaper articles revealed that you and Mr. Godwin authorized many contracts involving millions of dollars, in fact, in CETA title III discretionary funds.

Not only was the $137 million available overcommitted but the planned $165 million in title IV in the youth project funds had also been overcommitted, according to witnesses here, for a total of $42 million in both funds. Is that true?

Mr. GREEN. No, that is not true. We did not overcommit the funds.

The CHAIRMAN. You are saying there was no overcommitment of funds?

Mr. GREEN. I certainly am, sir.

I think, Senator, the important item, and the GAO report points it out, that the funding plan is a document, an administrative document that is subject to change and it has changed. I think the present Assistant Secretary for ETA will even indicate that. The plan, against the authority and the final authorization, if you go back to my testimony, indicates that of some $9 million in contracts that were approved on the 19th, it only authorized those contractors to spend less than half of that money.

We certainly were aware of that and attempted to make certain that any and all of these awards would follow good procedures and good policy.

The CHAIRMAN. Then you basically disagree with the GAO, then, and I guess Mr. Angrisani himself, that you would have been over $42 million.

Mr. GREEN. I certainly do, not being available to review those funds and to look at their records.

The CHAIRMAN. Well, perhaps they should make those available to you.

Mr. GREEN. I would certainly hope so, sir.

The CHAIRMAN. If you need that done, we will certainly see that that is made available to you.

Now it was also in these articles—at least as I recall—it is alleged that you made statements that these last-minute contracts were awarded for philosophical reasons. Is that correct?

Mr. GREEN. I am sure you are aware, Senator, that the press does not give you full quote. In fact, the item that I said was——

The CHAIRMAN. Sometimes they give us too full quotes, you know.

Mr. GREEN. Well, as I remember that line, it was only about one line. It did not finish the entire sentence. I indicated that these contracts were ones that had been in negotiation for some time. I think the record will show that many of them go back to the summer of 1980 and had been in active negotiations with the Department; and, second, that many of these contracts did go in a direction that the previous administration had focused its employment policy, in a targeted manner, on economically disadvantaged. For that reason, these were ones that I certainly wanted to see that I fulfilled my obligation and my duty.

The CHAIRMAN. I see. On these contracts, did you know many of these people personally, to whom you——

Mr. GREEN. Some of them I knew; some of them I did not.

The CHAIRMAN. Is it true that on January 19, 1981, as has been testified to earlier, that you appeared early in the day with Ms. Herman at the ETA offices in the Patrick Henry Building in Washington, D.C., in order to sign as many contracts as possible before your tenure came to an end?

Mr. GREEN. That is not true in that characterization. As you are aware, the Department of Labor is organized into two physical structures, at least ETA and the Department of Labor. The Patrick Henry Building, in which the Assistant Secretary for Employment and Training Administration has responsibility, is approximately 5 blocks from the main Labor building. Many times in my tenure in ETA I did go over to the Patrick Henry Building.

The CHAIRMAN. However, is it true you showed up on that day to sign contracts?

Mr. GREEN. No, that is not true. I did not show up that day to sign contracts.

The CHAIRMAN. Did you in fact sign a number of contracts that day?

Mr. GREEN. No, I did not sign contracts, Senator.

The CHAIRMAN. Therefore, you are saying that some of these witnesses who saw you or said that you did are not telling the truth.

Mr. GREEN. I would definitely say that, yes.

The CHAIRMAN. OK. Did you take into consideration that in many instances the staff—and some of them have been here today—did not believe that many of these contracts should have been authorized? Were you aware of that?

Mr. GREEN. I would say that any Federal official, political appointee, would probably have differences of opinion with the regular Federal staff, and I am sure that there are many things that some of them would have had differences of opinion. I do not think

that that in any way precludes the elected administration in proceeding ahead with their program and philosophy.

The CHAIRMAN. Do you know how many contracts you in fact did sign over that last 4-month period, and maybe break it down over the last 4 months and then the last month? Do you have any idea?

Mr. GREEN. The number of contracts, no, I do not.

The CHAIRMAN. Was it a significant number?

Mr. GREEN. No, I would say it was not a particularly significant number. We had in ETA, Senator, some 800-odd contracts and grants between title III and title IV, and I cannot remember the numbers but it is a large number of contractors and grantees that we have or did have in title III and title IV.

The CHAIRMAN. Therefore, you are saying on these last 3 or 4 months, during that period of time you actually did not sign a lot of contracts.

Mr. GREEN. No more than I did over my period of 4 years in the administration.

The CHAIRMAN. Now how many, do you have any idea approximately how many contracts you signed on the last few days, say the last week?

Mr. GREEN. Senator, I did not sign the contracts.

The CHAIRMAN. Or approve.

Mr. GREEN. If the issue that you are speaking to are the administrative telegrams that the GAO report outlines, I have the document in front of me but I did not sign the contracts.

The CHAIRMAN. Let's use the term "approved" either personally by you or by your steering committee.

Mr. GREEN. Certainly. All contracts had to be approved by the steering committee.

The CHAIRMAN. Could you give us some illustration of how many of those were approved in the last, say, couple of weeks of your tenure as Assistant Secretary?

Mr. GREEN. I do not have the exact number, and I would be happy to submit it for the record, go back and count them.

The CHAIRMAN. We will be happy to have you do that.

As we had testified to earlier in the day, a party was held apparently beginning at 10 a.m. on your last day in office, with food, drinks, and of course we were told that there were a number of contractors who had been alerted to come to the Patrick Henry Building. As I understand it, the staff did put on the party, brought the food, drinks, and arranged for the music. Do you know how many people were waiting in the outer office to be consulted on contracts that day?

Mr. GREEN. No, I do not. I would just say that there were lots of parties during the last days of the administration, I am sure, throughout Government. It is not unusual.

The CHAIRMAN. Were you aware that some of the contractors actually stood in line to line up for their contracts, and to be seen that day, and to get these matters resolved?

Mr. GREEN. No, I am not aware that they stood in line or that they were standing in line.

The CHAIRMAN. OK. According to the GAO report, an award was given to the National Association for the Southern Poor in the

amount of $150,000 by telegram on January 5, 1981. Is that right, or are you aware of that?

Mr. GREEN. I am not aware of the preciseness of it but if GAO says it, I am sure they have accurate documentation to that effect.

The CHAIRMAN. Well, the GAO report states that the award was made at your insistence despite the staff recommendation that it should not be made. Are you familiar with that?

Mr. GREEN. No, I did not speak or do not have any idea of speaking to any staff on that particular contract.

The CHAIRMAN. The GAO report also states that because of the history of poor performance and limited prospects for improvement, the award was rescinded on March 31, 1981, after you left. Are you aware of that?

Mr. GREEN. No, I was not aware of that.

The CHAIRMAN. Are you aware now, I mean?

Mr. GREEN. I am, since you have told me.

The CHAIRMAN. OK. Did you also read or hear that because the telegram sent to the awardee represented a contractual obligation, it actually cost the taxpayers around $27,000 to close out the deal? Is today the first time you have heard that?

Mr. GREEN. Yes, it is.

The CHAIRMAN. OK. I guess that is because the awardee has to be compensated for whatever work he did do if they terminate him.

Mr. GREEN. I am not aware of the process, sir.

The CHAIRMAN. Mr. Green, the GAO report identified 70 telegrams sent during the first 4 months of fiscal year 1981. Of these telegrams, eighteen were for awards to be administered by the Office of National Programs totaling an estimated $15.3 million, and 34 were for awards to be administered by the Office of Youth Programs totaling an estimated $14.6 million. Were you aware of that?

Mr. GREEN. I, again as I indicated, have not seen GAO's figures or how they arrived at it, and only after checking them would I agree with that, Senator.

The CHAIRMAN. OK. As the Assistant Secretary for the Employment and Training Administration, did you authorize those telegrams, either directly or indirectly?

Mr. GREEN. As I indicated, these telegrams were a process that we used to inform the grantees of their award. Some of them, I am sure that my office, which had the authority, did authorize. They were all part of the approval process of the Secretary's committee and had been reviewed by that committee.

The CHAIRMAN. Mr. Green, the professional staff has been told that during the period after the election you in fact took charge of the steering committee in order to expedite new contracts or grants, or to renew and/or modify them, and we have had some illusions to that through staff testimony here today. Was that true, or is that false?

Mr. GREEN. Senator, I suppose anybody that is in Federal Government, the utilization of discretionary funds is the great battle. If I had ever had the opportunity to have unilaterally that control, I am sure there would have been a revolt in the building. No, I did not at any time, and whoever made the statement was not forthcoming with the total truth.

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The CHAIRMAN. Well, did that committee keep any records or significant records concerning the actions of the committee? Do you know if it identified those who attended the meetings? Do you know if it maintained operating procedures detailing how the committee was supposed to carry out its responsibilities, kept records of how decisions were made, and did it keep records of proceedings rather than destroy handwritten minutes? Did you have any records kept for that particular committee?

Mr. GREEN. The committee, as I indicated in the testimony, Senator, was set by Secretary Marshall, and that determined—there is a memo to that effect determining its operation and its composition.

The CHAIRMAN. I see. However, did you keep any records during the time that the committee met?

Mr. GREEN. I was not the secretary of the committee and I am not aware of them, do not have them, do not know where they are.

The CHAIRMAN. Did you direct that anybody keep those records, since you were clearly the chairman of the Steering Committee?

Mr. GREEN. I was not the chairman of the Steering Committee.

The CHAIRMAN. OK. I stand corrected on that. However, you were on the Steering Committee.

Mr. GREEN. I indicated that in the testimony, sir.

The CHAIRMAN. OK. You say on page 5 of your statement that you want to emphasize that no contracts or grants were made without committee review and approval. Do we have any records to complete our oversight responsibilities that assure these grants or contracts were adequately and justifiably approved? You know, with the void, if we do not have these records mentioned by GAO, we have nothing to go on other than what you are telling us here today.

Mr. GREEN. Senator, I was not the chairman nor the secretary of the committee, merely a member.

The CHAIRMAN. However, you did say that no contracts or grants were made without committee review and approval.

Mr. GREEN. That is true.

The CHAIRMAN. Were there any documents that indicated that approval was granted?

Mr. GREEN. Once they were, yes. As I indicated also in the testimony, my memo of October 1979 I think sets out a procedure that we used for review of them. It is to the Executive Council, it is dated October 1, 1979, and it is called "New procedures for developing and executing the funding plan for special national programs and activities under CETA title III." It has basically a 5-step process and it outlines the procedure.

The CHAIRMAN. Apparently the Steering Committee, at least on page 11 of the GAO statement, the role of the Steering Committee was to approve or disapprove awards and the GAO indicated that they took the responsibility for crossing the T's and dotting the I's. Now if the Steering Committee mechanism was supposed to substitute for normal Government award procedures, then should not its own internal records and the Department of Labor's reflect that, and have some documents to justify the awarding of all of these grants and contracts?

Mr. GREEN. Senator, I answered earlier that——

The CHAIRMAN. You do not know.

Mr. GREEN. I was not the secretary nor the chairman of it, and that is the answer.

Senator KENNEDY. Would the Chair just yield for a question?

The CHAIRMAN. I would be happy to yield.

Senator KENNEDY. I would like to find out whether the committee staff interrogated the members of the Steering Committee. It seems we are asking one of the members of the committee for all of his information. I would just like to find out whether the staff interrogated the members of the Steering Committee, and if they did, did we get information? It might help us all to understand the responses of the witness.

The CHAIRMAN. The staff informs me that the only one who did not respond to the GAO report, which the staff relies on——

Senator KENNEDY. That was not my question.

The CHAIRMAN. Well, the answer is no because the staff relied on the GAO report, which interviewed everybody on the committee except——

Senator KENNEDY. However, the staff itself did not interview—

The CHAIRMAN. That is correct.

Senator KENNEDY.—In this investigation, the members of the Steering Committee.

The CHAIRMAN. As I stated in my opening statement, we relied on the GAO report. If it is wrong, we want to have it pointed out where it is wrong and we will be very pleased to have it pointed out.

I do find a little bit of difficulty in having a committee that meets regarding millions and millions of dollars that does not keep any records on why they make these grants and contracts.

Senator KENNEDY. Well, I do too but I would think that we would either get the members of the Steering Committee up here and interrogate them or get Ray Marshall up here and interrogate him——

The CHAIRMAN. Well, it may be——

Senator KENNEDY. I mean, if that is the purpose of this.

The CHAIRMAN. I am just trying to find out what the procedures were and what the Steering Committee did. We have had some allegations that Mr. Green actually, in fact, basically took over the committee at the last minute and gave these contracts or grants out. Now whether that is true or not, I am not intending to judge you, Mr. Green. I just want to get the facts, and you say that you do not know of any records.

Mr. GREEN. I would be happy to help us reach the facts, and those allegations are untrue.

The CHAIRMAN. However, you do not know of any records, in other words, from the Steering Committee.

Mr. GREEN. Senator, as I indicated I was not the secretary nor the chairman of it. I am sure there were records because there was a great deal of activity during the course of the 4 years with the committee.

The CHAIRMAN. Senator Kennedy? I may have a few other questions after you.

Senator KENNEDY. I welcome the fact that the issue of the misunderstanding between the committee's request and the witness

has been cleared up. I think it is important to understand that it was cleared up before the time of this hearing. As one of the principal authors of the Freedom of Information Act, it is certainly clear that any information with regard to contracts could have been obtained either by members of this committee, by interested Members of the Congress, or by individual members. These matters are public documents and I think that that is important, that we understand that right from the beginning.

I suppose there are really two areas that I would like to get into here with you, Mr. Green: that is on the nature of the authority, whether you really had that authority for the disposition of these contracts, and the kind of review that you made of them; and second, what has been I think at least implied here, and I think it is important for the record, whether you knowingly granted any contracts at any time with the idea that some time down the way that you would get some kind of remuneration of it. That is at least what I gathered in terms of some of the questions. I would like to just address really those two areas and then I will conclude.

You are satisfied that you had authority for all the action that you took during those months?

Mr. GREEN. Yes, sir; I am.

Senator KENNEDY. Do you think that all the telegrams that went out during those final few days were justified? You talked about that in your formal statement but——

Mr. GREEN. I indicate that, Senator, and also that there were negotiations and documentation that had begun, many of these, in the summer of 1980; that they had been in long discussion with staff pursuing it, so that I am satisfied with that. Yes, sir.

Senator KENNEDY. What about the award to the Southern Vocational College? Was that a prudent one in view of the Inspector General's assessment, did you think?

Mr. GREEN. I think that there is subsequent documentation from the Associate Inspector General for the Department that reviewed that, and in light of that, I think it was. I think that the record will show that program, which was one of our rural initiatives assisting farmworkers and farmworker children, dependents, in gaining education, that it was a prudent program. If it was not, we would not have recommended it being continued.

Senator KENNEDY. Now the GAO report indicates that you insisted that the award to the National Association for Southern Poor be made. In your own mind, was that a good and worthwhile award?

Mr. GREEN. Senator, I am not even aware of the program, the National Association of Southern Poor. I think it was again another rural initiative under our youth plan, both with a mandate from the legislation to work on, but I did not have personal involvement in that. That is a misrepresentation of my involvement with it.

Senator KENNEDY. What about the area of the potential conflict of interest? That has been suggested by different questionings during the course of this hearing. What do you or your attorney say about any of the implications that you might have been granting awards with the idea that some time down the road that you may be getting some benefit from it? I think it is important that

we just give you an opportunity to speak to that issue so it is a part of this record.

Mr. GREEN. Well, for the record that was never an issue. None of the contracts that I was involved with, did I see them as a future place of doing business or that it was a quid pro quo in that arrangement.

Senator KENNEDY. Let me just ask finally, you have been here during the course of the hearing earlier today: Can you tell us what you think about the awards singled out here today as a fair reflection of the CETA awards program over the period of your responsibility?

Mr. GREEN. There is a strange approach to sampling that GAO has done on these awards. If one goes through them, they even seem to have a particular bias in terms of color and who they are serving.

A second point is that the Department, Assistant Secretary Angrisani are presently involved in, a continuing resolution presently. The whole system has come to a screeching halt. I just found out earlier today that they had issued some 55 telegrams to farmworker contractors and then had to rescind those telegrams and cancel the awards.

Therefore, I think that where we are going—and when one looks at unemployment—we are reaching a point of absolute chaos. I disagree with the characterization of exceptional management.

The CHAIRMAN. Mr. Green, why would the GAO single you out for such unfair treatment? According to you, they treated you unfairly. Why would they do that? What reason would they have to pick on you?

Mr. GREEN. That is a good question. When you look at the number of people invited to the hearing, and the number of participants in decisionmaking, I have raised that many times in my head. I do not have an answer, Senator.

The CHAIRMAN. I see. However, you feel that the GAO has treated you improperly here in their investigation and in their conclusions. I guess I could add to that, the Washington Post as well.

Mr. GREEN. Their conclusions and my agreement with them, certainly, as I indicated in the statement, there is a disagreement. Their approach I also disagree with and I am at question to understand how they arrived at it, Senator.

The CHAIRMAN. I see. Now that you understand what my letter to you meant, that your attorney responded to, that we were asking about any and all contracts, direct or indirect, from any Government source, are there any other contracts other than the Mobile, Ala., Consortium contract?

Mr. GREEN. Are there other contracts?

The CHAIRMAN. That you took——

Mr. GREEN. Through CETA? No, there are not.

The CHAIRMAN [continuing]. Or through any other Government agency?

Mr. GREEN. No.

The CHAIRMAN. Any other Government source, directly or indirectly?

Mr. GREEN. No, that is not true.

The CHAIRMAN. Well, is it true or not? Are there any others?

Mr. GREEN. Any other Government sources? No, sir.

Senator KENNEDY. If the chairman would yield, in fairness to the witness, the witness was not singled out in that GAO report. I mean, the procedures and certain contracts that were let during that period of time, there were questions that were raised about it and there were allegations and various matters that were raised during that period of time.

The reason that these issues were raised is because the chairman asked the GAO to investigate this kind of area. I mean, I have asked the GAO to look into a lot of different programs—the efficiency and effectiveness of the refugee programs—and then for me to come up and say to some witnesses that are involved in the refugee program, "Why were you singled out after I requested such a program?" seems to me to be somewhat mystifying. [Laughter.]

The CHAIRMAN. Do you know Mr. Anderson, who apparently was the contract represenative for the contractee, the National Association of Southern Poor?

Mr. GREEN. No, sir, I do not.

The CHAIRMAN. Did you know anybody associated with that organization?

Mr. GREEN. No, I do not.

The CHAIRMAN. Before or since?

Mr. GREEN. No.

The CHAIRMAN. OK, Mr. Green, thank you. We appreciate your being here.

Mr. GREEN. Thank you very much, Senator.

[The prepared statement of Mr. Green follows:]

STATEMENT OF ERNEST G. GREEN BEFORE THE COMMITTEE ON LABOR AND HUMAN RESOURCES, UNITED STATES SENATE

October 20, 1981

Mr. Chairman and Members of the Committee:

At your Committee's invitation, I am happy to be here today to present testimony regarding the administration of the CETA Program during my tenure as Assistant Secretary for Employment and Training within the U. S. Department of Labor. I was appointed to that post by President Carter in March, 1977, and served until January 20, 1981.

It is my understanding that one of the catalysts for your Committee's inquiry into this area was a flurry of recent press reports raising questions about the process by which CETA contracts and grants were awarded during the last months of the Carter Administration. Further, it is my understanding that the Committee, pursuant to its authority and in response to the press reports, requested the General Accounting Office to conduct an investigation, which has been reported in two studies (HRD-81-111 and HRD-81-145). These reports closely scrutinize a number of awards made during that period using CETA Titles III and IV discretionary funds. While reviewing some of the same questions raised in the press reports, the GAO

reports seem to refine the issues that appear to be of interest to this Committee.

Because of my own role in the Department of Labor's employment and training policies, I am delighted to have the opportunity to directly address any criticisms of the manner in which these programs were administered during my tenure in public office. Hearings such as these are a sound mechanism for airing any questions which the public may have about the administration of large federal programs and laying such questions to rest. I am especially pleased to participate in these hearings because of my belief that the actions of the past Administration, particularly with regard to CETA, will stand up to close public scrutiny and because of my desire to remove any cloud that recent reports may have placed on the merits of CETA itself.

Before responding to specific questions that the Committee may have, I would like to address in a general fashion issues raised in the GAO report and by the press concerning my administration of Titles III and IV discretionary funds during the last four months of the Carter Administration.

It has been suggested by some and implied in the media

that I and other Department officials responsible for making the determination on CETA awards proceeded--after November 4--to dispense federal monies to our political friends with wild abandon, knowing that soon we would not be able to help them. One report goes so far as to quote a person as saying that while the activities were not illegal, they were "unethical". In our view the GAO reports discredit the notion that one or a few individuals possessed unfettered power to dispense grants in this fashion or that they actually did so.

In reality, the awards made during the transition period were not only in complete accord with the law, but they were the product of careful review and scrutiny under a comprehensive system of checks and balances established within the Department. These rigorous new procedures were first voluntarily instituted by the Carter Administration and Secretary Marshall as an added safeguard to insure sound administration and management of CETA. In other words, the awards in question were subject to the same process of thorough review that others made before November 4 were subjected to. Although the monies were discretionary, the awards were certainly not made arbitrarily.

I think that it is important to restate for the

Committee the approval process which preceded the granting of non-competitive awards.

First, the Procurement Review Board had primary responsibility for approving a proposed non-competitive contract involving $10,000 or more. This Board was chaired by the Assistant Secretary for Administration and Management and included others in the Department, but members of Employment Training Administration were excluded from serving on that Board.

Certain Office of National Programs awards under Title III were exempted from the Review Board's consideration. Proposals in this category consisted of those made by community based organizations with "demonstrated effectiveness" in the delivery of employment and training services. A number of Office of Youth Programs discretionary funding awards under Title IV were also in this excepted category. These so-called demonstration program awards required, however, the specific approval of the Secretary's Steering Committee established by a memorandum issued by Secretary Marshall. The Secretary's Committee consisted of five individuals: The Executive Assistant and Counsellor to the Secretary, Paul Jensen, the Deputy Undersecretary for Legislation and Intergovernmental

Relations, Nick Edes, myself, my deputy, Charles Knapp, who was also serving as Special Assistant to the Secretary, and Lamond Godwin, Administrator of the Office of National Programs. Thus, discretionary Titles III and IV funds which did not have to be approved by the Review Board, nevertheless had to be approved by the Secretary's Steering Committee.

In short, all awards treated in the GAO report were specifically authorized by committee review and neither I nor anybody on my staff had the authority to unilaterally approve a discretionary fund award or modification of an award. I want to emphasize that no contracts or grants were made without committee review and approval.

It is important to recognize that award proposals submitted for review under the process I have just described had to also fit within the carefully developed funding plans for Titles III and IV discretionary funds. During my tenure, I set forth written procedures for developing and executing such plans. For the record, I would like to submit a copy of a memorandum dated October 2, 1979 from me to the ETA Executive Concil as an illustration of the budget review procedures implemented. As the result of these procedures, funding requests from various offices would be carefully considered and

reviewed by the Executive Council I created, whose members included, among others, Charles Knapp, Robert Jones, the Director of the Office of Assistance, and Lamond Godwin. It was only after this body's consideration that a plan was sent forward to the Secretary for his consideration and approval. Thus, the funding perameters were very carefully and clearly established, in accordance with Congressional authorizations, prior to reviewing specific award applications.

The GAO reports identify a total of 4 awards made under Title III that were "not in" the ONP Funding Plan and 18 made under Title IV that were "not in" the OYP Funding Plan. As the reports indicate, there is no legal issue with respect to funding unplanned awards. On the contrary, the 1978 CETA Reauthorization Act contemplates that the Assistant Secretary for Employment Training will have to make readjustments in the funding and authorizes him to do so. However, even in those instances where I determined that a readjustment would be necessary, the decision was reached only on the basis of review and approval by the Secretary's Steering Committee. I wish to note that the GAO report (HRD-81-145 exhibits C and D) overstates the number of awards made which were not part of the funding plans. Two of the awards (Community Services and Pacifica Services) under Title III and 3 of the awards under

Title IV (Delta Sigma Theta Sorority, University of the District of Columbia and Dr. Benson Penick) were line items in a legislative budget whose funding, by definition was contemplated.

A primary focus of the GAO report concerns the number of telegrams that were sent to contractors and grantees in the last months of the Carter Administration authorizing the use of funds. Telegrams sent out on January 19, 1981 -- the last full day of the Carter Administration -- appear to have elicited a special degree of skeptism (a total of 25).

There is, of course, no question raised about the propriety of Labor Department Officials doing business in this fashion. The authorization to incur costs pending finalization of a contract is a long standing Labor Department practice intended to avoid unnecessary delays in the startup or continuation of grants and contracts that have already been approved as to the awardee and the amount by the process I previously described. In no case could the sending of a telegram represent the unilateral decision of the individual signing the telegram to authorize the addressee to incur costs. The transmission of a telegram was essentially a ministerial function providing immediate notification to a contractor or

grantee to begin performance on the award pursuant to the Labor Department's prior approval at higher levels. In most instances, an awardee's application had been under consideration at the Department for some time. However, the negotiation process had been completed; only formal execution of the contract remained to be done. This was a stage which, generally speaking, I did not get involved in.

The Committee asked the GAO to make a comparison between the number of telegrams sent in January, 1981, with the total numbers sent during a "normal" period of operation. Although GAO's data does not allow a valid comparison, the report indicates that there were more telegrams sent during the first nineteen days of 1981 than in all of FY 1979. However, even if there was a higher degree of telegram activity in the final days of the Carter Administration, the reason for its existence is clear. It was due to the tremendous time pressures we were operating under during the final period of the outgoing Administration. During the period immediately following October 1, the beginning of the new fiscal year, the Department was operating under a continuing resolution and without any clear picutre of the total amounts that would be authorized for programs. In keeping with this state of affairs, there was no commitment of Titles III and Title IV monies until the exact

authorizations became known. It was also difficult to convene the review boards because of the unavailability of its members during this period and awards could not be approved without their review. The end result was that there was a significant backlog of pending applications which were subsequently considered in the normal course of business and disposed of in accordance with established procedures. The number of telegrams were symptomatic of breaking the bottleneck after review procedures had been complied with. This activity was, of course, in keeping with President Carter's directive to the Departments and agencies to continue rendering services to the American people during the transition period, up until the last day of his Administration.

I would like to submit, for the record, a table analyzing the nature of the contracts with respect to which telegrams were sent out on the 19th. The summary of this analysis shows that although the contracts involve a total of $9.287 million dollars, only $4.441 million dollars (47.5% of the contract awards) were authorized to be spent by the telegram addressees.

Many of the press reports have suggested that the activity of the Department resulted in over-commitment of

funds and corresponding Anti-deficiency Act violations. As we understand the GAO reports, no such over-commitments in either Title III or Title IV discretionary funds have been found to exist. The GAO report (HRD - 81-145) indicates that of available funding of $156.1 million under FY 1981 Title III monies, only $51.2 million had been obligated as of January 30, 1981. Of a total funding plan of $201.3 million under Title IV, only $52.2 million had been obligated. I must express my own personal disappointment at finding out that less than one-third of the total funds available for FY 1981 were actually obligated and that even those amounts have been reduced by the current Administration in seeking close-out or terminations on the theory that funds had been over-committed.

As a former administrator of CETA programs, I fully appreciate the value of the outside inspection by the GAO. Although I disagree with some of its conclusions, I believe that the reports also contain valuable insights that provide a basis for improved management of Titles III and IV discretionary funds.

Before turning to the questioning, I want to express my own personal conviction of the need for federal employment training programs. It is with personal frustration and deep

regret that I and others concerned about public job programs witness the retrenchment being made. Ironically, these cuts are being made at a time when a broad range of improvements in CETA, supported by former Secretary Marshall and myself, are being effectively implemented. These improvements include tighter eligibility standards for public service jobs, tax credits and training subsidies for private employers of the "hard-core" unemployed, and more stringent monitoring and auditing programs. These improvements allowed CETA to focus more intensely on its original goal which was, in 1973, to provide jobs for the "hard-core" unemployed.

The Carter Administration was dedicated to the same commitment the previous two Republican Administrations had made to assist economically disadvantaged citizens in finding jobs that would lead to permanent employment and eventual self-sufficiency. A conscious effort was made by the Carter Administration to encourage the administration of CETA programs by individuals with backgrounds similar to the backgrounds of people CETA reached out to and assited.

Since 1973, CETA has provided job training and employment opportunities to hundreds of thousands of disadvantaged citizens all over the country. For most of these

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people, CETA provided the only opportunity to pull out of what would otherwise be a severe personal and economic crisis. It encourages people to help themselves by providing jobs, the opportunity to learn new skills, and needed incentives. CETA has been enormously successful in helping individuals dependent on general public assistance to work toward complete self-sufficiency. I know this last point is an objective which members of this Committee strongly support. Public jobs programs are critical to meeting this objective.

I would like to respectfully point out that the elimination of public job training programs would by no means save the government the total cost of the program. With each such cut, general public assistance expenses and unemployment benefits increase while social security and income taxes decrease. It is my understanding that if public job and training programs were completely eliminated as much as 25% of the savings to the goverment would be offset by the increase in public assistance expenses and a decrease in tax revenue. In my judgment there is no doubt about these propositions.

Employment and training legislation has served the useful purpose of identifying and providing a response to the problem of unemployment generally and the hard-core unemployed

in particular. It is ironic that at a time when economic conditions are deteriorating, especially those affecting the economically disadvantaged, the trend towards the elimination of salutary public programs of this type is even more strident. The Administration on Sunday acknowledged that the country is in a "slight recession." However, that sector of our economy which these programs target is in fact in a depression. I respectfully note that unemployment among Blacks is currently at the worst level (16.3%) in over 20 years.

I am proud of the role I have played in the field of employment and training in addressing the needs of those who are most in need - the unemployed, the underemployed, and the economically disadvantaged. I stand on my record of demonstrated commitment and capability.

The CHAIRMAN. Let's call Mr. Godwin at this time.

Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GODWIN. I do.

The CHAIRMAN. Thank you, sir.

At this time we are happy to welcome Ron Brown back before the committee.

Mr. BROWN. Thank you very much.

The CHAIRMAN. We have a lot of respect for you. You are representing Mr. Godwin here today.

If you will introduce both counsel, we will appreciate it.

STATEMENT OF LAMOND GODWIN, FORMER DIRECTOR, OFFICE OF NATIONAL PROGRAMS, EMPLOYMENT AND TRAINING ADMINISTRATION, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY RON BROWN AND FLORENCE PRIOLEAU, PATTON BOGGS & BLOW

Mr. GODWIN. Thank you very much, Mr. Chairman, members of the committee. Accompanying me today are counsel in the person of Mr. Ron Brown and Ms. Florence Prioleau from Patton Boggs & Blow.

Mr. Chairman, I am, as you know, former Administrator of the Office of National Programs. I also served as a Special Assistant to the Secretary, and was one of two people in the Department who held that joint appointment.

Before I proceed, I would like to request that my entire written statement, oral remarks, and documents that I will present be included in the record.

The CHAIRMAN. Without objection, that will be done.

Mr. GODWIN. Thank you.

Now let me begin with a point that I will come back to several times in my testimony, and that is what I consider the inexcusable lack of veracity of the two recent reports GAO produced from its investigations of employment and training awards, grants, and contracts. Much of the committee's information has been obtained from these documents and I am convinced that these really are not credible reports.

In many instances the findings are based upon incomplete and erroneous information. In some cases information I know to be available through the Department that would have explained certain funding decisions was not reviewed. Otherwise, different conclusions would have been drawn from the investigations.

The committee should not ignore the fact that GAO conducted not 2 but 10 separate investigations of the Office of National Programs during the 3½-year period that I served as Administrator for this office. Indeed, ONP was investigated more frequently than any other office within the Department of Labor and perhaps within the entire executive branch of the Government.

We even requisitioned extra office space for the GAO staff, who spent as much time in our building as they did in the GAO building. Our work with them involved an enormous amount of our staff time and energy but in every single instance we cooperated with them, and we developed some close personal relationships with some of them. We served them coffee. [Laughter.]

Some of these GAO investigations that we went through were initiated for political reasons. For example, to give you a feel for how this office functions, I was visited by representatives from the entire congressional delegation of a particular State—if you would like to know the name, I will tell you—that wanted me to reverse a funding decision awarding a grant to a community-based organization. They wanted the grant to go to the State. I refused to bow to the political pressure, and was investigated. The investigation found no wrongdoing.

I want to stress to this committee that none of these investigations ever found any violation of Federal rules, regulations, or requirements. No internal departmental investigation—and there were some of those—ever found any violations of Federal rules, regulations, or requirements. I am very proud of this record.

That does not mean that the administration of the office was perfect. There certainly was room for improvement and there still is. In some instances the GAO recommendations and findings were useful to us in making improvements in the programs that we administered. In many instances, however, the recommendations were not useful because they were based on errors of fact or interpretation.

Usually the GAO gave me and other officials in the Department a chance to comment on their findings, to dispute their findings, and to challenge their recommendations, which we did very often. The two reports that are the subject of this hearing are exceptions to this general pattern of cooperation, constructive debate, and honest disagreement.

I want to point out that the GAO report, which was dated—August 28—was done over a period of several months, perhaps as long as a year. While that work was being done the GAO investigators were no more than 25 feet from my office, and yet they did not afford me the opportunity to dispute their findings, conclusions, or recommendations, despite the fact that I was readily available to cooperate with them, had many informal conversations with them about all kinds of subjects in the halls and at the coffee machine, and could have answered many of their questions.

Unlike the previous GAO investigations, these last two were conducted in a witch-hunt atmosphere. I have received reports from former staff of mine that they were asked to sign interviews. After their interviews were summarized by the GAO staff, they were asked to sign interview sheets. In one instance a staff person refused to sign one of these interview sheets because, two pages included in what was written by the GAO investigator, this person considered to be distorted and twisted, and so she demanded that those two pages be eliminated before she would sign the sheet.

Now in all of my interviews with the GAO in these 10 investigations, I was never asked to sign a document. I never had reason to question the professionalism of these investigators. Sometimes they did very good work.

Furthermore, I want this committee to know that I did not receive cooperation from the Department of Labor in gaining access to written documents that would have helped me prepare testimony for this committee. I filed a freedom of information request. It was not honored, and I was somewhat at a disadvantage

in going back to information relating to 1979. Nevertheless, in spite of all of these problems I welcome this opportunity to appear here today and to address the GAO reports and issues which your staff have indicated to me are important concerns of yours.

Let me focus on these specific allegations in the GAO reports.

The CHAIRMAN. Mr. Godwin, if I could interrupt you for one second, you indicated the Department of Labor did not offer to help you at all?

Mr. GODWIN. That is correct.

The CHAIRMAN. When did you request them to help you?

Mr. GODWIN. In this past week. I had contacted staff members by phone and I filed a formal freedom of information request.

The CHAIRMAN. This past week?

Mr. GODWIN. That is right.

The CHAIRMAN. How many days ago was that?

Mr. BROWN. It was filed about a week ago, Senator Hatch. We did have some informal assurances that in fact information and documents would be forthcoming. Once the formal request was filed, we were then informed that it was too complicated, complex, too difficult to find, and therefore we did not have access. However, as Mr. Godwin has indicated——

The CHAIRMAN. Therefore, you have gone through the freedom of information approach.

Mr. BROWN. Yes, we have it in. Mr. Godwin has indicated, though, that he is more than willing to proceed with the information we do have and is going to be specifically responsive.

The CHAIRMAN. I just wanted to see because if they are not cooperating with you, we would certainly see that they do. Now——

Mr. GODWIN. From my telephone conversations, Senator, I had every reason to believe that the information would be made available and that all I needed to do was bring a letter requesting the information under the Freedom of Information Act to protect the staff so that they would not be disciplined for sharing information with me.

The CHAIRMAN. The only reason I bring this out, it does take 10 days after your notice to even have a chance to get freedom of information matter, and that time has not even expired. I had heard—and maybe I am wrong but you correct me, Mr. Brown, if I misstate this—I had heard that your request was basically to give you every bit of information that they had made available to us.

Mr. BROWN. The request was one that was made at their request after we had had a discussion about what we were seeking, so it certainly was not meant to give everything they had but those things that would be available to us——

The CHAIRMAN. There are two reasons why I raise this: No. 1, I think you are entitled to look at files; and, No. 2, if you had not made the request early enough then I cannot see how you can complain.

Mr. GODWIN. That is right. Well, Senator, they told me they had already assembled it because they had to do that to send it to you, so I was told just to get the letter, bring it by, and they would be glad to give it to me. Then, of course, by the time the letter got there all of that changed.

Now let me zero in on this GAO report. The reports allege instances of poor management in the administration of the programs, as has been repeated here several times. They claim to have found such things as inadequate documentation in the grants, not enough site visits, poor contract negotiating techniques, and I must agree with the GAO that some of these mistakes, if they in fact were made, do not seem justifiable.

I am not inclined to dispute their finding or deny that some ONP staff failed to do all of what they should have done in terms of good preaward contract procedures some of the time. Most of the staff, however, is extremely dedicated, committed, and competent.

The basic causes of these problems that you have heard so much about here today, to the extent that they exist, are an inadequate number of people in comparison to the workload and inadequate training of these people. These problems were related to Departmentwide budget constraints for training and for personnel and were not within my control.

You asked the question, why a certain person who visited a project did not detect fraud or abuse in an accounting system, an audit-type question. Most of these people have no training in accounting. Mr. Kacvinsky, as he pointed out, is a tool and die maker. Mr. McConnell, who preceded me in this job, was a carpenter. There are other people in the Department who are college graduates with liberal arts degrees.

I mean, we do not have on that staff in the career ranks people with training in accounting. We do not have lawyers, people with those kinds of skills. They do not have investigative skills. They do not have financial management skills. Therefore, until the Department deals with the reality of the fact that these people need to be trained to do the job that they are expected to do, these problems are going to persist.

Mr. Angrisani made a lot of big promises in here today and I wish him a lot of luck. However, if he is going to manage the same people I managed then I think he is in trouble.

The CHAIRMAN. You are saying maybe we better start our employment training right in the Department of Labor?

Mr. GODWIN. I think that is correct, sir. The Congress has——

The CHAIRMAN. I wonder how much that will cost us? However, I think you are making a point there. It is a valid point.

Mr. GODWIN. They are highly committed, dedicated civil servants and they deserve more assistance than they are getting in terms of professional training.

The CHAIRMAN. Doesn't it bother you—excuse me. I do not mean to interrupt your statement.

Mr. GODWIN. That is all right.

The CHAIRMAN. I certainly do not want to show any discourtesy, but doesn't that bother you that you had to deal as a manager with people that you felt were either incompetent or not well-trained, or did not know how to handle these problems, that were handling millions of dollars or at least working with millions of dollars?

Mr. GODWIN. Well, I did not say that they were incompetent.

The CHAIRMAN. OK.

Mr. GODWIN. I just said that they need additional training. For example, the regulations changed several times. Each of these pro-

grams has separate, self-contained regulations, and as the regulations change the people really do need to be trained in those changes. I think everybody on that staff could benefit from an understanding of the basic elements of accounting, without being fully trained accountants.

The CHAIRMAN. However, you are not accusing the staff of being incompetent or unable to basically do their jobs?

Mr. GODWIN. No, I am not.

The CHAIRMAN. OK. What you are saying——

Mr. GODWIN. What I am saying is that their job became—as I will point out later—it became increasingly complex.

The CHAIRMAN. All right. You are saying that the Department of Labor has apparently no method of instructing these people who work on these programs to bring them current or up-to-date with what the changes are in legislation or regulations.

Mr. GODWIN. That is correct, and what is available needs great improvement. That has already been pointed out in other studies that have been done.

The CHAIRMAN. Did either you and/or Mr. Green make any suggestions to the then Secretary of Labor that you need to have some upgrading seminars or teaching processes?

Mr. GODWIN. Yes, we did. There is no question that we improved the training components of the Employment and Training Administration, staff training components, and in fact just in the final year that we were there we had established a new training facility out in Maryland. We established an Office of Management Assistance specifically for that purpose. We allocated more funds for that than anybody had ever done before, and the record will show that.

Now to give you a flavor of what it was like, in 1979 when the GAO did its detailed investigations—or when it did its investigations of the 1979 grants, I should say—we had 50 professionals who were responsible for 598 awardees. Some of these awardees had more than one grant so the total number of grants that they were responsible for was probably in the range of 900 to 1,000, $797 million.

Each representative was responsible for at least 12 grants, and these are not your CETA prime sponsor grants located in the big cities. Our grants are concentrated in rural areas and remote places: 175 Indian reservations; Alaskan native villages. We have ONP programs on the North Pole. We have ONP programs at the bottom of the Grand Canyon, and I have visited them myself. I can tell you that when you are under a travel freeze, and when you have only 50 people to look after 900 to 1,000 grants with awardees who are in rural places, it is very difficult to do monitoring.

The CHAIRMAN. Did you make a site visit to the North Pole?

Mr. GODWIN. Yes, I did.

The CHAIRMAN. You did? What did you find there?

Mr. GODWIN. What we found there was the first CETA program that had ever been established there. I personally threw the lights, I turned on the electricity in Ruby, Alaska—that is on the Yukon River—and flew over Mount McKinley in a single-engine plane to get there.

The CHAIRMAN. I see.

Mr. GODWIN. This is the first time the CETA program had ever reached that far.

It is important to understand also that we implemented, in addition to the regular ONP programs, many new initiatives. We had a special economic stimulus program. We had a special youth initiative. We had a special program for Vietnam veterans, a special program for displaced homemakers, for handicapped workers, small business workshops, private sector initiatives for Indians. We had reponsibility for coordinating the Department of Labor's rural development activities Departmentwide, numerous interagency agreements, and I was even responsible for an international agreement which I negotiated with the Department of Labor and Social Welfare in Israel. I sent Mr. Kacvinsky to Israel.

Now in addition to these responsibilities and all these new programs thrust upon us by the Congress and the administration, we had the regular old staff responsibilities of closing out grants and resolving audits. The travel freezes, staff reductions, all of this complicated our work.

Despite these problems, we implemented new procedures that greatly improved things in ONP. When I arrived there, I was shocked at the primitive state of affairs that existed. All of the management information systems were manual. There was an enormous backlog of grants and contracts that had expired in previous years and never been closed out. None of the major programs had been evaluated. Technical assistance to the grantees was nonexistent.

When I left ONP we had established computerized management information systems for most of the suboffices. We increased technical assistance to the awardees, especially in the area of financial management assistance. We established a special task force to reduce the grant and contract closeout backlog, and we increased the number of interagency agreements in order to get staff from other agencies to help us. We established a notification system to publicize the grants as they were awarded.

Contrary to the allegations of the GAO, another major accomplishment was the completion of numerous formal evaluations of our programs which they were unable to find, and I have them here. I have some of the documents here. All of these are formal evaluations of programs. In my written testimony I point them out. They were done for us by outside contractors, so I will not list them here.

GAO said we did few if any formal evaluations of our programs. It is hard for me to understand how they could miss all of this information. Now there is more at the office. This is what I happened to have at the house. [Laughter.]

Mr. GODWIN. The GAO investigators apparently were completely unaware that we prepared an evaluation for the Secretary which provided detailed information, such as total placements, average hourly pay increases for those placed. We even computed what we called participant income improvement ratios. I have that document here, which we presented to the Secretary on each and every one of the programs funded under our two major discretionary program categories. I will make that available to you.

It is important for this committee to understand that simply because the GAO could not find certain evidence in the files, it does not mean that the evidence does not exist. At the time the GAO did its investigation, some of the files were being closed out and handled by a special task force that was in a different building.

I also want to point out in this context that from my review of the award documents that were cited in the appendix of the GAO report for bad preaward procedures, none of those fortunately were reviewed or signed by me. Those specific contracts were signed by my deputy and my suboffice directors but, in fairness to them, it is important for you to understand that before a contract is signed it is reviewed by as many as five people. Until we see the signatures of four or five people, we do not sign the documents.

Now we presumed that the documents were carefully reviewed and that the staff people had done the work that they were supposed to do. Here again, it is important for me to emphasize something again that I said earlier, and that is that the methods that the GAO used to do this work guaranteed that some of their findings would be erroneous.

For example, there are numerous instances where the GAO investigators tried to get information from people who could not give it to them. It was impossible for the GAO to understand certain things without talking to the people who actually made the decisions that they were reviewing.

A case in point is one cited by the GAO on page 9, where they described a grant made originally through an interagency agreement with the Commerce Department, and they said that we renewed this grant even though it was a failure, and we knew of the problems that existed there and they had been well documented. What the GAO did not learn simply by reviewing the file was that my staff and I had determined that the Commerce Department, and not the grantee, was at fault. We felt that, unimpeded by the Commerce Department, the project could be made to work through a direct grant from the Labor Department.

It just so happened that all of the staff involved in this were no longer in the Department. I do not know why they could not find the documentation. It certainly was there. It appears at times that the GAO was more interested in allowing low-level employees, GS-12's and others, to second-guess their bosses than to really get answers to the questions they were raising.

I want to point out in this regard, to this committee, that this particular grant that we were criticized for funding and refunding has been refunded again by Mr. Angrisani and his staff. On May 5 this same program received $214,000, while they were under a staff travel freeze, without a comprehensive evaluation. It is important for you to understand that. Mr. Angrisani says he personally reviewed all of the grants that have been signed since we left the Department. It is important for you to know that.

Now let's discuss this allegation that ONP relied heavily on the use of sole-source contracts without demonstrating the need to use such awards to obtain employment and training services. The GAO presumption that competition is always the ironclad, preferred procedure for making grant and contract awards is erroneous.

The Department of Labor's employment and training policy on procurement of nonpersonal services, which is based on regulations and policy directives issued by the Office of Management and Budget, was reaffirmed in a November 4, 1980 memo to the entire executive council from Deputy Assistant Secretary Charles B. Knapp which states that the following is the order of priority for selecting contractors: First priority is given to 8[a] firms selected through negotiations with the SBA. Second priority is given to firms in the small business set-aside program. Third priority is given to competitive procurement by way of formal advertising.

In order to get an exception to this order of priority, that is, to use competitive procurement instead of 8[a] or small business set-asides, you had to make a written request to the Deputy Assistant Secretary. Now I never made a request for an exemption from this order of priorities because I enthusiastically supported the 8[a] program.

I was following the laws and policy directives of the U.S. Government when I awarded sole-source contracts to minority firms through the 8[a] program, and during my tenure as Administrator of the Office of National Programs we increased the volume of noncompetitive, sole-source contracts through the 8[a] program from five contracts totaling a mere $518,000 in fiscal year 1976 to 59 contracts totaling $14,814,000 in fiscal year 1980.

This was done on the basis of a mandate from the President to expand participation of minority owned business firms. A Presidential memorandum which we can make available to the committee specifically instructed all Federal agencies to triple the volume of 8[a] contracts (Appendix A.), and a special order from Secretary Marshall reinforced this order with specific goals and timetables.

[The information referred to follows:]

APPENDIX A

Following, from President Carter's March 27, 1978 message to Congress submitting his proposals for a comprehensive national urban policy, is the excerpt relating to minority businesses:

> Minority Business. Minority businesses are a critical part of the private sector economic base of many cities, communities and neighborhoods, and provide important employment opportunities to city residents.
>
> I propose today two important initiatives which will increase the role of minority businesses in our economy. First, in comparison with FY 1977 levels, we will triple federal procurement from minority businesses by the end of FY 1979 -- an increase over our earlier commitment to double minority procurement.
>
> In addition, I intend to ask all federal agencies to include goals for minority business participation in their contract and grant-in-aid programs. Five agencies -- HUD, Commerce, EPA, Interior and DOT -- already have proposed improvements in minority business programs. These programs all build on our successful experience with the Local Public Works Program.
>
> Finally, I intend to facilitate greater interaction between the minority business community and the leaders of our Nation's largest corporations.

This policy was reaffirmed in a January 13, 1980 memorandum from the White House to all agency heads.

Mr. GODWIN. Success in expanding the volume of noncompetitive, sole-source 8[a] contracts through the Office of National Programs was one of the items included in my Senior Executive Service performance standards, one of the things that would be used to judge how well I was doing my job.

The fact that the GAO could raise the issue of sole-source procurement and question it without ever mentioning the existence of the 8[a] program, which was one of the largest noncompetitive sole-source programs in existence in the Government, is inexcusable. The fact that the GAO did not know of our order of priorities in awarding contracts, which is set forth in MA Handbook No. 305, is inexcusable. It further undermines the credibility of their report.

Now another source of justification for the use of noncompetitive, sole-source award procedures as determined by the Solicitor of Labor is contained in section 123(1) of CETA, which specifically directs the Secretary of Labor to give special consideration in carrying out programs authorized by this act to community-based organizations, as defined in section 3, which have demonstrated effectiveness in the delivery of employment and training services.

Section 3, which gives the definition of community-based organizations, specifically mentions the Opportunities Industrialization Centers, the National Urban League, SER-Jobs for Progress, the United Way of America, Mainstream, the National Puerto Rican Forum, neighborhood groups and organizations, community action agencies, community development corporations, vocational rehabilitation organizations, rehabilitation facilities as defined in section 7(10) of the Rehabilitation Act of 1973, agencies serving youth, union-related organizations, and employer-related nonprofit organizations.

Federal procurement regulations—I have a copy for the record—state that contracts may be negotiated without formal advertising and competition if "otherwise authorized by law." Our Solicitor determined that we were specifically directed in the CETA legislation to award certain contracts on a noncompetitive basis. That was the Solicitor who made that determination; that is the highest legal authority in the Department; and that is the basis for most of the noncompetitive awards that were made.

(NOTE.—In the interest of economy, the copy of the Federal procurement regulations referred to was retained in the files of the committee.)

Mr. GODWIN. Another example of a specific directive from the Congress to the Secretary to make awards on a noncompetitive, sole-source basis can be found in section 303(c)(2) of CETA. This act, which deals with certain farmworker programs that provide educational services, required the Secretary to continue in existence—that is, to refund—any program which was in existence on the effective date of that provision. Therefore, we were told in the legislation to refund programs if they were in existence on the date that this amendment went into effect.

Finally, the sole-source awards were not based on the decisions of one or two DOL officials. There was a sole-source board which approved everything that we had any doubts about and turned some down, and there was a steering committee, as Assistant Secretary Green has pointed out.

Now let me address the issue relating to the grants and contracts from title III and title IV discretionary funds made during the first 4 months of fiscal year 1981, between September 1 and January 31. Obviously I can only speak to those grants and contracts awarded before January 20. These include grants and contracts made through the Office of National Programs and the Office of Youth Programs.

During the period from October 1, 1980 to January 31, 1981, 68 ONP awards totaling $42.6 million were made by ONP and 82 awards totaling $52.2 million were made by OYP, according to the GAO report. GAO argues that certain of these awards were unplanned, as though that were significant for some reason, even though GAO notes that there is no legal problem with funding unplanned awards. From the extensive discussion of unplanned grants, GAO creates the impression that reckless and irresponsible decisions were being made by me and the Assistant Secretary.

The funding plan during my tenure at ONP was an internal document prepared as a guide to aid in administering agency funds by making it possible for program officials to keep track of funds that would likely be committed to specific projects. The plans were not binding but were only guides. They could change from one day to the next, and they often did. For example, funds that were included in the plan for certain projects would sometimes be used instead for things such as disaster assistance, trade adjustment assistance, or some other unforeseen expenses.

However, what is more important for the committee to know and understand is that GAO's statement that four ONP projects were not in the 1981 plan is totally erroneous. The GAO states that of the $42.6 million in awards from ONP, $800,000 was for unplanned awards. This is not true.

The $75,000 award for the Community Services Administration, an interagency agreement, and the $227,000 award for Pacifica Services were included in a title III funding plan under the category of rural development initiatives. The Rosslyn Foundation and the New York City Department of the Aging contracts were approved by the steering committee, which meant automatic inclusion in the funding plan.

The GAO study stresses that 70 telegram commitments went out from DOL during the first 4 months of fiscal year 1981, 18 from the Office of National Programs for the programs that this office administered directly, totaling $15.3 million, and 34 commitments from the Office of Youth Programs, totaling $14.6 million according to GAO.

Notification by telegram to a grantee that a proposal will be funded by the Department is not an extraordinary procedure. We did not invent it, and it is still being used. Mr. Angrisani sent 110 telegrams in 1 week to 55 migrant and seasonal farmworker grantees: 55 telegrams telling them they had grants or did not have them; another 55 telegrams telling them that the whole process had to be repeated because it was full of procedural violations.

During the period from Oct. 1, 1980 to mid-January when the new administration took office, several circumstances impeded our progress in making fully executed awards in a more timely manner. First there was the uncertainty within the Department

over the exact amount of funds Congress had made available for expenditure in fiscal year 1981. Congress passed two short-term continuing resolutions during the 4-month period of fiscal year 1981 that I was ONP Administrator: We got one continuing resolution from October 1 to the middle of November; another continuing resolution from November to July, I think.

Ironically, the current administration is in the same bind. Mr. Angrisani has no idea what his budget will be. He is operating under a continuing resolution; he does not even know what the continuing resolution will allow him. It is quite possible that if he stays on the same schedule that we were on this time a year ago, he will find out some time in late November, and then there will be the Thanksgiving and Christmas and New Year's holidays, and he will probably get some telegrams out in January when he gets a reading on what that continuing resolution will provide.

When you add to these problems with the continuing resolutions, the fact that staff production slowed down the way it always does in a lame duck administration period, the fact that it was difficult for us to get a quorum for the Sole Source Board during the holiday season, the already inadequate staff that I have talked about, it is important to understand why we had this backlog which resulted in a large number of grants coming out towards the end of the term rather than on schedule at the beginning of the fiscal year in October.

Now of the 18 telegrams that went out, Senator, only 1 relating to an ONP-administered program went out on January 19. This was not a new award; this was a renewal of a program for elderly Indians on a reservation in Wisconsin. The 70 telegrams sent out by both ONP and OYP were signed by me or my deputy, and our signatures may be found on some commitment telegrams for programs administered by the Youth Office because my deputy and I served as contract officers for that office and all other major components of the Employment and Training Administration, mainly in a ministerial role.

In conclusion, Mr. Chairman and members of this committee, let me say this: These GAO reports are not as useful as they could be. I do not think they will help you as much as I would like for them to because of the numerous factual errors and the fact that they have made some errors of interpretation. I do not think it will be a very useful document for those who want to make certain improvements in the management and administrative practices of ONP that I would recommend. I think this committee deserves better and more reliable information, and I do not think the GAO even addressed some of the basic problems of that office.

The best evidence of this is the fact that these problems continue. As I have mentioned already, the new administration is struggling with the same kinds of difficulties that we encountered. Mr. Angrisani has only been in office for a few months, and he has not been able to have a smooth competitive process award.

That system was so botched up that they had to recall all of the letters of commitment and redo the competitive process because of all kinds of procedural violations. The entire national program grantee system right now is in a state of confusion and chaos. The grantees cannot tell you when they will be funded, if they will be

funded, or if funded, in what amount. Nobody knows. Mr. Angrisani cannot tell them and they cannot find out from Mr. Angrisani, and Congress does not know either because they have not made the final determination on what the level of funding will be in the continuing resolution.

Nowhere in the GAO report is there any acknowledgement of the very important fact that many of the most serious problems involved in administering this office, administering these grants and contracts, emerged from sources outside ONP. There is no one in the Government, Senator, who can tell you when to use a grant and when to use a contract. The GAO acknowledges that that debate has been going on for several years. It still is not resolved. The OMB does not give you clear guidance on this.

This office was always under extreme pressure from the Congress, for example, through language in the act which required that Indian programs be administered through a centralized unit that is separated from everything else; that the Indian program have separate, self-contained regulations; that the farmworker program be administered in yet another way, with competitive procedures for awards; that the programs for older Americans be used with a specific formula for funding States in certain amounts and selected organizations in another amount; that the displaced homemaker program be handled in a certain way; that we give preference to community-based organizations.

This is all written into the law and into the reports of the appropriations bills, and this is constantly interpreted for us in numerous calls we get from congressional offices. We got more congressional correspondence than any other office in ETA, more congressional visits than any other office in ETA, and it is important to understand that Congress kept on adding new programs and kept on earmarking funds for specific programs and projects without increasing the staff or without ETA or DOL providing much training that was needed by the staff.

Now I realize that our administration of these programs was not perfect but, despite the complexities of the office and the pressures we faced, I am glad I have this opportunity and I am very proud of the record that we established, a record which will show that we provided more employment and training opportunities for poor Indians on reservations and in Alaskan native villages than anyone else had ever done.

We provided more employment and training opportunities for migrant and seasonal farmworkers than anybody else has ever done. We provided more jobs for low-income senior citizens than anyone has ever done, created more employment and training opportunities for handicapped workers than anyone has ever done; more employment and training opportunities for women and minorities in the skilled trades than anyone has ever done; more funding opportunities for Black and Hispanic community-based organizations than in the history of the Department of Labor; more contract opportunities for minority-owned business firms than ever before.

We appointed the first Indian office director, the first Hispanic office director, and the first women to GS–14 supervisory positions. We tripled the number of labor organizations funded. We tripled,

more than tripled the number of private business firms and employer associations involved in our programs from only 8 in 1976 to 200 by 1980.

I think it is important, Senator, that if this committee is seriously interested in understanding and correcting the more basic problems with the administration of these programs, that you will consider commissioning a management study that would be performed by competent management and research experts who would approach this in an objective fashion and in an atmosphere where they have time to do careful research, free from any kind of pressure.

I care about these programs, and I am very much disturbed by the fact that this already inadequate staff will be decimated by the current reduction in force; by the fact that the GAO issued a report with numerous recommendations and not once addressed the issue of the need of the staff for training. I do not think Mr. Angrisani—and I think he will learn this soon—will make much progress unless he assigns high priority to more staff training and does as he said he was going to do—allocates more staff to that office.

This concludes my prepared statement, Mr. Chairman. I stand ready to help this committee in any way that I can and I would be happy to answer any questions you might have.

The CHAIRMAN. Thank you, Mr. Godwin.

I am going to make some recommendations to the Labor Department myself. I think these hearings have been very valuable because we have brought out a lot of different thoughts concerning how we might be able to implement these programs and make them better.

We will certainly ask that Senator Quayle, who of course heads up the Employment Subcommittee on this committee, look into all of the suggestions that you have made and everybody else today, as a matter of fact, including the GAO.

With regard to establishing a commission, I do not know. Generally they are established by the bureaucracy itself, and I have not seen an awful lot of good come from hardly any of the commissions. If the President establishes a Presidential commission, which may be a valuable way of doing it, it still I think would wind up with a split but nevertheless a valuable debate on the subject.

Let me just say this: I do not want to keep you much longer but on page 4 of the GAO statement, they found that 73 percent of these grants and contracts had no cost evaluation; 70 percent did not document technical aspects. In two-thirds of the cases there was no documentation of negotiations having been conducted. The costs were not negotiated 68 percent of the time. Negotiations on the technical aspects occurred only 32 percent of the time.

Do you dispute those findings themselves?

Mr. GODWIN. Yes; I dispute the findings because I think the GAO has confused recordkeeping problems with management and decisionmaking problems. I do not believe that those contracts were let in such a way that they were not negotiated.

It may be possible that the documentation was not there. In one instance, for example, one very important instance, Operation PUSH, the PUSH-EXCEL grant, the staff person who handled that told the GAO that he simply had not taken the time to write the

memorandum of negotiation. Now this probably occurs on numerous occasions, where people make decisions that are very carefully thought out, where people do very detailed negotiations, and they do not record all of this information.

The GAO people are historians. They go in looking for facts on the basis of what is in the record, and they try to reconstruct reality by looking at documents. They pointed out that throughout the Government this is a serious problem. It may be that this can be cured, as the GAO recommended, by issuing an order to the staff to do this documentation.

I myself am not very optimistic about that being done simply by ordering the people to do it because we ordered them to do it, and it did not get done. I think when you have an enormous workload and so few people, compounded by the sometimes less than perfect skills of the people, that a lot of this paperwork documentation is going to be sacrificed in the interest of getting grants out.

We never had a call from a Congressman who told us to document that negotiation process. The calls always said, "Get that grant out today."

The CHAIRMAN. I would believe that, I will tell you.

Mr. GODWIN. We have never had a call from anywhere, in terms of our superiors in the Department, ordering us to document this negotiation. We have a lot of calls saying, "Let's process these grants," or "Let's resolve this audit," or whatever. Therefore, I think that the GAO has confused the recordkeeping problem with a more serious problem which they have concluded is widespread, which I do not believe is.

I know, for example, that the grants that I personally reviewed—and I reviewed most of the 8(a) contracts—those documents are in order. The PUSH-EXCEL grant is one of the best grant documents you will find anywhere in the Government. Now that particular staff person did not write the memorandum for the file but I hope he will—in light of all that has been expressed here in the way of concern about that—I hope he will go back and see that that is done.

The CHAIRMAN. Well, why are they then mutually terminating that grant?

Mr. GODWIN. I do not know, Senator. I can tell you this, that it has been very difficult for them to terminate that grant because, as you pointed out, it is more difficult to terminate a grant award than it is to terminate a contract. Now Mr. Aaron——

The CHAIRMAN. That is right. However, they have voluntarily done that.

Mr. GODWIN. Mr. Aaron, who is one of the most competent people in that office, reported that there is no problem with the program in terms of performance. I think the fact that this grant was singled out as one of those that got a lot of negative and inaccurate publicity in the newspapers—Labor Department officials described it as a political payoff, stories all across the country announcing that the grant had been canceled when in fact it had not and as of this date still is not canceled—all this misleading information that was published, released by the Labor Department attacking the wrong organization, in fact, Operation PUSH does not have any Government grants. The PUSH-EXCEL Institute,

which is a separate corporation, was the grant recipient. The Labor Department attacked Operation PUSH.

I think the Operation PUSH people, correctly in my view, interpreted all this as political harassment and they are not willing to continue to be subject to this kind of treatment. They do not feel they will get a square deal, and therefore they want to terminate their relationship with the Government.

Now Mr. Aaron and Mr. Alegria pointed out that they worked hard on those documents and those negotiations to make that a good grant. The instructions I gave Mr. Aaron and Mr. Alegria were to negotiate the best grant document you can get for the Government and for the grantee. I told Mr. Alegria that I would allow him to sign it, and I told him not to put his name on it unless he would take responsibility for it, and he signed the document. He was convinced, as he said here, that it was a good grant agreement; Mr. Aaron said it was a good grant agreement.

It was terminated in the midst of all this newspaper reporting and harassment for what appear to be essentially political reasons.

The CHAIRMAN. Let me say this: I have some other questions that I will submit to you in writing. I want to thank all of our witnesses for appearing today, to thank them, the press, our guests, and most important of all, our reporter for all of the patience that you have had.

I think it is extremely important that we attempt to present the most complete picture of the problems and other questions raised here today as a result of the work of several entities—the GAO, the Department of Labor, the Inspector General's Office—all of whom have been charged with the responsibilities for oversight and administration of these badly needed programs.

It is my hope that when the record is complete we will have a clearer idea on how to correct these deficiencies, administratively or legislatively. I can tell you that, as you know, Mr. Godwin, I have been a strong supporter of some of these programs. You have been interested in working with OIC; I am a strong supporter of OIC. I think any time you can get private sector people together, even though they are subsidized by the Federal Government, to help create jobs on a successful basis, that is a lot better than letting these kids vegetate.

I am a strong supporter of Job Corps. I could go on and on but the point I am making is that I think these hearings have shown that we need to look at these programs with more critical eyes. We need to look to see how we can utilize the tax dollars that we have, the limited tax dollars, so that the most young people and aged people who really benefit from these programs will be helped.

I think it is apparent today, I think that if Mr. Angrisani needs money after the freeze is lifted on traveling for site inspections, I think this committee—as divided as it is on CETA programs—will do the very best we can to try to provide those funds and to see that they are worked into not only the authorization but the appropriations process.

I do think that the GAO is very well justified in many of its criticisms. I do not see how anybody who looks at the facts can think otherwise but you have certainly made a very strong statement here today.

I will submit some questions to you which we would appreciate your answering within, say, 10 days from today's date if you can.

Mr. GODWIN. I will be glad to cooperate in any way I can.

The CHAIRMAN. Thank you, sir. We appreciate it.

[The prepared statement of Mr. Godwin follows:]

STATEMENT BEFORE THE
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

October 20, 1981

Mr. Chairman, Members of the Committee, my name is Lamond Godwin, former Administrator of the Office of National Programs, U.S. Department of Labor.

Before I proceed further, Mr. Chairman, I request that my entire written statement, my oral remarks, and the documents that I present be included in the record.

The Committee staff has informed me of some of the major issues which concern the Chairman. However, before addressing those issues, I would first like to express some of my concerns about the process adopted in this particular instance by the Committee in exercising its oversight authority over the Department of Labor's employment and training programs.

I am very much disappointed and disturbed by the fact that this proceeding appears to be based upon the total erroneous assumption that I, as Administrator of the Office of National Programs (ONP) and Mr. Green, as Assistant Secretary for the Employment and Training Administration (ETA), are the only two employees in the entire Department of Labor who made decisions regarding Title III and Title IV discretionary grant funding. Anyone who knows anything

about government bureaucracy knows this could not possibly be true. By singling us out, the General Accounting Office's motivations behind this investigation are immediately suspect.

Second, a point which I will come back to several times in my testimony is the inexcusable lack of veracity of the two recent reports GAO produced on its investigations of employment training grants and contract awards. Much of the Committee's information is obtained from these two reports -- one dated August 28th (HRD-81-111) and the other dated August 31st, 1981 (HRD-81-145). I am convinced that these are not credible reports. In many instances, the findings are based upon incomplete and erroneous information. In some cases, information I know to be available through the Department that would have explained certain funding decisions was not reviewed, otherwise, different conclusions would have been drawn from the investigations.

This Committee should not ignore the fact that the GAO conducted not two but ten separate investigations of the Office of National Programs during the 3 and 1/2 year period that I served as Administrator of this Office. Indeed, the ONP was investigated more frequently than any other office within the Department of Labor, and perhaps within the entire Executive Branch of the government. We even requisitioned extra office space and furniture to accommodate the GAO staff, some of whom spent more time in our office than in the GAO building. These investigations consumed an

enormous amount of the ONP staff's time and energy, but in every single instance my staff and I cooperated fully with the GAO investigators.

Some of these investigations were initiated for political reasons. For example, one investigation was initiated because my Office did not bow to political pressure to reverse a funding decision following a meeting with representatives of an entire State Congressional delegation.

I want to stress to the Committee that none of these investigations ever found a violation of any Federal rules, regulations, and requirements. I am very proud of this record. No internal Departmental investigation ever found any violations of Federal rules, regulations, and requirements.

That does not mean that the administration of the Office was perfect. There was certainly room for improvement, and there still is. In some instances the findings and recommendations that emerged from the GAO investigations were useful to us in making improvements in the programs we administered. In many instances, however, the conclusions and recommendations published in GAO reports were based on errors of fact, and/or interpretation, and, therefore, were not useful to us at all. Usually, the GAO gave me and other officials in the Department an opportunity to discuss their findings and challenge their recommendations, which we did very often.

The two reports that are the subject of this hearing are an important exception to this general pattern of cooperation, constructive debate, and honest disagreement. I was not afforded an opportunity to discuss or dispute the findings, conclusions or recommendations in these two reports with the GAO staff despite the fact that I was willing and readily available to cooperate with these investigations. I would have provided them with specific information which would have resolved many doubts and could have been verified independently through documentation and discussions with employees at DOL. Unlike most other GAO investigations, these last two were conducted in a witch-hunt atmosphere which has caused many of us to be suspect of their motivations.

Furthermore, I want the Committee to be aware that I did not receive cooperation from the Department of Labor in gaining access to written documents I know to be in existence that would have helped me in preparing my statement for this hearing.

Notwithstanding all of these problems, I welcome this opportunity to appear before the Committee to address the GAO reports and the issues which the Committee staff has indicated are concerns of the Chairman.

1. Let me now focus on specific allegations in these two GAO reports.

The reports allege instances of poor management and administration of ONP programs. They claimed to have found such things as inadequate documentation of grants, not enough site visits, and poor contract negotiating techniques. I must agree with GAO that some of the mistakes, if they were made, do not seem justifable, and I am not inclined to dispute their finding that some ONP staff failed to follow good pre-award procedures some of the time. Most of my staff, however, was extremely committed and dedicated. The basic causes of the program management and administrative problems were (1) an inadequate number of staff people for the workload, and (2) inadequate staff training. These problems were related to Department-wide budget constraints for training and personnel and were not within my control.

An objective study of staffing requirements for the ONP by Booze-Allen and Hamilton, a management consulting firm, stated in 1977 that ONP required a minimum of 135 positions. This figure amounted to a net increase of 25 positions above the number of staff in ONP at this time. ONP never even approached a staffing level of 135 positions between 1977 and 1980. Even though ONP's program budget doubled, ONP and the Employment and Training Administration of which it is part, was subjected to several position ceiling freezes, and staff reductions during this period. The ONP ceiling for 1980 was only 112 positions including clerical.

In 1979 when the GAO did its most detailed invesigations, 50 ONP professionals were responsible for administering grants to 598 awardees that totaled $797.5 million. In other words, each ONP Federal representative was responsible for about twelve grants or contracts that were spread throughout the United States, many located in remote rural areas. There are ONP funded programs in Alaskan villages on the North Pole, and in Indian communities at the bottom of the Grand Canyon.

The problem of inadequate staffing was even further compounded by additional functions thrust upon ONP as a result of new program initiatives under the Economic Stimulus Program, the Youth program, the Special HIRE Program for Vietnam Veterans, a new Program for Displaced Homemakers, Handicapped Workers, Small Business Workshops, Private Sector Initiatives for Indians, and the functions of co-ordinating the Department-wide Rural Development Initiatives Program, and designing and funding numerous inter-agency agreements, and one international exchange agreement with Israel. In addition, the difficult and time-consuming responsibilities of ONP staff for resolving audits and closing out old grants continued.

Also, numerous travel freezes that resulted from reductions in the ETA Salary and Expenses budget that occurred at the same time that we received huge increases

in our program budget adversely affected our program monitoring capabilities.

The ONP staff could have benefitted from additional training in good negotiation techniques, and other skills necessary to their jobs. Inadequate staff training is a department-wide problem that must be addressed if the problems in the GAO report are to be prevented in the future.

Despite problems that were almost inherent in the system, new procedures were implemented during the four years I was Administrator. I was shocked by the primitive state of affairs that existed in the ONP when I arrived to assume my duties. For example, all of the management information systems were manual. There was an enormous backlog of grants and contracts that had expired in previous years and were never closed out. None of the major programs had been evaluated. Technical Assistance to the awardees was virtually non-existant.

When I left ONP, we had established computerized processing systems for data management in most ONP sub-offices. We greatly increased the technical assistance available to awardees, especially in the area of financial management assistance. We established a special task force to reduce the grant and contract close-out backlog. We increased the number of interagency agreements in order to obtain assistance from other agencies for better administration of ONP programs.

Contrary to the allegations of the GAO, another major accomplishment was the completion of numerous formal evaluations of ONP programs with the assistance of outside contractors which enabled us to get further information on contract performance. Some of these included:

- An assessment by Dell Green and Associates, Inc. of rural housing programs funded by ONP that was the first evaluation of these programs since their implementation 13 years ago.
- An assessment of the HEP and CAMP programs for migrant and seasonal farmworkers done by Clark, Phipps, Clark and Harris Inc. that was the first evaluation ever done of these programs by the Department of Labor.
- An assessment of our management of the targeted outreach program done for us by the University of Texas.
- Two evaluations of our Indian and Native American programs done for us by the E.H. White Co. and Urban and Rural Systems, Inc.
- An assessment of the financial management systems of farmworker program grantees and Indian reservation program grantees done by the Consortium of Certified Public Accounting Firms.
- An evaluation of the procedures used to select grantees under the CETA Title III program for farmworkers done by the National Academy of Public Administration.

- An assessment of our special youth programs for migrant and seasonal farmworkers done by the E.H. White Co.
- An evaluation of our Rural Development Initiative programs in the State of North Carolina done by the Manpower Development Corporation.
- An evaluation of the PUSH-EXCEL program done by Jefflyn Johnson and Associates.
- Numerous special audits of grantees that were under investigation for fraud and abuse that were done for us by the Inspector General or the Assistant Secretary for Administration and Management.

The GAO investigators apparently were completely unaware of the existence of these evaluations as well as the special discretionary program evaluation report we prepared for the Secretary in 1979 which evaluated each grantee under our two major discretionary program categories on the basis of total placements, average hourly pay increases for those placed, and participant income improvement ratios. More formal evaluations of programs administered by the Office of National Programs were done while I was Administrator of this Office than at any other time in the history of the Labor Department.

It is important for the Committee to understand that the fact that the GAO could not find certain evidence in the files does not mean that the evidence does not exist.

At the time the GAO did its review of 1979 grants and contracts, some of these files, or parts of them, were being used by a special close-out task force that was located in a different building. Throughout this report, the GAO seems to confuse recordkeeping and filing problems with management decisionmaking issues.

I want to point out that of all the examples taken from award documents and cited for bad pre-award practices in Appendix III of the August 28th study, none of those was reviewed or signed by me. Those specific grants and contracts were signed by my sub-office directors or my Deputy, whose other responsibilities were limited by me so that he could devote almost all of his time to reviewing and signing grants and contracts.

I also want to point out in this context, in fairness to my Deputy as well as myself, that grants and contracts presented to us for signature had been reviewed by at least four or five individuals, including contract specialists, who affixed their initials to the documents before those documents reached my desk. It was my presumption that those documents were carefully reviewed. I certainly had no reason to believe that none of the four or five people reviewing them before me was not fulfilling his or her responsibilities.

It is important for me to reemphasize something I stated earlier regarding the methodology of the GAO study.

That is that the methods used to collect the information presented in these reports guaranteed that some of the findings and conclusions would be erroneous. For example, there are numerous instances where is was impossible for the GAO investigators to get essential information needed to understand why certain funding decisions were made without talking to me or other staff people who were directly involved in making these decisions.

A case in point is the example cited by the GAO on page 9 of the August 28th study (HRD-81-111) wherein the GAO alleges that we renewed a contract in 1979, originally funded through an interagency agreement with the Department of Commerce in 1978, even though "this effort was a failure, and the problems encountered were well documented." However, what the GAO was unable to learn simply by reviewing the file, was that my staff and I determined that the Commerce Department, not the grantee, was responsible for the problems found in this project. We felt very strongly that, unimpeded by the Commerce Department, the project could be made to work through a direct grant from the Labor Department. If they had interviewed me or the other staff people who were directly involved in this decision, we could have explained this and other facts to them. The GAO seemed to be more interested in allowing lower level employees to second-guess their superiors than in obtaining accurate information directly from the actual decisionmaker.

I want to point out to this Committee that the GAO report did not note the fact that this contract was refunded by Assistant Secretary Angrisani and his staff on May 5th, 1981 in the amount of $214,000.

2. Now let me discuss GAO's allegation that ONP relied heavily on the use of sole source awards without demonstrating the need to use such awards to obtain employment and training services.

The GAO presumption that competition is always the ironclad "preferred" procedure for making grant and contract awards is erroneous. The Department of Labor's Employment and Training policy on procurement of nonpersonal services, which is based on regulations and policy directives issued by the Office of Management and Budget was reaffirmed in a November 4, 1980 memo to the ETA Executive Council from Deputy Assistant Secretary Charles B. Knapp. As the memo mentions, the policy is contained in a document entitled MA Handbook #305. (I do not have the Handbook because of difficulty in getting documents from DOL, but I do have the memo.)

The memo sets forth the following order of priority for use in selecting contractors:

- First priority is given to 8(a) firms selected through negotiations with the SBA.
- Second priority is given to firms in the Small Business Set-Aside program.

- Third priority is competitive procurement via formal advertising.

Exceptions to this order of priorities, e.g., the use of competitive procurement in lieu of 8(a) or Small Business set-asides, can be adopted with prior approval of the Deputy Assistant Secretary for the Employment and Training Administration. I never made a request for an exception to this policy because I enthusiastically supported the section 8(a) SBA Affirmative Action program for minority business firms. I am aware of the position that some Senators have taken on Affirmative Action programs. However, whatever their political philosophies regarding Affirmative Action, it is important that the Committee understand that I was following the laws and policy directives of the United States Government in the sole source awards contracts to minority firms through the 8(a) program.

During my tenure as Administrator of the DOL Office of National Programs we increased the volume of non-competitive sole source contracts through the Section 8(a) program from 5 contracts totaling a mere $518,872 in Fiscal Year 1976 to 59 contracts totaling $14,814,000 in Fiscal Year 1980. This was done on the basis of a mandate from the President to expand the participation of minority-owned business firms in federal contracts programs. A Presidential memorandum which specifically instructed all Federal agencies to triple the volume of Section 8(a) contracts was distributed to all

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contracting offices in the Department of Labor together with a special order from Secretary Marshall which set specific goals and time tables for achieving the President's objective. Moreover, success in expanding the volume of Section 8(a) contracts awarded through the Office of National Programs was one of the items included in my Senior Executive Service (SES) performance standards. The fact that GAO failed to mention the 8(a) program or the policy set forth in MA Handbook #305 is inexcusable, and further undermines the credibility of their report because they give the impression that there is no basis for non-competitive awards.

Another source of justification for the use of non-competitive sole source award procedures, as determined by the Solicitor of DOL, is contained in Section 123(f) of the Comprehensive Employment and Training Act which specifically directs the Secretary of Labor to ". . . give special consideration, in carrying out programs authorized by this Act, to community-based organizations, as defined in section 3, which have demonstrated effectiveness in the delivery of employment and training services."

Section 3 of the Act defines "community-based organizations" in the following way:

> "The term 'community-based organizations' means private nonprofit organizations which are representative of communities or significant segments of communities and which provide employment and training services (for example, Opportunities Industrialization Centers, the National Urban League, SER-Jobs for Progress,

United Way of America, Mainstream, the National Puerto Rican Forum, neighborhood groups and organizations, community action agencies, community development corporations, vocational rehabilitation organizations, rehabilitation facilities (as defined in section 7(10) of the Rehabilitation Act of 1973), agencies serving youth, union-related organizations, and employer-related nonprofit organizations)."

As the GAO Report acknowledged, the Labor Department Solicitor developed an administrative definition of "demonstrated effectiveness" which means that the services an awardee will provide relate specifically to competencies in providing specific training, access to jobs, and access to target groups. Virtually all the grants we made to national labor organizations for the purposes of increasing the number of women and minorities in training positions and jobs controlled by these unions through exclusive hiring agreements, we done on a sole source basis because there was no realistic alternative to training and placing minorities in certain jobs in the unionized sectors.

Another example of a specific directive from the Congress to the Secretary to make awards on a non-competitive sole-source basis can be found in Section 303(c)(2) of the Comprehensive Employment Training Act. This section of the Act, dealing with grant renewals to certain farmworker programs, clearly requires the Secretary to "continue in operation any program which was in existence on the effective date" of the provision. The programs intended for renewal of funding, include those which are

> ". . .(i) operated through the use of the facilities of any institution of higher education; and
>
> (ii) designed to assist migrant and season farmworkers through tutoring, counseling, and other similar assistance. . . ."

Section 303(c)(2) also directs the Secretary ". . . to continue the operation of any such program for so long as such program is consistent with the purposes of this section, as determined by the Secretary."

Finally, sole source awards were not based on the decisions of one or two DOL officials. There was a Sole Board which approved sole source awards.

3. I would now like to address issues related to the grants and contracts from Titles III and IV discretionary funds made during the first four months of fiscal year 1981, between September 1, 1980 and January 31, 1981. I obviously can only speak to those grants and contracts awarded before January 20, 1981. These include grants and contracts made through the Office of National Programs and the Office of Youth Programs, and are the focus of the August 31st GAO report. (HRD-81-145)

During the period from October 1, 1980 to January 31, 1981, 68 ONP award actions totaling $42.6 million were made by ONP and 82 award actions totaling $51.2 million were made by OYP, according to the GAO report. GAO points out that certain of those awards were "unplanned" awards, as though

that were significant for some reason, even though GAO notes that "there is no legal problem with funding unplanned awards." From its extensive discussion of unplanned grants GAO creates the impression that reckless and irresponsible decisions were being made by me and the Assistant Secretary.

The funding plan, during my tenure at ONP, was an internal document prepared as a guide to aid in administering agency funds by making it possible for program officials to keep track of funds that would likely be committed to specific projects. The plans were not binding, but were only guides. They could change from one day to the next. For example, funds that were included in the plan for certain projects, would sometimes have to be used, instead, for things such as disaster assistance, Trade Adjustment Assistance, or for some other unforeseen expenses.

However, what is more important for this Committee to know and understand is that GAO's statement that four ONP projects were not in the 1981 plan is totally erroneous. The GAO states that of the $42.6 million in awards from the ONP, $800,000 was for "unplanned" awards. <u>This is not true</u>. The $75,000 award for the Community Services Administration and the $227,042 for Pacifica Services were included in a Title III funding plan under the category of Rural Development Initiatives. The Rosslyn Foundation and New York City Department of the Aging contracts were approved by the Steering Committee and, therefore, were automatically included in the funding plan.

The GAO study states that 70 telegram commitments went out from DOL during the first four months of fiscal year 1981. Eighteen of those commitments were for ONP administered programs totaling about $15.3 million, and 34 commitments were for OYP administered programs totaling about $14.6 million, according to GAO.

Notification by telegram to a grantee that a proposal will be funded by the Department is not an extraordinary procedure. During the period from October 1, 1980 to mid-January when the new Administration took office, several circumstances impeded our progress in making fully executed awards in a more timely manner. First, there was the uncertainty within the Department over the exact amount of funds Congress had made available for expenditure in FY 81. Congress passed two short-term Continuing Appropriations Resolutions during the four-month period of FY 81 that I was ONP Administrator. Second, the election results in November slowed down staff output. There was a pervasive "wait and see" attitude because employees were anticipating that the new Administration would make several changes in the policies that had been enacted under the Carter Administration. Third, the Thanksgiving, Christmas, and New Year's holidays further slowed our operations. Moreover, it was impossible to get a quorum for the Sole Source Board, which reviewed and approved sole source contracts, until after the New Year's holiday. Given our already inadequate staff levels, these circumstances I have just discussed only worsened the situation.

It is important for the Committee to understand that of the 18 telegrams sent out for ONP-administered programs, only one was sent out on January 19, and this was not a new award. It was for renewal of a program for Senior Citizens' services on an Indian reservation in Wisconsin. Some telegrams for ONP-administered programs were sent out as early as October 1st.

Of the 70 telegrams sent out for both ONP and OYP administered grants, some of the ONP-administered grants were signed by my Deputy and others by me personally. Our signatures may also be found on some commitment telegrams for programs administered by the Office of Youth Programs because my Deputy and I served as contract officers for OYP and all other major components of the Employment and Training Administration, except the Office of Policy Evaluation and Research which has its own contract services unit.

It is important to understand the distinction between my role as contract officer and signatory for OYP and other ETA offices, and my role as contract and program officer for ONP. My signature on OYP contracts and grants or letters or telegrams of commitment was basically ministerial. In the case of OYP, I did not have any responsibility for negotiating the contract, making the decision to fund the contract or monitoring contract performance. All of this was done by OYP staff under the supervision of the Administrator of OYP. In the case of ONP, all of the functions involved in making

a grant or contract award, and monitoring it was conducted by ONP staff under my supervision.

4. In conclusion, Mr. Chairman and Members of this Committee, let me say this. These GAO reports cannot be considered authoritative or useful documents for those who are seriously interested in understanding the decisions that were made, or for improving the management and administrative practices of the Office of National Programs. This Committee deserves better and more reliable information than it received from these two reports. The GAO reports did not address the basic problems in the Office. Nowhere in the GAO reports is there any acknowledgment of the problems of staff shortages. Neither do the reports mention the need for staff training. Unless these basic problems are addressed, the Office will continue to be plagued by management and administrative problems.

The best evidence of this is the fact that, under the new Administration, serious management problems have already occurred. For example, the procedure for making awards under the youth program for migrant and seasonal farmworkers was so poorly managed and replete with procedural violations, that the entire competitive grant awards process had to be repeated, even though 55 grantees had been notified by telegram that they either would or would not receive grants. Those grantees then had to be notified that the selection process had to be repeated. The grants should have been

selected and awarded by October 1, 1981. In fact, none of the FY 82 grants and contracts that should have been awarded on October 1st have been awarded. The entire National program system is in a state of chaos and confusion. Grantees do not know when they will be funded or in what amounts.

Moreover, rather than increasing the staff or providing staff training, Mr. Angrisani and the Reagan Administration are implementing a reduction in force that will decimate the already inadequate staff at ONP.

Furthermore, nowhere in the GAO report is there any acknowledgment of the fact that many of the most serious problems involved in the Administration of ONP grants and contracts emerged from sources outside of ONP. This office was under extreme pressure from the Congress which, through language in the Act itself and legislative reports, required ONP to administer each program differently. This requires separate sets of regulations, and for example, Indian programs must be administered by a separate organizational unit. Because of this, ONP's staff is not interchangeable. The Congress kept adding new programs and earmarking funds for specific programs and projects. We received more Congressional correspondence and visits than any other program office in the Department.

Mr. Chairman there were extreme pressures on my office. I realize our administration was not perfect. But despite the complexities of the office and pressures we faced, I am glad I had this opportunity, and I am very proud of the record we established -- a record which will show that:

- We provided more employment and training opportunities for poor Indians on reservations and in Alaskan-native villages than anyone else ever did.
- We provided more employment and training opportunities for migrant and seasonal farmworkers than anyone else ever did.
- We provided more jobs for low-income senior citizens than anyone ever did.
- We created more employment and training opportunities for Handicapped workers than anyone else ever did.
- We provided more employment and training opportunities for women and minorities in the skilled trades than anyone else ever did.
- We created more funding opportunities for Black and Hispanic community-based organizations than ever before in the history of the Department of Labor.
- We provided more contract opportunities for minority-owned business firms than ever before.

- We appointed the first Indian office director, the first Hispanic office director, and the first women GS-14 supervisors.
- We tripled the number of labor organizations founded by ONP.
- We increased the number of private business firms and employer associations from only 8 in 1976 to more than 200 by 1980.

Mr. Chairman and Members of this Committee, if you are seriously interested in understanding and improving management and administrative practices in the Office of National Programs, you will commission a study that would be performed by competent management and research experts who would approach the project in an objective fashion.

I stand ready to help the Committee in any way possible. I would now be happy to answer any questions you might have.

The CHAIRMAN. We appreciate the patience of everybody here. With that, we will recess these hearings and study the record as much as we can.

[Whereupon, at 3:48 p.m., the committee recessed, to reconvene at the call of the Chair.]

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