

Miscellaneous

[GAO Reports ]

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20546

HUMAN RESOURCES  
DIVISION

B-177486

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of the Director of General Accounting.

The Honorable William Proxmire  
United States Senate

MAR 22 1977

Dear Senator Proxmire:

In accordance with your request of October 27, 1976, we reviewed Mr. Manuel Delgado's allegations that ineligible applicants were being enrolled in programs administered by the United Migrant Opportunity Service, Milwaukee, Wisconsin. Mr. Delgado, a Service employee from June to October 1976, alleged that

--the Service did not verify information establishing applicant eligibility and

--a supervisor had changed information obtained from applicants so they would qualify for services.

The Service received \$1.4 million in 1976 from the Department of Labor to provide employment, training, and supportive services to migrant and other seasonally employed farmworkers. These funds were provided under title III, section 303, of the Comprehensive Employment and Training Act of 1973, as amended (29 U.S.C. 873 (Supp. V, 1975)).

We interviewed Mr. Delgado, Service officials, Labor headquarters officials, and five farmworkers who received Service benefits. We also reviewed Labor regulations, Service operating guidelines, and certain applicant records.

Labor's regulations restrict applicant eligibility for section 303 programs to farmworkers and their dependents who, during any consecutive 12-month period within the previous 18 months, earned over 50 percent of their income as seasonal farmworkers. A seasonal farmworker is defined as a person who has spent at least 25 days doing farmwork but not more than 150 consecutive days working for one establishment. In addition, total family income based on the number of claimed dependents must be below the poverty level established by the Office of Management and Budget.

HRD-77-59



We found that the Service rarely verified information obtained from applicants about their eligibility. We also found that a supervisor had changed eligibility information in the four cases pointed out by Mr. Delgado. A review of these cases showed that the changes in three cases were justified and the enrollees were eligible. The change in the fourth case was not justified and the enrollee should not have received assistance.

Mr. Delgado also alerted us to difficulties the Service experienced recovering security deposits paid under its housing assistance program. We did not determine the amount of money involved, but Service officials stated that only about 1 percent of the deposits was recovered. We discussed possible steps with Service officials to reduce losses from unrecovered deposits.

These matters are discussed in more detail below.

ELIGIBILITY INFORMATION  
RARELY VERIFIED

Labor's regulations assign responsibility for determining if applicants meet eligibility criteria to the grantee. To ascertain eligibility Service personnel interviewed applicants about their work experience, number of dependents, and total family income. Information from the interview was recorded on a client intake form and certified by the applicant. The only review for accuracy was made in the Service's accounting department. This review generally consisted of little more than a check for errors in computation or gross irregularities on the application. Service personnel seldom verified data through former employers or the applicant's family.

Service officials explained that their programs were primarily emergency in nature, providing nutritional assistance, medical services, and housing assistance. Applicants generally needed immediate aid and there was not time for extensive verification of the data. They explained that their telephone budget was limited and correspondence took too long. We were also advised that many employers did not maintain employment records on migrant workers and therefore would have no basis to verify an applicant's employment.

We agree that emergency services should not be delayed. However, the Service also funded long-term programs such as day care and educational programs. We suggested that Service

officials attempt to verify client eligibility in these more expensive, long-term programs.

ELIGIBILITY INFORMATION CHANGED  
TO QUALIFY APPLICANTS

Mr. Delgado identified four cases in which his supervisor changed eligibility information to qualify applicants.

After interviewing his supervisor and reviewing appropriate Labor regulations and Service guidelines, we determined that Mr. Delgado had misinterpreted the eligibility criteria concerning seasonal farmworkers' income in two cases. Apparently he was not aware that regulations provided that any consecutive 12-month period could be drawn from the 18 months immediately preceding an application for services to determine eligibility. In these two cases Mr. Delgado's supervisor had changed the records to show a 12-month work period that would qualify the applicants. This change was consistent with Labor's regulations.

In the third case Mr. Delgado listed the applicant as having worked on a peanut farm for more than 150 consecutive days. This would disqualify the applicant for assistance. Mr. Delgado's supervisor, a former migrant, stated that farmworkers employed to harvest peanuts usually stayed at the same farm while unemployed between planting and harvesting. In view of this fact, he changed the applicant's employment record to reflect unemployment periods. This change was also consistent with Labor's regulations.

In the fourth case Mr. Delgado determined that an applicant had no dependents and his income disqualified him for assistance. However, his supervisor knew the applicant's family and advised the applicant to claim his mother, brothers, and sister as dependents. By doing so, the applicant qualified for services.

Labor's regulations state that an applicant may claim brothers and sisters as dependents if he supports them and they are members of his immediate household. A review of the applicant's file showed that his claimed dependents were not living with the applicant and therefore did not qualify as dependents. Thus, the applicant was ineligible for services. Service officials agreed that the applicant should not have received assistance.

Although the applicant did not qualify for assistance, the violation was small. The only service provided to the applicant was to help him find a job and this cost only about \$30.

To determine whether other records had been changed to qualify applicants that may have been ineligible we contacted several program participants to confirm their application data on work experience, family income, and other eligibility factors. The information they provided was generally consistent with data on their client intake forms, and eligibility determinations were proper. We also reviewed the records for five other applicants Mr. Delgado had disqualified. We found that no information was changed to qualify them.

#### SECURITY DEPOSITS NOT RECOVERED

Mr. Delgado advised us that the Service was forfeiting many security deposits it had paid under its emergency housing assistance program. Under this program the Service paid the first month's rent and security deposits when required by the landlord. These deposits reimbursed the landlords for dwelling damages and generally amounted to one month's rent. The deposits were also forfeited if the tenant failed to give adequate advance notice (generally 30 days) of departure. We did not determine the amount of money involved, but the Service's director stated that only about 1 percent of all deposits was recovered.

We discussed steps with Service officials which could be taken to reduce losses from unrecovered deposits, and suggested that Service officials emphasize to tenants the importance of giving adequate notice to landlords before moving from a dwelling. We also suggested that the Service explore the possibility of seeking long-term rental agreements with landlords. Under such agreements it might be possible to replace those clients moving out of rented dwellings with new clients without forfeiting deposits.

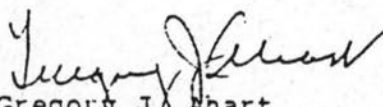
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B-177486

We discussed the contents of this report with Service officials and Mr. Delgado, and they generally agreed with our conclusions. Service officials also agreed with our suggestions and said they planned to improve their verification procedures and to experiment with techniques to recover a greater share of deposits paid under the housing assistance program.

Sincerely yours,

  
Gregory J. Rhart  
Director



## *REPORT OF THE COMPTROLLER GENERAL OF THE UNITED STATES*

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# Stronger Controls Needed Over The Migrant And Seasonal Farmworkers Association Programs In North Carolina

Department of Labor

The Migrant and Seasonal Farmworkers Association operates programs that provide employment and training services to farmworkers in North Carolina. Most program goals were met; however, many job placements lasted only a short time. In addition, the association's administrative costs in 1975 exceeded the 20-percent limit imposed by Labor's regulations.

Improvements are needed in the association's accounting and administrative controls to make sure that Federal funds are spent properly.



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20540

B-177486

The Honorable Robert Morgan  
United States Senate

Dear Senator Morgan:

This report, presenting the results of our review on the activities of the Migrant and Seasonal Farmworkers Association, Inc., Raleigh, North Carolina, was made in response to your December 12, 1975, request and later discussion with your office. As your office agreed, we concentrated on association activities conducted in 1975.

Specifically, we reviewed the association's classification of administrative costs, the adequacy of its controls over the expenditure of Federal funds, its performance during the 1975 grant year, and the extent to which farmworkers influence its policy and operations. We also reviewed the impact of association activities on North Carolina's agricultural labor supply, the association's relationship with East Carolina Industries, and how the Department of Labor selected the 1976 grantee in North Carolina.

Labor and association officials have been given an opportunity to review and comment on the report. Their views have been incorporated, where appropriate.

As your office agreed, copies of the report are being sent to the Secretary of Labor, the association, the House Committee on Government Operations, the Senate Committee on Governmental Affairs, the House and Senate Committees on Appropriations, the Office of Management and Budget, and Congressman Dan Daniel 3 days after the date of the report. At that time copies will also be available to other interested parties who request them.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "James B. Hunt", is written over the typed name.

Comptroller General  
of the United States



COMPTROLLER GENERAL'S  
REPORT TO  
SENATOR ROBERT MORGAN

STRONGER CONTROLS NEEDED OVER THE  
MIGRANT AND SEASONAL FARMWORKERS  
ASSOCIATION PROGRAMS IN NORTH  
CAROLINA  
Department of Labor

D I G E S T

The Migrant and Seasonal Farmworkers Association, Inc., operates employment and training programs to help migrant and other seasonal farmworkers become self-sufficient. In 1975 the association received about \$3.9 million from the Department of Labor to conduct its programs in North Carolina. (See p. 1.)

This report focuses on the association's administrative costs and controls and its controls over training programs and employee travel.

In 1975 the association's administrative costs exceeded the 20-percent limit imposed by Labor's regulations. Its recorded administrative costs were 20.8 percent of planned costs. However, these costs were understated by about \$256,000, raising actual costs to about 27 percent. The understatement was caused by misclassified expenditures and certain questionable allocated salary costs. (See p. 5.)

The Secretary of Labor should provide technical assistance to the association to make sure that administrative costs are properly classified. (See p. 24.)

Labor's Office of the Solicitor has interpreted the Comprehensive Employment and Training Act to prohibit use of funds for community economic development--fostering ownership of business by poverty area residents. Yet by allowing a contractor a high rate of profit on a 1975 training agreement, the association apparently used funds for economic development. This same training agreement was continued in 1976. (See pp. 13 and 14.)

The Secretary of Labor should:

- Take corrective action regarding (1) administrative costs that exceed the 20-percent limit and (2) money, paid to the training contractor, that exceeds allowable training costs, including, where appropriate, the recovery of funds.
- Closely monitor association activities to make sure that only allowable expenses are incurred under the grant. (See p. 24.)

Weaknesses in administrative controls over vocational training programs and employee travel need to be corrected. Otherwise, Federal funds can be misspent. The Secretary of Labor should require the association to:

- Work with vocational training contractors to improve attendance-certification practices.
- Adhere to prescribed followup procedures for training participants. This should aid in promptly identifying students who withdraw from school and the recovery of related tuition costs.
- Adhere to prescribed authorization and documentation requirements for employee travel reimbursement. (See pp. 8, 10, and 24.)

Labor's selection of the association as the 1976 grantee in North Carolina was in accordance with prescribed regulations and appears to have been proper. (See p. 15.)

The association reportedly met the majority of its 1975 program goals. However, certain performance statistics were overstated due to erroneous and duplicate reporting. A review of a sample of job placements showed that almost half of the people placed in jobs were not working in the same jobs 90 days later. This figure fell far short of Labor's performance standard--75 percent of those placed

should stay on the job for more than 90 days. In addition, association records did not contain enough information to identify and resolve problems participants may have encountered. (See p. 17.)

The Secretary of Labor should require the association to provide that:

- Followup records be detailed enough to show why people did not stay in jobs found through the association.
- People referred to public assistance programs be recorded only if they are not already served by such programs. (See pp. 24 and 25.)

Farmworkers influenced program operations through membership on the association's governing board and local councils. Balance in program direction was achieved through non-farmworker board members and representatives of various State agencies who sat on an advisory council to the board. (See p. 20.)

The association placed priority on providing farmworkers with alternatives to agricultural labor. This emphasis appears to have been in response to the needs and desires of farmworkers. No evidence showed that association programs harmed the farm labor supply in North Carolina. (See p. 22.)

Labor agreed with GAO's recommendations and said that it was taking action to implement them. The association disagreed with several findings. However, after meeting with association officials to discuss their comments in greater detail, GAO believes the facts as they are presented in the report are accurate. (See p. 25, and apps. I and II.)

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### ABBREVIATIONS

|     |                                |
|-----|--------------------------------|
| ECI | East Carolina Industries, Inc. |
| GAO | General Accounting Office      |



## CHAPTER 1

### INTRODUCTION

The Department of Labor provided about \$3.9 million in 1975 to the Migrant and Seasonal Farmworkers Association, Inc., to provide employment and training and other services to migrant and other seasonal farmworkers in North Carolina. Headquartered in Raleigh, the association is a private, non-profit corporation established in 1972 to help migrant and other seasonal farmworkers become self-sufficient. The association received the Labor funds under title III, section 303, of the Comprehensive Employment and Training Act of 1973, as amended (29 U.S.C. 873 (Supp. V, 1975)).

The purpose of section 303 of the act is to provide services to individuals who suffer chronic seasonal unemployment or underemployment in the agricultural industry. Primary objectives of programs developed under this section are to provide alternatives to agricultural labor or to improve the well-being of persons who wish to remain in agriculture. Authorized services and activities include outreach, counseling, job placement, on-the-job training, institutional skill training, and supportive services such as health care, child care, and housing support.

Farmworker programs are operated through grants to States and local governments and private, nonprofit organizations. Labor's Employment and Training Administration provides technical assistance to grantees and monitors their activities. Most grantees operate statewide programs, although in some States there may be more than one sponsor, each covering a specific geographical area. In 1975 the association was the sole grantee of section 303 funds in North Carolina.

Grants are awarded annually on a competitive basis. To apply for a grant, applicants must submit a funding request to Labor which includes a comprehensive plan for farmworker programs. This plan is essentially a detailed explanation of how the applicant proposes to use funds requested and, when incorporated into the grant agreement, the plan becomes the basis for programmatic and financial accountability.

#### PROGRAMS OPERATED BY THE ASSOCIATION

The association operated 31 area offices in 8 districts in 1975 to provide a variety of employment and training, and

supportive services programs for migrant and other seasonal farmworkers in North Carolina. Employment and training, and supportive services programs are broadly described as being designed to contribute to the employability of individuals and to assist them in obtaining permanent, unsubsidized employment. Employment and training programs generally include education as well as activities designed to bring individuals into the program and assess their employability. Supportive services programs assist individuals in overcoming personal handicaps which inhibit their employability.

The association operated programs in the areas of classroom training, work experience, and on-the-job training and provided other employment services programs, such as job placement and counseling. Association reports show that the association spent about \$2.8 million for these employment and training programs in 1975 and about \$1.1 million for supportive services programs. The reported number of persons served by each program category and related expenditures are shown below.

| <u>Program category</u>   | <u>Number of<br/>persons<br/>served<br/>(note a)</u> | <u>Expenditures</u> |
|---------------------------|------------------------------------------------------|---------------------|
| Classroom training        | 955                                                  | \$1,120,920         |
| Work experience           | 147                                                  | 285,847             |
| On-the-job training       | 61                                                   | 34,448              |
| Other employment services | 31,558                                               | 1,360,664           |
| Supportive services       | 27,691                                               | 1,089,819           |
| Other                     | 516                                                  | <u>11,305</u>       |
|                           |                                                      | <u>\$3,903,003</u>  |

a/Column does not add because services are reported on a transaction basis. For example, a person who receives classroom training and supportive services is counted under each program.

#### Classroom training

The association provided vocational classroom training through four major sources: (1) the State's system of technical institutes, which offered a wide variety of courses such as agricultural science, livestock and poultry, welding, and auto mechanics, (2) the Fairfield-based East

Carolina Industries (ECI), a nonprofit cooperative association which offered training in eel fishing, (3) the Rich Square training center, where courses in auto mechanics, welding, electronics, and retail sales, among others, were offered, and (4) the National School of Heavy Equipment in Charlotte, which trained students to be heavy-equipment operators and mechanics. The association paid the costs of books, tuition, necessary transportation, and other related fees. In addition, it paid students a weekly training allowance based on the number of hours the student spent in training each week at the 1975 Federal minimum hourly wage of \$2.10 (plus dependents allowances).

#### Work experience

The work experience program was designed to train participants through actual performance in staff positions within the association or other nonprofit organizations, such as community action agencies and State and county agencies. The association paid participants wages and reimbursed them for travel expenses during the training period which was not intended to exceed 6 months, but could extend to 1 year.

#### On-the-job training

Participants in on-the-job training perform required work duties under the supervision and guidance of a trained and experienced worker. Under employment training agreements negotiated with public and private employers, the association agrees to pay the trainee's employer an amount not to exceed half the starting wage rate for the position multiplied by the number of training hours for the occupation. In turn, the employer pays the trainee the usual entrance wage rate for the occupation—provided it is at least equivalent to the Federal minimum wage. Occupations in which on-the-job training was provided in 1975 included meat cutting, auto mechanics, and bulldozer operation.

#### Other employment and supportive services

In 1975 the association's other employment service activities included identifying and enrolling eligible individuals in the program, assessing participants' needs, counseling, placing participants in jobs, and following up on those participants. Supportive services are intended to improve

the well-being of farmworkers preferring to remain in agriculture as well as those attempting to find alternative employment. Services included health care, nutrition assistance, child day care, family counseling, adult basic education, emergency assistance, and referral to other public assistance agencies. Area office personnel provided both employment and supportive services throughout the State.

#### SCOPE OF REVIEW

Our review was made primarily at the association's headquarters office in Raleigh, the training center at Rich Square, ECI in Fairfield, and area offices in Hertford, Harnett, Granville, and Halifax counties. We reviewed Comprehensive Employment and Training Act legislation and regulations, grant proposals, agreements, and statistical reports showing the type and extent of services provided by the association in 1975. We also reviewed selected financial records of the association and ECI and the work of a certified public accounting firm which performed a financial and compliance audit of the association's 1975 grant.

We interviewed Labor headquarters officials, association officials, and representatives of State and private agencies with whom the association had contracts or agreements. We also interviewed members of the association's governing board and the board's advisory council. To verify job placements recorded by the association, we selected a sample of placement transactions and sent confirmation letters to employers or telephoned them.



## CHAPTER 2

### WEAKNESSES IN THE ASSOCIATION'S ADMINISTRATIVE AND PROGRAM MANAGEMENT CONTROLS

Our review of association activities generally focused on administration and program-related matters. Labor's regulations stipulate that a grantee's administrative costs may not exceed 20 percent of the grant's total planned costs without the Secretary of Labor's approval. Yet, in 1975 the association exceeded the 20-percent limit by about 7 percent. Recorded administrative costs were 20.8 percent of planned costs. However, we estimate these administrative costs were understated by about \$256,000, raising actual costs to about 27 percent of planned costs. This understatement was caused by misclassified expenditures and certain questionable allocated salary costs.

To assure that Federal funds are properly spent, the association needs to improve administrative controls over vocational training programs and employee travel. In addition, Labor's former Associate Solicitor for Manpower issued an opinion stating that Comprehensive Employment and Training Act funds may not be used for economic development. However, the association apparently used funds for this purpose by allowing East Carolina Industries a high rate of profit on a 1975 training agreement.

Selection of the 1976 grantee for North Carolina was accomplished according to prescribed procedures and appeared to be appropriate.

Included among the program matters we reviewed were the association's performance, farmworker involvement in association activities, and the impact of association programs on the farm labor supply.

According to association reports, the majority of 1975 program goals were met. However, certain performance statistics were overstated due to erroneous and duplicate reporting. For example, job placement statistics we reviewed were overstated by 10 percent and enrollment in on-the-job training programs was overstated by 13 percent.

Farmworkers have influenced the association's program direction, along with representatives of State agencies interested in farmworker problems and members of the community at large.

In 1975 the association emphasized providing alternatives to agricultural labor. This appears to have been in response to farmworker needs and desires. There was no evidence that association programs created a shortage of agricultural labor; on the contrary, we were advised that unemployment was extensive among the State's farmworkers.

UNDERSTATEMENT OF  
ADMINISTRATIVE COSTS

According to Labor's regulations, administrative costs are those not directly associated with providing services or training to participants. They include costs such as supervisory and clerical personnel salaries, rent, utilities, and supplies. The regulations also provide that these costs may not exceed 20 percent of the total planned costs of the grant without the Secretary of Labor's approval. In 1975 the association recorded administrative costs of \$852,646, or 20.8 percent of \$4,107,752 in planned costs of the grant. However, we identified \$255,701 in costs that the association charged to various service and training accounts which should have been charged to administration. This would increase administrative costs to \$1,108,347, or about 27 percent of planned costs.

Misclassified costs

Labor established services and training categories to account for costs directly associated with providing support services, employment services, and training to program participants. Appropriate charges to services accounts include child care, health care, housing support, and costs of employment services such as outreach, counseling, and job placement. Proper charges to training costs include salaries and fringe benefits of personnel providing training and counseling as well as costs for tuition, books, equipment, and materials.

According to Labor's regulations, services and training costs should not include rental of facilities, utility costs, the costs of equipment and supplies, or other costs not directly associated with training participants or providing services. To determine if charges to service and training accounts were appropriate, we reviewed selected accounts totaling \$36,782. About \$8,000, or 22 percent of total charges reviewed, were actually administrative expenses and were erroneously charged to the accounts shown below.

| <u>Purpose of expenditure</u>          | <u>Account charged</u>        | <u>Amount</u>  |
|----------------------------------------|-------------------------------|----------------|
| Xerox machine rental                   | Classroom training            | \$ 60          |
| Training center rent                   | Classroom training            | 5,217          |
| Purchase of file cabinets              | Work experience<br>(training) | 31             |
| Training center utilities              | Residential services          | 1,078          |
| Service to air conditioners            | Residential services          | 635            |
| Materials for classroom<br>alterations | Residential services          | 192            |
| Warehouse rent                         | Residential services          | 125            |
| First aid kits                         | Residential services          | 139            |
| Purchase of coal for an<br>area office | Day care                      | 614            |
| Total                                  |                               | <u>\$8,091</u> |

Association officials attributed these misclassified costs to employee error. The certified public accounting firm that audited the association's 1975 grant also found instances of misclassified costs.

#### Questionable allocation of salaries to administrative costs

The salaries of personnel who performed administrative duties and also provided services to participants were allocated among administrative, services, and training accounts. This allocation was based on association estimates of time spent in contact with participants. Job descriptions for several positions of this type showed that assigned duties were primarily administrative; however, the association generally allocated only a minimal portion of related salaries to administrative costs. For example, although the primary duties of district supervisors were to supervise and coordinate all district operations, the association charged only 10 percent of their salaries to administration. Similarly, the training center's office manager primarily performed clerical tasks, yet the association charged only 45 percent of the manager's salary to administrative costs.

We examined the allocation of salary expenses for employees filling 12 different types of positions for which salaries were prorated. To determine the duties performed, we reviewed the employees' daily reports which outlined actual work performed during 2 months in 1975. Based on these reports, we identified 69 employees for whom salary



allocations to administrative costs were understated. On the basis of salaries and fringe benefits paid to these employees in 1975, we estimate that an additional \$247,610 should have been charged to administrative costs, as shown below.

| Job title                                           | Number of positions | Salary allocation for administrative costs |              | Increased amount due to GAO allocation |
|-----------------------------------------------------|---------------------|--------------------------------------------|--------------|----------------------------------------|
|                                                     |                     | Association allocation                     | GAO estimate |                                        |
|                                                     |                     | (percent)                                  |              |                                        |
| Office manager                                      | 1                   | 85                                         | 85           | \$ 3,077                               |
| Secretary/receptionist                              | 1                   | 50                                         | 100          | 2,053                                  |
| Equal employment opportunity counselor              | 1                   | 50                                         | 92           | 2,988                                  |
| Day care trainer (day care program administrator)   | 1                   | 30                                         | 99           | 6,630                                  |
| Nutrition trainer (nutrition program administrator) | 1                   | 20                                         | 99           | 1,916                                  |
| Program trainer (overall health administrator)      | 1                   | 20                                         | 89           | 4,865                                  |
| Relocation counselor                                | 1                   | ..                                         | 34           | 2,550                                  |
| Farmworker advocate                                 | 1                   | ..                                         | 61           | 5,138                                  |
| Division coordinator                                | 3                   | 90                                         | 97           | 2,294                                  |
| District manpower chief (district supervisor)       | 8                   | 10                                         | 79           | 52,757                                 |
| Job counselor II (area office supervisor)           | 24                  | 5                                          | 49           | 73,213                                 |
| Intake clerk (area office secretary)                | 26                  | 15                                         | 91           | 90,089                                 |
| Total                                               | 69                  |                                            |              | \$247,610                              |

Labor's regulations state that salaries and fringe benefits of staff not involved in the direct provision of services or training to program participants should be charged to administrative costs. Association officials said that the cost allocation percentages it used were approved by Labor. Labor, however, told us that its approval was based on job descriptions rather than actual work performed.

#### NEED FOR IMPROVED CONTROLS OVER EXPENDITURES OF GRANT FUNDS

We reviewed the association's procedures for controlling expenditures and examined supporting documentation for a sample of expenditures in the following categories:



stipends and tuition payments related to vocational training programs, transportation and emergency assistance, and employee travel. Improvements are needed in the association's administrative controls over vocational training programs and employee travel to assure that Federal funds are properly spent.

We also reviewed the work done by a certified public accounting firm which, under a contract with Labor, performed a financial and compliance audit of the association's 1975 grant. The firm reported on several weaknesses in accounting and administrative controls.

#### Stipends and tuition costs

In 1975 the association paid stipends totaling \$352,884 to 502 participants enrolled in vocational training courses in 36 educational institutions. These institutions were generally State community colleges and technical schools. Students received stipends based on the 1975 Federal minimum hourly wage of \$2.10 for each classroom hour attended. The association required that participating schools designate an official to verify attendance by signing attendance cards prepared weekly by the students and to forward the cards directly to the association. Signature cards provided by the designated school officials were kept on file at the association for comparison with signatures on attendance cards.

Because stipend payments were based on reported classroom attendance, we reviewed attendance verification practices at five participating schools. These practices were generally inadequate to assure that the association paid stipends only for classroom hours attended. For example, although at two schools officials designated to sign attendance cards required written attendance verification from the students' instructors, in some cases the instructors returned the attendance cards to students for delivery to the signing official. At the remaining three schools, the designated officials did not require instructors to verify reported attendance. One of these officials said she tried to contact instructors for an oral verification each week but sometimes was unable to reach them. She did not maintain any contact records.

In May 1977, after our review, the association said it established a procedure whereby a supervisory employee visits training contractors to advise them on attendance-certification practices.

In 1975 tuition and training material costs for the 502 vocational training course students amounted to about \$44,000. As of December 31, 1975, 129, or 26 percent, of these students had withdrawn from school. Although the association could have recovered a portion of tuition costs for 35 of the withdrawn students, no attempt was made.

In 1975 the tuition policy of North Carolina's community colleges and technical schools provided for a refund of two-thirds of tuition costs if students withdrew for unavoidable reasons and requested refunds within the first 10 calendar days after classes began. We reviewed available file folders for the 129 students who withdrew during 1975 to determine how many withdrew during the tuition recovery period. Thirty-five students withdrew within 1 week after enrolling. Eleven of these students had enrolled in the Beaufort County Technical Institute and all withdrew within the first week of school because they did not have transportation. Twenty-two of the remaining 24 students apparently never attended classes. Of the remaining two students, one attended class for 1 day, and the other for 1 week.

Association procedures require that field representatives make followup contacts with students within 1 week of enrollment, but a review of association records for the 35 students showed that this was not done in most cases. Association officials said that by the time they learned of the student withdrawals it was too late to get refunds. Had followup taken place and proper action been taken, the association would have been able to recover about \$715. The association's failure to recover tuition costs was also noted by the certified public accounting firm. In May 1977, the association said it adopted procedures aimed at correcting these conditions. (See pp. 34 to 35.)

#### Travel and emergency assistance to participants

The association's travel assistance program was designed to aid program participants needing transportation to work or to classes. An allowance of up to \$3 a day for up to 2 weeks was available. The emergency assistance program allowed up to \$200 per family per year for emergency situations requiring housing assistance, medical care, food, and clothing.

The four area offices we visited spent about \$38,000 for travel and emergency assistance. We examined supporting

documentation for 99 expenditures totaling about \$3,800, or 10 percent of total costs. One canceled check for \$11.66 could not be located and was recorded on the association's lost check list. Otherwise, payments appeared proper and were adequately supported.

#### Employee travel

Association employees are reimbursed for mileage costs incurred while performing assigned duties. Reimbursement is based upon the employees' daily activity reports which include a listing of expenses, mileage accumulated, and beginning and ending odometer readings. These reports are certified by the employee and approved by his immediate supervisor.

In 1975 mileage was reimbursed at the rate of \$0.12 per mile. We examined daily activity reports covering a 2-week period in 1975 and totaling about \$1,650 for 29 employees. We found incorrect computations on two daily reports resulting in a \$1.30 overpayment and one instance where three daily reports had been overlooked leading to a \$13.56 underpayment. The association's fiscal officer attributed these errors to oversight on the part of his staff.

Daily activity reports also determine overnight travel reimbursements by showing all expenses, such as food and lodging (a lodging receipt should be attached). We examined daily activity reports involving overnight travel for 10 employees covering 96 overnight trips made during 1975 to determine whether (1) computations were accurate, (2) receipts supporting lodging costs were attached, (3) travel authorizations were attached, and (4) amounts paid did not exceed the \$25-per-day limit imposed by the association's policy. The review showed that

- in 4 instances computations were incorrect resulting in a nominal net underpayment,
- in 2 instances lodging receipts were not attached,
- in 35 instances travel authorizations were not attached, and
- in 21 instances per diem paid exceeded the \$25 maximum, resulting in a cumulative overpayment of \$65.22.

When asked about overnight travel, the association's fiscal officer explained that the association will reimburse



travel expenses up to \$32 per day with the executive director's approval. However, such approval was not noted on daily activity reports. He added that the requirement to attach travel authorizations to daily activity reports was not strictly enforced.

In May 1977, the association said it revised its travel order form and took other steps to reduce errors. (See p. 35.)

Results of certified public  
accounting firm's audit

The certified public accounting firm's examination of the association's 1975 grant identified several weaknesses in the association's system of internal accounting and administrative controls. Among the deficiencies for which the firm recommended corrective action were:

- Cash receipts from the grant were commingled with funds received from other agencies in a general operational bank account. This account was also used to pay expenses for transactions relating to other programs administered by the association.
- Paid invoices were not consistently canceled so that the possibility of resubmission and duplicate payment existed.
- Several disbursements were charged to incorrect budget account classifications.
- Cash disbursements made for participants requiring emergency services were not consistently controlled at area offices. Some offices issued checks out of sequence; others did not use prenumbered checks; checks were signed in advance of disbursements; and checkbooks were not regularly balanced.

In addition, the firm identified material weaknesses in the association's administrative and accounting controls relating to on-the-job training programs.

According to Labor regulations, prime sponsors are to require contractors and subgrantees to maintain effective control and accountability over all funds covered by the contract or subgrant. The certified public accounting firm found, however, that the association's on-the-job training agreements did not include requirements that contractors



maintain complete records for audit purposes. In addition, the association reportedly did not determine that contractors had adequate accounting systems before entering into the training agreements. In examining payments made to one contractor, the firm found that the contractor could not locate time sheets, earning records, payroll tax returns, canceled checks, or other records to substantiate the hours billed to the association. According to the contractor, all records relating to the contract were destroyed in an automobile accident.

The firm also found numerous instances of questionable payments made by the association to on-the-job training contractors. For example, four enrollees in one training program were already employed by the contractor before the program began, and neither the contractor nor the association could provide evidence that the trainees were upgraded into an occupation requiring higher skills. The firm said that it appeared these employees remained in the same positions as originally hired and that they would have been retained and trained by the contractor in the absence of the training agreement. Total payments for these enrollees amounted to \$2,229.

Association officials generally agreed to take corrective action on the firm's findings, including recouping overpayments made to these contractors. In May 1977, the association said it had taken several actions based on the certified public accounting firm's recommendations to correct the reported deficiencies. (See p. 35.)

#### GRANT FUNDS USED TO SUPPORT ECONOMIC DEVELOPMENT PROJECT

Economic development includes programs designed to promote job opportunities in economically lagging areas by fostering business ownership by poverty area residents. In April 1975, Labor's then Associate Solicitor for Manpower issued an opinion stating that economic development was to be funded under acts other than the Comprehensive Employment and Training Act and that this act's funds could not be used for such activities. Yet the association apparently used the funds for this purpose by allowing ECI a high rate of profit on a 1975 training agreement. The association contracted with ECI to conduct eel fishing training classes for seasonal farmworkers. Participants were to be trained in the basic concept of eel fishing with the ultimate goal

of enabling them to be self-supporting in the eel fishing industry. In addition to training eel fishermen, ECI's major activities in 1975 were manufacturing and selling eel and crab pots and buying and selling eels.

The association paid ECI \$966 per student to train 90 participants in 1975. Actual training costs per student were \$132. Thus, ECI realized a high rate of profit from the training program as shown below.

|                                                     |                 |
|-----------------------------------------------------|-----------------|
| Total payments received<br>from the association     | \$85,419        |
| Expenses related to eel<br>fishing training classes | <u>16,384</u>   |
| Net profit                                          | <u>\$69,035</u> |
| Profit percent                                      | 81              |

Note: Table shows payments and expenses associated with the association's section 303 grant for North Carolina and Virginia. Virginia participants comprised about 14 percent of total enrollment in the program.

In view of this high profit rate, we looked into how the \$966 per student fee was established. An association official said that the fee was based on an estimate, made jointly by an association employee and an ECI official, of ECI's training costs. Both the association's senior accountant and deputy for fiscal affairs were aware of the high profit rate realized by ECI in 1975. However, the association continued paying the \$966 per student fee under its 1975 training agreement with ECI.

In 1975 ECI's overall operations resulted in an \$8,910 loss. Had it not received Comprehensive Employment and Training Act funds for the eel fishing training program, it would have incurred a loss of about \$78,000. Apparently, the association subsidized ECI by setting a high tuition rate which enabled ECI to continue operations.

The association's director said that he was aware ECI was an economic development project and that Labor officials knew of the association's relationship with ECI. However, Labor officials said they did not realize that training funds were being used for economic development.

We referred this matter to Labor in May 1976. Labor's Office of Audit and Investigations arranged for the certified

public accounting firm to include ECI in its audit of the association's 1975 grant. The firm, in its July 1, 1976, report to Labor's Atlanta Regional Administrator for Audit, confirmed our findings and questioned all payments to ECI exceeding actual training costs.

In addition, the firm found that three association employees spent a part of their time on duties directly related to performing services for ECI. The firm questioned salaries and fringe benefits amounting to about \$16,000 for these employees. As of January 1977, however, the Employment and Training Administration had not acted to determine the allowability of costs questioned.

Also, the merit of the training program itself was questionable because the association did not have assurance that job opportunities would be available to students who completed training. The association's grant proposal stated that with a small boat and motor participants could become self-employed and earn about \$8,600 per year. The association acknowledged that participants probably would not be able to afford boats, motors, and other necessary equipment but indicated that efforts would be made to obtain necessary credit for them. However, the association was unable to acquire credit during 1975, and most participants were unable to use the training received.

In 1976 the association obtained a grant from the Community Services Administration to aid and improve ECI's operations. About \$460,000 of the grant was to be used to provide boats, motors, and equipment to graduates of the eel fishing training program.

GRANTEE SELECTION PROCEDURES  
APPROPRIATELY APPLIED

The Employment and Training Administration's Division of Farmworker Programs established panels to evaluate funding requests for the 1976 grant year. These panels were to determine each applicant's eligibility to receive section 303 funds, review and rate each funding request, and provide a critique to support the ratings. Based upon the panels' ratings and critiques, the Chief, Division of Farmworker Programs, would recommend eligible applicants to be designated as potential grantees.



We reviewed the selection of the 1976 North Carolina grantee to determine whether selection procedures were applied in accordance with Labor's regulations. Two applicants sought 1976 grant funds for North Carolina--the association and the Rural Advancement Fund, a nonprofit subsidiary of the National Sharecroppers Fund, Inc.

The association was selected as the 1976 grantee. The association proposed farmworker programs for the entire State; the Rural Advancement Fund proposed to serve farmworkers in 10 contiguous counties in the south-central part of the State. The evaluation panel rated the fund as only conditionally eligible to receive section 303 funds because its plan did not include an accounting system certification as required by Labor's regulations. However, this omission alone would not have caused the fund to lose the competition, since Labor could conditionally designate a sponsor as a potential grantee pending the resolution of its eligibility status.

Each applicant's comprehensive plan for farmworkers, outlining program objectives and approach, was evaluated for the following factors specified by Labor's regulations: program development, delivery system, administration, responsiveness to farmworkers, linkages and coordination, and experience. The association received a cumulative point total of more than twice that of the fund and was consistently rated higher than the fund in all factors considered.

Although the association outscored the fund in all factors, experience was the single most important factor. It carried a weight of up to 50 points out of a possible 100 total points for all factors. According to Division of Farmworker Program guidelines, the highest rating for experience would be given to an applicant that had operated an effective multiactivity program of employment and training and other services for farmworkers.

The association has operated migrant and other seasonal farmworker programs in North Carolina since 1965. It has offered a wide variety of programs as it has gradually expanded its scope to include the entire State. In 1975 the association offered 42 programs to more than 31,000 farmworkers. The Rural Advancement Fund, on the other hand, is relatively new in North Carolina. In 1974 it began a limited scale training program serving 25 persons in Anson County. The Federal funding it requested would have been used to train about 200 farmworkers.



Our review of the evaluation panel's files determined that selection procedures were appropriately applied. Also, as the result of an appeal filed by the fund, the Employment and Training Administration's Office of Investigation and Compliance reviewed the selection process and concluded that procedures had been fairly applied.

PERFORMANCE GOALS  
GENERALLY ACHIEVED

Labor regulations set forth performance standards as tools for evaluating the quality and effectiveness of farm-worker programs. In addition, grant applicants must state the number of farmworkers to be served and goals to be accomplished for each program proposed in funding requests submitted to Labor for approval. The association's program performance statistics for 1975 showed that it met or exceeded 22, or 52 percent, of 42 program goals established in its 1975 proposal. Our review focused on the association's performance in job placements, vocational training programs, and referrals to other agencies.

Job placements

When a program participant is considered to be ready for a job, the association provides placement services directed toward obtaining employment that offers career potential. Placement services may be direct or may follow training of some kind. In 1975 the association's goal was to find employment for 1,498 participants. It recorded 1,612 actual placements for the year--108 percent of its goal. However, the association failed to meet planned goals in six of eight placement categories. A summary of placements by category is shown below.

| <u>Placement category</u>                                       | <u>Number of placements</u> |               | <u>Percent of goal achieved</u> |
|-----------------------------------------------------------------|-----------------------------|---------------|---------------------------------|
|                                                                 | <u>Goal</u>                 | <u>Actual</u> |                                 |
| Direct                                                          | 248                         | 651           | 263                             |
| Technical institute                                             | 6                           | 12            | 200                             |
| Job readiness<br>(developing desirable<br>employment attitudes) | 901                         | 841           | 93                              |
| National School of<br>Heavy Equipment                           | 36                          | 16            | 44                              |
| Training center                                                 | 176                         | 78            | 44                              |
| Work experience                                                 | 40                          | 7             | 18                              |
| On-the-job training                                             | 29                          | 3             | 10                              |
| ECI                                                             | 62                          | 4             | 6                               |
| Total                                                           | <u>1,498</u>                | <u>1,612</u>  | 108                             |

Although the association exceeded its goal in total number of placements, many placements were into jobs of short duration. Labor's performance standards state that 75 percent of those placed should stay on the job more than 90 days. To determine the status of job applicants placed by the association, we selected a sample of 218 placement transactions and contacted employers requesting confirmation of placement and information on the length of time individuals worked. We received 180 responses, or 83 percent of the sample.

Employers of 18 participants said that the individuals were not hired through the association. Employers of the remaining 162 confirmed the hirings; however, 79 participants (49 percent) had terminated in less than 90 days. In addition, 10 of the confirmed hirings were with farm crews. Since the association's objective is to place participants in jobs having career potential, association officials agreed that these placements should not have been reported.

The association has established followup procedures to check on former participants so they may be counseled or assisted with job-related problems. Results of periodic contacts were recorded in the participant's files. We examined files for 65 of the 79 participants who stayed at their jobs less than 90 days. (Files for the remaining 14 participants were not readily available.) While the files indicated that participants were contacted, counselors' comments were so brief that they did not provide enough information to identify problems that may have led to employment termination.

In May 1977, the association said it revised the follow-up form and procedures to identify problems and document corrective action taken.

#### Training programs

Labor requires its grantees to submit quarterly reports on the number of participants served by the various programs. We reviewed reported enrollments in on-the-job training, technical institute, National School of Heavy Equipment, work experience, and job readiness training programs. The association reported that enrollment goals were exceeded in each of these programs, except for the National School of Heavy Equipment. The association reported that it had achieved 23 percent of its goal for this program--enrolling 41 of 44 participants targeted.

An examination of classroom rosters and employer records showed that the reported enrollments in the National School of Heavy Equipment and work experience programs were accurate. With regard to on-the-job training and technical institute programs, we found that the association had overstated enrollments by 13 and 12 percent, respectively. Nevertheless, when the association's final 1975 quarterly report to Labor was corrected for these overstatements, enrollment goals were still exceeded.

An examination of the job readiness program, which is a nonstipend paying course designed to assist participants in finding and keeping employment by helping them acquire desirable attitudes and motivations, also showed that the association's reports were overstated. The association's goal was to train 955 persons in this program. According to an association performance report, 1,592 individuals received job readiness training during 1975. Based on a review of class rosters, we found, however, that only 330, or 21 percent, of these individuals actually received training. Association officials said that because the program was a new one misunderstandings and confusion existed among field staff about what constituted job readiness training.

#### Referral programs

Various Federal, State, and local agencies offer migrant and other seasonal farmworkers a variety of services and programs such as food stamps, employment services, and medical care. One of the association's functions is to counsel program participants and refer them to the agency providing services they require. The association reported that it achieved referral goals in 7 of 13 programs.

Our review of referral transactions in four area offices showed that reported referrals were overstated due to erroneous recording. For example, we found instances where duplicate transactions were recorded due to errors in preparing input documents sent to the Raleigh headquarters office for summarization. At one area office, an association employee mistakenly recorded as referral transactions any followup made to determine the results of a referral. Consequently, each referral transaction this employee recorded was counted twice--once when the transaction was initiated and again at the time of followup. We did not determine the extent to which this condition existed.

We also identified instances in which referral transactions were recorded when the individuals involved were already receiving services from the agency to which they were referred. For example, of a sample of 17 participants referred to the Aid to Families with Dependent Children Program, 5 individuals had been receiving services before the association's referrals.

The four area offices we visited recorded a total of about 1,400 referrals to Federal, State, and local agencies in 1975. We attempted to verify a random sample of 121 referral transactions by comparing association records to the records maintained by the various agencies to which those individuals had been referred. As shown below, we were able to verify only 46, or 38 percent, of the referrals examined.

| <u>Program</u>                             | <u>Number of<br/>referrals<br/>examined</u> | <u>Referrals verified</u> |                |
|--------------------------------------------|---------------------------------------------|---------------------------|----------------|
|                                            |                                             | <u>Number</u>             | <u>Percent</u> |
| Adult Basic Education                      | 4                                           | 3                         | 75             |
| Neighborhood Youth<br>Corps                | 12                                          | 9                         | 75             |
| Employment Security                        | 28                                          | 13                        | 46             |
| Food Stamps                                | 43                                          | 16                        | 37             |
| Aid to Families with<br>Dependent Children | 17                                          | 5                         | 29             |
| Social Security                            | <u>17</u>                                   | <u>-</u>                  | <u>-</u>       |
| Total                                      | <u>121</u>                                  | <u>46</u>                 | 38             |

Some agencies did not keep records of participant visits unless a service was provided; therefore, some portion of the unverified referrals may have been valid.

Association officials told us that they had revised procedures for recording and summarizing referrals to preclude the type of duplicate reporting we brought to their attention.

#### FARMWORKERS INFLUENCED ASSOCIATION ACTIVITIES

Labor regulations encourage farmworker participation on grantee governing boards and advisory councils by including this consideration among the factors used to evaluate funding requests. Although the regulations do not stipulate the desired percent of farmworker representation, Labor officials said they like to see a balance between farmworker and community-at-large representation. In 1975 the association's



governing board was comprised largely of farmworkers. However, some balance in program direction was achieved through non-farmworker board members and representatives of various State agencies who sat on an advisory council to the board.

The governing board is the association's primary governing body and is responsible for overall policy, program direction, and administration. Association bylaws require that at least 51 percent of the board members be migrant and other seasonal farmworkers. In 1975 the board was comprised of 28 farmworkers, 3 representatives of nongovernment organizations, and 2 members at large. Farmworkers were also able to exert influence on the association's program direction through local and district councils.

In 1975 the association had 14 target area councils representing small target populations--generally counties--throughout the State. Association bylaws required that farmworkers comprise 75 percent of council memberships. Their function was to assess local needs and set priorities which, in turn, were submitted to district councils. The district councils, comprised of at least 75 percent farmworkers, assessed overall district needs and set priorities based on those submitted by the target area councils. The association's 1976 program proposal was based largely on priorities established by the district councils.

We interviewed farmworker board members as well as members at large to determine their views on the degree to which farmworkers influenced association activities. Both groups agreed that farmworkers participated actively and freely both at the local and headquarters levels and that the association was largely responsive to their concerns.

Although the association encouraged extensive farmworker participation in developing its programs, the farmworker viewpoint was not the only one considered. In addition to the nonfarmworker board members, the board established an advisory council comprised of representatives from State agencies, such as the Departments of Health, Social Services, and Human Resources. Their function was to make suggestions and recommendations about programmatic matters. Advisory council members said they were satisfied with the cooperation that existed between the association and the agencies they represented.

IMPACT OF PROGRAMS ON  
AGRICULTURAL LABOR SUPPLY

The employment and supportive services provided by the association were directed toward either providing alternatives to agricultural labor or improving the lifestyle of farmworkers who wished to remain in agriculture. Although the association emphasized providing alternatives to agricultural labor, this emphasis appears to have been in response to the needs and desires of farmworkers.

In 1974 each of the association's district councils put job placements and training at the top of their priorities for the 1975 grant year. These priorities were reflected in the association's 1975 grant application.

Services provided during 1975 were based on the association staff's assessment of farmworker needs and funds available for various program activities. Although formal training programs designed to offer alternatives to agricultural employment accounted for \$1.4 million, or 36 percent of the \$3.9 million total costs incurred, these programs served only 1,163, or 4 percent, of the 31,500 farmworkers who received services in 1975. This data tends to emphasize the high cost of formal training programs compared to the costs of other services provided.

There was no evidence that association efforts to find alternative employment for farmworkers created a farm labor shortage in the State. On the contrary, a North Carolina Employment Security Commission official told us that there was extensive unemployment among the States's farmworkers. Furthermore, the Commission forecasts a reduction of about 12,000 agricultural jobs--from 72,000 to 60,000--by 1980.

### CHAPTER 3

#### CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

##### CONCLUSIONS

Improvement is needed in accounting for administrative costs to assure accuracy of recorded data and to provide better control over such costs. Of primary concern is the association's exceeding the administrative cost limit imposed by Labor's regulations. We believe that efforts should be made to recover these excess administrative costs. Also, technical assistance in cost classification is needed to stop this problem from recurring.

Although the Comprehensive Employment and Training Act has been interpreted as prohibiting the use of funds for economic development, it appears that the association's training agreement with East Carolina Industries provided funds for this purpose. Therefore, efforts should be made to recover payments made to ECI which exceeded actual training costs. Labor should also closely monitor association activities to make sure that administrative costs are within prescribed limits and that funds are not used for economic development.

The association's administrative controls need to be improved to assure that Federal funds are properly spent. Better student attendance certification practices by vocational training contractors are needed to assure that stipend payments to training participants are proper. Adherence to prescribed followup procedures for training participants would identify early withdrawals and enable recovery of tuition costs. Compliance with requirements regarding authorizing and documenting employee travel expenses is needed to insure that travel reimbursements are proper.

Labor's selection of the association as the 1976 grantee in North Carolina was in accordance with prescribed regulations and appears to have been proper.

According to reported data, the association met the majority of its 1975 program goals; however, certain performance statistics were overstated due to erroneous and duplicate reporting. According to association officials, procedures have been implemented to eliminate duplicate reporting, but we did not evaluate them. Action is needed to insure that reported referrals to public assistance programs do not include persons already receiving assistance.

It appears that many farmworkers had employment problems. Followup records kept on persons placed in jobs need to be more detailed to identify causes of early terminations.

Farmworkers influenced program operations through membership on the association's governing board and local councils. The association also received input from nonfarm-worker board members and an advisory council comprised primarily of representatives of various State agencies. Also, no evidence showed that the association's emphasis on providing farmworkers alternatives to agricultural labor had harmed the farm labor supply in North Carolina.

#### RECOMMENDATIONS

We recommend that the Secretary of Labor:

- Provide technical assistance to the association to assure proper classification of administrative costs.
- Take corrective action regarding (1) administrative costs incurred that exceed the 20-percent limitation and (2) money paid to ECI that exceeds allowable training costs, including, where appropriate, the recovery of funds.
- Closely monitor association activities to make sure that only allowable expenses are incurred under the grant.

We also recommend that the Secretary require the association to:

- Work with vocational training contractors to improve attendance certification practices.
- Adhere to prescribed followup procedures for training participants. This should aid in promptly identifying students who withdraw from school and the recovery of related tuition costs.
- Adhere to prescribed authorization and documentation requirements for employee travel reimbursement.
- Provide that followup records be detailed enough to show why people did not stay in jobs found through the association.



--Provide that people referred to public assistance programs be recorded only if they are not already served by such programs.

#### AGENCY COMMENTS AND OUR EVALUATION

##### Labor's comments

In a letter dated June 2, 1977, Labor agreed with our recommendations and said that it would implement them. (See app. '.)

Labor agreed with our first two recommendations regarding the provision of technical assistance in classifying administrative costs and taking corrective action on costs incurred in excess of the 20-percent limitation. However, it said that the issue of personnel costs which we raised required further discussion with the grantee and that it planned to review these figures with association officials.

Concerning the part of our second recommendation dealing with amounts paid to ECI in excess of allowable training costs, Labor concurred with all excess costs reported except for approximately \$8,000. A Labor official told us that this amount was the salary for one of three association employees whose salaries were questioned by the certified public accounting firm. (See p. 15.) Upon further inquiry, we determined that the salary amount involved was actually only about \$4,000. Labor said that the matter of excess costs paid to ECI had been submitted for action within the Employment and Training Administration.

Labor also agreed with our other recommendations and said it would raise these issues with association officials during its next monitoring visit. Specifically, Labor plans to review (1) the status of time and attendance certifications for training participants, (2) adherence to prescribed followup procedures for training participants, (3) employee travel reimbursements, (4) followup records on participants placed in jobs, and (5) the records of participants referred to public assistance programs.

##### Association's comments

The association, in a letter dated May 10, 1977, disagreed with several of our findings and, in some instances, questioned the facts underlying them. (See app. II.) We met with association officials after receiving their comments

on the draft report and are satisfied that the facts presented are accurate. In addition to recognizing corrective actions where appropriate in the report, we would like to make the following observations about the association's comments.

The association disagreed with our contention that administrative costs greatly exceeded the 20-percent limit. It calculated these costs at about 22 percent of total actual expenses. In this regard, it pointed to two factors that caused overexpenditures in administration: first, the grant year was reduced from 12 months to 10.5 months, and secondly, obligated funds at the end of 1975 were not included in 1975 expenditures.

The association apparently did not recognize that administrative costs should be computed based on the planned costs of the grant, rather than total actual expenses. This is clearly stated in Labor's regulations. (See p. 6.) The planned cost amount used in our calculation reflects Labor's modification to the original grant amount to recognize the reduction of the grant period to 10.5 months. In addition, using planned costs in the calculation negates the association's point about the exclusion of certain obligated funds from total expenditures for 1975.

The association also disagreed with our allocation of salaries to administrative costs, stating that the daily narrative reports which we used to make the allocation were not comprehensive activity records. The association said the reports were prepared primarily to justify miles driven and did not indicate how much time an employee spent performing listed activities. It also contended that employees emphasized administrative activities in these reports because program activities were recorded on other forms. The association, however, had no firm basis for this view.

Since all association employees had to prepare daily narrative reports, we question the contention that the reports primarily justified travel. When we met with association officials to discuss their May 10 comments, they acknowledged that the reports were multipurpose and that there were no other documents describing duties performed. Association officials said they allocated salary costs primarily on past experience and job descriptions. Many job descriptions, however, indicated that a greater percentage of time than had been allocated would be spent on administrative duties. (See p. 7.) Because daily narrative reports did not specify the time spent on each activity listed, we

categorized activities as administrative only when most activities on a certain day were clearly administrative.

According to the association, its ECI training contract was similar to contracts it had with other training facilities. Officials also said ECI costs seemed reasonable when compared to these other contracts. We believe this view is not justified since the association knew about ECI's high rate of profit.

The association also said the amount questioned by the certified public accounting firm was based only on the opinion that administrative costs appeared to be excessive. The association apparently misinterpreted the firm's report. ECI did not specifically identify administrative costs of the training course. In this regard, the firm reported that it was unable to determine a reasonable basis for allocating a portion of ECI's total administrative expenses to the course. However, in its opinion only a small percentage of administrative costs would be applicable to the training course since most of ECI's activities involved manufacturing and selling crab and eel pots.

Finally, the association disagreed with our position that it had not attempted to recoup tuition costs for 11 students who withdrew from Beaufort County Technical Institute. (See p. 10.) However, when we met with association officials, they could not provide any evidence to support their position. In fact, what correspondence was available showed that they did not contact the school in time to recoup any part of the tuition.



U.S. DEPARTMENT OF LABOR  
OFFICE OF THE ASSISTANT SECRETARY  
WASHINGTON

June 2 1977

Mr. Gregory J. Ahart  
Director  
Human Resources Division  
General Accounting Office  
441 G Street, N.W., Room 6864  
Washington, D. C. 20548

Dear Mr. Ahart:

This is in reply to the General Accounting Office draft report entitled "Activities of the Migrant and Seasonal Farmworkers Association, Inc., in North Carolina."

We have noted your recommendations which we have listed below with our response to each:

Recommendation #1

Provide technical assistance to the Association to assure proper classification of administrative costs.

Response

Your report states that the grantee overspent the allowable 20 percent administrative costs by 7 percent or about \$256,000. You attributed this overexpenditure to misclassified personnel and nonpersonnel costs. While we agree that the misclassification of nonpersonnel costs (p. 10) appears clear, the issue of personnel costs will require further discussion with the grantee. We will go over each staff position in your report (p. 12) with the grantee and arrive at an estimate of how much should be charged to administrative costs.

Recommendation #2

Take corrective action regarding administrative costs incurred in excess of the 20 percent limitation and amounts paid to East Carolina Industries (ECI) in excess of allowable training costs including, where appropriate, the recovery of funds.



## APPENDIX I

## APPENDIX I

### Response

In addition to our comments to recommendation #1, where ECI is concerned we have questioned all costs, with the exception of approximately \$8,000, which were brought out by an audit of the grantee by the CPA firm of O'Neal & Metcalf under contract with the Department of Labor. Our memorandum concerning that audit has been submitted for action within the Employment and Training Administration.

### Recommendation #3

Closely monitor Association activities to make sure that only allowable expenses are incurred under the grant.

### Response

We will continue close monitoring of the grantee. On our next monitoring visit, we will pay particular attention to stipend and tuition costs, employee travel, and the questioned costs raised in the O'Neal & Metcalf audit.

### Recommendation #4

That the grantee work with vocational training contractors to improve attendance certification practices.

### Response

During our next monitoring trip, we will review the status of time and attendance certification for active classroom participants. We will be especially concerned with methods used and the extent to which proper certification is complied.

### Recommendation #5

That the grantee adhere to prescribed followup procedures for training participants to facilitate prompt identification of students having withdrawn from school, and recovery of related tuition costs.

Response

We will review this recommendation with the grantee in conjunction with recommendation #4.

Recommendation #6

That the grantee adhere to prescribed authorization and documentation requirements for employee travel reimbursement.

Response

See response to recommendation #3.

Recommendation #7

That the grantee provide that followup records of participants placed in jobs are in sufficient detail to identify causes of terminations.

Response

We will check files of participants who have entered jobs since the GAO report to determine if the grantee has already complied with this recommendation. Furthermore, we wish also to review the reasons why almost 50 percent of placements were not in the same job 90 days after placement. In this regard you use the word "permanent" to describe unsubsidized placements made by the grantee. Under Comprehensive Employment and Training Act (CETA) regulations we describe placements as "short-term" (3 days or less), "mid-term" (4-150 days), and "long-term" (more than 150 days). Since the grantee reported that all his placements fell into the latter category, we will explore with him the reasons for the high incidence of job terminations.

Recommendation #8

That the grantee provide that referrals to public assistance programs are recorded only for persons not already served by such programs.

Response

Here again we will check files of participants served since the GAO report to determine the extent to which the grantee is complying with this recommendation.

Thank you for your clear and comprehensive report. Let me assure you that we will look into all areas you have covered without delay.

Sincerely,

*Fred G. Clark*

FRED G. CLARK

Assistant Secretary for  
Administration and Management

**Migrant and Seasonal Farmworkers Association, Inc.**

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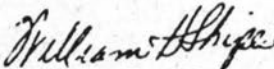
Dear Mr. Walsh:

Subject: U. S. General Accounting Office Audit of Migrant &  
Seasonal Farmworkers Association, Inc.

The enclosed is the Migrant and Seasonal Farmworkers Association, Inc.'s response to the aforementioned audit report. There were several weaknesses pointed out which were of concern. The following pages address each of those concerned areas and provides an explanation of how the situation arose, if it has been corrected and the method initiated and precautionary steps implemented to prevent reoccurrences.

If you have questions, please be at liberty to contact me immediately,

Sincerely,

  
William H. Shipes  
Executive Director

WHS:bwd

Enclosure



A. Administration - Understatement of Administrative Costs

The actual recorded administrative cost was 21.9 per cent of total actual expenditures. By adding mis-classified costs to the administrative cost it was 22.05% of actual cost. (\$852,646 plus \$8,091 = \$860,737 ÷ 3,903,003 = 22.05%).

We feel it is not possible to expend administrative funds at a 20 per cent or less rate on a month to month basis. We planned our administrative expenses based on a 12 month grant and also based on expending all funds. Two things caused the over-expenditures in administration:

The first was the grant year was reduced from a 12 month grant to a 10 1/2 month grant. Based on the 10 1/2 month period, our administrative cost plan was to expend \$855,016. Based on our plan, we were over-expended in administration (including mis-classified cost) by \$5,721 or planned expenditures (\$855,016), less actual expenditures (\$852,646), plus mis-classified cost (\$8,091), equal \$5,721 over-expended.

The second was that \$594,534 of obligated funds at the end of 1975 were not included in the 1975 total expenditures. These obligated funds were deducted from the 1975 grant and reprogrammed into the 1976 grant. If the obligated funds were added to the total actual expenditures, the administrative cost would only be 19.14 per cent.

|                              |   |                    |
|------------------------------|---|--------------------|
| Actual Expenditures          | - | \$3,903,003        |
| Obligated Funds              | - | 594,534            |
| Total Expended and Obligated | - | <u>\$4,497,537</u> |

Administrative percentage is \$860,737 ÷ 4,497,537 = 19.137%

The above administrative costs do not account for the "Questionable allocation of salaries to administrative costs" as outlined by the General Accounting Office. We do not feel the pro-ration of salaries outlined in the GAO report are correct. The General Accounting Office personnel used the daily narrative reports submitted by our staff to make their allocation. However, the daily narrative reports are not the proper tools to use in allocating salaries. The daily narratives reports were not designed for this purpose.

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The daily narrative reports are submitted by our staff basically to justify miles driven. The narrative reports are not a complete detailed report of all the activities for the day but are only a report of the things the individual felt should be recorded. Staff members have a tendency to emphasize administrative activities on this report since most are not recorded elsewhere. Program activities are recorded on other forms.

Not only is the report not a comprehensive record of all activities it also does not indicate the amount of time spent on any task. Seven hours may have been spent on one activity and one hour on five others.

For the above reasons, we do not agree with the General Accounting Office's pro-ration of salaries.

### B. NEED FOR IMPROVED CONTROLS OVER EXPENDITURES OF GRANT FUNDS

#### 1. Stipend and Tuition Costs

At the outset of MSFA's association with community colleges/ technical institutes, MSFA was not familiar with the procedures of the institutes as they related to stipend payments. If it was known that verification was not being made by both instructor and designated official signor, MSFA would have taken pre-cautionary measures that would assure improved fiscal controls.

Since learning of the situation, a supervisory employee visits each training site to stress the importance of having a sophisticated verification system if one does not already exist. Hence, this procedure is being followed religiously by the association and colleges. Presently, there are no schools who have students deliver CETA request of allowance payment cards.

#### 2. Withdrawals from Training Institutes

In 1975, the Association received notice that the grant request had been approved on February 18, 1975. At that point, without gear-up time, MSFA was to have enrolled approximately 300 clients into training institutes which were about to commence their Spring quarter the later part of March, 1975. Due to the copious clients who had aspirations of enhancing their employability by training for a marketable skill coupled with the Association's desire to make this a reality, it was virtually impossible to enroll and follow-up on the enrollees in the prescribed time. As a result there were clients who dropped from school before MSFA was knowledgeable. Therefore, the time for recouping any portion of the tuition cost was forfeited.

The following corrective procedures have since been employed to eliminate reoccurrence:

- a. closer screening of clients to be enrolled into school

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- b. closer working relationship of school officials has resulted in an increased verbal exchange between MSFA and the institute. This has resulted in MSFA representatives being contacted when it is noted that a student is not functioning as expected.
- c. caseload system has been instituted whereby field service representatives work with specific clients to assure that their needs are met expediently (i.e. transportation, day care, follow-up, etc.).

### 3. Beaufort County Technical Institute

As related to the Beaufort County Technical Institute, all costs that are considered questionable are on participants who were enrolled and dropped due to the 120 mile round-trip to school. At the end of the first week, when follow-up was conducted, this situation was discovered. Immediately, the Head of Student Affairs was contacted along with the Business Manager who stated that the clients who did not drop would fail and if they did drop, no refund would be realized. Again, the aforementioned procedures will halt such from repeating. This is a case where we followed-up in the 10 day limit but a no re-payment from the school was received.

### 4. Travel and Emergency Assistance to Participants

We concur with the GAO statements on the travel assistance program.

### 5. Employee Travel

Most of the discrepancies in staff travel was caused by errors or oversights on personnel in the Finance Department. In order to prevent future discrepancies, the Finance Department staff has been given more detail instructions on processing of travel expenses. Also, we changed our travel form to help eliminate errors and simplify the preparation process. Hopefully, these changes will eliminate all errors and discrepancies.

### 6. Results of Certified Public Accounting Firm's Audit

#### Cash Controls

- a. We maintain a special bank account agreement for each CETA grant received. All monies received from Letter of Credit draw downs were deposited in the appropriate Special Bank Account. It was then deposited in our Operation Bank Accounts from which all disbursements were made. This procedure is as outlined and recommended by Executive Systems Corporation (ESC), at several workshops.

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The following corrective action over cash receipts has been implemented. All cash receipts are being documented as to date received, source of funds, complete description, accounting distribution, and approval. The data on reports of Federal cash transactions are taken directly from books of original entry.

The Bank Reconciliations are being prepared in an orderly manner and in complete detail as recommended by O'Neal and Metcalf. The same format is used each month, and all checks are grouped according to types.

### b. Document Cancellation

In accordance with the recommendations of O'Neal and Metcalf, all documents are being stamped paid and the check number entered to assure duplicate payments are not made.

### c. Mis-classification of Disbursements

In order to prevent mis-classification of disbursements, all invoices are now being verified at least twice before actual payment is made. This procedure should eliminate most mis-classified disbursements.

### d. Cash Disbursements in Area Office

1. Voided checks are now handled consistently. They are submitted to the Central Office on the day of occurrence.
2. Administrative personnel have stressed the importance of issuing checks in numerical sequence.
3. Pre-numbered checks - All MSFA offices have printed checks which contain the same information. The checks are all pre-numbered by the printer.
4. We have re-emphasized to all field staff that checks for client services must be signed after the party to whom disbursement is made and the amount has been written on the negotiable instrument.
5. Check books are all balanced monthly by a member of the fiscal department. This is to assure consistency and proper reconciliation.



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### e. OJT Contractors

Pre-cautionary procedures such as the following have been instituted to eliminate reoccurrence:

1. Each OJT enrollee's employment is verified in order to determine previous work locations.
2. An amendment has been made to the contract to include: determination of the total number of OJT trainees from any source which is not to exceed 25% of the company's work force.
3. The employer agrees to maintain proper and accurate records of all time worked by the trainee and all wages paid to the trainee for a period of at least three years from the completion date of the contract. Authorized representatives of the Federal Government and/or MSFA will have the right to inspect the records on a periodic basis.
4. The employer agrees to hire the trainee as a permanent employee at successful completion of training.
5. An On-the-Job Training Supplemental Sheet has been implemented to assure that each employer, employee, and MSFA staff are aware of the regulations governing the OJT training contract. (See Exhibit 2).

[See GAO note 1 on p. 42.]

## C. Grant Funds Used to Support Economic Development Project

In the absence of any other source of expertise in the field of eel fishing as well as comparative training information, MSFA accepted East Carolina Industries proposal to provide training. The contract was a flat fee per student and not a cost plus contract. The contract with East Carolina Industries was the same type contract we entered into with other private training facilities. The contracts with the other training facilities were not questioned. We felt that our contract was valid and should not be adjusted up or down in the event there had been a cost over-ride.

In comparison with other types of private vocational training, the cost incurred for the 72 participants seems reasonable. Moreover, the amount questioned by the auditing firm is based upon their opinion that administrative expenses "appeared" to be excessive. There was no mal intent either on the part of MSFA or East Carolina Industries.

Following is a list of the individual MSFA employees who spent a portion of their time on duties directly related to East Carolina Industries and our response to each.  
(SEE ATTACHED)

[See GAO note 1 on p. 42.]

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D. Grantee Selection Procedures Appropriately Applied

Migrant and Seasonal Farmworkers Association, Inc. offers  
no comment.

## E. Performance Goals Generally Achieved

## 1. Job Placements

Migrant and Seasonal Farmworkers Association is pleased to have accomplished the level of placements in view of an economically critical situation. Below we shall account only for the areas not par according to stated performance standards.

- a. National School of Heavy Equipment - the goal of 36 clients to be placed was not realized due to the general lack of construction which the Nation was experiencing.
- b. Training Center - the employment areas of welding, automechanics, plumbing and wiring, electronics were also very adversely affected during the depression/recession period.
- c. Work Experience and On-the-Job Training had late starting dates, and therefore many of the clients were still in training at the time of audit and have since been placed.
- d. East Carolina Industries placements did not occur because of the boats which were anticipated did not materialize. However, boats have been acquired and farmworkers are employed in the eel fishing industry.
- e. Turnover

This has been a problem for grantees who place migrant and seasonal farmworkers in full-time placement. This is largely due to the transition from one type work environment (agriculture) to an industrialized (factory or office) setting. MSFA in tackling this problem has:

1. Incorporated into its operation a more sophisticated follow-up form and procedure which details specific problem areas and corrective steps taken by the counselor.
2. Job readiness classes are being conducted which provide clients with the essential of introduction into the world of work. The duration of the course is 24 hours.

We have noted a marked improvement in retention rates as a direct result of the aforementioned



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### f. Training Programs

Indepth training and instruction materials (Field Worker's Handbook) has been conducted and designed to assure continuity in handling reporting of program activities.

### g. Referral Program - (duplication)

MSFA staffers, when conducting interview with clients families, are often not totally informed about the services that the family is in receipt of. Therefore in making a needs assessment, the staff refers the family for apparently needed services. This accounts for why some families were referred for services they were already receiving.

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F. Farmworker exerted influence on association activities

Migrant and Seasonal Farmworkers Association, Inc. offers no comment.

G. Impact of programs on agricultural labor supply

MSFA offers no comment other than it attempts in every manner possible to secure alternatives to agricultural employment for those clients who are desirous and those remaining in agricultural employment are afforded all other available services to include referrals to the appropriate ES office for rural manpower placement.

- GAO notes:
1. Comments deleted referred to matters not pertinent to this report.
  2. Exhibits deleted for brevity.

DOCUMENT RESUME

05721 - [R1025969]

Questionable Need for Some Department of Labor Training Programs. HRD-78-4; B-163922. April 10, 1978. 52 pp. + 2 appendices (14 pp.).

Report to the Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Employment and Training Programs: Employability of Selected Target Groups (3201); Non-Discrimination and Equal Opportunity Programs: Employment: Discrimination in Skilled Craft Unions (1011).

Contact: Human Resources Div.

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).

Organization Concerned: Department of Labor.

Congressional Relevance: House Committee on Education and Labor; Senate Committee on Human Resources; Congress.

Authority: Comprehensive Employment and Training Act of 1973 (29 U.S.C. 801). Manpower Development and Training Act of 1962 (42 U.S.C. 2571).

Under the Comprehensive Employment and Training Act (CETA) of 1973, the Department of Labor funds programs to provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons. The Apprenticeship Outreach Program (ACP) was designed to recruit, counsel, tutor, and refer primarily minority youths to apprenticeship positions in construction trades. The National On-The-Job Training Program's (OJT's) primary objective is to provide training to unemployed, underemployed, and economically disadvantaged persons for jobs in skilled occupational shortage areas, many of which are construction related.

Findings/Conclusions: Conditions which existed when the Department of Labor began the apprenticeship program have substantially changed. Employment opportunities in the construction industry have declined, causing a change in placement emphasis to general jobs. This policy shift underlined the question of the continued need for ACP. The results of several construction related on-the-job training projects during 1975 and 1976 demonstrated placement and operational problems. In many cases, program participants were not receiving adequate training, nor were they aware of any on-the-job training to be obtained. Subcontractors have been using program funds instead of their own funds to support their regular apprenticeship systems. Some national contractors have used about one-third of the funds to pay for headquarters and regional administrative operations. Insufficient oversight and evaluation by the Department of Labor contributed to the problems of these programs. Recommendations: The Secretary of Labor should eliminate the ACP in favor of less costly alternatives. If the program is continued, performance criteria should be established that include minimum requirements of the service level

necessary to merit a placement claim, include minimum requirements for job suitability and job length necessary to warrant placement credit, and eliminate placement credit for referral to other programs and jobs with a large minority representation. The Secretary should reevaluate the need for the COT program and terminate contracts that are not achieving program objectives. He should: concentrate funding in trades having skilled worker shortages and low minority representatives, require that adequate job training be provided, implement guidelines which prohibit COT funds from subsidizing apprenticeship programs, and reduce program administration costs. (BRS)



5967  
BY THE COMPTROLLER GENERAL

# Report To The Congress OF THE UNITED STATES

## Questionable Need For Some Department Of Labor Training Programs

Continued funding of the Apprenticeship Outreach and construction-related National On-The-Job Training programs has become questionable because of high unemployment in the construction industry, limited apprenticeship opportunities, and numerous program problems.

The Labor Department's administration of these programs generally was weak, particularly in monitoring and evaluating them, and GAO recommends that the Secretary either eliminate or redirect them. The Department says it will retain both but will improve their administration and review.



HRD-78-4

APRIL 10, 1978



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-163922

To the President of the Senate and the  
Speaker of the House of Representatives

This report points out problems in two programs administered by the Department of Labor under the Comprehensive Employment and Training Act of 1973--the Apprenticeship Outreach Program and the National On-The-Job Training Program. We made this review to determine if these two programs are effectively enhancing the employment opportunities of economically disadvantaged minority groups.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Labor.

A handwritten signature in dark ink, appearing to read "F. A. Stacks", is positioned above the typed name of the Comptroller General.

Comptroller General  
of the United States

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

QUESTIONABLE NEED FOR  
SOME DEPARTMENT OF LABOR  
TRAINING PROGRAMS

D I G E S T

As one method of providing employment and training services under the Comprehensive Employment and Training Act, the Department of Labor funds a number of nationally directed programs. Two such programs are the Apprenticeship Outreach Program and the National On-The-Job Training Program.

The objectives of Outreach are to recruit, counsel, tutor, and refer primarily minority youths to apprenticeship positions in construction trades. On-The-Job Training's primary objective is to provide training to unemployed, underemployed, and economically disadvantaged persons for jobs in skilled occupational shortage areas--many of which are construction related. (See pp. 2 and 3.)

PROBLEMS WITH  
APPRENTICESHIP OUTREACH

Conditions that existed when Labor established and began funding these programs have substantially changed. Employment opportunities in the construction industry have declined, necessitating a placement emphasis from apprenticeship to general jobs. As a result, program contractors were competing, duplicating, and overlapping with State employment service agencies. (See p. 23.)

This policy shift underlines the question of whether Outreach is still needed, since more than half of the reported placements in 1976 were in nonapprenticeship jobs.

More feasible, less costly alternatives are available. Employment service agencies in many States fund apprenticeship information centers that essentially operate the same as program contractors. (See p. 24.)

Therefore, the Secretary of Labor should eliminate the Apprenticeship Outreach Program in favor of less costly alternatives. If a need for the program can be demonstrated, it should concentrate solely on apprenticeship.

If the program is continued, the Secretary of Labor should establish useful performance criteria that

- include minimum requirements on the service level necessary to merit a placement claim,
- include minimum requirements for job suitability and job length necessary to warrant placement credit, and
- eliminate placement credit for referral to other Federal programs and referral to jobs already having large minority representation. (See pp. 26 and 27.)

#### PROBLEMS WITH THE NATIONAL ON-THE-JOB TRAINING PROGRAM

Labor's On-The-Job Training Program is not fulfilling program objectives. High unemployment in the construction industry prohibited participants from getting a training-related job. Many who had been placed were no longer employed in their field, and some were not employed at all. (See pp. 31 to 34.)

In many cases, program participants were not receiving adequate training, nor were they aware of any on-the-job training to be obtained. (See p. 34.)

Subcontractors have been using program funds, instead of their own funds, to support their regular apprenticeship systems. Some national program contractors have used about one-third of the Federal funds to pay for headquarters and regional administrative operations. (See pp. 35, 36, and 40.)



The Secretary of Labor should reevaluate the need for the National On-The-Job Training Program and terminate contracts that are not achieving program objectives. The Secretary should also

- concentrate funding in trades having skilled worker shortages and low minority representation,
- require that adequate job training be provided,
- implement guidelines which prohibit on-the-job training funds from subsidizing regular apprenticeship programs, and
- reduce program administration costs. (See p. 41.)

#### NEED FOR IMPROVED ADMINISTRATION

Insufficient oversight and evaluation by the Department of Labor contributed greatly to the problems in these programs, as did Labor's neglect in following up with former program participants. (See pp. 46 and 47.)

Using competitive bidding procedures and strengthening performance criteria for both programs are other needed improvements. Also, Labor has neither carried out useful suggestions in studies that assess these programs nor used independent sources of data to help evaluate contractor proposals and performance. (See pp. 47 to 51.)

The Secretary of Labor should

- develop and carry out monitoring and evaluation guidelines that gauge program effectiveness and highlight program accomplishments in accordance with Comprehensive Employment and Training Act requirements and
- require the Office of National Programs to use competitive procurement procedures and evaluate contractors with the assistance of independent data. (See p. 51.)

#### LABOR COMMENTS

Labor disagreed with GAO's recommendations that the programs be eliminated or redirected but agreed with most of GAO's recommendations for improving program management. (See pp. 27, 41, and 51.)

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#### ABBREVIATIONS

|      |                                                               |
|------|---------------------------------------------------------------|
| AIC  | Apprenticeship Information Center                             |
| AOP  | Apprenticeship Outreach Program                               |
| CETA | Comprehensive Employment and Training Act of 1973, as amended |
| GAO  | General Accounting Office                                     |
| OJT  | On-The-Job Training Program                                   |



## CHAPTER 1

### INTRODUCTION

The system for delivering most of the Department of Labor's employment and training services was changed in December 1973 with the passage of the Comprehensive Employment and Training Act of 1973 (CETA) (29 U.S.C. 801). CETA incorporated services available under the Manpower Development and Training Act of 1962 (42 U.S.C. 2571), as well as other acts, which CETA repealed in whole or in part.

CETA was enacted to establish a flexible and decentralized system of Federal, State, and local programs to provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons and to assure that training and supporting services lead to maximum opportunities and enhanced self-sufficiency.

Most CETA activities are carried out by prime sponsors--generally State and local government units--with grants from Labor under titles I (comprehensive manpower services), II (public service employment), and VI (emergency jobs program).

Labor is authorized to directly fund national programs under title III--Special Federal Responsibilities--for segments of the population in particular need of training and employment services under titles I and II, and is to take into account the need for continued funding of programs of demonstrated effectiveness.

In its fiscal year 1978 budget, Labor requested \$38 million for the minority group skilled trades program. The components of the minority group skilled trades program and the funds available to them in fiscal year 1977 are the Apprenticeship Outreach Program (AOP) (\$15.7 million), the National On-the-Job Training Program (OJT) (\$17.6 million), and the Journeyman Outreach Training Program (\$2.7 million). The latter program, which was not included in our review, was designed to assist persons over the normal apprenticeship age to become trade journeymen through apprenticeship-type training. AOP and the National OJT Program were established in the 1960s under the Manpower Development and Training Act and are continued under CETA. Both AOP and National OJT should increase the opportunities of disadvantaged persons to enter skilled occupations.

Since the Minority Group Skilled Trades Program is heavily involved in the construction trades, we examined AOP and National OJT to determine the appropriateness of program emphasis in the construction trades.

## AOP OBJECTIVES AND FUNDING

The objectives of AOP are to recruit, motivate, guide, and assist primarily minority youth into the skilled construction trade apprenticeship programs. Activities are to include recruiting interested individuals, counseling them about the construction trades and requirements for entrance, tutoring them in mathematics and such other tested areas as manual dexterity, and referring them to local joint union-management apprenticeship committees for apprenticeship application and testing. Public and private nonprofit organizations contracting with Labor to provide AOP services do not directly indenture <sup>1/</sup> participants in apprenticeship programs.

Labor began funding AOP in 1967. In general, minorities had traditionally constituted a small proportion of skilled craftsmen. However, equal employment opportunity legislation, minority group pressures, Government efforts, and changing union attitudes caused a great demand for qualified minorities. Labor viewed AOP as a systematic approach to supply this increasing demand.

In 1975 Labor changed the placement focus of AOP to encourage general job placements because of high unemployment and limited apprenticeship opportunities in the construction industry. In fiscal year 1976, most reported AOP placements were in non-construction-related jobs.

Originally funded for 53 projects, AOP in fiscal year 1976 consisted of 98 projects nationwide primarily operated by the following organizations:

---

<sup>1/</sup>The process of qualifying and registering for apprenticeship with a designated employer. The term originates from the period when apprentices were bound to employers by a written agreement to work under a master-servant relationship while the employer taught the apprentice the skills of the craft or trade.

| <u>Organization</u>                                        | <u>Number of<br/>projects</u> |
|------------------------------------------------------------|-------------------------------|
| Urban League                                               | 30                            |
| Recruitment and Training<br>Program                        | 29                            |
| Human Resources Development<br>Institute, AFL-CIO (note a) | 22                            |
| Others                                                     | <u>17</u>                     |
| Total                                                      | <u>98</u>                     |

a/The American Federation of Labor-Congress of Industrial Organizations.

For fiscal years 1970 through 1977, Labor funding for AOP totaled \$87.4 million.

#### NATIONAL OJT PROGRAM OBJECTIVES AND FUNDING

The objectives of National OJT are to provide unemployed, underemployed, and economically disadvantaged individuals with useful work and on-the-job training; to assist them in developing to their maximum occupational potential; and to help them obtain regular employment. Training should be in skilled, semiskilled, or service occupations in which shortages exist and in which opportunities exist to progress. Special emphasis is to be placed upon providing minorities, disadvantaged persons, women, and veterans with OJT opportunities.

Construction-related National OJT involves two types of training--basic and coupled OJT. Basic OJT consists almost exclusively of on-the-job training for beginning apprentices, while coupled OJT includes other types of services and training, such as preapprenticeship classroom instruction before apprentices begin on-the-job training.

Labor began funding National OJT in 1962 by contracting with labor unions and other organizations it felt were capable of changing nationwide training and employment policies to include more disadvantaged people in major industries and occupational areas. Labor selected and has continued to fund projects in the construction and machine tool trades for about 42 percent of the National OJT effort. Over fiscal years 1970-77, National OJT funding totaled about \$130.5 million, about \$54 million related to construction and machine tool trades. The five organizations receiving the largest amounts of fiscal year 1977 funding (33 percent), along with the number of projects and the amount funded, are shown on the next page.



| <u>Organization</u>                                                              | <u>Number of projects</u> | <u>Amount funded</u> |
|----------------------------------------------------------------------------------|---------------------------|----------------------|
| The United Brotherhood of Carpenters and Joiners of America                      | 136                       | \$ 1,430,000         |
| The Operative Plasterers and Cement Masons International Association             | 63                        | 1,028,768            |
| The National Joint Painting and Decorating Apprenticeship and Training Committee | 38                        | 706,980              |
| The Bricklayers, Masons and Plasterers International Union of America            | 23                        | 570,467              |
| The National Tool, Die and Precision Machining Association                       | 49                        | <u>2,000,000</u>     |
| Total                                                                            |                           | <u>\$5,736,215</u>   |

#### SCOPE OF REVIEW

We reviewed appropriate legislation and applicable regulations, policies, procedures, and practices of the Department of Labor and held discussions with agency and contractor officials. We reviewed six AOP projects located in Maryland and California and seven construction-related projects and one non-construction-related National OJT project in Maryland, as well as in southern California, which is not subject to seasonal variations. Our review concentrated on construction-related activities because they have constituted a large segment of the programs' efforts. We also interviewed selected former AOP and OJT participants and obtained information by questionnaires from building and construction trade union representatives in southern California. In addition, we reviewed reports prepared by Labor and outside consultants on AOP, OJT, and apprenticeship programs.



## CHAPTER 2

### EMPLOYMENT CHARACTERISTICS IN THE CONSTRUCTION INDUSTRY

Employment conditions in the construction industry greatly affect AOP and National OJT programs. Availability of employment is a crucial precondition to the success of these programs in fulfilling their intended objectives. Since these programs do not create jobs, they must place their participants in available construction trade occupations.

The construction industry has experienced a downturn in employment opportunities since 1970. Construction workers have had a high rate of unemployment while the number of individuals entering and completing construction trade apprenticeship programs has declined. Despite these conditions, minorities in construction trade apprenticeships have increased slightly since 1970, while the total number of minorities entering the trades has declined at a lower rate.

#### CONSTRUCTION UNEMPLOYMENT AND OUTLOOK

Employment opportunities in the construction trades have generally been declining in relation to the growth rate of the labor force since 1970. The proportion of these workers reached its lowest point in 1975 when less than 3.2 percent of the labor force was employed in the construction trades. As the trade's share of the labor force declined, unemployment increased. In 1975 the rate of unemployment for all construction workers was about 18 percent, while it dropped in 1977 to about 12 percent. Construction unemployment rates since 1973 are shown below.

| <u>Year</u> | Construction<br>unemployment<br><u>rates</u><br><br>(percent) |
|-------------|---------------------------------------------------------------|
| 1973        | 8.8                                                           |
| 1974        | 10.6                                                          |
| 1975        | 18.1                                                          |
| 1976        | 15.6                                                          |
| 1977 (July) | 12.1                                                          |

The American Federation of Labor--Congress of Industrial Organizations reported that the unemployment rate in December 1976 in the following eight metropolitan areas ranged from 15 to 68 percent for construction trades.

| <u>Metropolitan area</u>  | <u>Percent of construction<br/>trade unemployment</u> |
|---------------------------|-------------------------------------------------------|
| Baltimore, Maryland       | 15                                                    |
| Chicago, Illinois         | 31                                                    |
| Dallas, Texas             | 24                                                    |
| Los Angeles, California   | 15                                                    |
| New York, New York        | 68                                                    |
| San Francisco, California | 30                                                    |
| Tampa, Florida            | 35                                                    |
| Washington, D.C.          | 23                                                    |

Bureau of Labor Statistics and other forecasts for the 1980s project only slight increases in the number of construction workers in comparison to the total labor force in the Nation's economy. For example, in Los Angeles County, which ranks as one of the largest labor markets in the Nation, the California Employment Service has projected a growth rate of 8.3 percent in the total work force between 1975 and 1980. While the construction trades are expected to reverse the 1970-75 downturn in employment, the growth rate has been projected to be 4.8 percent or just more than half the overall rate anticipated.

Some trades, such as carpenters, will have an overall decrease in craftsmen; while others, such as painters, plasterers, and operating engineers, are projected to have only small increases. However, the employment levels of 1970 will not be reached in any of these occupations by 1980.

#### DECLINE IN APPRENTICES

High unemployment has also adversely affected the number of active apprentices in the construction industry. From 1970 through 1975, the number of active apprentices nationwide declined about 14,000, or 5 percent, from about 280,000 to about 266,000.

The California Division of Apprenticeship Standards completed a study in 1975 of apprenticeship dropouts over the 3-1/2-year period from January 1972 through June 1975. The study showed a dropout rate of more than 47 percent for construction trade apprentices who began the program during

January through June 1972, while the rates for some major trades ranged from 7 percent to more than 62 percent. Reasons for these dropout rates were not included in the study, but according to one California research official, unemployment was a primary cause.

In a May 1976 report prepared for Labor on apprenticeship training, Kirschner Associates, Inc., stated that dropouts from 1967 through 1974 ranged from 38 to 46 percent among carpenters, plasterers, cement masons, and painters. Kirschner also reported that for the same period the proportion of beginning apprentices reaching journeyman status among these trades was lower, ranging from 15 to 27 percent. Kirschner cited high unemployment in the construction industry as an important factor contributing to these outcomes.

MINORITY REPRESENTATION  
IN CONSTRUCTION TRADES  
APPRENTICESHIP

Minorities represented about 7 percent of construction trade apprentices in 1967. Data available from Labor on minority apprentices indicates that in 1970 minorities held 9 percent of the available training slots with the ratio increasing to 18 percent by 1976. The following information obtained from Labor illustrates the percent of minorities in several major apprenticeship-construction trades in 1976.

| <u>Trade</u>                       | <u>Percent of minority<br/>apprenticeship<br/>participation<br/>in 1976</u> |
|------------------------------------|-----------------------------------------------------------------------------|
| Selected occupational<br>areas:    |                                                                             |
| Cement masons                      | 46                                                                          |
| Plasterers                         | 38                                                                          |
| Electricians                       | 15                                                                          |
| Plumbers                           | 14                                                                          |
| Line erectors, light, and<br>power | 13                                                                          |
| Overall U.S. total                 | 18                                                                          |

Even though the total number of active apprentices, as well as the number of beginning apprentices, has decreased since 1973, the ratio of minorities beginning apprenticeship nationwide increased slightly in relation to the total number of new apprentices as shown in the following table.



| <u>Year</u> | <u>Total new<br/>apprentices</u> | <u>New minority<br/>apprentices</u> | <u>Percent</u> |
|-------------|----------------------------------|-------------------------------------|----------------|
| 1973        | 122,818                          | 21,102                              | 17.2           |
| 1974        | 109,706                          | 19,966                              | 18.2           |
| 1975        | 81,322                           | 14,821                              | 18.3           |



CHAPTER 3  
QUESTIONABLE VALUE OF AND  
LIMITED NEED FOR AOP

Conditions in the construction industry which prompted Labor to initiate the AOP concept in 1967 have changed significantly in recent years. High unemployment, limited apprenticeship opportunities, and a change in program emphasis raise questions as to the continued need for the concept.

The impact of AOP on increasing minority accessions into construction apprenticeship is questionable because, during the 1974-75 period of declining opportunities, the proportion of minorities entering construction without AOP assistance declined less than the proportion with AOP assistance. Additionally, AOP-reported placements may have been overstated by as much as 27 percent by contractors counting, for example, persons who never entered apprenticeship or entered without AOP contractor assistance. The lack of Labor criteria for evaluating AOP performance contributed to this condition.

Many AOP placements have been in the less skilled construction trades, such as cement masons, which have continued to have significant minority representation among apprentices. These placements are not advancing minority representation in the more skilled trades, such as electrical and sheet metal, which have fewer minorities. In addition our interviews with former AOP participants showed a high unemployment rate among those reported as placed.

Specialized AOP services, such as tutoring, have a questionable benefit for improving participant apprenticeship and employment potential. Many individuals said they did not get one or more of the specialized AOP services. Sixteen percent of trade union officials responding to our questionnaire felt that AOP participants were better qualified than other persons to enter apprenticeship.

After Labor changed the AOP placement focus in 1975 from construction apprenticeship to general job placement service, AOP contractors placed more than 59 percent of their 1976 reported placements outside apprenticeships. They have substantial drawbacks in this area, however, because they are now competing for placements and duplicating services provided by Labor's Employment Service and other organizations.

Many AOP placements are in jobs, such as cook trainees and janitors, paying less than beginning apprenticeship wages. These placements are costly; the cost per placement was averaging nearly \$1,000 more than if these persons had been placed by the Employment Service. For apprenticeship placements, the Apprenticeship Information Centers (AICs) of the Employment Service are a less costly alternative which offers virtually the same services as AOP.

LIMITED IMPACT OF AOP ON  
MINORITY ACCESSIONS INTO  
CONSTRUCTION APPRENTICESHIP

Few statistics are available which accurately measure the impact of AOP on minorities in construction apprenticeships. In an April 1976 report, Labor presented a limited statistical analysis of AOP contractor performance which showed that AOP placed about 37,300 apprentices in construction trades nationwide from fiscal year 1967 through fiscal year 1975. Labor estimated that about 95 percent of these individuals were minorities. The report also compared AOP-reported placements to nationwide apprenticeship accessions in 1974. Labor concluded, based on this comparison, that AOP contractors placed 40 percent of all minorities entering apprenticeships in 1974.

Making basically the same comparison, we estimated that about 35 percent of reported minority apprentices in Los Angeles County during 1974 and 1975 could have been placements made by the three AOP contractors operating in the county.

| <u>Year</u>                     | <u>Los Angeles County</u>                                                      |                                                                                  |                                                             |
|---------------------------------|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------|
|                                 | <u>Total</u><br><u>minorities</u><br><u>entering</u><br><u>apprenticeships</u> | <u>AOP contractor</u><br><u>reported</u><br><u>minority</u><br><u>placements</u> | <u>Percent AOP-</u><br><u>assisted</u><br><u>placements</u> |
| 1974                            | 586                                                                            | 220                                                                              | 38                                                          |
| 1975                            | <u>490</u>                                                                     | <u>156</u>                                                                       | 32                                                          |
| Total                           | <u>1,076</u>                                                                   | <u>376</u>                                                                       | 35                                                          |
| Percent<br>decline<br>(1974-75) | 16                                                                             | 29                                                                               |                                                             |

However, as shown, AOP contractor-reported minority placements in this county in 1975 decreased by almost 29 percent from 1974. While the total reported number of minorities entering apprenticeships was also down, the overall decrease was only about half (16 percent) of that related to AOP-reported placements. This indicates that the percentage of minorities entering the construction trades without AOP assistance increased in this county during this period of declining apprenticeship opportunities.

Kirschner asked Labor and union officials to indicate by a numbering system the relative importance of various factors on increasing the percentage of minorities in the skilled trades. Replies from these groups varied, but in general, the following factors were noted by order of importance

- increased industry demand;
- availability of Federal apprenticeship support and funds;
- voluntary union efforts; and
- traditional union recruiting sources, such as laborers and relatives.

AOP was considered less important than the above four factors by many persons who were questioned. However, Labor and Employment Services officials agreed that AOP is an important influence. When asked if the Employment Service and AOP were being used more than previously as a source of new apprentices, a majority of Labor officials responded affirmatively.

#### AOP placements in apprenticeship overstated

Based on our followup interviews with former AOP participants, it appears AOP contractors have overstated, by about 27 percent, their performance in placing participants in apprenticeship programs. Labor is responsible for some of the inappropriateness of these AOP contractor-reported placements because it has not provided adequate criteria or promulgated minimal standards setting the level of services which must be provided by a contractor to warrant claiming an individual as assisted.

To ascertain the extent and nature of services provided by AOP contractors, we selected 291 former AOP participants for interview from programs operated in California and



Maryland during contract years 1973 through 1975. 1/ Incorrect phone numbers and addresses limited our sample to 94 former participants, of which 86 or 92 percent were minorities. Of the 94 participants, 34 were reported as never being placed by the AOP contractors; 9 were reported as being placed in general employment occupations; and 51 were reported as being placed in apprenticeship programs.

Based on our interviews, 14 of the 51 reported apprenticeship placements had been improperly reported, as described below:

| <u>Description</u>                                  | <u>Number<br/>incorrectly<br/>reported</u> |
|-----------------------------------------------------|--------------------------------------------|
| Never heard of and/or never<br>had contact with AOP | 7                                          |
| Had casual contact with AOP<br>before indenture     | 3                                          |
| Had casual contact with AOP<br>after indenture      | 2                                          |
| Reported as indentured but<br>never indentured      | <u>2</u>                                   |
| Total                                               | <u>14</u>                                  |

Some specific examples follow.

--An individual passed union apprenticeship entrance tests, was accepted with a union, and found a job. Lacking a vehicle, he sought an AOP contractor's help in obtaining transportation to his job site. AOP officials advised this individual that transportation to job sites was not a service provided by AOP. The individual found his own transportation, and the AOP contractor subsequently counted the individual as an assisted indenture.

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1/We selected this period of AOP activity to obtain the most current perspective of AOP impact on program participants entering construction apprenticeship--its original focus--prior to Labor's early 1975 change in placement focus. As discussed on page 2, AOP contractors had significantly rechanneled their efforts from construction apprenticeship general job placement by 1976. (See p. 19.)



--Several individuals spoke briefly with an AOP contractor representative during a testing session at a union. No further contact or discussion occurred between these individuals and the AOP contractor representative. These individuals subsequently passed the union tests and were indentured with the union. The AOP contractor counted these individuals as assisted indentures.

--An individual was already an apprentice when an AOP contractor representative contacted him. Although no assistance was provided, the AOP contractor counted him as an assisted indenture.

In discussing these cases with AOP officials, they told us that under their contracts they can count any person as an assisted indenture who has had some contact with the AOP contractor or representative. AOP contractor officials said that since it is difficult to determine what circumstances are actually responsible for an individual entering an apprenticeship program, so the contractors are entitled to claim any individual who has any contact with the program or its representatives. This includes individuals who are already indentured with a union but who may require some assistance in finding a job or continuing in an apprenticeship program.

One AOP contractor official asserted that if he gives a lecture before a group of students at a trade school on the services available from AOP, any person in the class who eventually becomes an apprentice can be counted under his contract as an assisted indenture, even though his only involvement with the student was the lecture.

#### Other types of inappropriate placement claims

AOP contractors also claimed placement credit under their contracts for AOP participants placed in either Government-financed programs, such as OJT, or other Government programs operated by outside organizations. For example, in Los Angeles, two AOP contractors also had contracts with either or both the City of Los Angeles and Los Angeles County under title I of CETA for OJT and general job placement. While reviewing the files of reported placements at these two contractors, we found six cases where they had reported placing individuals in these other Government-financed programs as AOP-assisted indentures. In addition, another AOP contractor placed participants in the Journeyman Outreach Training Program funded by Labor under title III and reported them as assisted indentures.

Labor officials advised us that these placements are allowable under AOP contracts. We believe that these placements should not be counted because

--these individuals are reported by each program, which results in double counting and an overstated number of individuals placed by these programs;

--the Federal Government is paying two organizations for the same recruitment service; and

--if these types of activities are reported by AOP, they should be reported as referrals, not placements.

High unemployment among AOP  
contractor placements

Our followup interviews with former AOP participants also showed relatively high unemployment among those reported as placed. Of 37 <sup>1/</sup> reported AOP placements in apprenticeship programs, 20 (54 percent) were unemployed when we contacted them during July to September 1976. Length of unemployment for the 20 AOP reported placements is shown below:

| <u>Period unemployed</u> | <u>Persons interviewed</u> |                |
|--------------------------|----------------------------|----------------|
|                          | <u>Number</u>              | <u>Percent</u> |
| Less than 1 month        | 6                          | 30             |
| 1 to 2 months            | -                          | -              |
| 2 to 4 months            | 4                          | 20             |
| 4 to 6 months            | 1                          | 5              |
| 6 to 12 months           | 5                          | 25             |
| 1 year or more           | 2                          | 10             |
| Not indicated            | <u>2</u>                   | <u>10</u>      |
| Total                    | <u>20</u>                  | <u>100</u>     |

As shown, of the unemployed participants, about 35 percent had been unemployed for longer than 6 months--10 percent for a year or longer. Some participants commented that:

--AOP contractors continue to place more people into the trades when the current apprentices cannot get work.

1/The 37 persons represent remaining individuals after eliminating the 14 inappropriate apprenticeship claims described on page 12.

--They have to leave apprenticeship programs because there is no work.

--They only worked 3 months out of the year due to unemployment--leaving an apprenticeship program.

Besides the 37 individuals assisted into construction apprenticeship programs, 9 were placed in general jobs by AOF contractors. Of the nine, five were unemployed at the time of our interview--two for more than 1 year.

MANY AOP PLACEMENTS NOT ADVANCING MINORITY  
REPRESENTATION IN APPRENTICESHIP  
IN MORE SKILLED TRADES

Primary objectives of the AOP concept have been to recruit, tutor, counsel, and refer qualified minorities to the more skilled construction trades, such as electrical, plumbing, and mechanical, because these trades had lower minority representation and required new apprentices to have more skills and knowledge than trades such as cement masons, plasterers, and painters.

Over 60 percent of AOP contractor-reported placements nationwide during the 1967-75 period were in the less skilled trades, such as the cement masons, bricklayers, painters, and plasterers; many of these continue to have significant minority representation among apprentices. For example, minorities made up about 46 percent of cement mason apprentices from 1973-75. Placements in the more skilled construction trades, such as electrical, ironworkers, sheet metal, and pipe trades, which have fewer minorities, comprised only about 35 percent of AOP contractor activity.

QUESTIONABLE BENEFIT OF SPECIALIZED  
AOP SERVICES FOR IMPROVING PARTICIPANT  
APPRENTICESHIP AND EMPLOYMENT POTENTIAL

The design of AOP provides for certain services which have been emphasized as major benefits of this concept of encouraging minorities to enter the skilled construction trade apprenticeship programs. These services, as described in Labor policy statements, are recruiting and community outreach; tutoring in mathematical skills and spatial relationships to pass apprenticeship entrance examinations, oral interviews, and dexterity tests; giving practice tests; counseling on work in the construction industry and its opportunities; preparing apprenticeship applications and related documents; referring persons to unions for apprenticeship



positions or other jobs; and checking on the participants' progress after placement.

From our review of six AOP contractors, the following represents the pattern of services generally available to a participant by AOP under ideal conditions (i.e., if the contractors provided each individual with complete and equal assistance):

- Individual completes an application form listing personal information and previous work experience. He may also complete a simple math test.
- The individual then has an interview with a counselor discussing the individual's trade preferences and what is expected and required of apprentices in construction trades, including necessary paperwork to apply for apprenticeship.
- At this point, the individual may be given some pretests in math if he was not tested before the interview, but generally if he is interested in a trade he is referred either to tutoring classes in the evenings or directly to unions.
- At the tutoring sessions, a tutor either tests or questions the individual on his math ability. If the individual needs math tutoring to pass the apprenticeship entrance tests, he is encouraged to attend additional math tutoring sessions. These sessions are designed to teach the individual enough math to pass the apprenticeship entrance tests and may also include guidance in passing oral interviews, dexterity tests, and other qualifying requirements as appropriate for the targeted apprenticeship program.
- When the individual's math skill has improved sufficiently or when he does not want to attend further tutoring, he is referred to the trade union to apply for apprenticeship.
- If an individual fails to qualify for one or more union apprenticeship programs, he may reenter tutoring or be referred to other unions until he becomes an apprentice or withdraws from the AOP program.



According to Labor and AOP contractors, the tutoring service is one of the most beneficial aspects of the AOP program. This service is a prime component that distinguishes AOP services from other programs or agencies involved with apprenticeship placement, such as State employment services and other community organizations.

Limited effectiveness of tutoring  
provided by AOP contractors

We examined the records of 1,349 individuals tutored by 3 AOP contractors in southern California from October 1972 through December 1975 and found that only about 12 percent (158) entered construction apprenticeship programs or were placed in other employment. The other 88 percent were placed in unrelated construction trades or other employment.

Of the 158 tutored placements, 137 were placed in apprenticeship programs and the other 21 were placed in areas of employment unrelated to the construction trades.

The number of tutoring sessions attended by the 137 individuals follows:

| <u>Number of<br/>sessions</u> | <u>Persons<br/>attended</u> | <u>Percent<br/>attended<br/>(note a)</u> |
|-------------------------------|-----------------------------|------------------------------------------|
| 1                             | 34                          | 25                                       |
| 2-4                           | 35                          | 25                                       |
| 5-6                           | 16                          | 12                                       |
| 7-9                           | 12                          | 9                                        |
| 10-15                         | 15                          | 11                                       |
| 16 and over                   | <u>25</u>                   | <u>18</u>                                |
| Total                         | <u>137</u>                  | <u>100</u>                               |

a/Figures rounded.

As shown, 69 (50 percent) of the individuals placed in apprenticeship programs attended 4 or fewer tutoring sessions. Our analysis also showed that 20 individuals (15 percent) entered apprenticeship programs for which no entrance tests were required. Of the 54 individuals entering a skilled trade, such as electrician, sheet metal, plumbing, and surveying, 28 (52 percent) attended 1 to 4 tutoring sessions, whereas 15 (27 percent) attended only one session. Based on these results, it appears that many AOP participants were placed after attending only a few tutoring sessions.

About 20 percent indicated that they were unfairly referred to unions where no opportunities existed for apprenticeships.

To ascertain union opinion of AOP participants, we sent questionnaires to about 350 trade union officials in southern California. Of the 105 responses, 58 (55 percent) indicated that AOP candidates were as qualified to begin apprenticeship as other persons. Sixteen (15 percent) thought AOP contractor referrals were better qualified to enter apprenticeship, while 10 (9.5 percent) indicated that they were less qualified to start apprenticeship. The other 21 expressed no opinion.

Only three of the former AOP participants interviewed indicated that AOP officials directly recruited or referred them to the program. The primary way former AOP participants came to AOP was by walking in off the street. AOP contractor officials told us that outreach activities have been curtailed in recent years; therefore, many participants come from other sources. According to these officials, it is impractical to recruit many people and that it would only cause false hope and frustration for those recruited when limited employment opportunities exist.

AOP CONTRACTORS HAVE  
SUBSTANTIAL DRAWBACKS FOR  
GENERAL JOB PLACEMENT

Because of limited opportunities in the construction industry in 1974, Labor revised the placement focus of AOP in March 1975 to permit AOP contractors to claim nonconstruction apprenticeship placements and placements in generally high-paying jobs under their contracts. Labor officials said they felt that the AOP concept was in jeopardy since many AOP contractors had extreme difficulty in finding enough apprenticeship openings to satisfy contract goals.

However, Labor failed to provide contractors with adequate guidelines and criteria covering this new area of responsibility. For example, Labor did not provide an adequate definition of, or wages considered appropriate for, high-paying jobs.

As a result of this change in AOP placement focus, AOP contractors have emerged as general job-placement services. Over 36 percent of all AOP contractor-reported placements in 1975 were in general nonconstruction employment, while in 1976 59 percent of all reported placements were in these general job areas. A number of problems which resulted from this change are discussed on the next page.

AOP duplicates and competes  
with the Employment Service

It appears that the change in AOP placement emphasis caused AOP contractors to duplicate services provided by, and to compete for placements with, the Employment Service.

The main purpose of the federally supported employment service, operating in about 2,400 locations nationwide, is to serve as a labor exchange between persons seeking work and employers with available jobs. Jobs listed and filled by the Employment Service range from positions paying the minimum wage to higher paying salaried occupations requiring a college education.

In the Los Angeles area, the California employment service has 32 offices throughout the metropolitan area. Twenty-five of the offices have outreach services which consist of visiting high schools, setting up job fairs, and other similar functions. Each outreach office has trained employment counselors who work with clients to arrange an employment profile and find suitable work.

According to Labor and AOP contractor officials, the qualities that separate AOP contractor and employment service activities are the unique and special efforts AOP contractors provide in placing minorities in high-paying jobs which they believed are traditionally unavailable through the employment service. AOP contractors said they can overcome this obstacle by concentrating staff and resources more fully on developing jobs for minorities than is possible by the employment service or other employment source.

Many low-paying jobs

We received questionnaires from 13 employers who hired a total of 41 AOP participants in 1975 and 1976 from 3 AOP contractors in the Los Angeles area. These employers were specifically selected by the AOP contractors for our followup. The type of jobs and wages paid follow:



| <u>Positions</u>                   | <u>Number of<br/>placements</u> | <u>Hourly<br/>wage</u> |
|------------------------------------|---------------------------------|------------------------|
| Cook trainees                      | 3                               | a/\$2.20               |
| Sewing machine operator            | 1                               | 2.45                   |
| Trash and disposal truck<br>driver | 3                               | 3.00                   |
| Salesman                           | 2                               | 3.00                   |
| Carrier service driver             | 7                               | 3.29                   |
| Factory office position            | 2                               | 3.75                   |
| Clerical                           | 7                               | 3.78                   |
| Machinist                          | 1                               | 4.19                   |
| Package handler                    | 4                               | 4.55                   |
| Airline food service               | 1                               | 4.57                   |
| Machinist inspector                | 1                               | 5.00                   |
| Assistant machine operator         | 3                               | 5.40                   |
| Technician trainee                 | 1                               | 6.25                   |
| Not indicated                      | 5                               | --                     |
| Total                              | <u>41</u>                       |                        |

a/Minimum wage at time of placement.

Over 69 percent of the jobs filled (excluding the five jobs for which no wage data was available) by AOP contractors paid less than \$3.80 an hour. Three of these jobs were for a fast food outlet which paid the then-minimum wage of \$2.20 an hour. The minimum construction trade apprenticeship wages in December of 1975 and 1976 in Los Angeles were \$4.50 and \$4.70 an hour, respectively.

No particular reason  
for hiring from AOP

When we asked these employers why AOP participants were hired, only 4 of the 13 indicated it was to help meet minority hiring goals. Of the remaining employers, five saw AOP participants as just another source of employees, two saw them as being a community service, and two said because their former employees now work for the AOP contractor. In addition, 3 of the 13 employers had significant minority representation among their employees: one had over 84 percent minority, another 60 percent, and the third, 39 percent. Eleven of the employers used other sources, including the employment service, to obtain employees. Only four indicated that the employment service did not respond to their employment needs.



Only one employer cited specific assistance from the AOP contractor as instrumental in his hiring one AOP participant. The AOP contractor helped this individual pass a typing test.

Nationwide AOP placements  
in low-paying jobs

To ascertain whether southern California AOP contractor general job placements were unique, we analyzed reports submitted by 36 AOP contractors nationwide. We found similar placement results by all 36 AOP contractors in that general job placements were frequently in rather low-skilled occupations. For example, a Memphis AOP contractor reportedly placed about 11 percent (15) of its 131 reported placements as laborers; a Seattle AOP contractor reported about 48 percent (14) of its 29 placements as laborers; and a Chicago AOP contractor reported about 12 percent (8) of its 64 reported placements as laborers. Generally, low-paying jobs included such occupations as janitors, nurses aides, busboys, and record clerks. Consequently, AOP contractors nationwide have generally placed participants in the same types of jobs as southern California AOP contractors.

According to an official from the Urban League's national headquarters, an organization that subcontracts AOP projects around the Nation, AOP contractors should not be involved with general job placements because other organizations, such as the State employment services, are involved in these areas. He said that, as a result, AOP contractors duplicate the services offered by these organizations and AOP contractors should only place participants in apprenticeship positions. Also, he advised us that many AOP contractors are receiving funding from other sources for general job placement and OJT. The Los Angeles Urban League office received over \$2.5 million in CETA title I funding from the prime sponsor for OJT and general job placement from June 1973 through May 1976, in addition to funds for AOP activities.

No placement credit criteria  
for duration of jobs

Labor has not established any length of employment criteria for AOP contractor placements before the contractors can claim placement credit under their contracts. No safeguard exists which precludes AOP contractors from claiming placement credit for an AOP participant who works less than 1 day or other short periods.

As shown below, the lack of duration-of-job criteria can result in misleading placement data. Six of 13 employers we contacted in September 1976 provided us with information on the current employment status of 15 former AOP participants hired during 1975 and 1976. Eleven (73 percent) were no longer working where they were first hired. One employer reported that his AOP referrals were only on the job for a few days. For example, two of three participants at a fast food restaurant quit their new jobs; at a local manufacturing plant, one of two left; and at a local refuse collection service all three participants had quit their jobs within 2 days.

#### AOP PLACEMENTS ARE COSTLY

Based on the ratio of expenditures to reported placements, the average cost for AOP projects nationwide from 1970-76 was \$1,548. The table below shows the average per-placement cost for AOP projects nationwide since 1973.

| <u>Year</u> | <u>Average annual<br/>placement costs</u> |
|-------------|-------------------------------------------|
| 1973        | \$1,177                                   |
| 1974        | 1,575                                     |
| 1975        | 1,521                                     |
| 1976        | 1,516                                     |

These costs substantially exceeded the average placement costs of public and private employment services, including other activities such as apprenticeship information centers (see pp. 24 to 25), which concentrate on apprenticeship placements.

The overall per-placement cost for the State employment services across the country in 1974 averaged \$158. California's employment service cost averaged about \$170 a placement in 1975. Also, private employment services are less expensive than AOP projects for many placements. For example, one Los Angeles private employment service, specializing in placing minorities, charges 70 percent of the first month's salary for clerical positions, 10 percent of the annual salary for technical type positions, and 1 percent per thousand dollars of annual salary up to a maximum of 25 percent of salary for professional positions, such as engineers, accountants, auditors, and data processing specialists. Service officials advised us that discounts based on volume placements are available which would reduce these charges.

AIC officials indicated that the lower AIC average placement cost could possibly relate to the smaller staffs AICs carry compared to AOP contractors. Each AIC office generally has a director, a professional counselor or trade specialist, and a secretary. But the three AOP contractors we visited in southern California had an average of about six staff members involved in placement. Based upon the 1973-75 contract goals for these AOP contractors, each AOP placement official was responsible for about 25 placements a year or about 1 every 2 weeks.

AIC officials also advised us that AOP projects duplicate their services and they compete directly for apprentices in cities where both are operational. This issue was also discussed in Labor's 1976 AOP report. One researcher categorized the relationship between AOPs and AICs as strained and leading to competition rather than coordination and cooperation. However, one AIC we contacted refers minority and women applicants to the local AOP. In another case, both AIC and AOP count as a placement the referral of a person by AIC to AOP when he gets a job.

#### CONCLUSIONS

Conditions which existed when Labor established and began funding apprenticeship outreach projects have substantially changed since 1967. Since AOP does not create jobs, its viability depends on the availability of jobs in construction.

Labor authorized the change in AOP placement emphasis in 1975 from apprenticeship to general jobs to reflect the changed conditions in the construction industry. The substantial policy shift underlines a more serious question, which Labor did not adequately consider, concerning the continued need for AOP. If a critical need exists for the AOP concept, it is not reflected in AOP contractor placement activity since more than half of the reported placements in 1976 were in nonapprenticeship jobs. The area of concern that originally gave birth to the concept has become secondary.

The matters discussed in this chapter highlight serious weaknesses and problems in the operation of AOP projects. When viewed collectively, these problems and weaknesses either justify eliminating the AOP concept or at least substantially improving and redirecting its effort and focus.

In our opinion, the following conditions must be met in order for Labor to determine that a need exists to continue AOP in apprenticeship trades:



- Skilled manpower shortages exist.
- Employment outlook is favorable.
- Minority representation is low.
- Other less costly employee sources are not operating to supply apprentice candidates.

If Labor decides to continue the AOP concept, we believe it should be redirected to apprenticeship only and adequate criteria should be established for AOP contractor performance and the extent of services required because of

- misrepresented and overstated performance,
- placement credit claimed for referrals to other federally funded programs which resulted in counting participants twice, and
- credit claimed for placements in short-term, minimum-skill, low-wage jobs paying significantly less than beginning construction apprentice jobs.

Labor should act to eliminate AOP overlap and duplication with other apprenticeship and general employment services available at less cost. Labor should also consider the activities of prime sponsors operating programs under title I of CETA.

#### RECOMMENDATIONS

We recommend that the Secretary of Labor eliminate the AOP concept in favor of less costly alternatives. If the Secretary determines that a need exists for AOP, we recommend that its operations be significantly improved by

- redirecting the AOP focus back to apprenticeship only and
- establishing effective criteria for contractor performance to
  - include the degree and level of services necessary to support placement credit claims,
  - include minimum wage levels or description of suitable jobs as well as length of employment to warrant placement credit under contracts, and



- eliminate placement credit for participants referred to other federally supported programs or placed in trades and employment areas already having significant minority representation.

#### AGENCY COMMENTS AND OUR EVALUATION

In response to our September 30, 1977, request for comments, Labor in a December 22, 1977, letter (see app. I) disagreed with our recommendation that the Secretary eliminate the AOP concept in favor of less costly alternatives. Labor said that, although the Secretary has determined that AOP is needed, it generally agreed with our recommendations for improving operations.

Labor's chief arguments to retain AOP are summarized below:

- Action is being taken to strengthen and expand apprenticeship training.
- Labor continues to believe that AOP helps target group individuals overcome artificial barriers to jobs by providing special services to job seekers.
- Flexibility to change its target clientele and the occupations it seek to penetrate has enabled adaptations to AOP's original, more limited scope.
- Plans are being made to more vigorously enforce equal employment opportunity through Labor's Office of Federal Contract Compliance Programs, and AOP will help place targeted individuals in job openings thus created.
- Labor does not believe AICs can function as an alternative to AOPs.

Labor also maintains that AOP's great success in performing its primary role has been thoroughly documented.

We believe the facts presented in this report speak for themselves. If the AOP concept is to be the viable program that Labor envisions, substantial management improvements will be needed. Labor states that a high degree of success for AOP has been thoroughly documented and this report refers to various studies that have been performed. Generally, these studies point out some of the same management weaknesses which we found and which are so critical in implementing an effective program.

Labor's comments indicate that AOP is not limited to the construction industry. As stated on page 1, this report deals with AOP as it relates to the minority group skilled trades program. The report clearly spells out that the focus of the AOP has been expanded to additional occupations, including nonapprenticeship positions. It is this expanded focus that led Labor's Bureau of Apprenticeship and Training in 1975 to discontinue certifying AO placements because AOP contractors were not devoting their primary efforts to apprenticeship placements. Based on the poor performance found, we believe that Labor must determine that the specific conditions listed in the conclusions to this chapter are met before continuing to fund AOP.

We share Labor's concern that the number of apprenticeship openings for women and minorities be increased. But this must be done in occupations in which jobs will be obtained. Otherwise, Federal funds are being used ineffectively.

We suggested that AICs might be a lower cost alternative to AOP. This suggestion was based on specific observations that AOP often does not provide notably more services than AIC, yet has a much higher cost per placement. The established network of 2,400 employment service offices and 450 CETA prime sponsors should also be considered as alternatives, since these organizations serve many target groups, including minorities and women. Otherwise, a costly duplication of services could result.

Labor also questioned the scope of our review, noting that we examined only 6 of 98 AOP projects and concentrated on the construction industry (where pronounced regional differences are the case). First, much of our work was done in southern California because that area is not as greatly affected by seasonal variations as many other parts of the country. This is a key consideration regarding employment opportunities in the construction industry. Second, our work includes analysis of nationwide data, and we found no reason to believe that the detailed data developed would not reflect generally prevailing conditions. Finally, we admit that the possibility of successful projects exists in some areas. But, because of inadequate management by the Department of Labor, we believe that any successful program could not be attributable to reasonably effective program control.

Labor partly agreed with our recommendation to improve the program by redirecting AOP's focus back into apprenticeship only. Labor stated that AOP should focus mainly, but

not solely, on apprenticeable jobs. Labor maintains that AOP should retain the flexibility to claim placement credit for finding jobs that pay well. To this end, Labor stated that it has issued guidelines that direct AOP sponsors to emphasize apprenticeable occupations, but allow placement credit for jobs in which starting pay is \$5 an hour or more. This figure will be adjusted to reflect changes in worker income levels. Since AOP was set up to serve apprenticeship positions, we believe that opening up the program to general job placement, even for jobs at relatively high wages, could result in the program competing with the many other Labor placement efforts undertaken through CETA prime sponsors and the U.S. Employment Service.

Labor generally agreed with our recommendation to establish effective criteria for measuring contractor performance. It agreed to issue clear guidelines soon regarding the level of services that must be provided to an individual before an AOP contractor may count that individual as being placed through its project. Labor also has acted to allow placement credit by AOP contractors only for certain types of jobs. Also, Labor agreed to eliminate loopholes that give placement credit for referring program participants to other federally supported programs. This action should improve program operations.

Labor disagreed with two specific points in our recommendation. First, it said that the recommendation regarding the establishment of criteria for length of time an individual must remain in a job before being counted as placed could not be adopted. Labor said that, although this idea has merit, adopting it would create an unfair inconsistency between AOP reporting and reporting systems for other CETA programs and for the Employment Service network. However, Labor said it was giving serious consideration to new program guidelines that would require AOP sponsors to provide followup services to clients for up to 12 months after placement.

We would like to make it clear that the recommendation is directed toward making length of employment one criterion on which to require contractor performance. Contractors should be required to have program participants placed in apprenticeship for a reasonable period of time before being allowed to claim a placement. Otherwise, placement statistics on contractor performance could continue to be inflated as shown by our review. We are not advocating a new, highly sophisticated reporting system, but rather the collection of meaningful performance data.



Second, Labor disagreed that placement credit should be eliminated for those placed in trades and employment areas already having significant minority representation. Labor claims that, contrary to national data, underrepresentation by minorities in some trades remains a problem in many local areas and that guidelines would need to account for each local situation.

Labor's position appears to lack merit. When a national program is established under CETA and this program is aimed at certain target groups, it would seem that, with the limited resources available, Labor would want to concentrate them where they would do the most good. In the construction industry, the higher paying positions are in the skilled trades and it is these trades that appear to have the lowest percentage of minorities. There is nothing in our recommendation to prevent Labor from making exceptions to the overall policy when contractors can demonstrate a valid need for placements in occupations at the local level that show a high representation of minorities nationally. But this technique would require much more active management by Labor than we found during our review.



## CHAPTER 4

### NEED TO REEVALUATE AND REDIRECT

#### NATIONAL OJT PROGRAMS

The National OJT Program should provide underemployed, unemployed, and economically disadvantaged persons with job training in fields that have good employment prospects and assist target groups in developing their occupational potential and in obtaining employment.

In many respects, Labor's funding of National OJT is not fulfilling these stated objectives. High unemployment in the construction industry caused problems in OJT placements and many of the individuals we interviewed in 1976 who had been placed were no longer employed in their trade or, in some cases, employed at all. Over half the former OJT participants we interviewed at one subcontractor said they were not aware of any on-the-job training to be given to them.

National OJT funds have been used by their local subcontractors to support their regular apprenticeship systems in lieu of using their own apprenticeship or other funds. Many OJT trainees have been taken from regular apprentice labor pools, such as union apprenticeship waiting lists, rather than from target groups uninvolved in the construction trades.

The impact of National OJT on increasing minorities--a special emphasis category--in the construction trades is questionable; three of the five contractors we reviewed represented trades with consistently large increases in minority representation. The other two trades had limited success in increasing minority participation.

Three of the five National OJT contractors we reviewed had exaggerated or overstated the need for new apprentices beyond the actual employment situation in their respective trades. The other two did not include data showing any need for OJT in their proposals. Labor funded all of them.

Major portions of National OJT funds supported administrative functions of the contractors rather than training participants. About 34 percent of the five National OJT contractors' funding we reviewed was used to support headquarters and regional staffs, as well as their associated benefits and other expenses.

FORMER PARTICIPANTS  
VOICE PLACEMENT PROBLEMS

Because Labor does not have available data from followup studies that would indicate the effect of National OJT beyond the initial job placement, we interviewed 96 former National OJT participants to secure the results of National OJT training. We obtained the names of enrollees in apprenticeship programs from the Joint Apprenticeship Committees of the five organizations listed on page 4.

Construction-related National OJT is either conducted in basic OJT or coupled OJT. In basic OJT the trainee begins with on-the-job training and he may attend further evening sessions. Coupled OJT includes services and training, such as classroom instruction, before beginning on-the-job training.

Thirty-four percent of the 90 former National OJT participants interviewed were available for placement (6 individuals were unavailable for placement) at the end of the training but they never found a job. These individuals were interviewed during July to September 1976 in southern California and Maryland. Because they never found a job, they could not acquire on-the-job training even though they had completed preapprenticeship classroom training. These participants attended training during 1975 and 1976 in local projects operated by subcontractors we reviewed. This is shown in the following table, which presents a tabulation by National OJT contractors of the number of persons whom we interviewed that had not obtained skill-related employment.

| <u>Trade</u>          | <u>Number interviewed</u> | <u>Number not placed</u> | <u>Percent not placed</u> |
|-----------------------|---------------------------|--------------------------|---------------------------|
| Painter/dry wall      | 31                        | 20                       | 65                        |
| Carpenter             | 22                        | 7                        | 32                        |
| Plasterer             | 11                        | 2                        | 18                        |
| Tool and die          | 10                        | 1                        | 10                        |
| Bricklayer            | 9                         | 1                        | 11                        |
| Cement mason (note a) | <u>7</u>                  | <u>-</u>                 | -                         |
| Total                 | <u>b/90</u>               | <u>31</u>                | 34                        |

a/Basic OJT only.

b/Six individuals were not included because they were unavailable for placement after preapprenticeship training due to personal matters beyond the control of the program operators.

The following table shows the individuals' reasons for not being placed on a job.

| <u>Reason</u>                           | <u>Overall percent</u><br><u>(note a)</u> |
|-----------------------------------------|-------------------------------------------|
| No jobs available                       | 50                                        |
| Program people did not try to place him | 25                                        |
| Found other work                        | 5                                         |
| Transportation problem                  | 5                                         |
| Other reasons                           | 15                                        |

a/Percentages are rounded.

Local contractor officials explained that jobs could not be found for trainees primarily due to high unemployment. One local union official said that when their OJT project was first started in January 1976, the local union doubted if more than a few participants would ever be placed. As it turned out, employment opportunities increased during the classroom instruction period which allowed placing several of their participants.

Those who were initially placed also had problems, as indicated by the fact that 17 of the 59 individuals placed in jobs were unemployed at the time of our contact.

On the other hand, 37 out of the 42 former OJT participants who were employed at the time of our contact felt that OJT training had been instrumental in their jobs. However, only about 61 percent of these participants were working in training-related trades at the time of our interviews. Many of the participants in other occupations indicated that high unemployment in their trade forced them to find other jobs.

In its May 1976 report to Labor, Kirschner identified enrollee placement as a major problem confronting Labor's construction-related OJT program. Of the five programs Kirschner surveyed (carpenters, cement masons, bricklayers, painters, and homebuilders), all had experienced severe placement problems. Kirschner's followup contacts with enrollees in these programs indicated that they had been misled into believing jobs would be available to them, some of whom said: "They should tell you right from the start how hard it is to find jobs." Similarly, the participants expressed a common feeling that programs were initiated irresponsibly, that "apprentices should only be trained when there is work," and "before classes, the union should check with contractors to see how many people will be needed."



#### LIMITED TRAINING PROVIDED

Each of the five National OJT contracts we reviewed had provisions describing the responsibilities and duties of program coordinators at the local level in providing classroom instruction and supervising trainees while on the job. Over 40 percent of National OJT funding for these five contracts in 1976 was to support the activities of these coordinators.

Over 41 percent (24) of the 59 former OJT participants who were placed in jobs to complete their OJT training said that they were unaware of or did not receive training from these local program coordinators. Of the remaining 35 participants who were aware of training,

--63 percent (22) indicated they learned a great deal from on-the-job training by these coordinators,

--21 percent (7) indicated they received little from this training,

--11 percent (4) indicated they did not learn anything from it, and

--5 percent (2) expressed no opinion.

One 1976 contractor stated that "this kind of training is probably operating at a more effective level now than ever before." However, over half the former OJT participants we interviewed from one of the local subcontractors to this contractor told us they were never given on-the-job training or were even aware of the program's obligation to provide such training.

Local OJT project officials said that coordinators spend a great amount of their time locating jobs for the next group of trainees so that they will be able to complete the on-the-job training phase. As a result, coordinators have less time available to spend with current OJT trainees.

Kirschner reported that some participants were dissatisfied with the quality of their job assignments as learning experiences because they were not allowed to develop the variety of skills necessary to become competent craftsmen. This was a direct reflection of the lack of job counseling participants received from coordinators.

Kirschner also reported that OJT coordinators did not adequately fulfill their instructional responsibilities with



OJT participants, especially while participants were on the job. Less than 50 percent of OJT participants reported monthly contact with coordinators.

Kirschner's statistics also showed that regular contact with OJT coordinators occurred only about 11 percent more often with OJT trainees than with a comparison study group of beginning apprentices. As Kirschner pointed out, these coordinators are crucial for a successful OJT program because they provide the necessary training and instruction to participants in developing and understanding their skills for trades being taught.

#### NATIONAL OJT FUNDS SUBSIDIZING REGULAR APPRENTICESHIP SYSTEM

National OJT funds are replacing program contractor apprenticeship funds to support apprenticeship training which violates CETA regulations, as well as a provision in National OJT contracts which requires contractors to maintain the level of activities conducted before the OJT contract. Also, National OJT contractors recruit many OJT participants from traditional apprenticeship sources. These conditions suggest that National OJT funds are not being used primarily to enhance employment opportunities for target groups but rather to finance regular apprenticeship systems.

#### Improper use of program contractor apprenticeship funds

Apprenticeship funds come from employers who are generally required to finance apprenticeship training. This support is usually arranged with unions in their collective bargaining agreements. Thirty-two of the 38 southern California construction contractors answering our questionnaire indicated that the Federal Government should not be financing apprenticeship OJT training. One reason expressed was that the contractors were supporting apprenticeship through their collective bargaining agreements.

We found three situations that reflect these contractors' concerns. In the first case, officials for one local construction trade union fund in southern California said they deleted about \$25,000 from their 1976 budget for apprenticeship training after the national union notified them that they were receiving National OJT funding. To the extent that this occurred, the union would have substituted Federal funds for local funds for apprenticeship training. The contract between Labor and the national union contains a maintenance

of effort clause that requires contractors and subcontractors to continue the training level in existence prior to the Federal contract.

The second case involves using National OJT funds to subsidize the training of apprentices for an association of employers--mainly small-machine shop owners. According to association officials, member shops rely heavily on the National OJT segment to provide qualified machinists. Since the shops are small, two to four employees, the shop owners cannot afford to tie up equipment and production time training new people. Therefore, they rely on the association's six central training centers across the country to train apprentice machinists who, when they begin work, possess enough skill to contribute to shop production. National OJT funding provides the bulk of funds for operating these training centers.

Local OJT officials in California said that the major recruitment source for National OJT classes is the association's shop owners. Before training classes begin, the training center sends letters to shop owners requesting that they send qualified people to fill the training classes.

Our interviews with former OJT trainees from this association tend to corroborate that it is using National OJT funds to subsidize its members' training requirements. Several individuals said they were already working for an association shop when the owners referred them to OJT. Also, others said they were hired by shop owners and referred to OJT before starting work.

An OJT official of another program operator gave us the third case of National OJT funds being substituted for union apprenticeship funds. He told us that without construction-related National OJT funds, his union would have supported an identical program with union apprenticeship funds.

#### Regular apprentice labor pools used

Serving target groups not already associated with the construction trades is one of the National OJT stated program goals. However, National OJT project officials at the local level told us that many OJT participants were selected from unions' apprenticeship waiting lists. Other participants were also recruited from State-supported vocational education schools in classes of the same trade as the OJT training or from related classes. Officials of one local OJT contractor

said that vocational schools were its primary recruitment source because these students practically beg to be in OJT training since finding a job without OJT program officials' help is extremely difficult due to high unemployment. The classroom instruction phase for this local project's OJT training was conducted at one of these vocational schools.

Union officials in the Los Angeles area advised us that National OJT funding helps local union apprenticeship officials to maintain a flow of new apprentices into the trades. With high unemployment, new apprentices have to compete with experienced apprentices for available jobs. Employers are unwilling to hire inexperienced apprentices when more advanced apprentices are available for these jobs. However, if employers know that new apprentices have had training in a trade, they will hire them instead of the more advanced apprentices who are higher on the wage scale. In addition, these union officials gave examples of apprentices who requested the unions not to advance them in apprenticeship standing because it would be hard to obtain employment at the higher wage scales.

Kirschner reported that about 39 percent of OJT participants previously worked in the construction trades, and another 8 percent previously worked in construction-related occupations.

#### QUESTIONABLE IMPACT OF OJT ON MINORITY REPRESENTATION

Increasing opportunities in construction and other skilled areas for minorities is one objective of the National OJT Program. However, three of the five contractors we reviewed represent trades which, according to Kirschner, have consistently had significant minority representation.

Minority apprentice representation among two other trades that we reviewed, the machinists and carpenters, was as low as 12.2 and 17.1 percent, respectively; in 1975, Labor's funding for these two National OJT contractors would appear to be in line with the objective of increasing minorities in apprenticeships. However, as shown in the following table, the success of these contractors in increasing minority participation among machinists and carpenters through National OJT has been limited.



| Activity                        | Machinists |                         | Coupled (note a) |                         | Carpenters |                         |
|---------------------------------|------------|-------------------------|------------------|-------------------------|------------|-------------------------|
|                                 | Number     | Percent of all starters | Number           | Percent of all starters | Number     | Percent of all starters |
| <u>Contract year 1975</u>       |            |                         |                  |                         |            |                         |
| Started preapprentice training: |            |                         |                  |                         |            |                         |
| All persons                     | 830        | 100                     | 220              | 100                     | -          | -                       |
| Minorities                      | 242        | 29                      | 109              | 50                      | -          | -                       |
| Placed in OJT job:              |            |                         |                  |                         |            |                         |
| All persons                     | 622        | 75                      | 172              | 78                      | 732        | 100                     |
| Minorities                      | 129        | 15                      | 78               | 35                      | 169        | 23                      |
| Completed OJT:                  |            |                         |                  |                         |            |                         |
| All persons                     | 429        | 52                      | 132              | 60                      | 544        | 74                      |
| Minorities                      | 82         | 10                      | 55               | 25                      | 124        | 17                      |

Contract year 1976

|                                 |     |     |     |     |     |     |
|---------------------------------|-----|-----|-----|-----|-----|-----|
| Started preapprentice training: |     |     |     |     |     |     |
| All persons                     | 648 | 100 | 203 | 100 | -   | -   |
| Minorities                      | 189 | 29  | 120 | 59  | -   | -   |
| Placed in OJT job:              |     |     |     |     |     |     |
| All persons                     | 328 | 51  | 181 | 89  | 633 | 100 |
| Minorities                      | 70  | 11  | 102 | 50  | 168 | 27  |
| Completed OJT:                  |     |     |     |     |     |     |
| All persons                     | 177 | 27  | 117 | 58  | 437 | 77  |
| Minorities                      | 33  | 5   | 79  | 39  | 125 | 18  |

a/Coupled OJT includes preapprenticeship classroom instruction and on-the-job training. Basic OJT is exclusively on-the-job training.

As the table shows, the machinists' National OJT contractor was successful in meeting his recruitment goals because he reportedly recruited 29 percent minority in 1975 and 1976; however, only 10 percent in 1975 and 5 percent in 1976 completed OJT. As can be seen in the table, the carpenters were more successful; minorities represented 25 percent in 1975 and 39 percent in 1976 of OJT completers under the coupled National OJT Program.

CONTRACT PROPOSALS OVERSTATE NEEDS

The three contractors' proposals for 1975 and 1976 we reviewed contained exaggerated or overstated employment needs for new apprentices. Two other contractors failed to specify any need for training in their proposals. Labor awarded contracts to all five contractors.



Labor officials told us that they have a good idea of the demand for skilled labor and that they discuss the current and prospective labor demands with contractors during contract negotiation. They do not, however, use data published by the Bureau of Labor Statistics to decide which localities should receive OJT funding.

As an example of overstated need, the Operative Plasterers' and Cement Masons' Association 1975-76 contract proposal contained the following language:

"It is not possible to train the number of cement masons and plasterers needed by the industry using Federal funds. The need is too great. \* \* \* The contractor shall establish a training program which will help alleviate the critical shortages within the concrete construction industry."

According to data provided by the American Federation of Labor-Congress of Industrial Organizations, in December 1976 cement masons and plasterers were experiencing high unemployment. For example, in Baltimore, Maryland, cement masons had a 30-percent unemployment rate and plasterers had a 50-percent unemployment rate.

When we asked these contracting organizations to support the need for training in their contracts, none was able to give us the statistical information demonstrating the critical necessity for training OJT participants for industry demands. National union OJT officials said that the local unions, which subcontracted with the major unions to train participants under these National OJT contracts, prepared analyses of employment needs to support the training slots funded by the national unions. However, local union subcontractor officials told us that no such analyses were made and that the national unions prepare this data. According to local union officials, after the national unions obtain funding from Labor, they request from the local unions an estimate of the number of training slots they can adequately manage. Based upon these estimates, the national unions allocate slots to the local unions using the ratio of slots available to the number of slots requested by all the local unions.

Officials of the national organizations also said that Federal funding for OJT was necessary to maintain a flow of apprentices into these trades to supplement the attrition of tradesmen from retirements and terminations. Also, they believed that entry-level apprenticeship training must continue,

even during periods of poor employment, to protect the viability of apprenticeship training for oncoming periods of prosperity. This would appear to be a union responsibility and not a responsibility of the National OJT Program.

#### SIGNIFICANT FUNDS FOR ADMINISTRATION

We also found that many National OJT funds were used to support contractors' national and regional headquarters staffs and associated administrative expenses. As shown below, the administrative costs for 1975 ranged from 31 to 43 percent of total OJT contract expenditures for the five contractors we contacted.

| <u>Contractor</u>               | <u>Total contract costs</u> | <u>Funds expended for administration</u> | <u>Percent of total</u> |
|---------------------------------|-----------------------------|------------------------------------------|-------------------------|
| Painters                        | \$ 590,303                  | \$ 252,364                               | 43                      |
| Machinists                      | 1,701,598                   | 574,779                                  | 34                      |
| Bricklayers                     | 560,742                     | 185,686                                  | 33                      |
| Cement masons<br>and plasterers | 938,837                     | 301,575                                  | 32                      |
| Carpenters                      | 1,300,000                   | 408,985                                  | 31                      |
| Total                           | <u>\$5,091,480</u>          | <u>\$1,723,389</u>                       | 34                      |

Local OJT project officials in California and Maryland said that they received minimal guidance from their national headquarters staffs. In most cases, aside from reporting performance statistics and financial data to the headquarters staff, local project officials carried out the OJT programs without their national headquarters' help.

Kirschner also reported on the high administrative costs of OJT. During its study period (1967-74), Kirschner reported that over 34 percent of contractor expenditures were for the indirect cost of contract administration.

#### CONCLUSIONS

The current and projected employment outlook in the construction industry, particularly in a number of less skilled trades, is not encouraging for the placement and advancement of apprentices. The results of several construction-related on-the-job training projects during 1975 and 1976 demonstrate placement and operational problems to the extent that the primary purposes of the program have not been substantially met. Labor should look closely at the National OJT Program and make significant improvements.

## RECOMMENDATIONS

We recommend that the Secretary of Labor:

- Reevaluate the need for construction-related national on-the-job training, as well as training in trades having similar unemployment problems, and terminate those contracts which are not achieving program objectives.
- Redirect available funding into trades with current and projected skilled manpower shortages and low minority representation.
- Require that adequate training be provided to program participants while they are on the job or in classroom training.
- Implement guidelines which would prohibit National OJT funding from subsidizing regular apprenticeship programs.
- Reduce administrative costs associated with National OJT contractors so that more funds can be used for training.

## AGENCY COMMENTS AND OUR EVALUATION

Concerning our recommendation that Labor reevaluate the need for the construction-related and certain other national on-the-job training programs in trades having high unemployment, Labor stated that the program should be continued in the construction industry because the recent slump in construction activity will be corrected by long-term growth and because the high wage scales of this industry are particularly helpful to disadvantaged persons. We still believe that continuing to train persons for occupations which already have high unemployment rates does not represent a good use of taxpayers' money. With the limited resources available, training should be directed toward areas in which participants have a reasonable expectation for employment.

Regarding our recommendation that the Secretary redirect available funding into trades with current and projected skilled manpower shortages and low minority representation, Labor stated that, to the extent that individual projects are terminated due to poor performance, it would consider using funds unencumbered in this manner for new training projects in different occupations and industries.



We believe that Labor's response fails to recognize that deficiencies in its reporting and evaluation activities prevent it from promptly identifying poorly performing contractors. Furthermore, as this report points out, training individuals for nonexistent jobs defeats a prime objective of the National OJT Program. During periods of high unemployment in the construction industry, National OJT not only fails to substantially increase target group participation in this industry, but also fails to assist target members to obtain good jobs. By more intensively focusing on training programs in industries with good employment prospects, the program would better assist target group individuals.

Labor agreed with our recommendation that National OJT Program contractors be required to deliver adequate training. Labor said our insights in this report would be useful in developing guidelines and procedures for ensuring that training programs are adequate; however, Labor did not specify the actions it plans to take to improve the training. However, Labor mentioned that it is considering doing some type of postplacement followup.

Labor also concurred with our recommendation to implement guidelines that prohibit National OJT funding from supplanting regular industry-operated apprenticeship programs. The Department plans to issue stricter guidelines designed to better prevent substitution of Federal funds for local funds.

Labor agreed with our recommendation that steps be taken to lower administrative costs. The Department plans to apply a general standard that administrative costs should not exceed 20 percent of a project's budget.



## CHAPTER 5

### NEED TO IMPROVE

#### ADMINISTRATION OF NATIONAL PROGRAMS

Effective management, monitoring, and evaluation of nationally directed CETA programs by Labor is crucial to making sure that only programs of demonstrated effectiveness continue to receive funding and that these programs serve the segments of the population needing these services as required by CETA.

Many of the problems cited in the preceding chapters on the AOP and National OJT programs reflect significant weaknesses in Labor's management control and evaluation system.

Labor's monitoring and evaluation consist primarily of reviewing routine program reports filed by program contractors supplemented by site visits to contractor locations. However, the program reports are deficient, and few site visits to AOP and National OJT project locations have been made. Site visit reports did not include information on program effectiveness.

Labor has not adopted changes proposed by internal and external studies for correcting weaknesses in management and control over these programs. For example, a suggestion to modify a contractor reporting system by including definitive participant completion and followup data for better assessment of program effectiveness has not been adopted.

Procurements are negotiated on a noncompetitive, sole-source basis instead of competitive procedures (soliciting the maximum number of qualified sources). Furthermore, Labor does not have available independent data which it needs to judge the accuracy and relevancy of information presented by potential contractors in support of contract proposals. The need for independent data is demonstrated by cases we found where Labor funded National OJT proposals without assurance as to the need for the program. Specific problems in Labor's monitoring and contract management are discussed below.

#### MONITORING AND EVALUATION BY LABOR ARE WEAK

CETA requires the Secretary to provide for continuing evaluations of all programs and activities conducted under the act including assessing program costs in relation to

program effectiveness. The act also requires the Secretary to measure program impact on participants and communities, assess the adequacy of program delivery mechanisms, and obtain the participants' opinions about the strengths of the programs. The act further provides that periodic reports be submitted to the Secretary containing information from program sponsors on the length of training for participants and employment situations. Labor's compliance with CETA evaluative and monitoring requirements has been minimal at best and totally lacking in several areas.

Limited benefit of contractor  
reports and site visits

Labor monitors AOP and National OJT programs by reviewing routine program reports filed by program contractors supplemented by site visits to contractor locations.

We reviewed several routine program reports filed during fiscal years 1975 and 1976. While they contained data on the number and characteristics of both program participants and types of job placements, these reports did not provide essential data on the type and extent of services provided to participants or any specifics on how these services successfully accomplished the program's goal of referring or placing individuals on jobs. Also, the length of time these job placements lasted was not shown in the reports even though CETA required this information. Program contractors are not required to follow up and report on former program participants and the status and success of participants to remain employed. This information is needed to ascertain program effectiveness.

We noted that Labor representatives made 94 site visits in fiscal year 1976. A Labor official said that 35 of these trips were to three contractors who operated CETA programs other than AOP and National OJT, but he could not say how many of the remaining 59 trips were monitoring visits to AOP or National OJT contractors.

We reviewed selected trip reports made by AOP and National OJT contractors during this period. These reports were basically limited to general information on the contractor's operations and some procedural problems found at the contractors. They lacked any assessment of contractor performance based upon actual degree of services provided to participants, the effects these services had on participants, and whether claimed placements were actually made by the contractors.

We did note one trip report for a local OJT contractor in March 1975 which contained the following recommendation:

"To help prove the value of this contract program in seeking, training and employing persons for a long-term career as a craftsman in this critical industry, I see the need for initiating another phase to this national program: intensive follow-up of those who made it to the apprenticeship stage. Where are the placements of 2-3-4 years ago?"

No action was taken on this recommendation.

We also noted one report form entitled "Project Monitoring Standards and Monitor Report" that had been used to monitor an OJT project on one visit made during fiscal year 1976. This form required and contained specific detailed information on participants and the names of related programs in the contractor's area. This information would assist Labor in evaluating program effectiveness. However, we could find no other instances in which this form was used.

We were told that Labor plans to develop written assessment guidelines to be used in the future for monitoring and evaluating AOP and National OJT programs, but presently Labor has none even though these programs have been operating since the 1960s.

Bureau of Apprenticeship and Training  
certification of placements discontinued

Prior to June 17, 1975, representatives of the Bureau of Apprenticeship and Training <sup>1/</sup> in the Employment and Training Administration certified each contractor's claimed apprenticeship placements. This limited certification verified that the contractor had the appropriate apprenticeship documentation on file for the claimed placement. The documentation consisted of a copy of an apprenticeship agreement or some other form indicating that the individual was an apprentice. Bureau of Apprenticeship and Training officials decided to discontinue certifying AOP apprenticeship placements because Labor changed the AOP placement focus in March 1975. (See ch. 3.) A Bureau survey of 53 AOP placement reports

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<sup>1/</sup>The Bureau of Apprenticeship and Training is responsible for promoting apprenticeships, approving apprenticeship programs, and protecting the rights of apprentices.



for May 1975 showed that 69 percent of the reported placements were not in apprenticeships, and that over 40 percent of the AOP projects were reporting solely nonapprenticeship placements. The Bureau decided that since AOP contractors were not devoting their primary efforts to apprenticeships, the Bureau could no longer be held accountable for certifying AOP placements. However, the Bureau agreed to continue visiting AOP contractors monthly to provide administrative and technical advice.

We reviewed selected Bureau reports covering monthly visits from 1973 through 1976. These reports did not contain substantive information on AOP contractor performance. For example, the following comment was made each month during 1975 and for several other months from 1974 through 1976 for one contractor:

"The project is operating satisfactorily. High unemployment is getting to the critical stage. Placements will be more difficult to secure."

In addition, an Office of National Programs official said that his office seldom reviewed Bureau reports because the reports are not useful for program monitoring.

#### FAILURE TO FOLLOW UP ON IDENTIFIED WEAKNESSES

Reports issued during 1976 on studies conducted by Labor program evaluation staff and by a consultant pointed out many weaknesses in the operation of the AOP and National OJT programs and in Labor's program monitoring system. We reviewed records of contract negotiations on AOP and National OJT projects made during the fall of 1976 and found no evidence that Labor had acted on issues raised in these studies or adopted proposed improvements.

Labor's internal audit group, the Directorate of Audit and Investigations in the Office of the Assistant Secretary for Administration and Management, reviewed the management of these two programs and reported in January 1977 that the monitoring system was not effective. For example, the report pointed out that during monitoring visits, Labor representatives were not providing contractors with timely advice and technical assistance needed to improve compliance with program requirements. The report recommended several actions to strengthen monitoring.



An April 1976 study on AOP by Labor's Office of Program Evaluation in the Employment and Training Administration discussed results from four other studies, along with reported placement data, and concluded that AOP was useful in placing participants, but, based on several research studies done in the 1960s, was less successful in helping participants to retain jobs. The study suggested that it would be useful for program administrators to modify current reporting systems and noted that program monitoring and assessing program effectiveness would be improved if participant completion and followup data were routinely collected and reported by AOP contractors.

Kirschner in its May 1976 report found that although OJT projects have been successful in helping participants enter apprenticeships, few participants remain with their trade. It also cited low-cost effectiveness of National OJT in increasing disadvantaged and minority participation in the construction trades.

#### NEED FOR BETTER PROGRAM MANAGEMENT BY LABOR

In the Employment and Training Administration, the Office of National Programs is responsible for (1) reviewing proposals and negotiating contracts, (2) assisting contractors, (3) monitoring and evaluating performance, and (4) closing out completed contracts. Two of the Office's four divisions carry out these responsibilities. The Division of Contracting Services provides technical support services for contracting operations, such as preparing contract documents and closing out completed contracts. The Division of National Training Programs develops and administers national contracts for programs including AOP and National OJT. Weaknesses we noted in the Office of National Programs operations are discussed below.

#### No competitive bidding

The Office of National Programs obtains AOP and National OJT services by means of cost reimbursement procurement contracts awarded on the basis of sole-source negotiation. Officials in the Office of National Programs told us that sole-source negotiation is used because they generally renew contracts with current contractors since they are most likely to perform effectively. Office of National Programs officials also said that shortly before an AOP or National OJT contract expires, they notify the contractor to submit a proposal for a new contract.

Labor officials in the Office of Grants, Procurement, and ADP Management Policy and in the Directorate of Audit and Investigations said that these contracts should be considered Federal assistance agreements rather than procurements and, consequently, requirements of the Federal Procurement Regulations should not be applied. These regulations encourage services to be obtained by competitive means and they discourage sole-source procurements.

However, our review of selected AOP and National OJT contracts showed them to be procurement contracts subject to the Federal Procurement Regulations and we question the propriety of awarding these contracts on a sole-source negotiated basis. Labor officials maintain that these contracts are exempt from the advertising and competitive bidding requirements because to secure competition is impractical. Agency officials maintain that current contractors are most suitable for providing AOP and National OJT services since they have experience in training- and employment-related areas and have proven their ability through prior performance.

In June 1977, Labor modified its CETA regulations to formalize the practice of using sole-source procurement methods rather than competitive bidding. These modifications also encouraged using legal instruments other than contracts to award financial assistance for programs conducted by private, profitmaking organizations. We believe that the change to use legal instruments other than contracts is inappropriate

Office of Management and Budget Circular A-110 gives title to certain assets purchased with funds from Federal assistance agreements to the grantee. Conversely, certain assets purchased under cost reimbursable procurement contracts revert to the Government upon completion of the contract. To assure that assets procured with funds provided in National OJT and AOP Programs are obtained by the Government, Labor used cost reimbursable procurement contracts rather than Federal assistance agreements. Procurement via cost reimbursable procurement contracts also has the advantage of eliciting the requirements of the Federal Procurement Regulations.

However, Labor administered the contracts we looked at as if they were Federal assistance agreements and did not attempt to comply with Federal Procurement Regulations; for example, by using competitive procurement procedures.

Labor officials have not adequately justified the use of noncompetitive procedures to obtain AOP and National OJT services. Information was not available to demonstrate how

Labor officials responsible for approving sole-source requests determine that competition cannot be obtained for AOP and National OJT services. Labor officials said that persons and organizations routinely contact the Office of National Programs seeking contracts for employment and training programs, but they do not maintain a list of these potential contractors even though it is Labor's policy to do so.

In a September 15, 1977, report to the Congress (PSAD-77-152) entitled "Competition for Negotiated Government Procurement Can and Should Be Improved," we reported that many Federal agency noncompetitive procurements were not justified partly because agency personnel did not seek other sources in the course of procurement actions. We believe awarding AOP and National OJT contracts on the basis of noncompetitive procedures is not justified and that future contracts should be awarded competitively after advertising and publishing the requirements in the Commerce Business Daily.

Labor officials said that it may be impossible to write specifications necessary in obtaining proposals from sources that have not had recent experience with such programs. However, no attempt has been made to prepare specifications or solicit proposals from the general public.

A Labor official said that one reason Labor prefers to use current contractors is to avoid anticipated start-up costs of new contractors. This position does not consider the possible savings from using new contractors who may be able to provide needed services at lower costs.

We were also told that Labor favors current contractors because they have historically proven their ability to meet contract placement goals or have justified unavoidable developments that precluded the goals from being met. The ability to meet placement goals is the sole criterion used by Labor personnel to gage program effectiveness.

We question whether the Office of National Programs definition of "demonstrated effectiveness"--meeting placement goals--satisfies CETA requirements because it ignores the aspects of whether the program has served those most in need and that job placements last a reasonable length of time. The problems we noted in AOP and National OJT Programs show that these objectives are not being reached.

We noted one example where the Office of National Programs failed to comply with its own criterion of effectiveness--placements. In this case, in fiscal year 1975 a National OJT



contractor made 158 placements, although its goal was 485 job placements; however, its contract was refunded for the next year. Office of National Programs officials said this data was probably understated because the contractor was having difficulty understanding the reporting forms, but they could not provide any evidence to support a higher job placement figure.

Office of National Programs officials told us they will consider contracting with a new organization if it can demonstrate through its history, reputation, and prior performance its capability of providing AOP or National OJT services. We noted only two instances during fiscal years 1975 and 1976 where new organizations were awarded National OJT contracts, but these were small in dollar value and limited in size and scope. This is still a moot point, however, because these proposals were not requested from the general public.

#### Need for independent data

We noted that in negotiating AOP and National OJT contracts, Office of National Programs officials depend on prospective contractors to support the need for proposed services. The potential contractors provide data on factors which affect the number of possible program placements, such as the demand for apprentices, local employment information, and anticipated need for construction workers. Office of National Programs officials do not systematically obtain available independent labor market or other relevant data from sources, such as the Bureau of Labor Statistics and the Employment Service, to verify information provided by the prospective contractors. The need for independent data is demonstrated by the cases we found where Labor funded National OJT proposals without being assured that they were needed. (See p. 38.)

Labor's failure to adequately assess these contract proposals causes AOP and National OJT contracts to be renewed with the same organizations. We noted only 4 out of 38 instances during fiscal year 1975 in which such contracts were not renewed. In one instance we noted that a contract was terminated before being completed at the convenience of both parties when the contractor told Labor he would be unable to perform.



## CONCLUSIONS

Effective management and evaluation are the primary ways to make sure nationally directed programs under CETA provide services to segments of the population in need of them and demonstrate effectiveness to warrant continued funding as required by CETA. Labor should improve its program management, strengthen its monitoring and evaluation activities, and take action on reported program problems. More effective program administration would alleviate many of the problems discussed in this report.

## RECOMMENDATIONS

We recommend that the Secretary of Labor:

- Develop and put into practice monitoring and evaluation guidelines for AOP and National OJT Programs which gage program effectiveness and highlight program accomplishments in accordance with CETA program assessment requirements.
- Within the Office of National Programs, use competitive procurement procedures in accordance with Federal Procurement Regulations and obtain and use independent data in evaluating proposals to improve AOP and National OJT Program contracting services.

## AGENCY COMMENTS AND OUR EVALUATION

Labor agreed with our recommendation that it develop and implement monitoring and evaluation guidelines for the AOP and National OJT Program. Specifically, Labor agreed to develop explicit monitoring guidelines for use by Federal staff and to increase the number of site monitoring visits as much as possible. Labor further agreed to identify and develop assessment criteria for better gaging program accomplishments.

Labor disagreed with our recommendation that it use competitive procurement procedures and independent data for AOP and National OJT projects. Labor maintains that it does not actually procure AOP and National OJT services, but merely provides financial assistance to organizations that offer AOP and National OJT services; contracts are used as a convenience, according to Labor.

We stand behind the recommendation for the specific reasons cited in this chapter. We also point out that Labor's December 1977 letter to the House and Senate Committees on Appropriations, the House Committee on Government Operations, and the Senate Committee on Governmental Affairs addressing the actions taken in response to our September 15, 1977, procurement report (see p. 49) states that, except on rare occasions, it is agency policy to procure by competitive means. Furthermore, Labor's claim that the agreements should not be considered contracts is contradicted by the written agreements themselves, which purport to be contracts on their face and are written in a contractual format. These documents indicate that Labor is contracting with private organizations for AOP and National OJT services to be provided to program participants.

Labor further stated that, with respect to AOP, competitive award procedures would be no more appropriate than it would be for obtaining services for State employment security agencies. We see a great difference between the network of State employment security agencies and the AOP contractors. Most notably, AOP contractors are private organizations, whereas State employment security agencies are part of a government entity with a special statutory relationship to the Federal Government.

Regarding the National OJT Program, Labor said it selects contractors that can influence hiring practices in specific industries. We agree that the extent to which a potential contractor can influence an industry's hiring practices should be a criterion considered in the selection process. However, the almost automatic renewal of prior contractors unfairly prevents potentially qualified contractors from getting a chance to be funded under the program.

U.S. DEPARTMENT OF LABOR  
OFFICE OF THE ASSISTANT SECRETARY  
WASHINGTON

December 22, 1977

Mr. Gregory J. Ahart  
Director  
Human Resources Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Ahart:

Thank you for affording us an opportunity to review and to comment on the draft report prepared by the General Accounting Office (GAO), entitled "Questionable Need for Apprenticeship Outreach and Construction-Related National On-the-Job Training Programs." We have enclosed a paper that gives our specific comments regarding the principal findings and recommendations contained in the draft report.

Sincerely,

  
ALFRED M. ZUCK  
Assistant Secretary for  
Administration and Management

Enclosure

THE COMMENTS OF THE DEPARTMENT OF LABOR  
REGARDING THE DRAFT REPORT OF THE  
GENERAL ACCOUNTING OFFICE, ENTITLED --

"QUESTIONABLE NEED FOR APPRENTICESHIP  
OUTREACH AND CONSTRUCTION-RELATED  
NATIONAL ON-THE-JOB TRAINING PROGRAMS"

U.S. Department of Labor

December 1977



INTRODUCTION

This paper presents the views and comments of the Department of Labor (DOL) regarding the principal findings and recommendations contained in the draft report by the General Accounting Office (GAO), entitled, "Questionable Need for Apprenticeship Outreach and Construction-Related National On-the-Job Training Programs". Copies of the draft report were transmitted to the Secretary of Labor on September 30, 1977, by GAO's Human Resources Division.

The report includes three sets of recommendations -- the first pertaining to the Apprenticeship Outreach Program, the second pertaining to the National On-the-Job Training Program, and the third pertaining generally to DOL's administration of these programs. In this paper, the three sets of recommendations are dealt with in turn, and each recommendation is discussed separately.

APPRENTICESHIP OUTREACH PROGRAM

The GAO recommendations on the Apprenticeship Outreach Program (AOP) are stated as follows:

We recommend that the Secretary of Labor eliminate the AOP concept in favor of other less costly alternatives. If the Secretary determines that a need exists for AOP, we recommend that its operations be significantly improved by action to:

- redirect the AOP focus back into apprenticeship only and
- establish effective criteria covering contractor performance to include
  - the degree and level of services necessary to support placement credit claims,
  - minimum wage levels or description of suitable jobs as well as length of employment to warrant placement credit under contracts, and
  - eliminate placement credit for participants referred to other federally supported programs or placed in trades and employment areas already having significant minority representation.

AOP -- A Viable Concept

DOL flatly disagrees with the GAO recommendation that the AOP concept be eliminated in favor of less costly alternatives. It has been thoroughly documented that the AOP has achieved a high degree of success in performing its primary role -- which is to help individuals obtain jobs in occupations where, because of race or other reasons, they face artificial barriers to employment. We also maintain that there is a continuing, long-term need for a program that can play this special role. To support our position that the AOP should remain in operation, we would like to make the following points:

- . DOL is now taking vigorous action to expand and strengthen apprenticeship training. Beginning in Fiscal Year 1977, we have launched several new initiatives that are designed either to broaden or strengthen existing apprenticeship training programs or to promote the development of new programs in industries and occupations where apprenticeship has not been widely used. One important result of our efforts will be a general increase in the number of apprenticeship openings; and the AOP will play an integral role in ensuring that women and minorities are able to take advantage of these opportunities.
- . As to the number of apprenticeship openings becoming available in the construction industry, they do indeed vary in relation to the exaggerated fluctuations in activity that characterize this particularly volatile segment of our private economy. However, the long-term prospects are for overall growth and, in view of the DOL initiatives mentioned above, a general increase in the number of apprenticeship opportunities. In this regard, the AOP will play an important role in addressing the continued underrepresentation of minorities in many of these trades and the underrepresentation of women in virtually all of them.
- . Though originally implemented with a very narrow objective -- i.e., the placement of minorities as apprentices in the skilled construction trades -- the AOP has proven to be a flexible mechanism in terms of both its target clientele and the occupations it seeks to penetrate. For example, several AOP projects were charged a few years back with the specific task of assisting women obtain "nontraditional" jobs,

white collar and blue collar both. Since that time, the placement of women into occupations from which they have historically been excluded has grown to be a major programmatic emphasis within the AOP. As to occupational focus, the AOP is not limited to the construction industry. Indeed, special efforts in the automotive industry and in the shipbuilding industry have been in place for many years. To summarize the point, the AOP concept has been usefully adapted and will continue to be adapted to those occupational areas that emerge as the focus of national attention.

- . In the context of the preceding point, it should be noted that DOL intends to play a stronger and more vigorous role in the enforcement of the equal employment opportunity and affirmative action requirements that are applicable to Federal contractors. One element in our plan includes centralizing the compliance functions now carried out by several Federal agencies into our Office of Federal Contract Compliance Programs (OFCCP). Another crucial element will be to ensure an effective degree of coordination between OFCCP and the Employment and Training Administration (ETA), the DOL agency that administers the AOP. While OFCCP, through its enforcement activities, will create a demand by private employers for certain categories of workers (minorities, women, handicapped persons, and disabled and Vietnam-era veterans), ETA will take steps to help individuals from these groups take advantage of the employment opportunities that become available. In this regard, the AOP has already been identified as one of the key resources that ETA will utilize in this joint effort.
- . With respect to "less costly alternatives" to the AOP, the GAO report points mainly to the network of Apprenticeship Information Centers (AIC's). We do not believe that AIC's are suited to the tasks we have established for the AOP. AIC's are meant to serve as a walk-in source of information about local apprenticeship opportunities for all interested members of the community. Like the employment service network with which they are affiliated, the AIC's perform a traditionally passive labor exchange function, but for a much more narrowly



defined range of occupations. To thrust the more extensive AOP role on the AIC's would not, in our view, result in any net reduction in the cost of providing AOP services -- it would merely transfer these costs to another administrative network. In terms of disruption to existing operations alone, the true costs that would be associated with a reassignment of roles would be prohibitive.

- . As a final point, we would like to express our opinion that the GAO study did less than justice to the AOP. Considering that only 6 out of 98 AOP projects were examined and considering that the report focused mainly on AOP efforts in the construction industry (where pronounced regional differences are the case), we feel that the factual material assembled by GAO does not provide adequate support for the extremely drastic recommendation that the AOP be dismantled.

#### Improvements Can Be Made

The GAO report recommends a number of actions for strengthening the AOP in the event of a determination by the Secretary of Labor that the program should be continued. As this particular determination has been made, our views on each of these GAO recommendations -- most of which were found to be extremely constructive -- are presented below:

- . The first GAO recommendation is to redirect the AOP focus back into apprenticeship only. While we do not believe that the occupational focus of the AOP should be limited exclusively to apprenticeable jobs, we do agree that the AOP should now focus mainly on apprenticeable jobs. We also believe that strict but practical guidelines are needed as to the types of nonapprenticeable occupations the AOP should deal with. In this regard, we have already issued written policy guidelines to our AOP sponsors which direct them to give primary emphasis to placing their clientele in apprenticeable occupations. As far as nonapprenticeable occupations are concerned, the guidelines state that placement credit may be taken only for jobs in which the starting pay is \$5.00



an hour or more. This dollar level will be adjusted upward from time to time in relation to general increases in worker income. We are confident that the steps we have already taken will be adequate to redirect the principal focus of the AOP back to apprenticeable occupations -- but if stronger measures become necessary, we will be prepared to use them.

- . GAO recommends that criteria be developed regarding the degree and level of services that must be provided to an individual before an AOP sponsor may count that individual as being placed through its AOP project. We agree fully with this recommendation and we intend to issue clear and enforceable guidelines to our AOP sponsors in the near future.
- . GAO recommends that criteria be developed regarding the types of jobs for which AOP sponsors can claim placement credit, with the further recommendation that these criteria might be in terms of wage levels or job descriptions. We are in basic agreement with this recommendation, and we have already adopted the policy that placement credit may be taken only with respect to individuals who are placed as registered apprentices, who are placed as recognized journeymen in an apprenticeable occupation, or who are placed in jobs that pay \$5.00 an hour or more. The necessary changes have been made in the AOP reporting guidelines, and all future AOP funding agreements will spell out the programmatic goals in these terms.
- . GAO recommends the establishment of criteria regarding the length of time an individual must remain in a job before an AOP sponsor may count the individual as having been placed. While this recommendation does have merit, we are not in a position to adopt it. To do so would create an unfair inconsistency between the AOP reporting system and the reporting systems that are in place for all other CETA programs and for the Employment Service network. Technical considerations aside, we do consider job retention to be an important indicator of general program effectiveness. With respect to the AOP, we are now giving serious consideration to new program guidelines that would require AOP sponsors to provide followup services to their clients for up to 12 months after placement. We are also working to develop a low-cost mechanism through which DOL can capture job retention data that can be used to assess the overall impact of the AOP.

- . GAO recommends that AOP sponsors not be given placement credit for referring individuals to other federally supported programs. We agree fully, and recent changes to AOP reporting guidelines should effectively eliminate any "loopholes" that might have led to this practice.
- . Finally, GAO recommends that AOP sponsors not be given placement credit for individuals referred to jobs in trades or occupations already having significant minority representation. Apart from the fact that the placement of women has been given substantial emphasis under the AOP, we must reject this recommendation for a practical reason. While there are a number of skilled trades having substantial minority representation on a national basis, underrepresentation by minorities in these same trades remains a problem in many local areas. As far as placement credit is concerned, guidelines of the nature suggested by GAO would, for the sake of fairness, need to account for each local situation. Unfortunately, the result of this would be an overly complicated and unworkable system. As an alternative to the GAO recommendation, we are considering new program assessment criteria that would highlight AOP placements in the mechanical trades -- where minority underrepresentation remains a problem at the national level and in nearly all localities.

#### NATIONAL ON-THE-JOB TRAINING PROGRAM

The GAO recommendations regarding the National OJT Program are stated as follows:

We recommend that the Secretary of Labor:

- Reevaluate the need for construction-related national on-the-job training, as well as training in trades having similar unemployment problems and terminate those contracts which are not achieving program objectives.
- Redirect available funding into trades with current and projected skilled manpower shortages and low minority representation.
- Require that adequate training be provided to program participants while they are on the job or in classroom training.

- Implement guidelines which would prohibit National OJT funding from subsidizing regular apprenticeship programs.
- Take steps to reduce administrative costs associated with National OJT contractors so that more funds can be used for training.

#### The Need for Construction-Related National OJT Programs

It is the general position of the Department of Labor that National OJT Programs in the construction industry should be continued. While GAO correctly pointed out that the recent slump in construction activity created problems for these programs in terms of trainee placement and job retention, employment in the construction industry is on the rise, and the long-term prospects, as mentioned previously, are for overall growth. In any event, we do not believe that a temporary dip in the business cycle is a sufficient reason for calling the basic value of these particular training programs into question. Employment in the skilled construction trades, with their generally high wage scales, will remain an attractive proposition to the disadvantaged persons these programs are intended to serve.

While it is our general belief that training in the construction trades should be continued, we do agree with GAO that the performance of each training project we mount in this area should be carefully scrutinized. In this regard, we would like to note that DOL has terminated construction-related projects that fell short of their stated objectives, and we remain ready to take this type of action as future circumstances may warrant.

#### Reallocation of Resources

As implied above, DOL does not plan to reduce the overall level of National OJT Program activity in the construction trades. Such reductions will occur only if individual projects are dropped from the budget because of inadequate performance. However, should funds become unencumbered in this manner, we will then be in a position to consider new training projects in different occupations and industries. If this type of opportunity arises, we will, consistent with the GAO recommendation, give primary consideration to



good-paying trades and occupations that show a high-level of demand for qualified workers, particularly those where minorities are underrepresented.

#### Improvements Can Be Made

GAO makes a number of recommendations regarding actions that should be taken to strengthen and improve the effectiveness of the National OJT Program. Our views on each of those recommendations are presented below.

- . We agree completely with the GAO recommendation that National OJT Program sponsors should be required to deliver adequate training, both in the classroom and on the job. The insights provided by the GAO report will be extremely valuable to us in developing guidelines and procedures for ensuring that the training we support under this program measures up to a high standard. Also, while an increase in the quality of training will, of itself, improve the effectiveness of the program, we are now examining the possibility of including post-placement followup services for trainees as a regular component in the program. This may result in a dramatic improvement in trainee job retention rates.
- . DOL also concurs with GAO's position that National OJT Program funds should not be used to subsidize regular, industry-operated apprenticeship programs. As noted in the GAO report, there are explicit "maintenance of effort" requirements contained in the Federal regulations that govern these programs and in the general provisions that are included in every funding agreement. To supplement the existing guidelines in a way that should effectively close any "loopholes" that might have led to occasional abuses of this nature, we intend to issue stricter guidelines as to the individuals who are eligible for training under these programs. With the exception of a few "upgrading" projects, participation in National OJT Programs will be specifically limited to individuals who are "economically disadvantaged". We will also establish a clear policy that, of individuals who meet the "economically disadvantaged" criteria, enrollment priority is to be given to those who are minorities, women, and veterans. These new



guidelines should provide adequate safeguards against national OJT resources being used to train the same people who would ordinarily be trained by the industry without Federal assistance. In addition, we also intend to place new emphasis on the use of recruitment sources in the community that will be able to refer sufficient numbers of disadvantaged trainees.

- . Finally, DOL agrees with the GAO recommendation that steps be taken to lower administrative costs that are now being incurred under many of the National OJT projects. We intend to use a general standard that administrative costs would not exceed 20 percent of a project's budget. Every future funding agreement under the National OJT Program that includes administrative costs above this level will not be executed unless complete and thoroughly documented justification is made.

#### ADMINISTRATION OF NATIONAL PROGRAMS

The GAO recommendations regarding DOL's administration of the Apprenticeship Outreach Program and the National OJT Program are stated as follows:

We recommend that the Secretary of Labor:

- Develop and put into practice monitoring and evaluation guidelines for AOP and national OJT programs which gauge program effectiveness and highlight program accomplishments in accordance with CETA program assessment requirements.
- Within the Office of National Programs, utilize competitive procurement procedures in accordance with Federal Procurement Regulations and obtain and use independent data in evaluating proposals to improve contracting for AOP and National OJT program services.

#### Monitoring and Evaluation

We agree with GAO that DOL's monitoring and evaluation of these two programs need to be strengthened. Ideally, this should be done mainly by adding positions to our Federal staff. Since budgetary constraints make this impossible, we will rely instead on the approaches described below.

- . We will develop explicit monitoring guidelines to be followed by the Federal staff who work in the administration of these programs. If it is deemed necessary, we will also provide the staff with refresher training in monitoring techniques.
- . To the extent possible, we will increase the number of site visits to be made by our national office staff who are responsible for overseeing these programs. With respect to the AOP, we will also resume the practice of monthly, onsite monitoring visits by the field staff of the Bureau of Apprenticeship and Training.
- . As far as overall program evaluation is concerned, we are now working to identify and develop assessment criteria that can be used to give us an accurate and meaningful picture as to the general accomplishments of the two programs and the effectiveness of the individual projects that fall under them.

#### Competitive Procurement Procedures

The issue raised by GAO regarding the use of competitive procurement procedures in connection with the AOP and the National OJT Program is one that comes up again and again. Though the financial agreements that are used to award Federal funds under these programs are "contracts", they

do not represent procurement transactions; they are agreements under which financial assistance is awarded to private nonprofit organizations and public agencies. While "grant" agreements would be equally appropriate to make these awards, the use of "contracts" has been continued as a matter of convenience.

In a broader vein, the general use of competitive award procedure in connection with these two programs is simply not a practical proposition.

- . With respect to the AOP, competitive award procedures would be no more feasible than they would be for our network of State employment security agencies.

In the AOP, DOL has built an institution -- and we do not intend to create a situation where we might be obliged to tear it down and reconstruct it with unnecessary frequency. It will be our policy, however, to give careful consideration to competitive funding procedures wherever new AOP initiatives are to be implemented.

- . The case of the National OJT Program is somewhat different. Under this program, DOL pointedly seeks the involvement of national organizations that are capable of exerting influence or control over industry employment practices. In this regard, national trade associations and national labor organizations dominate our list of National OJT sponsors. By working inside selected private-sector establishments that can influence hiring practices in specific industries we are able to sensitize industry leaders as to their social responsibilities and we are able to assure that program participants have direct access to the jobs for which they are trained. We believe this strategy is a sound one; and until it is proven to be otherwise, we do not intend to abandon it in the name of "competition".



PRINCIPAL DEPARTMENT OF LABOR OFFICIALS  
RESPONSIBLE FOR ADMINISTERING ACTIVITIES  
DISCUSSED IN THIS REPORT

|                                                                                         | <u>Tenure of office</u> |            |
|-----------------------------------------------------------------------------------------|-------------------------|------------|
|                                                                                         | <u>From</u>             | <u>To</u>  |
| <b>SECRETARY:</b>                                                                       |                         |            |
| Ray Marshall                                                                            | Jan. 1977               | Present    |
| W. J. Usery, Jr.                                                                        | Feb. 1976               | Jan. 1977  |
| John T. Dunlop                                                                          | Mar. 1975               | Jan. 1976  |
| Peter J. Brennan                                                                        | Feb. 1973               | Mar. 1975  |
| <b>ASSISTANT SECRETARY FOR EMPLOYMENT<br/>AND TRAINING (note a):</b>                    |                         |            |
| Ernest G. Green                                                                         | Mar. 1977               | Present    |
| William B. Hewitt (acting)                                                              | Feb. 1977               | Mar. 1977  |
| William H. Kolberg                                                                      | Apr. 1973               | Jan. 1977  |
| <b>ADMINISTRATOR, OFFICE OF COMPREHEN-<br/>SIVE EMPLOYMENT DEVELOPMENT:</b>             |                         |            |
| Robert Anderson                                                                         | Sept. 1977              | Present    |
| Pierce A. Quinlan                                                                       | Jan. 1974               | Sept. 1977 |
| William J. Haltigan (acting)                                                            | Sept. 1973              | Dec. 1973  |
| <u>a/</u> Before November 12, 1975, this title was Assistant Secretary<br>for Manpower. |                         |            |





UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

HUMAN RESOURCES  
DIVISION

B-163922

March 9, 1973

The Honorable John Conyers, Jr.  
House of Representatives

Dear Mr. Conyers:

Your letter of November 21, 1977, asked us to review the implementation and progress of the Help Through Industry Retraining and Employment Program (HIRE) administered by the Department of Labor. You also asked for an assessment, if possible, of the program's eventual success or failure.

We believe it is too early to make a fair assessment. There is no question that the program has developed slowly and has had only limited impact through 1977. But there is optimism that the program will eventually be a success.

General information on HIRE

HIRE was first announced by the Secretary of Labor in January 1977 as a program primarily to assist disabled veterans and Vietnam-era veterans obtain employment. It is administered as a national program under the provisions of title III-A of the Comprehensive Employment and Training Act of 1973 (CETA) (29 U.S.C. 871). Labor issued the initial directives on the implementation of HIRE in June 1977.

HIRE has two segments--a reimbursable activity and a voluntary activity. The reimbursable activity is for those qualifying firms that wish to be compensated for extraordinary training costs incurred in training eligible persons while the voluntary activity is for the firms that are willing to employ eligible individuals without reimbursement. The goal established by Labor for the reimbursable activity was 100,000 job training positions. Although Labor did not establish a numerical goal for the voluntary activity, Labor hopes that the voluntary program will also result in 100,000 positions. Approximately \$140

HRD-78-63  
21598

million was made available by Labor for funding the reimbursable activity during fiscal years 1977 and 1978. Since the program was intended to be short term and produce immediate impact, there were no plans to provide funds beyond fiscal year 1978.

As initially established, HIRE focused on the large employers--those who had 1,000 or more employees, who would have job vacancies in two or more geographical locations, and who would agree to hire at least 100 individuals. Employers participating in the reimbursable activity also had to agree to provide training. The job vacancies involved did not have to be new positions. In October 1977 the criteria were revised and employers of any size who agree to hire at least 15 individuals in one or more locations are now eligible to participate in HIRE. The changes were made in an effort to increase participation in the program.

Prior to the revision, employers who wanted to participate in the reimbursable activity but did not meet all the criteria (1,000 or more employees, two or more hiring locations, and a total of 100 or more pledges) were urged to contact the Comprehensive Employment and Training Act prime sponsors in their areas who may be able to fund projects similar to HIRE projects. In the HIRE orientation guide the distinction between the HIRE program and the regular role of the prime sponsor was explained as follows:

"As the Department of Labor could not usurp the role of CETA prime sponsors, HIRE was designed to approach the private sector in a way the CETA prime sponsors could not; by being aimed at major corporate employers operating in more than one geographic area."

It appears that the revised HIRE criteria may result in program activities similar to those available through programs of local CETA prime sponsors.

Individuals who are eligible to be employed under HIRE are (1) unemployed disabled veterans, (2) unemployed Vietnam-era veterans, (3) other unemployed veterans, (4) other unemployed persons eligible for veterans preference, (5) economically disadvantaged young persons, and (6) long-term unemployed persons from families with an annual income of \$10,000 or less.



The National Alliance of Businessmen, already under agreement with Labor to provide other services, accepted the task of marketing HIRE without additional compensation. Representatives for the Alliance follow up on letters sent over President Carter's signature to major firms asking for their participation and support for HIRE. If a firm indicates a willingness to participate, an Alliance representative will assist the firm in preparing either (1) the proposed funding agreement to be submitted to Labor for the reimbursable activity, or (2) the hiring plan submitted to support the pledge for the voluntary activity.

#### REIMBURSABLE ACTIVITY

Employers who participate in the reimbursable program are to be compensated for the extraordinary costs incurred in training eligible individuals. The number of hours of federally reimbursable training ranges from 160 hours for the least complex occupations to 1,040 hours for the most complex. The Federal reimbursement may not exceed 50 percent of the participant's starting hourly wage and may, in some cases, be less.

When an employer submits a proposal to Labor for the reimbursable program, Labor representatives are required to review the proposal and tell the employer whether it is acceptable and fundable within one week. A Labor official told us that this review is being accomplished in about 2 working days time.

When an employer has a job opening that is covered by the HIRE agreement, the opening must be listed only with the local Employment Service office for at least the first 5 working days. During these 5 days the local office is to refer job applicants as follows:

1st day--disabled veterans

2nd and 3rd days--disabled veterans and Vietnam-era veterans

4th and 5th days--the above categories plus other unemployed veterans and persons eligible for veterans preference.

After the fifth day, the employer can resort to other means of recruitment. If the job order is left with the local Employment Service office, the office can then refer, in addition to veterans, economically disadvantaged young persons and long-term unemployed persons from families with annual incomes of \$10,000 or less. Regardless of the source that referred the individual eventually selected by the employer, the Employment Service office must certify that the individual meets the eligibility criteria of HIRE.

As of December 2, 1977, Labor had signed the following reimbursable agreements which are generally for a 12-month performance period.

| <u>Description<br/>of employers</u>                                                                  | <u>Number of</u>  |                  | <u>Federal<br/>funds<br/>involved</u> |
|------------------------------------------------------------------------------------------------------|-------------------|------------------|---------------------------------------|
|                                                                                                      | <u>Agreements</u> | <u>Positions</u> |                                       |
| Employers agreeing to<br>hire 100 or more at<br>two or more locations<br>(original HIRE<br>criteria) | 6                 | 2,914            | \$5,329,510                           |
| Employers agreeing to<br>hire more than 100<br>but at only one<br>location                           | 1                 | 150              | 354,760                               |
| Employers agreeing to<br>hire less than 100<br>individuals                                           | <u>5</u>          | <u>231</u>       | <u>458,400</u>                        |
| Total                                                                                                | 12<br>==          | 3,295<br>=====   | \$6,142,670<br>=====                  |

As shown above, Labor had entered into six agreements as of December 2, 1977, which did not meet the original HIRE criteria.

In addition to data in the above table, Labor had seven proposals as of December 2, 1977, for the reimbursable program which a Labor official believed would be funded. These proposals ranged from \$1,885,226 for 1,460 positions down to \$58,876 for 29 positions.



As of February 2, 1978, Labor had received an additional 35 proposals which were considered fundable. Of the total 54 proposals either funded or considered fundable, 32 proposals are for less than 100 jobs. As of February 2, Labor funded 31 projects for 6,674 jobs at a potential cost of \$11.5 million. The pending 23 proposals would add 3,603 jobs at a cost of \$5.3 million.

We asked Labor officials about the number of persons hired under the HIRE reimbursable program. On December 2, 1977, officials had little information on the program results. Since then Labor has prepared reports on the HIRE participants who were placed by the Employment Service. The first report showed that 136 persons had been placed in the reimbursable program as of October 31, 1977. The second report, prepared the week of January 30, 1978, showed 285 placements as of November 30, 1977.

Under the funding agreements the employers are not tied to a rigid hiring schedule. The only timeframe involved is that the required training must be given during the period covered by the funding agreement. If an employer does not hire the number of individuals he originally agreed to, he will only receive reimbursement for the extraordinary training costs incurred for the individuals hired.

Officials pointed out that, with the lack of rigid hiring schedules which permit employers to hire as the need arises as long as the required training can be completed in the agreement period, the program was not structured to reach its goal immediately. Labor officials thought that the revised guidelines would result in more employer participation in HIRE. One official expressed optimism that the reimbursable HIRE program would eventually come close to achieving the original goal of 100,000 positions.

#### VOLUNTARY ACTIVITY

The voluntary program does not involve Federal reimbursement and as a result, the requirements for employers are less extensive. Some of the criteria which differs significantly from the reimbursable program are as follows:

- The voluntary program employers are asked only to provide jobs. There is no requirement for on-the-job and related training.

---Employers do not have to list their job openings with the local Employment Service office.

--The employer can certify to the eligibility of the individual hired.

The National Alliance of Businessmen, involved with marketing of HIRE as described earlier, maintains information on the pledges received for the voluntary program and the number of hires reported by the participating businesses.

In our discussion with Alliance officials in February 1978, we were told that their most current hiring information was as of December 31, 1977, when the participating employers had reported hiring about 20,000 veterans and 1,200 non-veterans under the voluntary activity. As of February 15, 1978, the National Alliance of Businessmen had received pledges for approximately 65,400 jobs for the voluntary activity. The Alliance officials stated that they had a goal of 100,000 pledges and hires for the voluntary activity and they expected to reach the goal.

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The matters covered in this report were discussed with Labor and National Alliance of Businessmen officials and their comments were considered in the report's preparation. Also, as arranged with your office, copies of this report will be distributed to all interested or affected parties.

Sincerely yours,

  
Gregory J. Ahart  
Director



DOCUMENT RESUME

07937 - [C3468560]

[Contracting Practices for Indian Programs under Comprehensive Employment and Training Act]. HRD-79-28; B-163922. December 8, 1978. 6 pp.

Report to Sen. Henry Bellmon; by Gregory J. Ahart, Director, Human Resources Div.

Issue Area: Employment and Training Programs: Internal Administrative Controls over CETA Programs (3204); Employment and Training Programs: Employability of Selected Target Groups (3201).

Contact: Human Resources Div.

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).

Organization Concerned: Department of Labor.

Congressional Relevance: Sen. Henry Bellmon.

Authority: Comprehensive Employment and Training Act (29 U.S.C. 872, as amended).

Allegations were made that certain contractors appeared to be used extensively to provide training in the Indian employment and training programs authorized by the Comprehensive Employment and Training Act (CETA). Four sponsors analyzed accounted for 40% of the Indian program funds expended for classroom training in fiscal year 1977. Three of the Indian sponsors generally awarded small contracts to a diverse group of training organizations primarily for the provision of classroom and on-the-job training. The fourth sponsor awarded primarily large contracts also to a diverse group of organizations. Although some sponsors awarded several small contracts to the same organization, the total amount paid under such multiple contracts was not significant. No pattern was noted of the same contractor being used by several sponsors and involving substantial funding. (RRS)





UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

8560

HUMAN RESOURCES  
DIVISION

B-163922

December 8, 1978

The Honorable Henry Bellmon  
United States Senate

Dear Senator Bellmon:

Based on your letter of March 1, 1978, and subsequent discussions with your office, we inquired into selected aspects of the Indian employment and training programs authorized by the Comprehensive Employment and Training Act (CETA) (29 U.S.C. 872, as amended). Specifically, we concentrated on obtaining information as to whether certain contractors appeared to be used extensively to provide training in the Indian programs. One of your constituents had alleged that improper practices may have been used by the Department of Labor to favor a certain contractor.

We examined pertinent grant files relating to the administration of Indian employment and training programs at Labor headquarters in Washington, D.C. We also obtained information from five selected sponsors and met with your constituent who had raised the issue of improper contracting practices.

Data we obtained for three Indian sponsors indicated that they generally awarded small contracts to a diverse group of training organizations primarily for the provision of classroom and on-the-job training (OJT). Data obtained for a fourth Indian sponsor showed that the sponsor awarded large contracts also to a diverse group of organizations. Since we did not find a pattern of the same contractor being used by several sponsors involving substantial funding, we do not believe that there is sufficient basis to undertake a major review at this time. However, we will keep the points raised by your constituent in mind in our future reviews of Indian employment and training programs.

HRD-79-28  
(205003)

INDIAN EMPLOYMENT AND TRAINING PROGRAMS

CETA authorizes comprehensive employment and training programs to be established by sponsors for Indians and other Native Americans. Indian tribes, bands, or groups, and public and private nonprofit agencies are authorized to be designated as sponsors. Unlike many other CETA programs which are regionally administered, the act provides that the Indian employment and training programs are to be federally administered at the national level because of the special relationship between the Federal Government and Indians.

After the Secretary of Labor determines that an Indian tribe, band, or group has demonstrated the capability to effectively administer a comprehensive employment and training program, the potential sponsor is required to submit a comprehensive plan to Labor for approval. In part, this plan must describe the services to be provided, establish performance goals, and describe the geographical areas to be served under the plan. Through this plan approval process, each sponsor specifies the employment and training activities for which funds will be expended.

During fiscal year 1977, there were 157 Indian program prime sponsors. Labor reports show that about \$43 million of 1977 funds had been expended on the following employment and training activities:

| <u>Activity</u>                     | <u>Amount<br/>expended</u><br>(in thousands) | <u>Total<br/>expenditures</u><br>(percent) |
|-------------------------------------|----------------------------------------------|--------------------------------------------|
| Work experience                     | \$ 17,194                                    | 40                                         |
| Public service<br>employment        | 8,875                                        | 21                                         |
| Classroom training                  | a/ 9,094                                     | 21                                         |
| On-the-job training                 | 2,754                                        | 7                                          |
| Services and other<br>activities b/ | 4,853                                        | 11                                         |
|                                     | \$ 42,770                                    | 100                                        |
|                                     | =====                                        |                                            |

a/About one-half of classroom training expenditures represent allowances paid to participants.

b/Includes services to participants such as counseling, day care, transportation, etc.



Indian sponsors, as shown by the above figures, have put heavy emphasis on the employment activities--work experience and public service employment. According to a Labor official, this is because the Indian sponsors are generally located in isolated, rural areas which often do not have sufficient opportunities for individuals in commercial or industrial jobs to justify skill training. These sponsors usually provide employment opportunities without the assistance of contractors.

Classroom training and OJT are usually provided to participants through contracts between sponsors and training organizations. Classroom training is generally provided through State technical schools, local vocational education schools and private for profit vocational training schools. OJT is normally provided through contracts with local employers. Classroom training and OJT accounted for about 28 percent of the employment and training expenditures in the Indian programs for fiscal year 1977.

#### SELECTION OF SPONSORS FOR ANALYSIS

Labor maintains files on Indian program grants, however, these files do not contain information on the contracts between sponsors and the various organizations who provide training to participants. Therefore, we obtained data from the sponsors themselves. In selecting a sample for analysis from among the 157 Indian program sponsors:

- We selected 5 States within the 48 contiguous States generally having the largest number of Indian program sponsors during fiscal year 1977.
- Within the 5 States, we selected for further consideration 18 sponsors whose grants were generally among the largest in their State.
- Through further analysis, we determined that 5 of the 18 prime sponsors reported expenditures over \$200,000 for classroom training which accounted for about 55 percent of all the funds expended for classroom training in the Indian programs. These five sponsors, located in three States, also accounted for 27 percent of the national expenditures for OJT.

We obtained additional details on classroom training and OJT activities directly from the five sponsors selected for analysis, but we did not make a detailed verification of the



B-163922

information provided. During our inquiries to clarify some of the information provided, we learned that one sponsor was being investigated by the Federal Bureau of Investigation for alleged program abuses. Based on a review of Labor's grant files, we concluded that the data provided to us by this sponsor was not reliable and therefore we excluded this data from our analysis.

The remaining four sponsors in our analysis accounted for 40 percent of the Indian program funds expended for classroom training in fiscal year 1977. Three of the four sponsors also operated OJT programs during fiscal year 1977, and their activities accounted for 21 percent of the Indian program funds expended nationally on OJT. The following table shows pertinent data on classroom training and OJT activities for the four sponsors during fiscal year 1977.

|                                                    | <u>Creek<br/>Nation</u> | <u>Choctaw<br/>Nation</u> | <u>Indian<br/>Centers,<br/>Inc.</u> | <u>Navajo<br/>Tribe</u> |
|----------------------------------------------------|-------------------------|---------------------------|-------------------------------------|-------------------------|
| <u>Classroom Training</u>                          |                         |                           |                                     |                         |
| Expenditures                                       | \$223,373               | \$367,716                 | \$393,149                           | \$2,649,572             |
| Number of<br>training contractors                  | 24                      | 16                        | 29                                  | 8                       |
| Largest amount<br>paid to a<br>training contractor | \$ 24,413               | \$ 27,482                 | \$ 16,357                           | \$ 652,931              |
| <u>On-the-Job Training</u>                         |                         |                           |                                     |                         |
| Expenditures                                       | \$ 61,039               | \$229,499                 | a/                                  | \$ 287,293              |
| Number of<br>training contractors                  | 19                      | 78                        | -                                   | 3                       |
| Largest amount<br>paid to a<br>training contractor | \$ 8,215                | \$ 9,551                  | -                                   | \$ 103,544              |

a/Did not have an OJT program.



#### ANALYSIS OF TRAINING ACTIVITIES

As shown above, the number of classroom training contracts reported by the sponsors ranged from 8 to 29. In some instances contract expenditures for direct classroom training activities were negligible (less than \$15) because training institutions were State supported and did not require tuition fees. In such instances, most of the expenditures charged to the CETA program would be for allowances to participants. The largest expenditure for classroom training to a single contractor by three of the four sponsors was less than \$28,000.

The Navajo sponsor, which accounted for nearly 30 percent of the national total expenditures for classroom training and 10 percent of the national total expenditures for OJT, awarded significantly larger contracts in both training areas. According to a Labor official, the Navajo Tribe is by far the largest Indian sponsor. Data we obtained showed the largest amount paid to a contractor for classroom training by the Navajo Tribe was \$652,931 and the largest amount paid for OJT amounted to \$103,544. This sponsor also used both national contractors and local organizations. For example, the Navajo Tribe awarded a training contract to a national organization, the American Federation of Labor and Congress of Industrial Organizations, to provide training to the Navajo through apprenticeship and upgrading training programs.

For the sponsors in our sample, OJT contracts were usually smaller than classroom training contracts. The OJT and classroom training contracts for the sponsors contacted, with the exception of the Navajo Tribe, were generally small and were made with local training organizations including State educational institutions, private for profit business and technical schools, private businesses, hospitals, etc.

The number of OJT contracts per sponsor ranged from 6 to 78, and the largest amount paid to a contractor by 2 of the 3 sponsors was less than \$10,000. OJT contract payments by the Navajo Tribe ranged from a low of \$743 to a high of \$103,544.

Although some sponsors awarded several small contracts to the same organization, the total amount paid under such multiple contracts was not significant. The sponsors located in Oklahoma (Creek Nation and Choctaw Nation) did have some contractors in common. The contractors included a State educational institution and local technical schools, and the combined amounts paid to these organizations ranged from \$1,100 to \$28,480.

B-163922

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Your constituent had indicated that improper practices may have been used to favor a certain contractor. The specific firm cited by your constituent was not listed as a contractor for any of the four sponsors we contacted.

We hope that the preceding information will be useful in responding to your constituent's inquiry. As arranged with your office, we are making copies of this report available to others who may be interested in its contents.

Sincerely yours,

  
Gregory J. Ahart  
Director





UNITED STATES GENERAL ACCOUNTING OFFICE  
**RELEASED** WASHINGTON, D.C. 20548

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HUMAN RESOURCES  
DIVISION

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by the Office of Congressional Relations.

OCTOBER 2, 1979

B-177486



110524

The Honorable Charles Pashayan, Jr.  
House of Representatives

Dear Mr. Pashayan:

Subject: [Evaluation of the Secretary of Labor's  
Comments On "The Award of Funds To  
The National Farm Workers Service Center,  
Inc. Was Poorly Managed" (HRD-79-127)

On April 8, 1979, you asked that we provide clarifying  
information on our report (HRD-79-30, Jan. 15, 1979) about  
funds awarded to the National Farm Workers Service Center, Inc.  
Your request was based on the Secretary of Labor's March 6, 1979,  
letter to you commenting on certain matters discussed in the  
report. The Secretary disagreed with several of our findings  
and, in some instances, questioned the facts underlying them.  
After reviewing these comments we are satisfied that the facts  
presented in our report are accurate. Following is our evalu-  
ation of the Secretary's comments.

QUESTIONABLE NEED FOR A RESIDENTIAL  
ENGLISH LANGUAGE TRAINING PROGRAM

We questioned the need for a residential English language  
training program because State and local school officials be-  
lieved the center's program would duplicate educational oppor-  
tunities already available through the school system. The  
Secretary contended that while the Kern County school system  
attempts to meet farmworkers' needs, its programs do not signi-  
ficantly benefit many workers whose employment and migration  
patterns preclude them from using these facilities. The  
Secretary argued that intermittent classes, night classes after  
long work days, and lack of transportation to classes supported  
this argument.

Labor officials told us that their argument was based on  
subjective judgments drawn from a knowledge of farmworker needs.  
They told us that they did not determine the nature of the English  
language courses offered by the Kern County public school system.

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(204790)



For that reason they could not produce any tangible proof of their assertions that the program structure and methodology the Kern County school system employs would not significantly benefit the workers to be served under the grant.

As we previously reported, (the adult education consultant for the California State Department of Education, whose geographic area of responsibility includes Kern County,) told us that while the English language courses offered by the school system are generally held at existing school facilities, courses for 20 or more students can be offered at farmworker locations. These locations include large corporate farms or work camps where facilities are available. The consultant told us that the number of courses Kern County offers is determined by the number of persons interested in participating. Thus, with very few exceptions all interested persons have a chance to attend courses.) Our report also noted that officials of the Bakersfield Adult School, which serves about two-thirds of Kern County, indicated that the English language courses being offered attempt to address community needs.

The Secretary also wondered why, if the proposed program was a duplication of effort, the State Board of Education did not object during the A-95 clearinghouse process. (Labor officials told us that in preparing their response they did not know if the board had ever been given the opportunity to comment on the proposal.) They assumed the board had seen the proposal and had no comments.

These comments show that Labor based its response on knowledge of farmworker problems in general and speculation about the clearinghouse process rather than on the facts at hand.) Accordingly, the Secretary's response neither refutes our findings nor demonstrates the need for the residential English language program.

#### NONCOMPLIANCE WITH A-95 CLEARINGHOUSE REQUIREMENTS

Our report faulted Labor for not ensuring that both State and local governments had the opportunity to comment on the center's proposal in relationship to State, area, and local plans and programs.) This is done through Office of Management and Budget Circular No. A-95 procedures. The Secretary, in responding to our report, stated



--The center's proposal was sent to the State clearinghouse and Labor assumed that the State clearinghouse would submit the proposal to the appropriate area clearinghouses.

--It would be impossible to determine which area clearinghouses should be sent the proposal since the center proposed to recruit through 13 Campesino centers Statewide.

We are unconvinced by the Secretary's arguments. First, Labor's own solicitation for grant applications required the applicant to send the proposal to the appropriate State and/or local clearinghouses. We cannot see why Labor would then assume that this was the State clearinghouse's responsibility.

Second, as the Secretary noted, the center proposed to recruit participants through 13 Campesino centers throughout California. We cannot see why the proposal was not sent to area clearinghouses serving the areas in which the Campesino centers are located.

Third, Labor should have been well aware of at least one area, Kern County, that would be served since the application's cover sheet indicates that the area of project impact will be "Kern County/State of California." In addition, the grant singled out the barrios of Kern County as one of three groups to be served. Finally, on March 3, 1978--well before the July 1978 grant award--the Chairman of the Kern County Council of Governments sent a strongly worded protest to the Secretary of Labor because Kern County and eleven incorporated cities were bypassed in the A-95 clearinghouse process. At a minimum the center should have sent its application to the area clearinghouse for Kern County.

GRANT AWARD REPRESENTS A SUBSTANTIAL  
INCREASE IN THE PER SLOT COST

Our report noted that one questionable aspect of the center's grant was the high cost of the vocational skill training program--about \$21,000 per slot. We pointed out that this slot cost far exceeded the \$7,500 amount specified in the solicitation for grant applications and the \$10,000 to \$12,000 range which reviewers considered acceptable, if justified, during the selection process. We reported that five applicants had



been eliminated during the first phase of the selection process solely because their per slot costs exceeded the acceptable limit. Our basis for this statement was a September 29, 1977, Labor memorandum showing that five applications were considered non-responsive solely because of slot costs.

The Secretary objected to our finding, stating that applicants were never eliminated because their applications exceeded recommended cost guidelines. He said that only when such cost overruns could not be substantiated did this factor become critical. We asked Labor officials for documentary evidence to support these comments, but they could not provide it.

#### PREMATURE ANNOUNCEMENT OF GRANT AWARD

The Secretary said that we were "absolutely wrong" in our assertion that the announcement of the grant award prior to negotiating the grant proposal weakened Labor's negotiating strength. After discussing this comment with the Labor official involved in the negotiations which took place after the signing ceremony, we are satisfied that the position we reported is accurate. The Labor negotiator again confirmed that the negotiations were made more difficult for him. He told us that while the center's representatives never said that they would not agree to any of the changes being negotiated, the assurance of an award was lurking in the background.

The Secretary also contended that a statement contained in our report leads one to the conclusion that their bargaining position was not weakened. Our report stated that on April 21, 1978, Labor informed the applicant that the Department would not pursue the grant award without the applicant's prompt and active cooperation in the negotiation process. We do not believe this belies our position. Labor called for the applicant to demonstrate that it would resume negotiations but it did not necessarily change the bargaining positions.

#### LABOR DENIED GAO ACCESS TO ITS RECORDS

On March 9, 1978, we advised Labor that in response to a congressional request, we were starting a review of a grant awarded to the center. Four days later, Labor officials denied us access to all grant-related records involving



activities after January 11, 1978--the date Labor held a grant signing ceremony prior to actually executing the grant. Two months later, after the Comptroller General wrote a letter to the Secretary, we were given access to the records. As Labor correctly observed, our investigation was then allowed to proceed without delay. This delay accounted for about 20 percent of the calendar time it took to do our fieldwork and report our findings. Thus, we believed it necessary to report the extent of delay experienced because of access to record problems.

The Secretary said that while Labor delayed giving us some of the files we did not connect the access issue to any findings or conclusions in our report. The issue of Labor's denying us access to its records has nothing to do with our reported findings and conclusions since we were finally able to see the requested records. Rather, the issue is that Labor significantly delayed our review of records central to the work we were requested to do. This is in spite of our clearly defined statutory authority to review those records.

The Secretary concluded that we raised this issue "\*\*\*\*only to excuse the delay in their submittal of the report to the Congress." Labor solely caused this delay. By refusing to grant us access to the requested records for 2 months, Labor seriously impeded our work and, as a result, delayed our report to over 30 Members of Congress who requested that we review Labor's award of funds to the center.

SOLE SOURCE GRANT FOR  
AGRICULTURAL APPRENTICESHIP TRAINING

We criticized Labor for awarding the center an agricultural apprenticeship training contract on a sole source basis, rather than by competitive means. The Secretary's comments on the award merely reiterate Labor's position as contained in our report. He stated that previous attempts to cultivate apprenticeship training through agricultural employers have met with limited success; therefore, Labor took the opportunity to test apprenticeship training through organized labor. According to a Labor official the "previous attempts" mentioned in the Secretary's letter are the same two projects identified in our report, which are the only agricultural apprenticeship projects Labor has funded in California in the past 7 years. Contracts for both projects were also awarded on a sole source basis.



SELECTION OF SPANISH  
SPEAKING PROGRAM PARTICIPANTS

In commenting on participant eligibility requirements, the Secretary said that it is "not true" that individuals wishing to participate in English language training (more than 80 percent of total program enrollment) would be limited to those speaking Spanish. According to the Secretary, Labor's interview with the program director subsequent to our report revealed that she had no knowledge of having made such a statement. As is clear from our report, we also interviewed the program director, and she told us that she expected individuals wishing to participate in English language training would be limited to those speaking Spanish. Despite Labor's disagreement, the source of its evidence is no different from ours. Therefore, the Secretary has no firm basis for stating that the information we reported is untrue.

THE CENTER LACKED EXPERIENCE IN OPERATING  
A RESIDENTIAL SKILL TRAINING PROGRAM

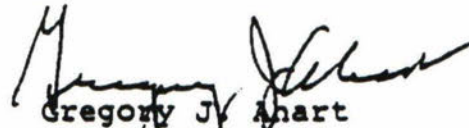
In commenting on the center's lack of program experience, the Secretary said that the center's failure to score high in the area of residential skill training experience did not, in itself, disqualify it from consideration as a possible grantee. We neither reported nor did we suggest that the center's failure to score high on experience should, in itself, have disqualified the center from consideration. Our report noted that experience was one of five factors panelists evaluated during the third phase of the selection process and that of a possible 20 points, the center scored a relatively low 13.5.

The Secretary also said that the center's proposal--considering all rating factors--scored highest among all others reviewed. We do not agree. We accurately reported that the center ranked third of 20 proposals during the final round of the selection process. A Labor official told us that the Secretary's statement should be clarified. He told us that Labor intended to say that during the final round the center scored highest among all applicants from the State of California. Four California proposals were reviewed during the final round. In any case, we fail to see the relevance of this comment in defending the center's lack of experience in operating a residential skill training program.



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As arranged with your office we will make copies of this  
report available to others 3 days after issuance.

Sincerely yours,

  
Gregory J. Anart  
Director