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

CIVIL DIVISION

OCT 8 1970



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Dear Mr. Werts:

The General Accounting Office has made a survey of training activities carried out under six Department of Labor contracts awarded to various sponsors in the Milwaukee, Wisconsin, area for the purpose of promoting on-the-job training (OJT) under the Manpower Development and Training Act of 1962, as amended (MDTA). The sponsors involved were the city of Milwaukee; the Greater Milwaukee Auto Trades Association; the Milwaukee Area Operating Engineer Joint Apprenticeship and Training Committee; the Milwaukee Urban League, Inc.; the Wisconsin Automotive Wholesalers Association, Inc.; and the Wisconsin Motor Carriers Association.

Our survey was directed generally toward the sponsors' contract performance under two contracts which were completed, and four contracts not completed at the conclusion of our fieldwork in May 1970. Our survey generally showed that problems were being experienced in meeting enrollment goals and training requirements. We also noted questionable payments made under four of the contracts.

BACKGROUND

During 1968 and 1969 the Department had 27 OJT contracts which served the Milwaukee area and which authorized a total of 1,553 training positions at an estimated cost of \$1,259,000. The six contracts which we selected for review authorized 826 training positions at a cost of about \$655,000, or about 53 percent of the total positions and 52 percent of the total cost for these two years.

The Department's Minneapolis Area Office was responsible for administering and monitoring four of the six contracts. The Division of Apprenticeship and Training of the Wisconsin State Department of Industry, Labor and Human Relations, was responsible for monitoring and otherwise administering the remaining two contracts. The Wisconsin State Employment Service was responsible for certifying the eligibility of persons enrolled under all six contracts.

ENROLLMENT OF DISADVANTAGED PERSONS

Under the six contracts a total of 826 persons were to be recruited for enrollment in training, of which 407 (49 percent) were to be disadvantaged.

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Our review of sponsors' records showed that at the time of our fieldwork a total of 609 individuals had been enrolled in the program, but that only 133 or about 22 percent were designated as disadvantaged.

Sponsors' officials informed us that the difficulty in meeting the recruiting requirement was attributable to several factors: (1) locating and enrolling individuals meeting the Department's disadvantaged criteria, (2) the disadvantaged tended to be screened out because the best qualified individuals were selected for training, and (3) the high entry requirements for certain apprenticeship occupations.

CONTRACT TRAINING REQUIREMENTS

Of the 609 persons enrolled in OJT under the six contracts which we reviewed 106 were either provided with training in temporary, part-time or seasonal jobs, or were trained under the contractor's regular training program that existed prior to its receiving the OJT contract.

Department regulations governing OJT, which amplify the requirements of the MDTA, prohibit the use of Federal funds for training persons for temporary, or seasonal work unless a combination of such employment provides the trainee with a full year of employment. They also prohibit the use of OJT funds for training normally given by the contractor. Federal OJT funds are to be used only for new or additional training efforts.

Under the contract with the city of Milwaukee, 69 persons were enrolled for training for jobs in snow removal, or work in parks and streets which the city considered as seasonal jobs. Twenty-eight of the thirty-two individuals who completed the training under this contract were laid off within 9 weeks.

Under one of the contracts with the Milwaukee Urban League, training was provided at a local hospital to 13 persons who were summer and part-time employees and who were designated as temporary employees on their personnel records.

Under another contract with the Milwaukee Urban League, funds were being used to support about 14 percent of the cost for an 8-month period of an oil company's training program that existed in its entirety prior to the period of the contract. Apparently the training involving 24 persons was partially funded because the Department had not determined the sponsor's precontract level of training effort before awarding it an OJT contract.

QUESTIONABLE CONTRACT COSTS

Our survey revealed questionable contract costs totaling about \$29,000 or about 10 percent of the total contract costs paid to the six contractors included in our survey.

The Wisconsin Automotive Wholesalers Association was paid about \$24,500 more than allowable under the terms of its contract because the Association had not trained the number of disadvantaged persons called for in the contract.

The other \$4,500 in questionable payments included (1) excessive payments made to the city of Milwaukee resulting from the city's erroneously classifying certain trainees as disadvantaged and receiving payments at the higher rates for disadvantaged trainees (\$1,792), (2) duplicate payment made to the Milwaukee Urban League reimbursing it under two contracts for the project director's salary covering the same period (\$1,600), (3) error in the method of computing the allowable reimbursement for personal service costs such as salaries and transportation under the contract with the Greater Milwaukee Auto Trades Association (\$294), and (4) amounts claimed by the Milwaukee Urban League for training although the four persons involved had terminated from the OJT program and for printing costs applicable to a previous contract (\$814).

STATE AND REGIONAL OFFICE COMMENTS

In April and May 1970 we discussed our findings with officials of the Wisconsin State Employment Service; the Wisconsin Division of Apprenticeship and Training; the Department's Minneapolis Area Office; and the Chicago Regional Manpower Administrator.

Generally, these officials agreed with our findings. Regional officials in Chicago pointed out that frequent reorganizations and shifting of responsibilities had increased the difficulty of administration; that the Chicago Regional Office was undergoing a reorganization which involved closing the area office and realigning staff responsibilities; and that the OJT program was undergoing administrative changes in that the program was to be administered by the States at the local level and by the Department through national contracts.

Regional officials also stated that they would review our findings, together with pertinent contract documents, and take appropriate steps to correct the problems we described, prior to closing out the contracts. These officials informed us that the Department had recognized the need for improved monitoring and that it was designing guidelines to improve this activity.

The Regional Manpower Administrator stated that our findings would be brought to the attention of other regional officials to emphasize the need to improve performance on other existing and future OJT contracts.

Recommendations

In view of the problems being experienced in meeting overall enrollment goals and goals for disadvantaged persons, we recommend that prior to awarding future OJT contracts in the Milwaukee area the Assistant Secretary for Manpower direct that an examination be made into the reasons for and possible solutions to the difficulties in recruiting and enrolling disadvantaged persons in the Milwaukee area. We recommend also that the Assistant Secretary apprise OJT contractors on the need to adhere to the requirements of the MDTA prohibiting training of persons for temporary part-time and seasonal work.

As indicated above, the details of our findings concerning questionable payments were presented to regional officials during our survey. We recommend therefore, that the Assistant Secretary for Manpower have a review made of the questionable payments in the final audit of the contracts and obtain appropriate adjustments.

Finally, in accordance with our previous recommendations on the administration of the maintenance-of-effort requirements of the MDTA, we reiterate the need to give appropriate consideration to the sponsor's precontract level of training effort before entering into OJT agreements.

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We would appreciate being advised of your views on the matters presented in this report as well as any action taken or contemplated as a result of our recommendations.

We wish to acknowledge the cooperation given to our representatives during this survey.

Copies of this letter are being sent today to the Secretary of Labor, the Assistant Secretary for Manpower, and to the Administrator of the Manpower Administration.

Sincerely yours,

Henry Eschwege

Henry Eschwege
Associate Director

The Honorable Leo R. Werts
Assistant Secretary for Administration
Department of Labor

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