



089406
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



CIVIL DIVISION

MAR 24 1972

Dear Mr. Zarb:

In recent months, the General Accounting Office has issued several reports to the Congress dealing with the problems experienced by other Federal agencies in administering and using the results of study and evaluation contracts. The similarity of the problems encountered by these agencies and the high congressional interest in this subject occasioned our undertaking a preliminary survey of the study and evaluation activities of the Manpower Administration.

In performing our survey we were primarily concerned with the usefulness of study and evaluation reports and the impact that such evaluations have on the manpower programs operated by the Department of Labor. Our survey also considered, although to a lesser extent, selected aspects of the Manpower Administration's research and experimental and demonstration activities. As you know, all three of these activities--studies and evaluations, research, and experimental and demonstration projects--fall within the immediate management responsibility of the Manpower Administration's Office of Policy, Evaluation, and Research (OPER).

During the initial stages of our survey, we became aware that over the past year OPER had taken a number of actions designed to strengthen the usefulness of study and evaluation, research, and experimental and demonstration reports and to improve the contract administration of such efforts. Although each of these actions is in a different stage of development and implementation, we believe they offer the Department the potential for significantly improved operations. Accordingly, we have decided to discontinue further survey effort at this time. We did, however, make several observations on matters which we believe may be of interest to and warrant the attention of the Manpower Administration. These observations, as well as a description of the recent actions taken by OPER to improve its operations, are discussed briefly below.

RECENT ACTIONS TAKEN TO STRENGTHEN THE
ADMINISTRATION AND USEFULNESS OF
EVALUATION, RESEARCH, AND
DEMONSTRATION PRODUCTS

Early in calendar year 1971, OPER assigned to its Division of Policy Studies and Analysis the responsibility to critically examine all study and evaluation reports--normally the products of contracted efforts--and to identify and evaluate those aspects of the reports that have significant policy implications for the Department's manpower programs.

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Under newly established procedures, the Division of Policy Studies and Analysis prepares a position paper for the Deputy Assistant Secretary and the Assistant Secretary for Manpower outlining the results of its evaluation and making specific recommendations for policy changes that should be considered by the Manpower Administration's top management officials. At the time of our survey, eight of these position papers had been prepared involving evaluations of operating programs such as the Concentrated Employment Program and the Work Incentive Program.

Prior to September 1971, project officials within OPER were responsible for both administering and monitoring contracted efforts in the evaluation, research, and demonstration areas. An internal audit performed by the Department, and reported on in July 1971, identified numerous weaknesses in the contract administration aspects of this arrangement. Among the observations of the internal auditors were that project officials did not fully implement Federal procurement regulations, that the preponderance of contract awards were made on a sole-source basis without adequate justification, and that administrative requirements were often not met.

Effective in September 1971, OPER established a contract management review group to specifically administer its contract efforts. While this review group has not yet been able to fully achieve its staffing and training goals, it nevertheless affords considerable improvement over the prior organizational arrangement. OPER has also indicated that the creation of this group will enable its project officials to more effectively monitor ongoing evaluation, research, and related efforts.

For some time OPER has been disseminating the results of its research and experimental and demonstration projects to audiences both within and outside the Department. In this respect, distribution lists have been used to disseminate specific reports to management and program officials, researchers, educators, and other individuals interested in given subject areas. In order to explore whether further utility can be made of research and experimental and demonstration reports, OPER has recently arranged for several contractors to study this matter in depth. Although none of the contracts were complete at the time of our survey, we believe this action reflects OPER's desire to get the maximum amount of return on its research and experimental and demonstration investments.

OBSERVATIONS OF POTENTIAL INTEREST TO THE MANPOWER ADMINISTRATION

As a result of our survey, which included a limited examination of selected study and evaluation, research, and experimental and demonstration contracts, we made the following observations with respect to ongoing operations.

Further improvement possible in the review
and use of study and evaluation reports

As previously indicated, OPER recently has been preparing position papers on its analysis of study and evaluation reports and making recommendations to appropriate management levels within the Manpower Administration. Although the position papers are distributed to top management officials, a feedback procedure does not presently exist to show whether the position papers were found to be useful at the decision-making levels. Such a feedback system could have a number of positive benefits. For one thing, it could provide OPER with specific comments and ideas as to how the position papers could be improved and made more useful to management levels. Such a procedure could also be used to bring out issues that are of specific interest to management and that should be considered in future evaluations. In our view, providing this type of feedback on the position papers generally would make them a more effective and meaningful management tool.

We also observed that OPER has developed an internal procedure for following up with program officials the actions taken on their recommendations. Although a follow-up activity is a necessary component of any effective system, we question whether it is desirable to have OPER perform this function. OPER does not have any direct authority over program operations and serves largely in a staff and advisory capacity. Accordingly, we believe that the Manpower Administration should consider placing the responsibility for following up on specific policy changes at a more appropriate management level.

Need to study the feasibility
of increasing competition in the
award of research and experimental
and demonstration contracts

Federal procurement regulations provide that contracts should be awarded on a competitive basis to the maximum practicable extent. We observed, as did the Department's internal auditors, that research and experimental and demonstration contracts have been and currently are being awarded almost entirely on a sole-source basis. In this respect, we noted that OPER's current funding plans for the second half of fiscal year 1972 provide for soliciting competition on only four of 120 new research and experimental and demonstration efforts. The estimated total value of these 120 awards amounts to over \$17 million.

We recognize that many of the research and experimental and demonstration efforts being planned may be unique in nature and may justify the expertise of specific individuals or institutions. However, we believe

that to more fully meet the spirit and intent of the existing procurement regulations, the Manpower Administration should study the feasibility of awarding more of these contracts on a competitive basis. In this regard, we believe that OPER's newly formed contract management review staff could provide major assistance to such a study by developing potential bidder lists and by providing other services designed to test the practicability of enhancing competition.

Need to assure that final reports are received on a timely basis and that salary limitations are adhered to

We observed that several of the final reports we reviewed were not submitted on a timely basis by the contractors. Several reports, in fact, were received over a year after the date originally planned and resulted in their being evaluated as no longer of any use to the Manpower Administration. Several were not even distributed internally. The establishment of the contract administration group should, in our opinion, enable OPER's project officers to more effectively monitor contractor efforts and assure that reports are received on a more timely basis.

Administratively, the receipt of time-important reports might be assured by withholding more than the present 10 percent of the total estimated contract costs pending delivery of a satisfactory final report. There seems to be no prohibition in the Federal Procurement Regulations against including such a contract provision. Additionally, justifications for contract extensions should define the probable effect a delay would have on contract utilization. If the delay would significantly reduce utilization, consideration could be given to terminating the contract, affording some savings to the Government.

Another problem we observed is the fact that several of the contracts we reviewed had individual salaries in excess of the Department's limitations--the current maximum is a rate of \$22,000 per year. Exceptions to this limitation are allowed when the contracting officer prepares documentation which fully and factually substantiates the reasonableness of higher rates.

Generally, however, our review of the contract files did not give any indication that proper justification was available or that excessive salary levels had even been considered by the contracting officers. For example, we found one case where, although the original salary rate of \$22,349 per year was properly justified and documented, subsequent modifications and proposed extensions to the contract provided for increases to \$29,520 per year.

Such increases were not justified by the contracting officer nor was there any indication that they were the subject of negotiations. We suggest that, if higher salary levels are justified, proper documentation supporting the justification be prepared by the contract administration group in conjunction with the program monitors and retained in the contract files.

We wish to thank you for the cooperation and assistance extended to our staff during our review. Please do not hesitate to call us for additional details on the matters discussed in this letter.

We would appreciate being informed of any actions taken by the Department as a result of our bringing these matters to your attention.

Sincerely yours,

Morton K. Henig

for

Henry Eschwege
Associate Director

The Honorable Frank G. Zarb
Assistant Secretary for Administration
and Management
U. S. Department of Labor

cc: Assistant Secretary for Manpower
Manpower Administrator
Deputy Manpower Administrator
Mr. David Williams, MA
Mr. Edward McVeigh, OASA
Mr. Edgar Dye, OASA
Mr. Wayland Coe, OASA
The Secretary of Labor