

**RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations**

RELEASED

090228



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

---

090228

Public Service Employment  
In Delaware Under Title VI  
Of The Comprehensive  
Employment And Training Act

Department of Labor

~~908958~~

090228





COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-163922

The Honorable Pierre S. du Pont  
House of Representatives

Dear Mr. du Pont:

As your March 4, 1975, letter requested and as subsequently agreed with your office, we reviewed the use of Federal public service employment funds in Delaware. These funds are authorized under the Comprehensive Employment and Training Act of 1973 (CETA), as amended (29 U.S.C. 801). Specifically you requested a review of (1) how quickly the funds were put to use, (2) how many jobs were filled as a result of this funding, (3) what criteria were used for selecting those hired, (4) whether any hires had worked for any governmental unit within the 3 months before being hired, and (5) what type of work the hires were doing.

As agreed with your office, we concentrated our review on public service employment authorized under title VI. We reviewed the legislative history of the act, applicable regulations, budgetary and financial records, personnel records, correspondence, minutes of council meetings, and other data. We also held discussions with Department of Labor, labor union, and State and local officials.

In Delaware title VI grants were provided to two prime sponsors--the city of Wilmington and the Intergovernmental Manpower Service of Delaware, a consortium covering the remainder of the State. Funds were provided to fill 96 positions in Wilmington and 152 in the consortium. As of June 30, 1975, Wilmington had filled 71 jobs and the consortium had filled 131.

According to the applications of the enrollees, all but one met the eligibility requirements of the act. However, the consortium did little to verify the data on the applications. All locations, except Wilmington, appeared to be giving veterans special consideration in filling jobs 1/.

---

1/According to CETA and Labor regulations, veterans who served in the Armed Forces in Indochina or Korea on or after August 5, 1964, and received other than a dishonorable discharge are to receive special consideration.

Twenty-four former city of Wilmington employees were rehired under title VI by the city; two former employees were rehired by the consortium. The jobs filled under the title VI program varied from laborer to management trainee and were split between State and local governments and public or private nonprofit organizations.

#### BACKGROUND

CETA was enacted December 28, 1973, to provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons through a flexible and decentralized system of Federal, State, and local programs. It is divided into seven titles, two of which have authorized the bulk of funds for public service employment.

Title II, "Public Employment Programs," is primarily intended to provide the unemployed and underemployed with transitional employment in jobs providing needed public services in areas qualifying for assistance, as defined by the act and Labor's regulations. Title VI, "Emergency Job Programs," added on December 31, 1974, by the Emergency Jobs and Unemployment Assistance Act of 1974 (29 U.S.C. 961), has basically the same objectives as title II, although it is directed more toward being an emergency program to reduce unemployment.

Under title VI, Wilmington received \$715,894 to fill 96 public service jobs from January 10, 1975, to February 9, 1976. The consortium received \$1,321,513 to fill 152 public service jobs during the same period and allocated these funds to 3 county governments that served as subgrantees, as shown below.

<u>Subgrantee</u>	<u>Funds</u>	<u>Number of jobs</u>
New Castle County	\$1,008,106	111
Kent County	204,563	26
Sussex County	<u>108,844</u>	<u>15</u>
Total	<u>\$1,321,513</u>	<u>152</u>

#### TIMELINESS OF EXPENDITURE OF FUNDS

Each prime sponsor must submit a comprehensive manpower plan to Labor for approval. Labor's regional offices are responsible for reviewing and approving these plans as well as any modifications to them. Prime sponsors also must submit monthly performance reports to Labor showing the number of positions filled in relation to the number of positions planned.

Neither prime sponsor had met, in all instances, the goals they had initially established in their plans. As shown in appendix I, both had some difficulty spending CETA title VI funds at the rates they had anticipated, and actual enrollments were generally behind planned enrollments.

According to a Wilmington official, the city was cautious in implementing title VI because of funding problems experienced previously in a public service employment program authorized by the Emergency Employment Act of 1971 (42 U.S.C. 4871). He further explained that under this program funds were reduced drastically between January and March 1973, and the city had to quickly find jobs in private industry for 33 persons.

A consortium official said expenditures for the first 4 months were not as high as projected because, in planning the program, officials estimated paying a full month's salary for each job to be filled. However, persons were hired at various times during the month, resulting in lower actual expenditures. The official believed the consortium adequately met its enrollment goals during the first 4 months.

This official also told us that, beginning in May 1975, goals were not met because the consortium was operating under cautionary instructions issued by Labor on May 2, 1975. These instructions were issued because the combined enrollment levels of all public employment programs were increasing at a rate that would create manpower levels for which funding could not be maintained throughout fiscal year 1976. These instructions cautioned prime sponsors to consider various actions, including the curtailment of hiring, to insure that sufficient program funds would be available throughout fiscal year 1976.

#### PROCEDURES FOR PROCESSING AND SELECTING APPLICANTS

The act states that persons who are unemployed for at least 30 days or underemployed are eligible to participate in the title VI program if they live in the prime sponsor's service area. In areas where the unemployment rate exceeds 7 percent, persons are eligible if unemployed for at least 15 days. Labor's regulations require the average unemployment rate to exceed 7 percent for 3 consecutive months.

The two prime sponsors used similar criteria in processing and selecting applicants. Applicants became aware of the program through various sources, such as newspaper advertisements, internal job postings, the State employment service, and local community agencies. New Castle County did not use the

State employment service as a routine source of applicants but often merely posted job vacancies on a bulletin board and accepted applications directly.

Both prime sponsors compiled a list of eligible applicants for a specific job opening. Ultimate selection was made by the head of the department or office having the job vacancy. Prime sponsor officials said the person selected was usually the individual whom the department or office head believed to be the most qualified.

On the basis of our review of participants' application forms, only one individual (in the consortium program) failed to meet the eligibility requirements of the regulations. The ineligible participant had not been unemployed for at least 30 days. We brought this to the attention of a consortium official, who attributed the mistake to human error. The ineligible participant was enrolled in the program for only 11 days as a town policeman; he was then hired as a member of the town's regular police force, an unsubsidized position.

Wilmington verified in detail the eligibility requirements of people hired under the program, while the consortium verified the requirements only minimally.

The act also provides that unemployed veterans receive special consideration for CETA positions. Labor's regulations require that all vacancies, except those to which former employees are being recalled, be listed with the State employment service at least 48 hours before the vacancies are filled. During this period, the employment service is to refer eligible veterans for the vacancy.

In most cases, all consortium subgrantees complied with Labor's regulations as stated above. We were told that the employment service in turn referred veterans for the jobs before other eligible applicants. We were also told that it is the policy of New Castle County to refer veterans directly to the employing agency 48 hours before other eligible applicants.

Wilmington complied with the requirement that vacancies be listed with the State employment service at least 48 hours before they were filled. However, the city did not refer veterans before other eligible applicants to the department or office having the vacancies. Veterans and all other eligible applicants were referred at the same time.

A Wilmington official said the city permits only one eligibility list of new applicants for a job vacancy. Consequently, veterans cannot be treated separately unless the city personnel rules are changed.

#### WORK PERFORMED BY PROGRAM PARTICIPANTS

One purpose of the act is to provide needed public services. The act stipulates that prospective prime sponsors include in the plans submitted with their applications a description of unmet public service needs and a statement of priorities for such needs. Labor requires the prime sponsor's application to include a description of the positions which are to be filled.

Although a majority of Wilmington's jobs (55 percent) were city jobs, a substantial portion (45 percent) were with public and private nonprofit organizations. For the consortium, 75 percent of the jobs were with local governments, and almost all the remainder were State jobs for area residents.

About a third of the Wilmington city jobs were for management trainees. Most of the rest were general laborer and police-related positions. About 20 percent of the consortium jobs were general laborer positions; the remaining jobs were spread over a wide variety of positions.

Positions through May 1975 are classified as to organization, public service activity, and occupational category in appendixes II through IV.

#### REHIRING LAID-OFF WORKERS

A review of the legislative history of CETA shows that the Congress, when passing the legislation, allowed for re-hiring workers laid off for bona fide reasons. At the same time, the Congress emphasized its strong opposition to "paper layoffs"--laying off people in anticipation of refilling the positions by using CETA funds.

Reiterating the act, Labor's regulations require that public service employment programs (1) result in increased employment opportunities, (2) not result in displacing currently employed workers, (3) not impair existing contracts for services or result in substituting Federal funds for other funds, and (4) not substitute public service jobs for existing federally assisted jobs.

The regulations for title VI require prime sponsors to submit certain data with their plans if they plan to rehire any terminated or laid-off employees with title VI funds. The applicant must estimate the number of jobs to be filled with rehired employees and provide fiscal and budgetary data and explanatory materials establishing that (1) employees were terminated or laid off due to local budgetary conditions and that this would have been done even if Federal funds were not available and (2) such terminations and layoffs were not done to use Federal funds in lieu of local funds. Labor can also direct prime sponsors to submit additional information to help it determine whether or not the act and these regulations have been followed.

### Wilmington

At the time of our review, Wilmington had rehired 24 employees with CETA funds. One grant modification showed that the city planned to use 29 of the 96 public service jobs under its grant to rehire employees. The city justified the rehiring to Labor on the basis of declining tax revenues and rising costs.

Wilmington submitted various data to Labor's regional office to justify the rehiring. The data submitted included: (1) the mayor's 1976 budget message, (2) two letters from the mayor explaining the city's actions, (3) an internal city memorandum on planned layoffs in the public works department, and (4) a newspaper article citing the city's plan to reduce jobs.

The data submitted was very general and provided only narrative justification for the rehiring. The data did not provide details on revenues, expenditures, and surpluses or deficits.

The regional office approved Wilmington's plan to rehire 29 employees without requesting additional data or analyzing the city's revenue and expenditure trends and employment levels. According to regional officials, the data obtained was supplemented by telephone conversations with Wilmington officials. They believed that their analysis was in accordance with headquarters' policy and that indepth review would have required substantial staff-time needed on other priority matters.



We analyzed the city's budgetary and financial data for its general fund 1/ for fiscal years 1970-76, as shown below.

<u>FY</u>	Budget (esti- mated reve- nues)	Budget increase over previous year (per- centage)	Actual revenues	Actual expendi- tures	Differ- ence	Carry- over surplus or deficit(-) (note a)
	(000 omitted)			(000 omitted)		
1970	\$18,954	-	\$18,651	\$18,404	\$ 247	\$ 623
1971	22,397	18.2	21,006	22,030	-1,024	-566
1972	26,903	20.1	25,534	24,882	652	496
1973	29,422	9.4	27,744	28,257	-513	-15
1974	32,357	10.0	31,379	29,780	1,599	1,008
1975	33,532	3.6	33,823	33,306	517	1,557
1976	34,700	3.5	-	-	-	-

a/Represents an adjusted balance after considering adjustments for reserves for encumbrances and other factors.

Wilmington carried over an estimated surplus of about \$1.6 million at the end of fiscal year 1975. At least \$37,000 of the \$1.6 million is attributable to reduced general fund expenditures resulting from transferring 2/ 24 former city employees to subsidized employment under Title VI between March and June 1975. Similar general fund savings of about \$218,000 will result in fiscal year 1976 if the total planned number of former city employees are subsidized under title VI for the entire year.

Wilmington officials said any surplus carried over at the end of a fiscal year is important not only for balancing the subsequent fiscal year budget but also for balancing future budgets. They stated that the budget has been kept to "bare-bones" increases of 3.6 and 3.5 percent for fiscal years 1975 and 1976, respectively, and that increases of this nature are necessary for wage and inflationary increases.

1/The general fund is the principal operating fund and includes money for city functions, such as police and fire protection and refuse collection.

2/Laying off city employees from the regular payroll for the required time and rehiring them using CETA funds.

Although the city had a \$1.6 million surplus, officials said about \$1 million will be needed to balance the 1976 budget. The remaining surplus of about \$600,000 should absorb some of the \$1.2 million or 3.5-percent increase anticipated for the 1977 budget. Wilmington officials contend that the city is constantly faced with either raising revenues or reducing expenditures to balance the budget and that revenue sources have been exhausted. Also, some revenue sources are not subject to change by the city. For example, the wage tax is controlled by the State General Assembly.

The property tax is the only major revenue source subject to unlimited taxing authority by the city. However, officials believe the tax has already been strained to the maximum and additional increases would force businesses to move from the city. Faced with these options, the city officials elected to reduce expenditures by implementing economy measures.

According to officials, the present administration has reduced the regular city work force during the past 2 fiscal years. The reduction was accomplished mainly through normal attrition (resignations and retirements), but because of recent inflationary spirals, which increased costs for materials, supplies, and equipment, the city has recently had to resort to layoffs.

We analyzed Wilmington's personnel strength from July 1973 through May 1975. Our analysis showed that the total number of full-time employees decreased from 1,554 to 1,495 during this period. Despite this decrease in overall employment, a significant increase occurred in the number of federally subsidized employees. (See app. V, VI, and VII.)

Wilmington officials said that the measures the city took to reduce employment since the present mayor took office demonstrate the stringent financial position of the city. They concluded that the rehiring of employees was justified and has enabled the city to avoid more extreme layoff measures, which would have been necessary in the future. Despite the measures already taken, they advised us after we completed our detailed work that an additional 32 employees had been recently laid off and not rehired.

### Consortium

The consortium did not designate any of the 152 public service jobs under its grant for rehiring employees. However, our analysis of the 122 participants enrolled as of May 1975 showed that 2 were former employees who had been rehired under

title VI. In one case, a subgrantee of the consortium transferred a part-time employee to full-time employment under title VI. The action was justified by the subgrantee on the basis that (1) the participant qualified as underemployed, (2) the department needed the service on a full-time basis, and (3) the subgrantee's financial situation would not permit hiring the person as a regular (unsubsidized) full-time employee. A subgrantee official said the funds saved by the transfer would be used to provide full-time regular employment to another part-time employee.

In the other case, the same subgrantee was required to lay off a temporary employee in its electrical department when a regular employee returned from military service. Subsequently, the department determined that its workload justified an additional position, but regular funds were not available to support the position. The subgrantee rehired the laid-off employee and used title VI funds for the position.

#### CONCLUSIONS

Except for possible improvements in verifying data on application forms and in giving special consideration to veterans in Wilmington, we had no basis for questioning either prime sponsor's system for recruiting, selecting, and processing applicants. However, the program might have been implemented more quickly, especially in Wilmington.

Both prime sponsors provided various services through a diversified mixture of jobs. Wilmington placed many of its participants in public or private nonprofit organizations, and the consortium used some of its funds to enroll participants in State jobs.

The provisions concerning the propriety of rehiring employees with CETA funds are difficult to administer and enforce in situations such as those which occurred in Wilmington. Although our analysis showed increasing federally subsidized employment, the overall employment--regular full-time employees and federally subsidized employees--showed a decline from July 1973 through May 1975. Also, the city carried over a surplus of \$1 million at the end of fiscal year 1974 and \$1.6 million at the end of fiscal year 1975.

Labor should have at least required more data regarding the basis on which the city had planned to rehire laid-off employees with CETA funds. Also, a more indepth analysis of the actions planned by the city of Wilmington would have raised questions as to their propriety and provided Labor

with a better basis on which to determine if Wilmington had complied with its regulations regarding the rehiring of laid-off workers with CETA funds.

AGENCY COMMENTS

The Department of Labor concurred in our conclusions on specific issues raised in the report. (See app. VIII.) The consortium also concurred in our observations but wanted to emphasize that planned enrollment levels were not met because of Labor's cautionary instructions. (See app. IX.)

The city of Wilmington stated that delays in implementing its title VI program were caused by a substantial portion of its originally planned program being canceled due to various factors. (See app. X.)

In regard to giving veterans preference in obtaining CETA jobs, the city stated that the State employment service receives more than adequate notice of job vacancies. The city also stated that it has enrolled substantial numbers of veterans, knows of no requirement in the regulations that it must refer veterans in advance of other applicants to departments having vacancies, and has never been criticized by the Department of Labor on its veterans' referral system.

We agree with the city that the regulations do not specifically require that veterans be referred in advance to the departments hiring CETA participants, and we point out in the report that the city complied with Labor's regulations. However, we believe that the existing procedures do little to give veterans actual preference since all job seekers, whether veterans or not, are referred to job vacancies at the same time.

Concerning the city's position that its present procedures have resulted in the enrollment of substantial numbers of veterans, the city is apparently referring to all veterans while Labor's regulations call for preferential treatment for veterans specified in CETA. A review of records for the 10 veterans enrolled by the city in the title VI program at the end of May 1975 showed that only 4 were, in fact, in the veteran group specified for special consideration in CETA.

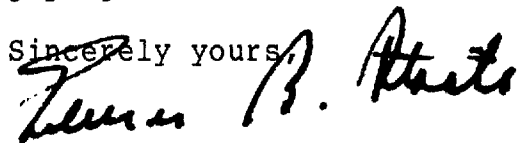
Concerning the rehiring of laid-off city employees with CETA funds, the city commented at length on the problems facing Wilmington and other cities. Many of the issues raised appear valid.

B-163922

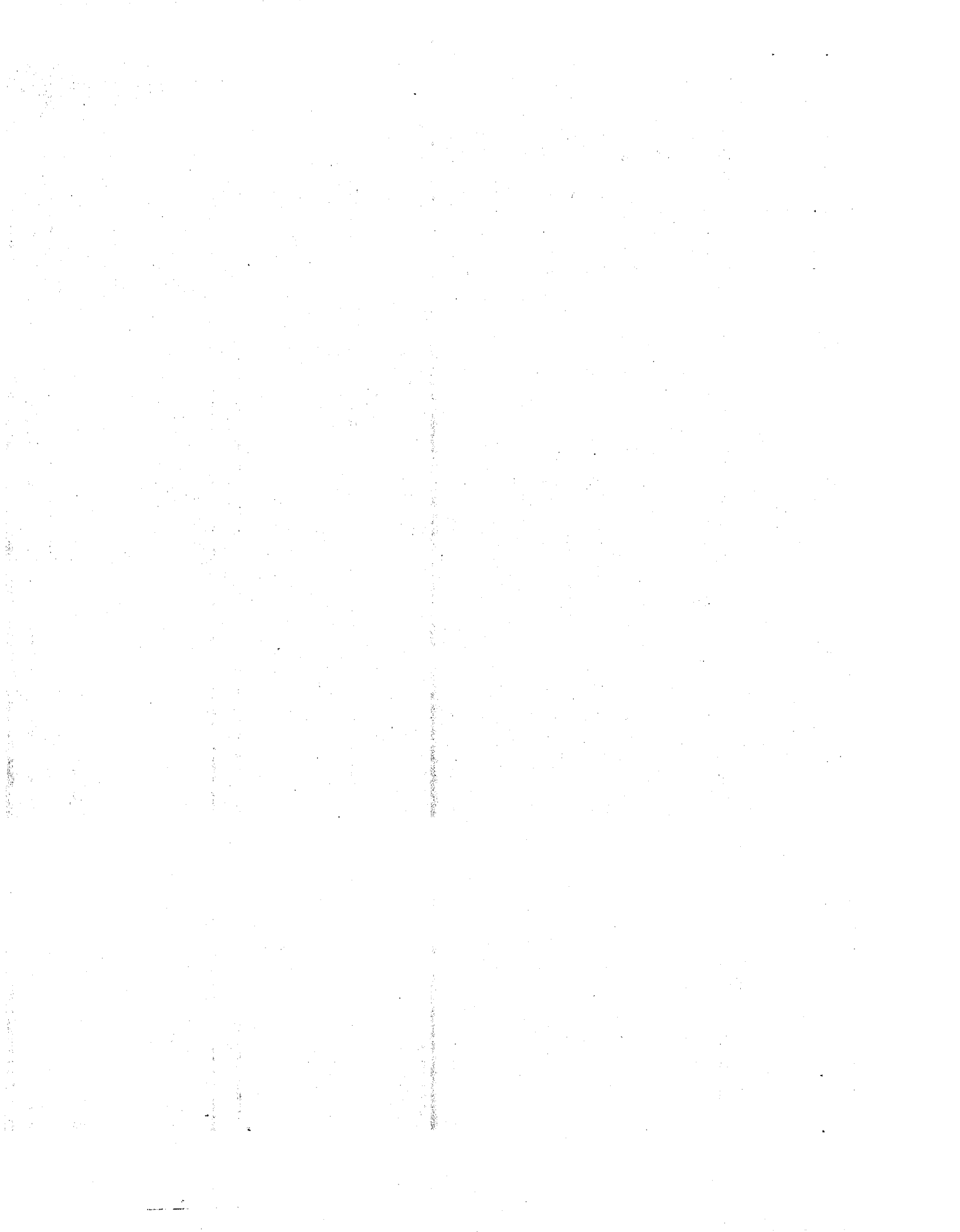
Copies of this report are being sent to the Secretary of Labor, the Governor of Delaware, and the mayor of Wilmington.

We presently have underway a major review of public service employment under CETA, including the adequacy of Labor's regulations for serving veterans and for rehiring local government employees. At the conclusion of that review, we hope to make recommendations for improving program administration.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Thomas B. Atch".

Comptroller General  
of the United States



COMPARISON OF PLANNED AND ACTUAL  
EXPENDITURES AND ENROLLMENTS UNDER TITLE VI

Wilmington

	<u>Projected cumulative expenditures</u>			<u>Actual cumulative expenditures</u>	<u>Enrollment goals</u>			<u>Actual enrollments</u>
	<u>Initial 2-10-75 note a)</u>	<u>Modi- fica- tion #1 3-6-75</u>	<u>Modi- fica- tion #2 4-29-75</u>		<u>Initial 2-10-75 (note a)</u>	<u>Modi- fica- tion #1 3-6-75</u>	<u>Modi- fica- tion #2 4-29-75</u>	
Jan. 1975	\$ -	\$ 2,500	\$ 2,500	\$ 2,618	45	14	14	14
Feb. 1975	-	17,000	10,500	10,441	-	27	21	21
Mar. 1975	-	62,000	26,000	25,587	-	73	35	34
Apr. 1975	-	120,000	48,000	48,242	-	73	63	57
May 1975	-	170,000	93,000	83,859	-	78	75	65
June 1975	-	223,000	147,000	135,000	-	83	b/91	71

Consortium

	<u>Projected cumulative expenditures</u>			<u>Actual cumulative expenditures</u>	<u>Enrollment goals</u>			<u>Actual enrollments</u>
	<u>Initial 1-10-75</u>	<u>Modi- fica- tion #1 2-13-75</u>	<u>Modi- fica- tion #2 4-16-75</u>		<u>Initial 1-10-75</u>	<u>Modi- fica- tion #1 2-13-75</u>	<u>Modi- fica- tion #2 4-16-75</u>	
Jan. 1975	\$ 10,090	\$ 10,090	\$ 10,090	\$ 4,603	27	27	27	41
Feb. 1975	60,335	60,335	60,335	44,585	90	90	90	84
Mar. 1975	149,832	149,832	149,832	110,646	112	112	112	105
Apr. 1975	245,074	245,074	264,286	189,552	124	124	152	132
May 1975	340,316	340,316	378,742	282,550	124	124	152	122
June 1975	435,558	435,558	493,198	394,138	124	124	152	131

a/Wilmington did not submit a project operating plan with its initial funding application but projected that it would fill 45 positions by the end of January 1975.

b/The goal was 96 for July.

TITLE VI EMPLOYEES BY  
GOVERNMENTAL OR OTHER ORGANIZATION

	<u>Wilmington</u>	<u>Consortium</u>
State government	-	28
Local government	36	92
Public and private nonprofit:		
Elwynn Institute	2	-
St. Anthony's Community Center	4	-
West Center City Senior Center	2	-
Delaware Historical Society	8	-
Latin American Community Center	2	-
St. Peter's Adult Center	4	-
South Wilmington Senior Center	3	-
St. Patrick's Senior Center	2	-
Migrant Home Committee	1	-
Jimmy Jenkins Senior Center	1	-
United Neighbors for Progress	-	1
Kent County Bicentennial Commission	-	<u>1</u>
Total	<u>65</u>	<u>122</u>



TITLE VI EMPLOYEES BY ACTIVITY

	<u>Wilmington</u>	<u>Consortium</u>
Public works	16	14
Public safety	7	17
Finance	1	12
Administrative services	-	7
Unemployment insurance	-	6
Employment service	-	3
Adult correction	-	3
Community improvement	-	15
Engineering	-	6
Highway and transportation	-	3
Public and private nonprofit (social services, outreach, educa- tion, and others)	29	2
Other	<u>12</u>	<u>34</u>
Total	<u>65</u>	<u>122</u>

TITLE VI EMPLOYEES BY POSITION

	<u>Wilmington</u>	<u>Consortium</u>
Secretary	-	5
General laborer	8	26
Management trainee	12	1
Police aide	5	-
Clerk typist	-	5
Clerk	-	5
Accounting clerk	-	9
Ambulance driver	-	5
Labor foreman	1	5
Patrolman	1	2
Carpenter	-	2
Cafeteria aide	-	1
Custodian	-	3
Receptionist	-	2
Surveying aide	-	1
Dispatcher	-	4
Draftsman	2	2
Employment interviewer	-	1
Painter	-	1
Stenographer	-	1
Equipment operator	1	3
Bookkeeper	-	1
Communication specialist	-	2
Corrections officer	-	3
Ambulance medical technician	-	3
Police cadet	-	1
Mechanic	1	-
Administrative technician	1	-
Social service aide	1	-
Blacksmith	1	-
Rehabilitation aide	1	-
Parks supervisor	-	1
Computer operator	-	1
Construction specialist	-	1
Delinquent tax collector	-	2
Graphic arts	-	1
Nurse	-	1
Electrician	-	1
Auto mechanic helper	-	2
Electrician helper	-	1
County security officer	-	1
Auto serviceman	-	1
Mason	-	1
Water maintenance technician	-	1
Planning assistant	-	1

## APPENDIX IV

## APPENDIX IV

	<u>Wilmington</u>	<u>Consortium</u>
Engineering aide	1	1
Other	-	9
Public and private nonprofit (outreach worker, program aide, teacher, social service aide, and others)	<u>29</u>	<u>2</u>
Total	<u>65</u>	<u>122</u>

EMPLOYMENT DATA FOR CITY OF WILMINGTONJULY 1973 THROUGH MAY 1975

	<u>City-funded</u> Regular full-time	<u>Federally funded</u>					<u>Total</u> full-time
		<u>Urban</u> <u>renewal</u>	<u>Model</u> <u>cities</u>	<u>PEP</u> <u>(note a)</u>	<u>CETA</u> <u>title II</u>	<u>CETA</u> <u>title VI</u>	
<u>1973</u>							
July	1,397	-	20	137	-	-	1,554
Aug.	1,431	-	26	108	-	-	1,565
Sept.	1,374	-	25	112	-	-	1,511
Oct.	1,396	-	25	97	-	-	1,518
Nov.	1,396	-	27	83	-	-	1,506
Dec.	1,399	18	27	71	-	-	1,515
<u>1974</u>							
Jan.	1,386	17	27	70	-	-	1,500
Feb.	1,393	13	27	68	-	-	1,501
Mar.	1,380	17	26	68	-	-	1,491
Apr.	1,376	19	24	66	-	-	1,485
May	1,354	23	21	64	-	-	1,462
June	1,339	25	20	64	-	-	1,448
July	1,351	30	16	62	1	-	1,460
Aug.	1,349	39	16	60	3	-	1,467
Sept.	1,357	40	16	59	8	-	1,480
Oct.	1,355	43	16	56	10	-	1,480
Nov.	1,367	44	16	54	10	-	1,491
Dec.	1,352	45	16	53	15	-	1,481
<u>1975</u>							
Jan.	1,332	39	18	52	30	14	1,485
Feb.	1,328	36	16	52	40	21	1,493
Mar.	1,327	32	16	(b)	92	34	1,501
Apr.	1,341	31	16	-	91	57	1,536
May	1,287	31	15	-	97	65	1,495

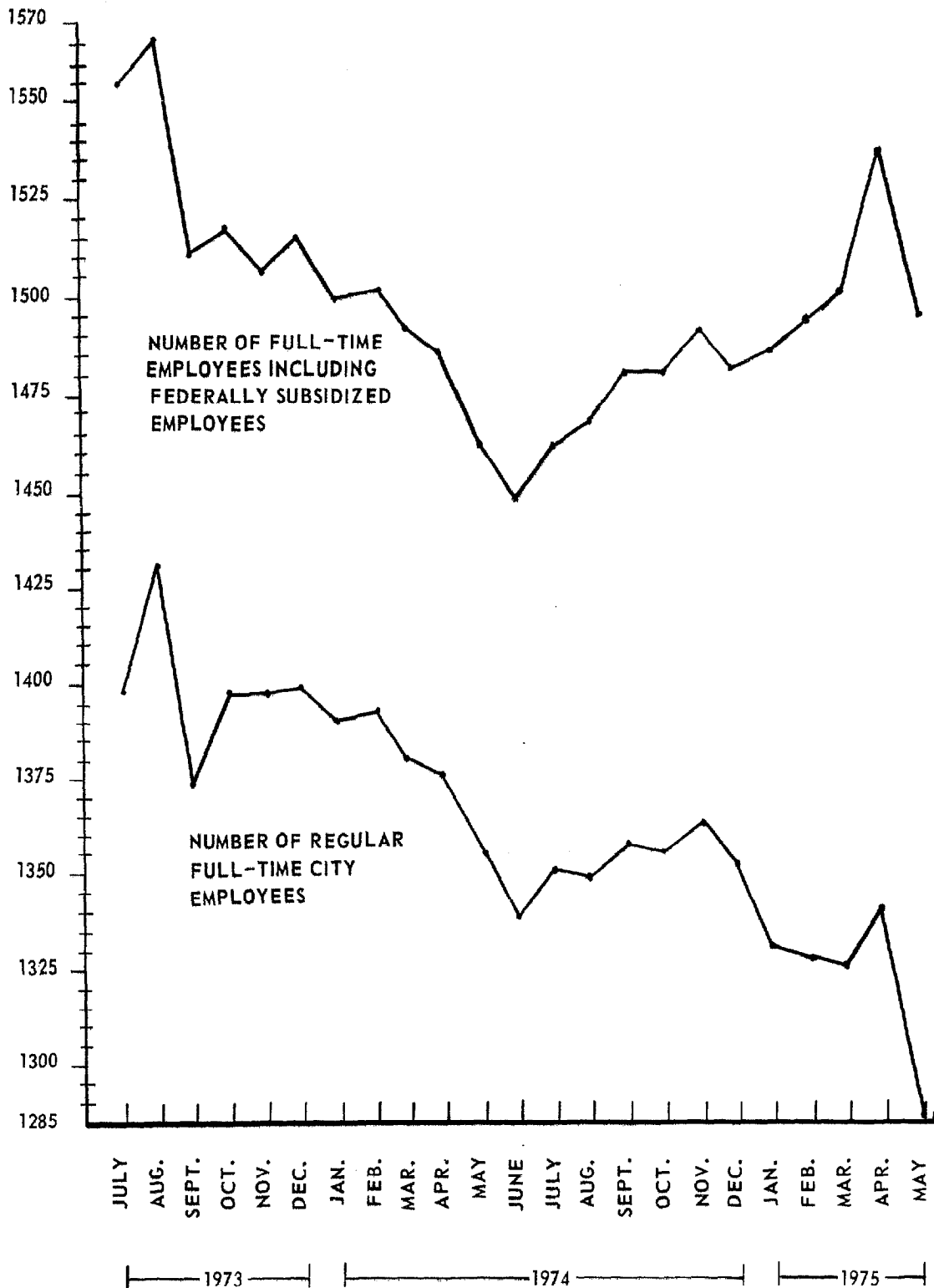
a/Public Employment Program (PEP) was authorized by the Emergency Employment Act of 1971.

b/Fifty-two employees under PEP were transferred to the CETA title II program.

CITY OF WILMINGTON

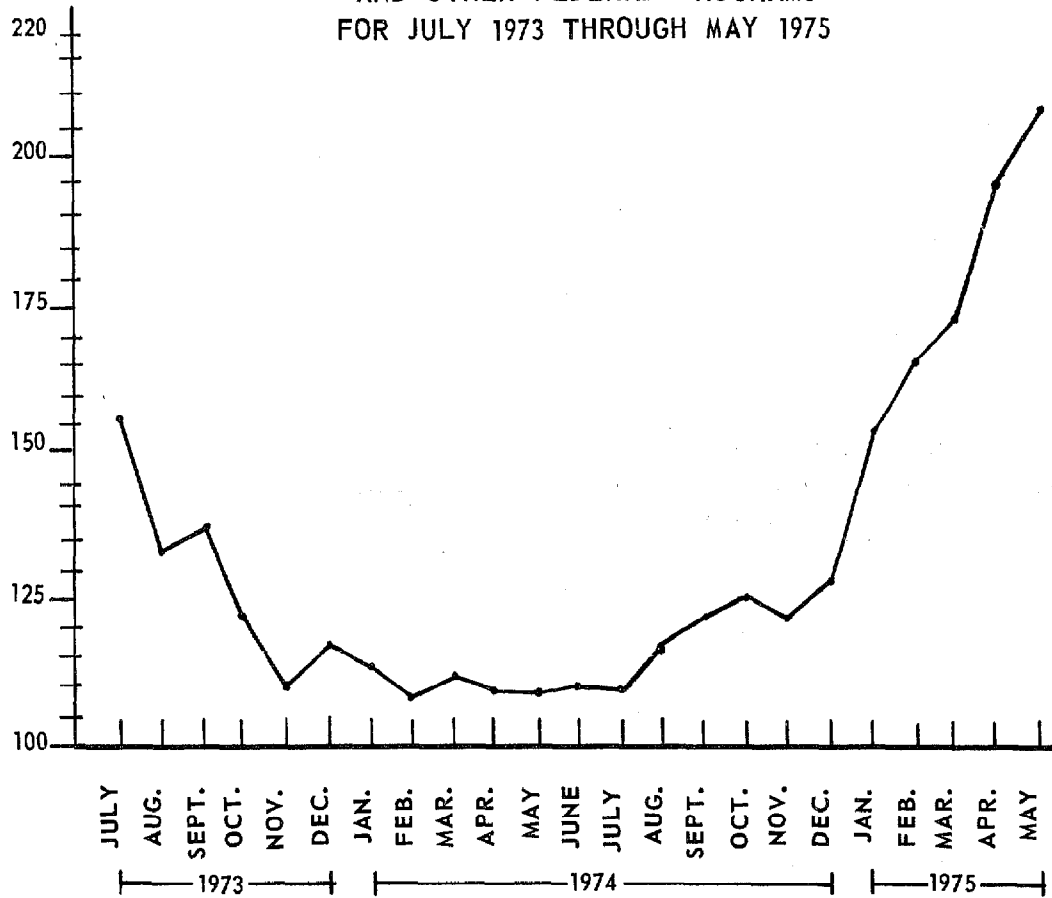
NUMBER OF  
FULL-TIME  
EMPLOYEES

NUMBER OF FULL-TIME EMPLOYEES FOR  
JULY 1973 THROUGH MAY 1975



CITY OF WILMINGTON  
 NUMBER OF FULL-TIME EMPLOYEES  
 SUBSIDIZED UNDER TITLE VI  
 AND OTHER FEDERAL PROGRAMS  
 FOR JULY 1973 THROUGH MAY 1975

NUMBER OF  
 FULL-TIME  
 EMPLOYEES



PROGRAM DETAILS AT SELECTED INTERVALS

NUMBER OF EMPLOYEES

FEDERAL PROGRAM	JULY 1973	JANUARY 1974	JUNE 1974	SEPTEMBER 1974	JANUARY 1975	MARCH 1975	MAY 1975
MODEL CITIES	20	27	20	16	18	16	15
URBAN RENEWAL	-	17	25	40	39	32	31
PEP	137	70	64	59	52	-	-
CETA II	-	-	-	8	30	<sup>a</sup> 92	97
CETA VI	-	-	-	-	14	34	65
<b>TOTAL</b>	<u>157</u>	<u>114</u>	<u>109</u>	<u>123</u>	<u>153</u>	<u>174</u>	<u>208</u>

<sup>a</sup>Fifty-two employees under the PEP program were transferred to the CETA II program in March 1975.

## U.S. DEPARTMENT OF LABOR

OFFICE OF THE ASSISTANT SECRETARY

WASHINGTON, D.C. 20210



DEC 30 1975

Mr. Gregory J. Ahart  
 Director  
 Manpower and Welfare Division  
 U. S. General Accounting Office  
 Washington, D. C. 20548

Dear Mr. Ahart:

This is in response to your letter of November 21, 1975, to the Secretary, transmitting a proposed report to Congressman Pierre S. du Pont, titled, Public Service Employment in Delaware Under Title VI of the Comprehensive Employment and Training Act (CETA). The comments are keyed to specific issues raised in the report.

1. Quicker implementation of title VI programs.

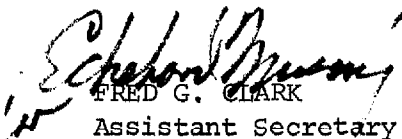
Comment: Concur. However, it should be noted that the Department has consistently urged the speedy implementation of title VI programs. Section 99.15(II)(b) requires the submission of a monthly schedule of total individuals on board and total expenditures. Such plans must reflect the activity for each month during the grant period and indicate efforts made to effect immediate hiring.

2. Labor should have required more data with regard to the basis on which prime sponsors plan to rehire laid off employees with CETA funds.

Comment: Concur. Section 99.15(b)(1)(i)(E) of the regulations requires eligible applicants to provide data, including fiscal and budgetary documents, and explanatory materials which establish that no termination or layoff of employees was done to utilize Federal funds in lieu of local funds, but was the result of local budgetary conditions. With respect to the city of Wilmington, apparently the prime sponsor did not fully comply with section 99.15. This matter has been discussed with ETA's regional office in Philadelphia. We do not anticipate similar problems occurring in the future.

We appreciate the opportunity to comment on this report. If my office can be of further assistance, feel free to contact me.

Sincerely,

  
 FRED G. CLARK  
 Assistant Secretary for  
 Administration and Management



STATE OF DELAWARE  
EXECUTIVE DEPARTMENT  
DOVER

SHERMAN W. TRIBBITT  
GOVERNOR

December 20, 1975

Mr. Gregory J. Ahart, Director  
Manpower and Welfare Division  
United States General Accounting Office  
Washington, D. C. 20548

Dear Mr. Ahart:

It was gratifying to read the portions of your report on Title VI public service employment programs in Delaware dealing with the activities of the Intergovernmental Manpower Service and its program agents. As chairman of the consortium's Executive Board may I express my approval of the highly courteous and professional manner in which members of your staff conducted their review of the IMS program and pleasure at the favorable nature of their findings.

The Consortium staff informs me that the G.A.O. study was thorough and complete and that the report, as it deals with the Consortium, is eminently fair. I have no comment to make on the findings concerning the City of Wilmington, which will, I am sure, wish to prepare its own response.

The G.A.O. report does touch on a matter which, in my opinion, should be amplified and clarified somewhat. This deals with the problem of the number of individuals to be hired versus the hiring levels indicated in the original plans and the rate of hiring.

As you know, all prime sponsors and program agents were urged to hire as rapidly as possible at the outset of the Title VI program, and implementation was pushed as rapidly as possible throughout the country. It soon became apparent that if too many persons were hired and the Congress did not appropriate sufficient funds for FY 1976, large scale layoffs might occur after June 30, 1975. This problem was addressed in Field Memorandum No. 138-75, signed by Floyd E. Edwards, Associate Manpower Administrator for Field Direction and Management, published in the Federal Register, CFR, Vol. 40, No. 86, dated May 2, 1975, pages 19243 through 19245. This statement of the official policy of the U. S. Department of

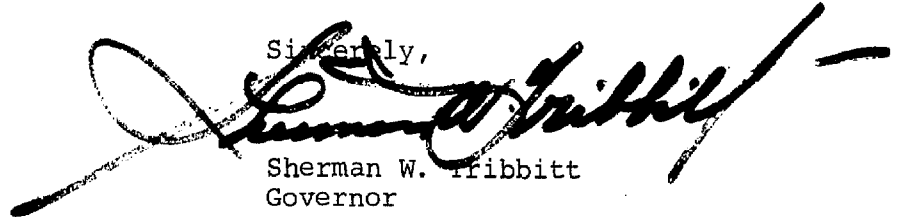


Mr. Gregory J. Ahart  
Page Two  
December 20, 1975

Labor urged prime sponsors and program agents to hold PSE employment levels at the number on board April 30, 1975, pending determination of the amount of money to be available after June 30, 1975. The Consortium carefully observed the recommendations contained in the memorandum. Nevertheless, by June 30, 1975, the Consortium was able to place a total of 131 persons in PSE positions funded under Title VI, compared to 147, as originally planned. This represented 89.1% of the original target for Title VI and placed us in the position to be able to maintain relatively constant levels of Title VI PSE employment (allowing for turnover). It should be noted also that even though the period from the inception of Title VI until June 30, 1975, was one in which jobs were difficult to obtain, a total of 16 Title VI participants entered unsubsidized employment.

Again, may I express my appreciation for the exemplary manner in which your staff conducted its review of CETA operations and my gratification at their findings concerning the Consortium, its program agents and staff.

Sincerely,

A large, stylized handwritten signature in black ink, which appears to read "Sherman W. Tribbitt". The signature is written over the typed name and title.

Sherman W. Tribbitt  
Governor

SWT:jp

THOMAS C. MALONEY  
MAYOR

1000 KING STREET  
WILMINGTON, DELAWARE 19801  
302-658-6641

City of Wilmington  
Delaware



Office of the Mayor

December 15, 1975

Mr. Gregory J. Ahart  
Director  
Manpower and Welfare Division  
United States General Accounting Office  
Washington, D. C. 20548

Dear Mr. Ahart:

I have reviewed the copy of the draft report on the field audit of the City of Wilmington's Comprehensive Employment and Training Act Title VI grant with members of the City administration. I appreciate the opportunity you have given us to assess these findings; I feel that the City should present the following additional comments in response:

- (1) Page 1 and Page 12, "Conclusions" - reference to the number of Title VI jobs filled in June, 1975, and the rate of implementation of Title VI Program.

The City included 37 positions for workers to be hired to support Wilmington's Urban Homesteading Program as home rehabilitation workers in its original February, 1975, full-funding modification for Title VI (44.57% of planned participant level of 83). The component was scheduled to be implemented in March; however, the City discovered it was unable to carry out this plan due to the following factors:

- A - The regulatory requirement that the prevailing wage rate in construction trades be paid to each type of skilled worker under the authority of the Davis-Bacon Act.
- B - The limitation of allowable reimbursement to CETA participants to a maximum rate of \$10,000/year, all Federal sources. Wilmington received specific rejection in its request to utilize CETA administrative funds to pay the "Davis-Bacon" supplement above the \$10,000 rate, since our Title VI Program spends under 5% of total for administration (up to 10% is allowable).

- C - The total restriction we discovered against the use of any CETA PSE sources to purchase equipment and supplies for Public Service Employees out of any CETA title. It had been hoped that Title I CETA, in which such costs are generally allowable, could provide limited support under its administrative section.
- D - Due to the above circumstances, it was determined that the costs of this component not reimbursable by CETA for wages, equipment, and supplies would total in the \$80,000 to \$100,000 range on an annual basis.

The City was unable to commit general revenues to cover this level of cost after reviewing its own austerity budget situation. Therefore, the City contacted the Labor Department, which had been critical of the lag in filling jobs as planned, and informed Regional officials of the necessity of executing a major modification of the Grant. This revised plan was submitted in April, and by June 73.9% of the revised position total of 96 had been filled.

- (2) Pages 5-6 and Page 12, "Conclusions" - comments on the City's lack of a system giving formal preference to veterans for hiring into public service employment.

Under the City's Personnel Code, last revised in 1972, no procedure is mandated for the separate referral of veterans to specific departmental hiring points 48 hours before other certified (qualified and eligible) candidates. However, the Personnel Department has set up a referral system whereby the State Employment Service has notice at least five days in advance of the preparation of a certification list for any CETA opening to give more than two days' time for the referral of interested and eligible veterans to the Department so that their applications can be taken and certifiability determined.

The Personnel Director works with the heads of City departments to see that hiring patterns include the selection of veteran candidates at a rate reflective of their incidence in the CETA eligible population, and as a specific target group in the Title II Grant Plan. A total of 14 or 20% of the June 30 Title VI workforce were veterans. For the quarter ending September 30 the figure was 20 or 22.5%. An additional 72 veterans have been hired since October, 1974, in public service employment by the City through other CETA grants, and 38 veterans have received counseling and training services through the Personnel Department under CETA that have lead to direct unsubsidized employment.

As pointed out in the report, the City is complying with the 48-hour requirement of listing vacancies with the State Employment Service at least 48 hours before positions are filled. Unfortunately, the report implies that the City is not giving veterans "special consideration" because the City does not refer veterans in advance of other eligible applicants to the department or office having the vacancies. We would like to point out that to our knowledge, "special consideration" or "veteran's preference" nowhere specifically states that veterans must be referred in advance of other eligible applicants to the department or office having the vacancies. The only specific requirement under veteran's

preference that we can find in Federal Regulations is the 48-hour listing requirement.

It should be pointed out that present veterans' referral system has been in place since before August, 1971, when the City initiated its Public Service Employment Program under the Public Employment Program. No audit or review by Labor Department or Civil Service Commission officials had previously identified this system to the City as a problem.

- (3) Page 9 and Page 13, "Conclusions" - discussion on the allowability of rehiring laid-off former City employees into an approved number of CETA vacancies.

The two major modifications of the Title VI Grant in February and March, 1975, coincided with some deterioration of the City's expense and revenue situation over what had been anticipated in June, 1974, when the FY '75 budget was approved. Similarly, revenue prospects for FY '76 did not show signs of relative improvement due to the general economic recession, the continued high inflation rate, and the particular economics of the City of Wilmington's tax base. Independent of the CETA operation, the decision was reached to make economies by the end of the year in the one major area of controllable expense through personnel cutbacks, including layoffs, and to continue the City's policy of identifying as much current year revenues as possible for carry-over into FY '76, to give Wilmington some limited leverage in a cost situation that has seriously imperiled many municipalities. -

At the same time the City was planning this course, it was required under its CETA grants to hire as many individuals as funds would allow, to act as "the employer of last resort" due to the faltering of the private sector. The City realized that both practical management and the CETA Title VI regulations would prohibit laying off regular workforce on one hand while it extended work to the general unemployed on the other, without giving limited priority for reemployment through CETA to workers who possessed rightful bidding status under the City's Union agreements and Personnel Code. Therefore, the Personnel Department concluded it was necessary to request Labor Department approval for rehiring in both the February and April modifications. Several intensive discussions were held between members of the City's Budget Management Review Team, the CETA staff, and the Regional Office, at which the City's financial situation and then-current expectations were outlined in detail. Included in this was an explanation of the need for revenue carryover from FY '75 so that a balanced FY '76 budget would be possible. After reviewing this information and the proposed FY '76 budget and other written material we had sent their office, Regional officials of the Labor Department approved our modification.

I personally don't feel that a detailed field investigation by the Labor Department last March would have raised any additional facts which would have caused them to question, rather than approve, the modification

plan with its limited rehires. The City's financial records then were essentially the same as GAO reviewed in May-June, except for some later improvement in tax-receivables revenue. Following a three-week review by a three-man, Philadelphia GAO team, no negative conclusions could be drawn on the allowability of the rehires under CETA. Therefore, I doubt that a longer review period on the part of the Regional Office would have been time profitably spent.

The real issue appears to be a problem of the interface of a Federal system and local realities and the double-jeopardy situation that Federal regulations create for jurisdictions with financial problems. The CETA law exists to create jobs for the general unemployed. Given that purpose, it follows that some inspections would be made to see that unemployed were being served, and job opportunities were resultantly expanded. However, beyond the CETA Program, many jurisdictions, especially cities in the Northeast, are faced with a revenue-inflation cost bind that will lead in many cases directly to insolvency, especially if steps are not taken as early as possible to manage the situation. Unless the Federal government intervenes to relieve these cities of the high cost of social or basic public services to their populations, including the highest percentages of unemployed, indigent, or elderly in the nation, I feel the cities must take steps to prevent the erosion of their supporting tax base, to control expenses, and to insure current liquidity. Unavoidably, this includes reduction in force and layoff; it is unfortunate that City workers must be removed when their prospects of employment in the private sector are weak.

Our union contracts and Personnel Code contain the standard language outlining the rights of workers in the event of layoff and specifying recall procedures. The CETA law and "Assurances and Certifications" that I signed to accept the Title VI Grant require that Wilmington operate its CETA program in accordance with these contracts. To do so in a time when regular City workers are being laid off means that the City must allow these workers to use their established bidding rights for CETA jobs in their classifications, after they become CETA-eligible by virtue of unemployment.

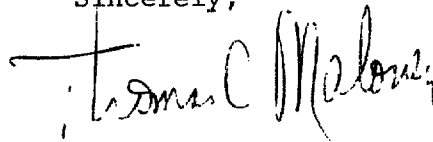
Further on this point, the 1976 regulations on "Maintenance of Effort" state that sponsors who cannot protect regular workforce from adverse action or layoff must transfer all CETA-funded workers in the same or similar job classification into other employment, or be forced to lay off all such CETA workers as well. While some discussions could be held on the legal specifics of this under Wilmington's contracts, we believe such a course would be disastrous for the CETA Program and force a large percentage of the Program's workers back into unemployment. It would also result in serious short-run disruption of City operations, a circumstance we have sought to avoid in regular workforce by choosing gradual reduction, by attrition if possible. We see no prudent alternative to asking for limited rehiring if CETA workers are to remain in many City job classifications.

Since regulations specify that any rehiring activity must be approved by the Labor Department, we are in the ironic position of being required to obtain permission for taking actions that other parts of CETA regulations require. The Labor Department is put in the position of having to gather the facts on the finances of local jurisdictions and make judgments on management policies and discretionary action taken to control municipal finances. Without some comprehensive knowledge of the locality, including a sense of what is considered responsible government, any determination made could be considered infirm.

Our experience suggests that other cities experiencing the same types of difficulties as Wilmington are either planning to ride to the brink of insolvency, making a practical decision to exempt CETA jobs from union contract and personnel law provisions on bidding, or are also asking for approval for some rehiring under CETA. We hope that GAO can advise both the cities and the Labor Department of what might be done to minimize this situation of cross purposes. We believe that the CETA Program makes a positive contribution to Wilmington in easing high stationary unemployment and providing funds for job counseling and training services; however, we feel it is a difficult program for most governments to administer well as long as regulatory conundrums remain.

Again, I would like to thank you for forwarding the draft report to Wilmington for our review. I hope you will be able to incorporate our comments and observations in the final report you will be releasing.

Sincerely,

Handwritten signature of Thomas C. Maloney in cursive script.