



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

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HUMAN RESOURCES
DIVISION

JUL 28 1976

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The Honorable Fred G Clark
Assistant Secretary for Administration
and Management
Department of Labor

Dear Mr. Clark

2 We have made a ^{DOL} survey of the ~~activities of the Department of Labor~~ with regard to assistance furnished to non-reservation Indians under title III-A, section 302, of the Comprehensive Employment and Training Act of 1973 (CETA). The Division of Indian and Native American Programs (DINAP) within the Employment and Training Administration is responsible for administering grants to title III Indian sponsors. During fiscal year 1975, grants were awarded to 132 title III sponsors, of which 58 are sponsors for non-reservation Indians. 492

As part of our survey we reviewed appropriate legislation, applicable regulations, policies, procedures and practices of Labor, pertinent internal survey reports, and reports of monitoring visits, and interviewed Department of Labor officials. We also interviewed officials and reviewed documentation on program funding and operations of the Los Angeles Indian Centers, Inc.

During fiscal year 1975, Congress made available \$50.56 million for section 302 Indian programs. Grants to the 58 sponsors of non-reservation Indians totaled approximately \$21 million. The Center administered a \$1.2 million grant which was the third largest grant for assistance to non-reservation Indians made under the Act.

While we do not plan to initiate a detailed review of the program at this time, we would like to call your attention to certain problems which we noted in our survey.

We found that many prime sponsors were not filing quarterly progress reports required by CETA and Labor regulations. Furthermore, we found that DINAP's management control over monitoring reviews of sponsors needed to be strengthened, and follow-up procedures were not being adequately implemented. Moreover, the Office of Audit Operations within the Directorate of Audit and Investigations had not maintained control over its surveys of the title III-A Indian sponsors to ensure adequate follow-up. Our survey also showed that the Los Angeles Indian Centers, Inc., was experiencing problems in operating its CETA program.

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NEED TO IMPROVE REPORTING BY SPONSORS

Under the Act, Labor is responsible for monitoring and evaluating the activities of prime sponsors. CETA regulations require each prime sponsor to submit quarterly progress reports containing basic summary information on project goals and accomplishments and program costs incurred.

We found that many of the title III Indian sponsors, both reservation and non-reservation, had not been submitting the required reports. Our examination of Labor's computer print-out of quarterly progress reports submitted by prime sponsors to Labor as of September 19, 1975, for the quarter ending June 30, 1975^{1/}, and for the previous quarter ending March 31, 1975, showed that only about half of the 58 sponsors for non-reservation Indians had submitted reports for each period. Similarly, only about half of all 132 sponsors submitted reports for each period. Further, about one third of all 132 sponsors had not submitted reports for either period. Thus, during this entire period Labor lacked information needed for program management and evaluation.

On September 26, 1975, DINAP sent letters to all sponsors notifying them of the high delinquency rate and stating that if they did not report, DINAP would take action which could include withholding further payments under their grants. Also DINAP project officers were informed by a DINAP official that the reporting requirements are top priority and that the project officers are to help the sponsors complete the reports if necessary.

As of April 9, 1976, however, according to an official in Labor's Division of Accounting, only about 62 percent of the required quarterly progress reports from all sponsors for the quarter ending September 30, 1975, and about 15 percent of those required for the quarter ending December 31, 1975, had been received.

USE OF MANAGEMENT INFORMATION SYSTEM FOR PROGRAM EVALUATION

DINAP procedures provide for analysis of quarterly progress reports and the preparation of special reports on prime sponsors' performance and costs. We were advised by a DINAP official that, as of January 1976, the only analysis completed was one designed to identify which sponsors were drawing CETA funds in excess of their current operating needs. With regard to performance, we noted that there was a computerized tabulation of the achievements made by those sponsors who had submitted reports and the aggregate goals of all sponsors funded. Given the high reporting delinquency rate, aggregating the achievements of those who actually

^{1/} Quarterly progress reports are to be sent by the sponsor to Labor to be received no later than 30 days after the end of each fiscal quarter.

reported and comparing this with the aggregate of goals for all prime sponsors does not provide a meaningful assessment of overall program performance

NEED TO IMPROVE FOLLOW-UP ON
INTERNAL SURVEYS AND REVIEWS

CETA regulations require Labor to determine whether prime sponsors are carrying out the purposes and provisions of CETA in accordance with their approved Comprehensive Manpower Plans

Labor performed two types of reviews of Indian sponsors under title III Labor's Office of Audit Operations in the Directorate of Audit and Investigations performed surveys of sponsors' financial and management control systems, while DINAP conducted monitoring reviews of the sponsors' overall program operations

Although DINAP has established procedures for notifying sponsors of problems identified during surveys and monitoring reviews, and determining whether the sponsors took action on recommendations for corrective action, we found that these procedures had not been adequately carried out

Fiscal surveys

Based on our examination of survey report files, we determined that from February 14 through July 20, 1975, the Office of Audit Operations had issued 55 survey reports on the 132 sponsors.

Survey reports are transmitted to DINAP and the applicable prime sponsor. Letters transmitting the reports request that the Office of Audit Operations be advised by DINAP within a specific time period, usually 45 or 60 days, of proposed or completed actions taken by the prime sponsor on survey recommendations. We were told in September 1975 by an official of that Office that notification of actions taken had not been received for these 55 surveys

Of the 55 surveys, 19 were made of sponsors for non-reservation Indians. We noted that 10 of the 19 surveys had identified problem areas. Common problem areas identified in the surveys included lack of internal management controls and procedures, lack of fiscal management, lack of control over payroll, inventory, and subgrants, lack of corrective action where accomplishments did not meet goals, and incorrectly prepared reports. However, we found that DINAP had followed-up on only 3 of the surveys

In January 1976, we discussed the problem with the DINAP staff member assigned the responsibility for ensuring that follow-up action was taken. He stated that because his control log was incomplete he did not know how many surveys were sent to DINAP by the Office of Audit Operations or what follow-up action was taken. He advised us that this

responsibility was an extra duty assigned to him and that to achieve effective follow-up additional staff would be required. He also said that DINAP officials did not require a status report on the surveys.

We were told by an official from the Office of Audit Operations that, beginning in January 1976, labor contracted with CPA firms to perform complete audits of all Indian sponsors and that DINAP will be required to keep his office advised of corrective action taken on those audits. While we believe that the primary responsibility for action and follow-up of both the survey recommendations and the analysis rests with DINAP as program managers, the Office of Audit Operations also has a responsibility to ensure that its recommendations receive management consideration leading to satisfactory corrective action.

Monitoring reviews

DINAP project officers are responsible for monitoring prime sponsors through on-site reviews using a Monitoring Evaluation and Assessment Checklist. The Checklist covers such areas as general administration, fiscal management, property management, and training. DINAP's procedures require the project officers to notify the sponsors by follow-up letters of the problems identified and the corrective actions required and to ascertain whether the sponsors have taken the required corrective actions.

A DINAP official provided us with a list of 77 sponsors, including 32 non-reservation Indian sponsors, which were monitored during fiscal year 1975. The official said he assumed that follow-up had taken place on most reviews, but said he could not document this, as no control logs were maintained showing if and when follow-up had been performed.

We selected 10 non-reservation Indian sponsors from the list and attempted to review the monitoring documents. For the ten sponsors we selected there were no monitoring Checklists or follow-up letters in DINAP's central files. DINAP staff were able to locate only seven Checklists and five follow-up letters. We were advised that one of the 10 sponsors had not been monitored but was put on the list by mistake.

The seven Checklists which DINAP officials could locate showed that problems had been identified. The most common problem areas identified involved client records, fiscal management, participant orientation, counseling and coaching of participants, and job development and placement. However, DINAP officials stated that no analysis of the monitoring reviews had been made as of January 1976.

While failure to maintain central files in and of itself would not normally merit detailed discussion, we feel that the lack of adequate internal files did, in fact, preclude effective management control of the monitoring and follow-up.

Program officials and project officers told us that some of the problems we have described were attributable to such factors as insufficient staff to administer the program, staff inexperienced in administering grants, and the need for professional staff to devote considerable time to clerical-type maintenance of project files. A DINAP official advised us that, as of February 1976, DINAP had an authorized staff ceiling of 32 compared to 22 in fiscal year 1975. According to DINAP officials, the added staff will permit more frequent monitoring reviews, improved follow-up, and increased technical assistance

PROBLEMS IN OPERATION OF LOS ANGELES INDIAN CENTERS, INC

We found that the Center was experiencing problems with respect to its management information system and the utilization of its manpower services components. Furthermore, DINAP did not properly follow-up on its monitoring review of the Center.

Sponsor's management information system inadequate

Although the Center had attempted to implement a system which would provide inputs for required DINAP reports, the system was inadequate to insure timely, accurate information. In addition, the Center had not established a supporting information system to permit it to assess program effectiveness.

At the time of our visit, the Center had submitted reports to DINAP for the quarters ending December 31, 1974, and March 31, 1975.

We attempted to review the accuracy of the Center's reports, but Center officials were unable to provide supporting information through which we could reasonably test the accuracy of the reports.

We were advised on February 9, 1976, by a Center official, that the June 30, 1975, report had been filed but was returned because it was incorrect and that the Center had not re-submitted the report. He also stated that the September 30, and December 31, 1975 reports had not been filed.

A Center official told us that the two major reasons they had not established a proper monitoring and information system which would be used as a basis for their required reporting were personnel turnover and lack of experience.

Our review of DINAP's monitoring Checklist of the Center shows that DINAP did, in fact, identify some of these problems. However, DINAP did not follow its own internal policy of notifying the Center of these

problems and making recommendations on how to remedy them. The problems specifically identified in the monitoring Checklist included reports were not submitted in a timely and accurate manner, and, the reporting system did not permit monthly analysis of operational and output statistics for each activity. The DINAP project officer who was responsible for advising the Center of these problems and making recommendations said that the reason he had not done so was that he did not have time to perform the necessary follow-up work, although he agreed that it would have been beneficial to the Center.

Improper use of manpower services

We found that program effectiveness, with respect to providing appropriate employment, was limited by such problems as not matching participants' employment and training needs with appropriate program activities, and not establishing or communicating to supervisors of program participants the objectives of program activities.

Statistics reported by the Center indicated that the number of participants placed in on-the-job training, classroom training, and direct placement were all substantially below goals, but that those in the work experience component far exceeded goals. To determine the effectiveness of these components, we took samples of participants in various components. While we were unable to make a scientific random sample because the sponsor's files were unorganized, Center officials agreed that our sample findings were generally representative of the participants in their CETA program.

Work experience

The Center reported that as of March 31, 1975^{1/}, it had achieved 211 percent of its goal (80 participants) for the work experience component. This component is designed to serve the chronically unemployed, retired persons, recently discharged military individuals, institutional residents and inmates, youth, and others who have not been working in the competitive labor market for extended periods of time, by providing them with experience on the job, and developing occupational opportunities. It is not designed for job-ready participants and the positions are to be temporary in nature.

Center officials advised us that extensive use of work experience positions was necessary due to the lack of availability of opportunities for direct placement or placement in other components. One Center official stated that it was easy to develop work experience positions because work experience provided free employment to organizations in exchange for training and work exposure.

^{1/} The March 31, 1975, report was the last report available from the Center as of February 9, 1976.

Our survey showed that of nine work experience participants whose applications we reviewed, five were at least high school graduates, had previous work histories, and entered work experience with skill levels and work habits above those which the component is designed to develop

No determinations of what the work experience positions were to achieve for these or other participants had been made by the Center's staff, nor had plans leading to future employment been formulated. The Center's records in May 1975, 6 months after the inception of the component indicated that this component was characterized by a high negative termination rate--67 percent of the terminations or about 25 percent of the participants terminated without good cause

On-the-job training(OJT)

At the time of our survey, 32 participants had been assigned to the OJT component. We noted that the negative termination rate for this component was high. Statistics reported by the Center's job developer in June 1975, 5 months after the inception of this component, indicated that 16 participants or 50 percent of those who entered terminated without good cause

We found that most of the OJT positions had been developed before participants' needs had been identified, hindering effective matching of training with needs. One Center official told us that it was difficult to develop OJT positions because of the 1974 recession and that the positions actually developed represented the best opportunities available

Classroom training

Based on the Center's data as of June 30, 1975, five months after this component began, the negative termination rate for the classroom training component was also high--81 percent of the terminations or 26 percent of all participants. We noted that 31 of 80 participants had been or were in training for cosmetology, truck driving, schematic drafting, and construction work--fields in which reports of the California State Department of Employment Development indicated a large labor surplus for the area.

Direct placement

The Center reported that as of March 31, 1975, its direct placement component had placed only 21 participants, 10 percent of its goal. Center officials told us that the 1974 recession and the inexperience of their job developers were factors that caused this low rate. We were also told that the large number of applicants at the beginning of the program caused difficulties in serving all applicants, and that as of May 1975, there was a backlog of about 400 to 450 applicants

A monitoring review of the Center's operations by a DINAP project officer noted some of the problems which we have discussed, including that work experience assignments were not compatible with each enrollee's interest, capabilities, and potential; that with the exception of work experience, the components were not meeting their goals; and that client records did not contain evaluation reports, employability plans, counseling records, or the status of clients at termination from the program. However, the project officer did not require the sponsor to take corrective action or make recommendations for correcting the problems

Summary

While we have not made a detailed review of the Department's activities with regard to assistance furnished non-reservation Indians, our survey has disclosed several problems which should be corrected. We have found that

- notwithstanding prior efforts to have prime sponsors submit their required quarterly progress reports, many of the prime sponsors are continually negligent in submitting their reports
- the computer tabulation of overall program results reported by the prime sponsor, as presently designed, does not provide meaningful information on performance
- follow-up on problems identified in surveys performed by the Office of Audit Operations and DINAP monitoring reviews are inadequate.

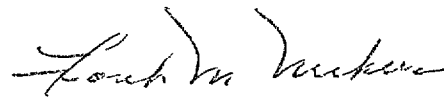
Also, we found that the Center we visited was experiencing problems with respect to its management information system and the utilization of its manpower services components

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We would appreciate your comments on the matters discussed in this letter, including any actions that you take or plan to take. We are sending copies of this letter to the Secretary of Labor, the Assistant Secretary for Employment and Training, and the Director of Audit and Investigations

We wish to acknowledge the courtesies and cooperation extended to our representatives during our survey

Sincerely yours,



Frank M. Mikus
Assistant Director