

116663

12222

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

FOR RELEASE ON DELIVERY
Expected at 9:00 a.m., EDT
Tuesday, October 20, 1981

STATEMENT OF
GREGORY J. AHART, DIRECTOR
HUMAN RESOURCES DIVISION
GENERAL ACCOUNTING OFFICE
BEFORE THE
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
ON
DEPARTMENT OF LABOR'S
OFFICE OF NATIONAL PROGRAMS' ADMINISTRATION
OF EMPLOYMENT AND TRAINING AWARDS



116663

e15 947

Mr. Chairman and Committee members, we are pleased to be here today to discuss our two recent reports on Labor's administration of its employment and training activities under titles III and IV of the Comprehensive Employment and Training Act of 1973 (CETA) (29 U.S.C. 801, as amended by Public Law No. 95-524). CETA was enacted to provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons and to assure that training and other services lead to maximum employment opportunities and enhanced self-sufficiency. Both reports pointed to weaknesses in Labor's awards practices which could hamper it in achieving the act's objectives.

The first report, issued to you as Chairman of the Committee on August 28, 1981, is entitled "Labor Needs to Better Select, Monitor, and Evaluate Its Employment and Training Awardees" (HRD-81-111). This report was our first comprehensive look at how the Office of National Programs, hereafter referred to as ONP, within Labor's Employment and Training Administration, administers its grant and contract awards. ONP administers several programs for persons with severe disadvantages in labor markets through four program offices under authority contained in CETA title III. It also administers a program authorized by title IX of the Older Americans Act (42 U.S.C. 3001 and 3056), as amended by the Older American Amendments of 1975.

Our second report, sent to you on August 31, 1981, is entitled "Information on Funding Commitments From Comprehensive Employment and Training Act Titles III and IV During

Fiscal Year 1981" (HRD-81-145). This report discussed how Labor made many awards during the closing months of the past administration. These awards were administered by ONP under CETA title III and by the Employment and Training Administration's Office of Youth Programs under CETA title IV. Title IV provides for a broad range of employment and training programs to improve the employability of youths and to experiment with methods for achieving this objective. While many of the awards we reviewed were for youth programs, the award documents were signed by three ONP officials. This was done because Office of Youth Programs' officials were not delegated authority to sign grant or contract awards.

"LABOR NEEDS TO BETTER SELECT,
MONITOR, AND EVALUATE ITS
EMPLOYMENT AND TRAINING AWAARDEES"

The objective of our August 28 report was to comprehensively evaluate how ONP administered its employment and training awards. We reviewed a statistical sample of 175 awards from an estimated universe of 479 awards made in fiscal year 1979. The 1979 awards were chosen because, at the time of our fieldwork, the awards were in place long enough to enable us to evaluate ONP's administration of them. We made a statistical sample and were able to project our sample results to the universe of 1979 ONP awards.

Since we were interested in ONP's administrative practices for awarding and administering its awards, we did not visit awardees to assess how well the service deliverers carried out award activities or to what extent the client populations

benefited. We found a number of weaknesses in ONP's procedures and practices throughout the award process. ONP

- often used sole source awards without adequately justifying them;
- rarely evaluated or negotiated award proposals sufficiently before funding them;
- sometimes authorized, without adequate safeguards, awardees to start work before the award was finalized;
- did not consistently and adequately monitor awardee performance to insure award terms were met; and
- seldom evaluated awardees before renewing their awards.

Use of sole source awards

Offering all qualified individuals or organizations the opportunity to compete for awards is an accepted principle for obtaining better work agreements and/or lower costs. While occasionally competing for awards is not practical or appropriate, we believe the principle of open competition should be the preferred method for making awards. Because of the advantages of competitively made awards, any sole source award should be fully justified as to why no other potential awardees were considered.

ONP did not make extensive use of competition and seldom adequately justified its sole source awards. Overall, ONP considered more than one applicant only 21 percent of the time (102 awards). Of the other awards, about 70 percent (237

awards) were made based on formula allocations, 1/ and 29 percent (140 awards) were made on a sole source basis for special projects 2/ without considering other organizations. For the special project awards made on a sole source basis, the records seldom indicated why ONP did not consider other potential awardees.

Evaluating proposals and negotiating with applicants

Labor regulations require that each funding proposal contain a narrative description of the proposed program and an adequate budget justification. Before making the award, ONP should fully evaluate both the cost and technical aspects of the proposal. When problems are identified, ONP should negotiate with the applicant to reach the most advantageous agreement to the Government.

Of the 479 awards in our sample universe, only 130 award files (27 percent) contained evidence of cost evaluation and only 143 (30 percent) documented technical aspects (work statements) of the evaluation. Award files also indicated that negotiations were conducted for only one-third of the awards: costs were negotiated for 153 awards (32 percent), and negotiation on technical aspects occurred in 151 awards (32 percent). Where these activities did occur, they were often poorly documented and poor negotiating techniques were used.

1/These awards were made by allocating funds to eligible and qualifying organizations based on the size of the population to be served and, for Indian programs, income and unemployment levels.

2/Other than formula awards and awards for nationally competed farmworker projects.

In addition, many of the awards approved by ONP did not adequately describe what the awardee proposed to do or justify the planned use of funds. Proposals contained vague narrative program descriptions, and salary schedules were often wrong. In a few cases, awards were made with no justification as to how funds would be used. For example, the work statement for a \$1.3 million award to provide job training in the automotive, agricultural implement, and aircraft industries did not specify any skills or trades the enrollees were supposed to learn. In another case, a \$2.3 million award had net budget errors of nearly \$1.6 million in the original award and subsequent modifications--\$688,700 in the original budget, \$484,800 in the first modification, and \$394,700 in the second modification. The errors were made primarily in computing enrollee wages and fringe benefits.

Preaward work authorizations

One of ONP's program offices often provided its potential awardees with preaward work authorization letters 1/ allowing

1/Federal Procurement Regulations (41 CFR 1-3.408) and Labor procurement regulations (41 CFR 29-3.408) authorize the use of a "letter contract" as a preliminary contractual instrument which authorizes the contractor to start work when (1) the interests of the Government demand that the contractor be given a binding commitment so that work can start immediately and (2) negotiation of a definitive contract to meet the procurement need is not possible. ONP issued both "letter contracts" and "letter grants" in our sample universe. An official in Labor's Office of the Solicitor told us that there is no specific authorization for an arrangement similar to a "letter contract" which will result in a grant. However, he told us that, since "letter contracts" are binding contracts, "letter grants" would also be viewed as binding grant awards. Since the purpose of the letter contract and letter grant authorizations was the same, we are calling them "preaward work authorization letters."

them to start work and incur costs before the actual awards were finalized.

Labor's Acting Solicitor at the time of our review told us that the preaward authorization letters constitute binding agreements between ONP and awardees and legally obligate ONP to reimburse awardees for allowable costs incurred before the awards are finalized. The Acting Solicitor also told us that, if negotiations should fail to produce an award, ONP would be legally required to pay any program costs incurred by the awardee up to the point of denial.

None of the ONP preaward authorization letters contained sufficient language to protect the Government's interests. Examples of safeguards that were seldom found in the authorization letters included a dollar limit on costs authorized to be incurred, a statement of work to be performed, and a cutoff date for the authorization.

Monitoring of awardee progress

Monitoring is the process by which the Government reviews awardees' progress to make certain that it receives the goods or services for which it pays. However, the award files in our sample universe showed little evidence of active monitoring, through trips, correspondence, or other Labor-initiated contacts with the awardees. Thirty-four percent of the awards showed no evidence of monitoring, 47 percent showed little monitoring, and only 19 percent showed regular monitoring. While a primary method of monitoring is reviewing awardees' progress reports required by award terms, 31 percent of ONP's awardees failed to

submit most (70 to 80 percent) of the required progress and fiscal reports for the latest performance period at the time of our review. Twenty-four percent did not submit most of the required reports for prior reporting periods. In only 17 percent of the cases where most reports were not submitted did we find evidence that ONP tried to obtain the missing reports.

Finally, when ONP representatives identified awardee problems, they did not always attempt to resolve them. In addition, we found many problems that the representatives had not identified.

For example, although one awardee's statement of work showed it would undertake eight tasks, the files showed no evidence of anything being done on seven of the tasks. The ONP representative said that he had done nothing regarding the apparent lack of activity on the seven tasks.

Evaluating project performance before renewing awards

A major factor in a renewal decision should be the awardee's performance under the preceding award. However, ONP did not require that awardees' performance be evaluated before the awards were renewed. Based on our sample, 82 percent of ONP's awards were renewals, and only 13 percent had any meaningful evaluation.

Lack of separation of grant and contract management from program management responsibilities

Most of ONP's problems stemmed from Labor's failure to separate grant and contract management responsibilities from program responsibilities. The ONP officials charged with

insuring that good award management practices were followed were also responsible for accomplishing program objectives. Labor specialists in grant and contract management were seldom involved in ONP award activities. Consequently, most of the award activities, such as evaluating and negotiating proposals, were handled by program staff who placed little emphasis on following good grant and contracting practices.

Recommendations and
Labor response

As a result of the problems we found, we made several recommendations to the Secretary of Labor. Among these are that the Secretary direct ONP to

- make greater use of competitive awards for its special projects and fully justify any sole source award,
- require program offices to fully carry out and document all evaluations of proposals and negotiations with applicants,
- require that preaward authorization letters specifically state what the Government and awardees have agreed upon to protect the Government's interests,
- place a greater emphasis on its monitoring activities, and
- prepare written assessments of an awardee's performance under prior awards before refunding the awardee.

The Secretary should also separate ONP's grant and contract management functions, including grant and contracting officer authority, from its program management responsibilities.

Labor has responded positively to our recommendations and is taking actions to implement them.

"INFORMATION ON FUNDING COMMITMENTS
FROM COMPREHENSIVE EMPLOYMENT AND
TRAINING ACT TITLES III AND IV
DURING FISCAL YEAR 1981"

The primary objective of our August 31 report was to address concerns relating to Labor's CETA titles III and IV awards from September 1, 1980, through January 31, 1981. We made a detailed analysis of a selected sample of awards and reviewed the operation of the CETA title III/IV steering committee.

Detailed analysis of a
selected sample of awards

The sample chosen consisted only of awards administered by ONP and the Office of Youth Programs because these offices administered 89 percent of the titles III and IV discretionary funds during the specified time frame. We identified a universe of 193 awards, 88 administered by ONP and 105 by the Office of Youth Programs, and subsequently analyzed 15 ONP and 19 Office of Youth Programs' awards.

Detailed analysis of these 34 awards 1/ further substantiated the findings contained in our earlier report and showed that good contract and grant procedures were not always adhered to during the award process. Following are some examples.

Example A

The purpose of the proposed \$175,790 award was to study alternatives for increasing the employability of disadvantaged

1/The awards involved 16 awardees in that some received multiple awards.

adolescent mothers by identifying resources and developing resource directories to provide career information and guidance.

Our review showed:

- The Office of Youth Programs' representative responsible for this contract recommended against the award and never completed the negotiation because (1) the proposed statement of work failed to present a sufficiently understandable and defensible approach and (2) the objectives were "a mish mash of evaluation, technical assistance and direct provision of services."
- The former Administrator of ONP forwarded a preaward authorization on January 15, 1981, to start incurring costs of \$20,000 for the period January 19 through February 18, 1981, despite the Office of Youth Programs' representative's recommendation against the award.
- The Office of Youth Programs' representative said there was no apparent reason for Labor to award this contract because of its limited impact upon the labor market.
- On April 2, 1981, Labor notified the awardee by telegram that the award was being terminated for the convenience of the Government. According to a Labor contracting services official, Labor paid the awardee \$27,953 and closed out the award.

Example B

The awardee was a design, engineering, and analysis firm specializing in solar environmental systems, energy technology

studies, and product servicing and marketing. The company is a custom manufacturer/fabricator of energy systems and devices.

One of the contracts this awardee received during the specified time frame was for \$455,570, covering the period October 15, 1980, to October 14, 1981. The award was finalized on December 9, 1980, for the purpose of establishing a Hispanic referral and recruitment system to increase the employment opportunities for professional Hispanics in the Federal Government. Our review showed:

- Even though the ONP representative responsible for this contract was concerned about the contractor's capability, the project was funded at the insistence of the former Administrator of ONP.
- According to the ONP representative, the negotiations took place on December 5, 1980, about 2 months after the effective date of the award.
- According to the ONP representative, as of August 13, 1981, no one had received employment as a result of this award.
- In a July 10, 1981, telegram, the awardee was informed that the contract will not be refunded or extended when it expires in October 1981.

Operation of the title III/IV steering committee

Another concern related to the operation of a special departmental committee established to review grant and contract proposals. Our work showed that, through a September 25, 1979,

memorandum, the Secretary of Labor established a steering committee to oversee the use of CETA title III discretionary funds. In this memorandum the Secretary designated four individuals to sit as a committee to approve or disapprove expenditures related to the approved fiscal year 1980 title III funding plan. The funding plan is the document that ONP prepares as a guide detailing the projects this office hopes to fund during the fiscal year. This committee also approved or disapproved awards from the CETA title IV funding plan, although we found no similar memorandum authorizing this action.

We contacted each of the four committee members to discuss their role and responsibilities. One member declined to talk with us. The other three generally thought that their role and responsibilities were (1) to review the award proposals for merit from their respective organizational positions and (2) to ensure some measure of accountability of the funds being spent. The decisions they made on the award proposals were done on a consensus basis and not by voting.

We found no written criteria to explain why these individuals were appointed, no dates for their terms of appointments, and no written operating procedures detailing how they were supposed to carry out their responsibilities.

Our review showed that determining if steering committee actions were appropriate was difficult because records of meetings were not well maintained. According to an ONP official, separate minutes were to be kept on titles III and IV award actions. The title III minutes do reflect what proposals were

considered and what actions were taken; however, the minutes do not show who was present, what was discussed about each proposal, or how the decisions were made. Meetings regarding title IV, on the other hand, had no recorded minutes. According to a former assistant to the committee, only handwritten notes were kept on the proceedings, and these were destroyed once the appropriate title IV program staff were notified of the committee's actions.

CURRENT ADMINISTRATION ACTIONS
IN RESPONSE TO GAO'S REPORTS

Labor's Employment and Training Administration established a task force to address the problems we found. The task force was comprised of Labor officials with diverse skills, including specialists in contracting, financial management, management analysis and program assessment. The task force is developing a directive designed to establish procedures for improving the Employment and Training Administration's awards process, which includes ONP and the Office of Youth Programs.

We have met and discussed the proposed directive with Labor officials on several occasions. Although at the time of our last meeting the directive had not been finalized, the actions Labor officials told us they planned to take appear to be an effective means of improving the administration of its award activities.

- - - -

Mr. Chairman, that concludes our statement. We will be happy to respond to any questions you or other members of the Committee may have.