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

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HUMAN RESOURCES DIVISION

July 31, 1981

The Honorable Albert Angrisani
Assistant Secretary for Employment
and Training
Employment and Training Administration
U.S. Department of Labor

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Dear Mr. Angrisani:

Subject: [Improper Payments of Basic Hourly Allowances to CETA Participants] (HRD-81-132)

During our current review of Labor and prime sponsor management of CETA funds (Code 205018), we found that four of the eight prime sponsors we visited were paying training participants a basic hourly allowance instead of a weekly incentive allowance as required by Labor's regulations. Because the hourly allowance payments were considerably more than the weekly incentive allowance, a significant amount of CETA funds was spent inappropriately. We are bringing this matter to your attention because the apparent cause of the problem is the improper interpretation of Labor's regulations. Furthermore, because of the decentralized nature of the CETA program, similar conditions may exist elsewhere. Our findings and recommendations to you are discussed in more detail in the following paragraphs.

Labor's rules and regulations (20 C.F.R. part 676) provide for the payment of basic hourly allowances to CETA participants for time spent in classroom training. An exception to this provision is that a $30 per week incentive allowance, in lieu of a basic hourly allowance, should be paid to participants who are receiving public assistance, or whose needs or income are taken into account in determining public assistance payments to others. Elsewhere, the regulations (20 C.F.R. part 675) define public assistance as Federal, State, or local government cash payments for which eligibility is determined by a need or income test.

We examined payments by Philadelphia's Office of Employment and Training and found that during fiscal years 1980 and 1981 it paid a number of CETA participants basic hourly allowances ($2.30 and $3.35 per hour during fiscal years 1980 and 1981, respectively) for time spent in classroom training, even though the participants were also receiving general assistance payments from the State of Pennsylvania. We brought this matter to the attention of your Region III office in April 1981. The region subsequently confirmed our finding and instructed the prime

(205018)

sponsor to switch participants who were receiving State general assistance payments from basic hourly allowances to the $30 per week incentive allowance. We estimate from our statistical sample of participants that this change will result in an annual reduction of about $1,391,052 for future payments for training allowances by the Philadelphia prime sponsor.

In addition, we identified three prime sponsors in Region VII who were also paying the basic hourly allowance rather than the incentive allowance to CETA training participants that were receiving general assistance payments from the State of Kansas. We did not statistically sample the participants at these three prime sponsors, so an estimate of cost reductions was not made. Compared to Philadelphia, however, the number of participants improperly receiving basic hourly allowances was small.

We interviewed representatives at all four prime sponsors to determine why hourly allowances rather than weekly incentive allowances were made to participants who were receiving public assistance. In general, the stated cause of this problem is a lack of understanding by prime sponsors that, in addition to federally supported assistance payments, recipients of general assistance payments funded by State and local governments are eligible only for the weekly incentive allowance. In most cases, the prime sponsors' personnel thought that for purposes of determining eligibility for basic hourly allowances public assistance included only federally supported payments such as Aid to Families With Dependent Children.

Our examination of this issue was limited to eight prime sponsors. However, since we identified this problem at half of those visited, it is likely that similar conditions exist elsewhere. Therefore, we recommend that you remind prime sponsors, either directly or through the regional offices, that both Federal and non-federally funded assistance payments are to be considered when determining eligibility for training allowances. We further recommend that you direct the regional offices to ascertain how prime sponsors are determining eligibility for training allowances during their annual assessments and other periodic reviews.

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We would appreciate your advising us on the results of your efforts to identify improper allowance payments by prime sponsors and any actions taken on our recommendations.

Sincerely yours,

Gaston L. Gianni

Gaston L. Gianni
Group Director