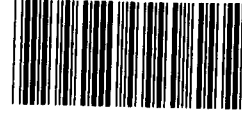


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Testimony



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AMENDING THE JOB TRAINING PARTNERSHIP ACT

**Inadequate Oversight Among Issues
That Need to Be Addressed**

Statement of
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Education and Employment Issues
Human Resources Division

Before the
Subcommittee on Employment Opportunities
Committee on Education and Labor
House of Representatives



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SUMMARY OF TESTIMONY BY FRANKLIN FRAZIER
ON AMENDING THE JOB TRAINING PARTNERSHIP ACT

Our testimony highlights several issues related to the oversight and implementation of the Job Training Partnership Act and the extent they are addressed by a Department of Labor proposal to amend JTPA. Our current work indicates that Labor and the states have failed to address improper management practices that are consistently occurring within the program, leaving JTPA vulnerable to waste, abuse, and mismanagement. These practices relate to:

Administrative Costs -- Administrative costs were not being accurately reported at three-fourths of the service delivery areas we visited. Had these costs been reported accurately, most of the service delivery areas would have exceeded the statutory limit placed on administrative spending by an average of 68 percent.

On-the-Job Training -- All of the service delivery areas visited that used on-the-job training entered into training contracts for excessive periods. About 36 percent of the \$690,000 in JTPA funds spent on low-skill contracts was for excess training for jobs such as dishwasher, hotel maid, and car wash attendant.

Payments to Training Vendors -- Inadequate contract administration at two-thirds of the service delivery areas we visited resulted in payments to vendors that should not have been made.

We recommend that the Congress require Labor to provide the states and service delivery areas with definitive policy guidance and technical assistance on monitoring and a number of other matters.

Certain issues raised by our previous work remain current but are not fully addressed by Labor's proposal, notably:

Targeting Services and Assessing Needs -- Labor's proposal to target the hard-to-serve may do little to change the mix of those served because the program may already be meeting this requirement. But its requirement that all program enrollees be assessed and a training strategy be developed appears to be a sound proposal that will likely enhance delivery of services.

Adult Competencies -- Labor's proposal would make adult competencies, such as obtaining basic and other skills, a performance measure. Our view is that the principal measure of adult training programs has been and should continue to be, quality job placements. Our concern is that the proposal could lessen the incentive for training providers to seek jobs for adult participants.

Definitions and Reporting Requirements -- Labor's proposal establishes uniform definitions and expands reporting requirements. We agree that definitions should be standardized and reporting requirements expanded. However, in our opinion, Labor's proposal falls short of enabling analysis of participant characteristics relative to services received and outcomes.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to assist in your deliberations on amending the Job Training Partnership Act (JTPA). My testimony will focus on two areas--first, program oversight issues developed during our ongoing work, and second, program implementation issues developed during previous efforts, including the extent to which Labor's legislative proposal to overhaul JTPA addresses such issues.

In summary, our ongoing work indicates a lack of sufficient program oversight that has left JTPA vulnerable to waste, abuse, and mismanagement. Questionable practices at the local level have generally gone undetected. For example:

- Administrative expenditures not being accurately reported. Had such costs been properly reported, many of the service delivery areas (SDAs) we visited would have exceeded the statutory limitation on administrative costs.
- On-the-job training (OJT) for excessive periods. Approximately 36 percent of the JTPA funds spent on OJT for such jobs as dishwasher, hotel maid, and fast food worker was for excess training.
- Inappropriate payments to training providers. Payments made to providers were not always in accordance with contract conditions, Labor guidelines, or sound management practice.

Certain issues raised by our previous work remain current and are addressed to varying degrees by Labor's proposal. For example:

- Targeting the hard-to-serve. JTPA does not target services to any specific group and the targeting provisions in Labor's proposal may do little to change the mix of those served.
- Assessing participant needs. Labor's proposed requirement that all program enrollees be assessed and a training strategy be developed appears sound and should enhance delivery of services.
- Other proposed changes to JTPA. We suggest modifying Labor's provisions relating to adult competencies, standard definitions, and data collection.

PROGRAM OVERSIGHT ISSUES

During our review of JTPA oversight responsibilities and activities, we found that SDAs often followed practices that led to program mismanagement and the waste and abuse of JTPA funds. Such practices included the misclassification of administrative costs, excessive periods of training under OJT contracts, and other questionable contracting practices. These practices were generally going undetected at the federal and state levels, leading us to conclude that the program is vulnerable to waste, abuse, and mismanagement.¹

SDAs Are Circumventing Administrative Cost Limitation

The majority of the SDAs we visited underreported administrative expenditures, resulting not only in a misrepresentation of program costs, but also a circumvention of the 15 percent statutory limitation placed on administrative expenditures. Administrative salaries are often reported as training costs, and other administrative expenditures as participant support costs.² For example, one SDA charged about \$450,000 in administrative salaries to training in program year 1989. Another charged about \$280,000 to participant support in program years 1988 and 1989, including such costs as the salaries of the private industry council staff, rent and office supplies, and staff travel to seminars.

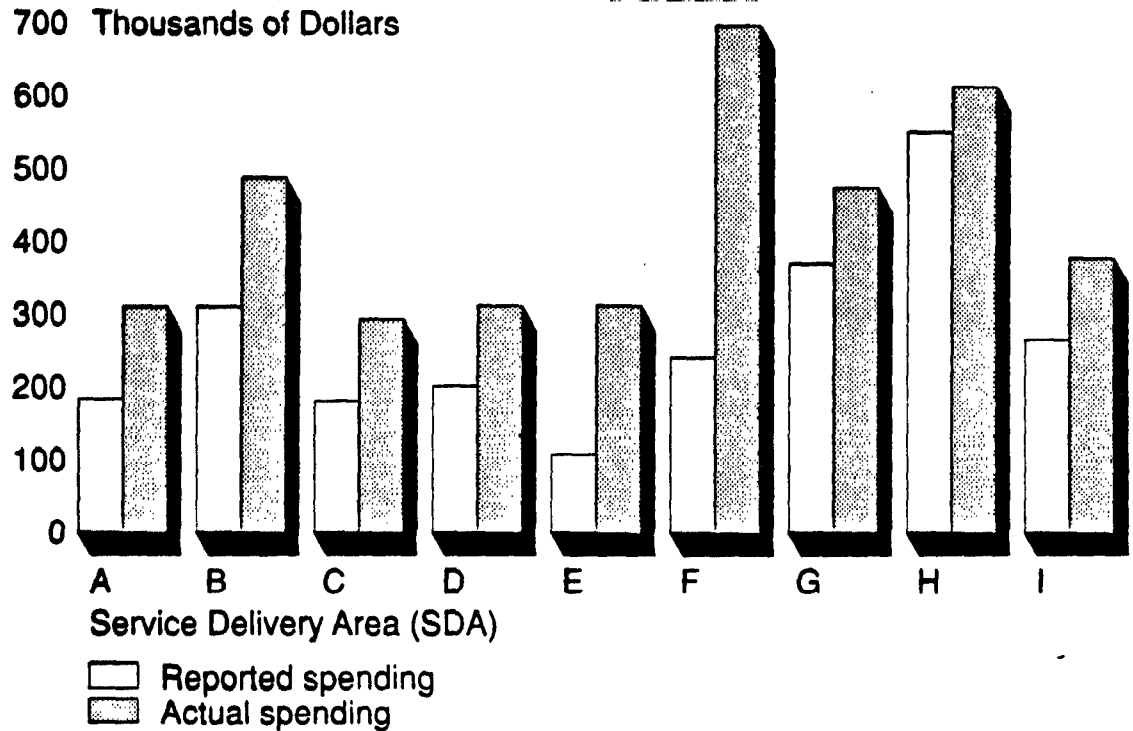
On average, the nine SDAs underreported their administrative expenditures by 38 percent. As illustrated in figure 1, the amount of underreported administrative expenditures ranged from about \$62,000 at one SDA (10 percent of actual administrative costs) to about \$456,000 (66 percent) at another.

¹Further details of our review can be found in exhibit I.

²Includes such services as transportation and child care that enable participants to attend training.

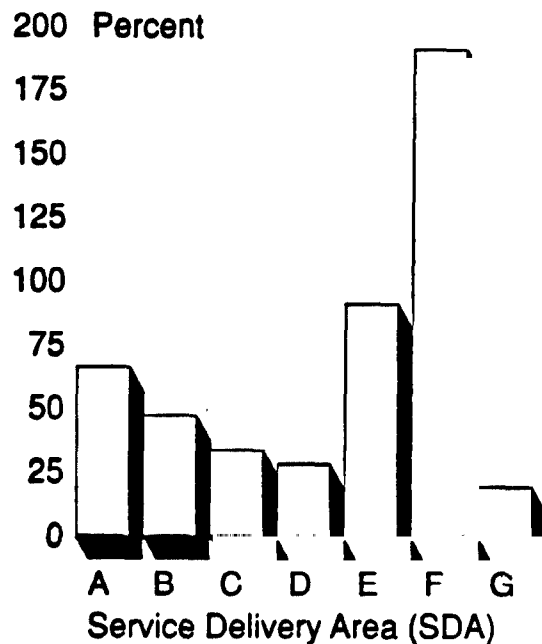
Figure 1

GAO Reported and Actual Administrative Costs



If the SDAs had accurately reported their administrative costs, we estimate that seven of the nine SDAs underreporting such costs would have exceeded the administrative cost limitation specified in the act by an average of 68 percent. As shown in figure 2, the statutory limit would have been exceeded by about 18 percent in one instance and as much as 191 percent in another.

GAO SDAs Exceeding Allowable Administrative Costs



The extent to which SDAs exceed the limit on administrative costs directly affects the amount of funds available for training and participant support services. Further, proper reporting of administrative expenditures is important to maintain program integrity.

SDAs Are Wasting Funds on Questionable On-the-Job Training

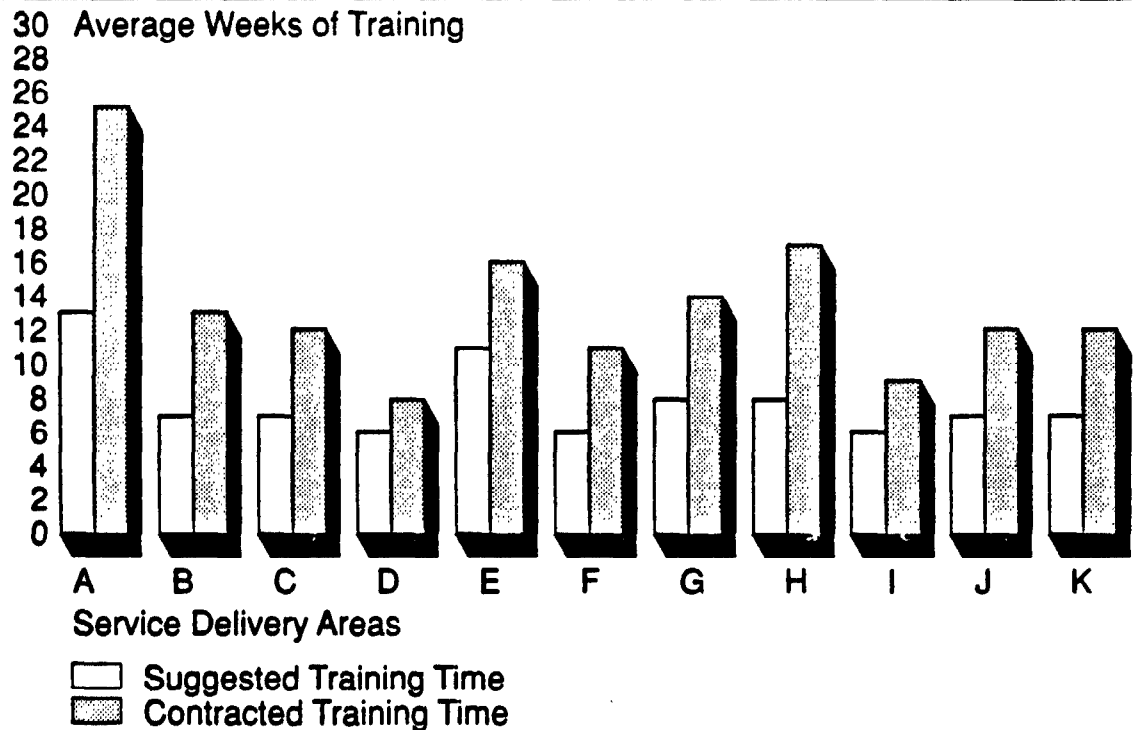
The 11 SDAs providing training under OJT contracts were wasting scarce JTPA resources by (1) entering into lower skill OJT contracts that exceeded Labor's suggested length of training, (2) training individuals with significant work experience in the occupations for which they were being trained, and (3) training individuals already working for the OJT employer. Such practices,

in effect, subsidize portions of an employer's salary and training expenses.

Excessive training for lower skill jobs is a problem. About 73 percent of the 558 lower skill OJT contracts we reviewed provided for excessive periods of training. For occupations with training times up to 30 days, we noted examples of excess training, such as a 65-day OJT for a hotel maid, a 70-day OJT for a kitchen helper, and a 129-day OJT for a car wash attendant. The cost to JTPA for these lower skill OJT contracts was approximately \$690,000, of which about 36 percent (\$250,000) was for excess training. On average, the OJT contracts exceeded Labor's guidelines by 6 weeks. As shown in figure 3, the amount of excess training ranged from 2 weeks at one SDA to 12 weeks at another.

Figure 3

GAO SDAs Exceeding Suggested Training Times For Lower Skill OJT



This is not a new problem. In September 1988, we testified before the House Education and Labor Committee³ that many OJT contracts for lower skill jobs, such as dishwasher, housekeeper, and laundry worker, allowed too much time for training compared with Labor's suggested training time for these occupations. Labor later said that it was considering legislative and/or regulatory options to address this issue and stated that it expects "that the types of lower skill OJT contracts identified in the GAO report as prone to excessive duration will gradually cease to exist."

We also found instances at nine of the SDAs we visited where OJT contracts were used to train individuals who already had significant work experience in the jobs for which they were being trained. About a quarter of 386 sampled individuals for whom work histories were available had at least 1 year of prior experience in the field for which they were being trained. For example, one SDA developed a 12-month OJT contract with an employer to train a participant as an oil burner technician; however, the participant already had 5 years' experience in this job. Another SDA developed a 4-month OJT contract to provide training as a delivery driver to a participant with 5 years' experience as a delivery driver.

We also identified instances in which SDAs entered into an OJT contract with a company to train someone already employed by that company. This practice, in effect, subsidizes portions of an employer's salary and training expenses. Labor's Office of the Inspector General recently questioned about \$600,000 of costs relating to this practice.

Labor's legislative proposal would limit the length of OJT to the amount of time generally required to learn the job, but in no case to exceed 6 months. In determining this length of time for OJT, consideration would be given to "... recognized reference materials (such as the Dictionary of Occupational Titles), the

³Job Training Partnership Act: Participants, Services, and Outcomes (GAO/T-HRD-88-31, Sept. 29, 1988).

content of the participant's training . . ." as well as a strategy for providing needed participant services.

We believe that Labor's proposal is a step in the right direction for preventing much of the excessive training we identified during our review. However, care should be taken to assure that the proposed 6-month ceiling does not become the norm. Further, when determining the appropriateness of OJT, consideration should also be given to the participant's work experience and prior employment with the OJT employer.

Contract Administration Could Be Improved

Contract administration and monitoring practices were questionable at two-thirds of the SDAs we visited. We noted the following examples at these SDAs.

- Payments were made to training vendors, not in accordance with contract requirements. For example, as much as two-thirds of the payments made to vendors by one SDA did not comply with contract terms.
- Federal guidelines on providing partial payments to vendors were ignored. For example, one SDA paid a vendor about 80 percent of a \$240,000 training contract for merely enrolling clients--a practice not permitted by Labor's guidelines.
- Contracts were modified to allow payment to vendors despite their failure to meet performance requirements. For example, one SDA extended placement periods in one contract and reduced wage requirements in another contract to allow vendors to receive payments to which they otherwise would not have been entitled.
- Vendors were reimbursed for unsupported expenditures. For example, one SDA paid a vendor about \$530,000 without verifying the accuracy of submitted expenditure reports. The SDA later learned that the vendor had no financial records to support these expenditures.

While not all of these problems occurred at each SDA we visited, they occurred often enough to indicate pervasive weaknesses in local contracting practices that result in the waste of scarce JTPA funds.

Inadequate Oversight and Monitoring Makes JTPA Vulnerable to Waste, Abuse, and Mismanagement

JTPA program oversight and monitoring by federal, state, and local agencies appear inadequate. The incidents of waste, abuse, and mismanagement that we identified during our review were going undetected.

JTPA program monitoring varied substantially among the states, which have the primary responsibility for overseeing JTPA implementation. For example, one state we visited had not performed any monitoring of its SDAs' financial management or procurement systems until program year 1990--7 years after JTPA's implementation. On the other hand, another state spends about 4 weeks per year at each of its 26 SDAs assessing various SDA activities, including cash management, cost classification, OJT, and contractor monitoring. But, regardless of the extent of states' monitoring, they often failed to identify the improper reporting of costs, questionable uses of OJT, and inadequate procurement practices occurring at the SDAs we reviewed.

Although JTPA requires that each program be independently audited at least every 2 years, such audits do not ensure that JTPA programs were operating in accordance with applicable laws and regulations. We found questionable practices being followed at each of the 12 SDAs we visited, but only 3 of the resulting audit reports noted deficiencies relating to JTPA waste, abuse, or mismanagement.

Additionally, property management could be susceptible to abusive practices. SDAs in five of the six states we reviewed did not have adequate control over property inventory, yet no mention was made of these weaknesses in the state monitoring reports.

Labor's oversight has been limited to providing broad policy guidance with little technical assistance and scrutiny of program implementation. Labor, however, has recently indicated a need to go beyond its current oversight and monitoring practices and has

undertaken new initiatives aimed at improving program integrity. It has initiated a series of special reviews targeted to specific areas of program vulnerability, including procurement and OJT. Labor also has under consideration recommendations to focus federal review efforts on program quality, effectiveness, and outcomes and is considering shifting emphasis away from state administration and toward local program operations. While these initiatives appear to be a step in the right direction, it is too soon to determine whether they will reduce the program's vulnerability to waste, abuse, and mismanagement.

PROGRAM IMPLEMENTATION ISSUES

The results of our previous efforts relate to some of the provisions suggested by Labor, including

- proper targeting of participants and services,
- meaningful performance measures,
- consistent definitions, and
- comprehensive and consistent data.

Exhibit II lists relevant GAO testimonies and reports.

Targeting Those Eligible for JTPA

We previously reported that the JTPA program does not target resources to any particular sub-group of eligibles, including those presumably most in need of training services⁴. These include those with limited or no work experience, school dropouts, welfare recipients, minorities, and female single parents with dependents. We reported that certain hard-to-serve subgroups, such as dropouts, were less likely to be served and received less intensive training than subgroups better prepared to enter the labor market without training.

⁴Job Training Partnership Act: Services and Outcomes for Participants With Differing Needs (GAO/HRD-89-52, June 9, 1989).

As currently written, JTPA is vague with respect to program targeting and refers simply to "those who could benefit from, and are most in need of" services. Labor's legislative proposal would provide specific guidance, requiring that at least 65 percent of the adults served be (1) basic skills deficient, (2) school dropouts, (3) welfare recipients, or (4) unemployed for the previous 6 months or longer.

Data we previously collected on JTPA enabled us to selectively compare Labor's proposal against what is actually occurring within the program. While our data base does not include information on the proportion of JTPA participants with basic skill deficiencies, it does contain information on the other three Labor categories. About 27 percent of adult JTPA participants were school dropouts, 24 percent were Aid to Families with Dependent Children recipients, and 57 percent were unemployed for 6 months before enrollment in the program.

Although Labor's proposal is aimed at enrolling more of the hard-to-serve population into the program, it appears that the proposal will result in little change. Overall, we estimate that about 71 percent of JTPA participants may have one or more of the targeting characteristics specified in Labor's proposal, thereby satisfying the targeting requirement of 65 percent. Thus, it appears that the program may already be meeting Labor's proposed targeting requirements for adults, and that the proposal, as currently drafted, would likely result in little change in those served by JTPA.

Labor's proposal would require that participants have only one of the four specified conditions. However, if the intent of the proposed targeting provisions is to place greater emphasis on training hard-to-serve adults, a more effective approach might be to concentrate on those facing more than one employment barrier. As shown in table 1, for example, adults with two or more of the

targeting characteristics specified in Labor's proposal make up about 31 percent of the adult participants being served.

Table 1: Emphasis on Multiple Employment Barriers Could Improve Adult Targeting

Dropout receiving AFDC	8%
Dropout with limited work history	17%
AFDC recipient with limited work history	19%
Total with two or more barriers	31%

Thus, the Congress might consider requiring that the program serve a specific percentage of those with multiple barriers. If that percentage were substantially above 31 percent for adults, one could expect the program to better target the hard-to-serve in future years.

With respect to youth, Labor's proposal requires that at least 50 percent of those served be out of school. Our data show that 64 percent of youth participants are out of school and, thus, would exceed Labor's requirement. Labor also proposes that 65 percent of out-of-school youth be (1) basic skills deficient, (2) a school dropout, or (3) pregnant or parenting. This requirement could result in greater focus to those out of school who are dropouts or single parents because we found that only about half of the youth participants have one of these two characteristics.⁵

Assessing Needs and Services

While targeting specific portions of the eligible population for enrollment in JTPA would ensure that particular groups are served, there is no guarantee that such individuals would receive

⁵Job Training Partnership Act: Youth Participant Characteristics, Services, and Outcomes (GAO/HRD-90-46BR, Jan. 24, 1990).

appropriate services once enrolled. For example, we noted in the past that participants presumably in greater need of training on average received less intensive training and were more likely to receive only job search assistance. Dropouts, in particular, rarely received remedial education, which they could be expected to need.

Labor's proposal contains a requirement that the assistance needs of participants be assessed when they enter the program. An individual service strategy would then be designed, based on that assessment, and participant progress against that plan would be periodically reviewed. As we understand the proposal, if the assessment indicates that a participant needs both basic education and occupational skill training, those services would have to be made available. The administration's proposal also eliminates the practice of providing only job search assistance, unless the assessment indicates that only this service is needed and such assistance is unavailable from another agency, such as the Employment Service.

In our opinion, this is a sound proposal that could correct various shortcomings in the JTPA program. The required assessment should aid in identifying participant educational and skill deficiencies, whereas the service strategy would identify participant employment goals and appropriate services for meeting those goals. Such an approach should contribute significantly to insuring that JTPA participants receive appropriate and career-enhancing services.

Adult Competencies

One provision in Labor's proposal that is of particular concern to us is the inclusion of adult competencies as a performance indicator. According to Labor's proposal, adult competencies include "the acquisition of skills, including basic skills, required to promote continued employability in the local labor market."

Basic and other skills can contribute significantly to an individual's employability. However, we would caution that the attainment of an adult competency might best be considered as a means to an end--the end being a quality job placement--and not an end itself. According to the act, the basic measure of JTPA performance is "the increase in employment and earnings and reductions in welfare dependency . . ." In our view, the principal outcome measure for adult training programs is and should continue to be job placements. Permitting the attainment of competencies to be counted as an acceptable outcome measure, in lieu of placements, could discourage SDAs from giving participants the training needed to achieve employability or could lessen their incentive to aggressively seek job placements for such individuals. This was found to be a problem with regard to the use of competencies in JTPA youth programs. To its credit, Labor's proposal addresses these problems with respect to youth by requiring that certain youth competencies be combined with other services designed to improve participant basic or occupational skills.

Uniform Definitions

A persistent shortcoming of the JTPA program has been the lack of sufficient and consistent data. On a number of occasions we noted that a lack of specific definitions in JTPA has led to a problem with consistency in Labor's data collection efforts. For example, there are indications that some local programs may not record individuals receiving only job search assistance as program participants until after they have been placed in a job, thus increasing the percentage of participants placed.

According to Labor officials, a forthcoming modification to their legislative proposal will address the problem of specificity and consistency by providing uniform definitions of the terms "participant" and "termination." We have provided specific

suggestions for these terms in previous testimony before the House Education and Labor Committee.⁶

Expanded Reporting Requirements

We believe that the Subcommittee's deliberations on amending JTPA provide an excellent opportunity to address an issue that we view as a long-standing weakness of JTPA--the lack of comprehensive data on participant characteristics, enrollment activities, program outcomes, and specific program costs. The program's data collection system lacks a detailed description of the demographic characteristics and employment barriers of those being served and hence the likelihood of participants succeeding in the labor market.

Labor's proposal would expand data collection requirements, but does not ensure that uniform or adequate data would be collected because, in our view, it is vague and open to interpretation. We believe that data on program participants should be collected in such a way as to permit the analysis of participant characteristics relative to services received and employment outcomes. Such data would allow program evaluators and managers to match the characteristics of individual participants with (1) the kind of services received, including the number of hours and skill level of training, and (2) the skill level of occupations in which they are employed, if any, after leaving the program. In our opinion, such data would provide information vital for program management, congressional oversight, and performance evaluation.

CONCLUSIONS AND RECOMMENDATIONS

JTPA, the nation's premier job training effort for the economically disadvantaged, has been relatively successful measured by established performance standards. However, there is significant room for improvement. In our view, Labor's legislative proposal is a step in the right direction,

⁶Job Training Partnership Act: Comments on H.R. 2039, The JTPA Amendments of 1989 (GAO/T-HRD-89-32, June 29, 1989).

particularly as it applies to assessing participant training needs and designing appropriate training strategies, minimizing the sole use of job search assistance, and providing more definitive guidance on the length of OJT.

As currently drafted, some changes suggested by Labor are already being met by the program, while other issues are not addressed. Labor's proposed requirements to target the hard-to-serve are now being met, and thus would result in little change in who is served. Further, in our opinion, Labor's proposal to add adult competencies as a performance standard will undermine one of the basic purposes of the program--an increase in participants' employment and earnings. We also feel that standard definitions of some terms and an expansion of program data collection are needed.

An issue largely ignored by Labor's proposal is program oversight. Improper management practices are, for the most part, going undetected, leaving JTPA vulnerable to waste, abuse, and mismanagement.

As the Subcommittee and the Congress debate proposals to amend JTPA, we recommend they consider the issues we have outlined. Moreover, to reduce JTPA's potential for waste, abuse, and mismanagement and to limit the questionable practices now occurring at the local level, we recommend that Congress require that Labor

- provide technical assistance to states for the development and implementation of monitoring procedures that would detect waste, fraud, and abuse within the program and
- provide definitive policy guidance to the states and SDAs to clarify regulations for
 - o accounting for and reporting administrative costs to accurately reflect program expenditures;
 - o developing OJT contracts that appropriately reflect the job requirements as well as the individual's work experience;

- o maintaining adequate control over property purchased with JTPA funds to ensure that it is used for its intended purposes; and
- o monitoring service providers to ensure that incidents of waste and abuse are detected and corrective action taken.

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Mr. Chairman, that concludes my prepared statement. I will be happy to answer any questions you or other members of the Subcommittee may have.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Chairmen of the Senate Committee on Labor and Human Resources and its Subcommittee on Employment and Productivity, as well as the House Committee on Education and Labor and its Subcommittee on Employment Opportunities, have asked GAO to assess (1) JTPA's vulnerability to waste, abuse, and mismanagement and (2) the adequacy of federal, state, and local program oversight and monitoring to prevent and detect such practices.

We concentrated our efforts at the three levels responsible for overseeing and administering JTPA--the federal, state, and local program levels. At the federal and state levels, we focused on the agencies' roles and responsibilities, and the procedures they followed to ensure that the program was being carried out in accordance with the law and implementing regulations. At the local level, we concentrated on SDAs' procurement and financial management practices and procedures.

We carried out our work in two Labor regions--Region I (Boston) and Region V (Chicago)--and in three states in each region. In Region I, we included Connecticut, Massachusetts, and Rhode Island. In Region V, we visited Illinois, Michigan, and Ohio. We included 12 SDAs in our review--2 in each state we visited. This review was aimed at assessing overall program vulnerability as well as the adequacy of monitoring systems. Therefore, we selected SDAs from among those in the states visited that appeared to be more or less representative of SDAs programwide. To eliminate potential bias in our results, we excluded those SDAs where previous reviews may have revealed managerial and operational weaknesses (e.g., those previously examined by Labor's Inspector General and those recently visited by Labor). Our work was carried out from January to November 1990.

RELATED GAO PRODUCTS

Job Training Partnership Act: Youth Participant Characteristics, Services, and Outcomes (GAO/HRD-90-46BR, Jan. 24, 1990).

Job Training Partnership Act: Information on Training, Placements, and Wages of Male and Female Participants (GAO/HRD-89-152BR, Sept. 12, 1989).

Job Training Partnership Act: Comments on H.R. 2039, The JTPA Amendments of 1989 (GAO/T-HRD-89-32, June 29, 1989).

Job Training Partnership Act: Services and Outcomes for Participants With Differing Needs (GAO/HRD-89-52, June 9, 1989).

Senate Bill 543: The Job Training Partnership Act Youth Employment Amendments of 1989 (GAO/T-HRD-89-18, May 11, 1989).

Job Training Partnership Act: Participants, Services, and Outcomes (GAO/T-HRD-88-31, Sept. 29, 1988).

Youth Job Training: Problems Measuring Attainment of Employment Competencies, (GAO/HRD-87-33, Feb. 11, 1987).

Job Training Partnership Act: Data Collection Efforts and Needs (HRD-86-69, Mar. 31, 1986).