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This is a report on the results of work performed
for the Government of the addressee whose authorization
should be obtained before further release of this report.

RELEASED

74-0519

Review Of Department Of Labor Contracts Awarded To The Arizona Jobs Consortium, Inc.

B-163922

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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090469

MARCH 22, 1974



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-163922

The Honorable Morris K. Udall
House of Representatives

Dear Mr. Udall:

Pursuant to your May 14, 1973, request, we examined certain financial and program activities relating to fixed-unit-price contracts awarded by the Department of Labor to the Arizona JOBS Consortium, Inc., to provide manpower training through the Job Opportunities in the Business Sector (JOBS) program. Our review was directed mainly at determining whether JOBS funds were used in accordance with the terms of the contracts. We also obtained certain information you requested on the results of the Consortium's program but did not make a comprehensive evaluation of its effectiveness.

We performed our fieldwork from June through August 1973 at the Consortium's office in Tucson. We also examined records at the National Alliance of Businessmen's office in Tucson and Labor Region IX offices in San Francisco.

In analyzing the Consortium's income and disbursements for the period beginning with its inception in June 1970 through May 1973, we found no evidence that the Consortium violated the terms of the JOBS contracts in its use of program funds. We did note, however, that the Consortium was using improper billing procedures in claiming reimbursement from Labor and that some of the claims were inadequately supported. Labor and the Consortium were resolving this at the close of our fieldwork.

In a March 1971 report on the JOBS program (B-163922), GAO stated that fixed-unit-price contracting was not generally appropriate for the JOBS program. Our review of the Consortium's fixed-unit-price contracts disclosed contracting problems similar to those discussed in the GAO report. In January 1973 Labor issued revised contract guidelines for the JOBS program which should help alleviate the contracting problems previously reported and noted in this review.

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Although we did not draw any overall conclusions on the Consortium's program performance, data obtained from the employers indicated that many of the trainees may not have needed assistance under the program--particularly those who met the employers' regular hiring standards. For these trainees, there is a question as to whether their employers incurred any extraordinary training costs for which they were paid a 50-percent labor cost subsidy. This matter has been brought to the attention of Labor Region IX officials for their consideration in monitoring and evaluating the Consortium's program performance.

On September 14, 1973, we briefed your office on our preliminary findings. Enclosure I summarizes the results of our review and certain financial and program data you requested.

As agreed with your office, we did not obtain Labor's formal comments on this report; however, we discussed the contents with both Labor and Consortium officials. We are sending copies of this report to the Secretary of Labor and requesting him to advise us of the actions taken to recover the overpayments which resulted from improper billing procedures. We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James B. Stacks". The signature is written in a cursive style with a large initial "J" and "S".

Comptroller General
of the United States

Enclosures - 4

REVIEW OF DEPARTMENT OF LABOR CONTRACTS
AWARDED TO THE ARIZONA JOBS CONSORTIUM, INC.

The Job Opportunities in the Business Sector (JOBS) program is authorized under the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2740), and the Manpower Development and Training Act of 1962, as amended (42 U.S.C. 2571).

The Department of Labor, in cooperation with the National Alliance of Businessmen (NAB), started the program in January 1968 as a joint Federal and private effort to find employment for disadvantaged persons. NAB was established as a private, independent, nonprofit corporation for stimulating business firms to hire and train these persons.

The program is directed at persons who need on-the-job training (OJT) and support services, such as health care and counseling, to enable them to become productive workers. The program is founded on the premise that immediate placement in jobs at regular wages, followed by OJT and supportive services, provides superior motivation for disadvantaged persons.

Under the JOBS program, employers enter into negotiated agreements with Labor either individually or in groups (consortiums). Under these agreements, Labor is supposed to pay the employers' extraordinary costs of hiring and training disadvantaged persons.

When a group of companies associate as a consortium to participate in the program, the consortium is the signatory of the contract with the Government and must have a legal relationship with each of the participating companies, through a consortium agreement or other limited power of attorney, to act for the companies on their behalf in contract matters. When companies are added to or leave the consortium, the basic document must be modified to show the change.

The JOBS program has gone through a series of changes since it began. It has been developed and implemented by a series of individual manpower assistance programs--specifically designated as MA-3 through MA-7. Programs designated as MA-1 and MA-2 preceded the JOBS program and were experimental pilot programs designed to define and verify the concepts on which the contracting format was to be based.

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ORGANIZATION AND PURPOSE OF THE
ARIZONA JOBS CONSORTIUM, INC.

The Consortium is a private, nonprofit corporation incorporated in Arizona on June 23, 1970, as the Tucson JOBS Consortium, Inc. The name was changed to Arizona JOBS Consortium, Inc., in August 1971. Enclosure II contains a list of all Consortium directors and officers through May 31, 1973.

The Consortium's original objective was to implement the JOBS program and other related programs instituted by NAB. In March 1973 Consortium officers agreed to expand the corporate charter to permit participation in all Federal, State, and local programs directed at assisting disadvantaged persons. In conjunction with this action, the Consortium submitted proposals to the Office of Economic Opportunity (OEO). According to Consortium officials, the proposals were subsequently withdrawn.

As of May 31, 1973, the Consortium had received 7 JOBS contracts (5 MA-6 and 2 MA-7) totaling \$1,125,891 for 464 training positions. Our review did not include the MA-7 contracts because they were new, having become effective in February 1973 shortly before we started our review. Information on MA-6 contracts awarded to the Consortium is summarized below.

<u>Contract (note a)</u>	<u>Modified contract amount</u>	<u>Amount earned through May 31, 1973</u>
04-1-6101-000	\$254,739	\$238,154
04-1-6102-000	171,312	157,491
04-1-6103-000	254,851	221,893
04-2-6014-000	260,095	242,463
04-2-6069-000	<u>52,300</u>	<u>44,636</u>
	<u>\$993,297</u>	<u>\$904,637</u>

^aAll contracts were completed before our review started in June 1973, except 04-2-6069-000 which was completed August 30, 1973.

ANALYSIS OF CONSORTIUM'S
FINANCIAL TRANSACTIONS

We reviewed and analyzed all the Consortium's income and disbursements for the period beginning with its inception through May 1973. Although we found no evidence that the Consortium violated the terms of the MA-6 contracts in its use of JOBS program funds, some of its administrative costs did not appear necessary or consistent with the basic intent of the program.

The Government may not question these costs, however, under the terms of the MA-6 contracts. Payments to the Consortium were based on a negotiated fixed unit price per trainee per day for each job category, times the number of days for which wages were paid to each trainee in those categories. The negotiated fixed unit prices were supposed to cover all costs incurred by the Consortium on behalf of the trainees, including administrative costs and support services, but no constraints were placed on the amounts which the Consortium could spend for these purposes. Revised contracting guidelines issued by Labor under the MA-7 JOBS program will help correct this and other problems we noted.

Analysis of receipts

From its inception through May 1973, the Consortium received \$904,637 and \$16,847 from Labor under MA-6 and MA-7 contracts, respectively. The only other revenue received was about \$6,600 interest earned from certificates of deposit.

From August 1971 through December 1972 the consortium purchased certificates of deposit totaling \$170,000. The money used to purchase the certificates came from an accumulated reserve of unspent program funds which resulted from revenue which exceeded disbursements. As of May 31, 1973, the certificates of deposit amounted to \$110,000. (The reserve is discussed in more detail later.)

Analysis of disbursements

The consortium spent \$805,049 from inception through May 1973, under MA-6 and MA-7 contracts, as shown below.

ENCLOSURE I

		(percent)
OJT (MA-6)	\$346,678	43.1
Support services (MA-6)	202,997	25.2
Administrative costs (MA-6 and MA-7)	243,181	30.2
OJT and support services (MA-7)	<u>12,193</u>	<u>1.5</u>
	<u>\$805,049</u>	<u>100.0</u>

The administrative costs for at least March, April, and May 1973 related to both MA-6 and MA-7 contracts. Although our review was directed at MA-6 expenditures, we necessarily included MA-7 administrative expenditures when both types of contracts were concurrently in effect because the expenditures could not be specifically charged to the MA-6 or MA-7 contracts.

OJT

During the period reviewed, 106 employers provided OJT to trainees under the Consortium's MA-6 contracts. The Consortium gave the employers \$371,865, of which \$346,678 reimbursed 50 percent of the wages paid to the trainees while receiving OJT. The remaining \$25,187 reimbursed the employers for all wages earned by trainees while they received support services.

Eight employers each received over \$10,000 in reimbursements from the Consortium; this amounted to a total of \$195,531, or about 53 percent of the \$371,865 provided to all employers.

Support services

The Consortium subcontracted with Fenster School, Inc., to provide support services--including orientation, counseling, medical and dental, and transportation assistance--to trainees. Fenster School also was responsible for providing job-related education to selected trainees.

The Consortium selected Fenster School as subcontractor partly on the basis of the recommendation of a member of the school's board of directors, who was also a former employer of Mr. William J. DeLong, president of the Consortium.

The Consortium spent \$202,997 for support services, of which \$177,771 was provided to Fenster School. The remaining \$25,226 consisted of the \$25,187 in reimbursements to employers for all wages trainees earned while receiving support services and \$39 for another trainee-related purpose.

Of the money provided to Fenster School, about \$132,000 was paid on the basis that the school would receive \$2.69 for each person employed by any member of the Consortium, multiplied by the number of days for which wages were paid to such persons. The remaining \$45,000 consisted of direct reimbursements to Fenster School for costs incurred in providing job-related education to selected trainees. Job-related education was not included in the \$2.69 rate negotiated for the other support services.

Administrative costs

We reviewed all administrative costs, which totaled \$243,181, because these related to both MA-6 and MA-7 contracts from March through May 1973 when there was activity under both types of contracts. The administrative costs amounted to about 43 percent of the Consortium's total expenditures for OJT and support services. Under the revised contracting guidelines for MA-7 contracts, administrative costs will be limited to 10 percent of the invoiced costs for OJT and support services each reporting period.

A breakout of the administrative costs and comments on certain ones follow.

Salaries and payroll taxes	\$140,280
Travel	5,049
Rent	10,765
Office supplies and services	5,439
Telephone	4,588
Equipment purchase and rental	7,995
Insurance	8,204
Legal	10,246
Accounting	3,110
Consultants	1,503
Automobile	26,620
Interest	1,101
Miscellaneous	10,833
BankAmericard	<u>7,448</u>
Total	<u>\$243,181</u>

ENCLOSURE I

Salaries and payroll taxes--\$140,280. These costs consisted of wages paid to Consortium directors, officers, and employees. The largest number of employees working for the Consortium at one time (November and December 1972) was six--all employed full time. At the close of our fieldwork in August 1973, the Consortium had four employees--three full time and one part time.

Six persons served on the Consortium's board of directors during the period reviewed. They received monthly salaries of \$100 to \$300 for their part-time work, depending upon the positions they held. The directors usually worked part time, but three occasionally worked full time. The largest monthly director's salary paid was \$1,250 to Mr. DeLong for his full-time employment with the Consortium from its inception through December 1970. Most of the time, the directors occupied full-time jobs outside the Consortium with no apparent conflict of interest. (See enc. II.)

Travel--\$5,049. This cost consisted of expenditures for travel in the Tucson/Nogales area and trips to Washington, D.C.; San Francisco; and Flagstaff. Reimbursement to employees for local travel totaled \$1,589, of which \$776 was not supported by appropriate vouchers or receipts. Out-of-town travel expenses amounted to \$3,460, of which \$274 was not adequately supported.

Consortium officials advised us--and our review of the Consortium's trip report file substantiated this--that the trips to Washington, D.C., were made to (1) determine the future of the JOBS program, (2) ascertain the availability of Federal funds for other programs, and (3) prepare and submit proposals to OEO. They also advised us that the trips to San Francisco related to JOBS program business carried on at Labor Region IX offices and that the Flagstaff trip was made in conjunction with the Consortium's efforts to expand the JOBS program to that area. The officials did not prepare any trip reports on this travel.

The officials further advised us that some additional travel costs were paid with BankAmericard. We could not determine this amount, however, due to a lack of documentation. (See p. 9.)

Rent--\$10,765. From July 1970 through December 1970, the Consortium subleased a two-room office from Emmet McLoughlin, NAB's Tucson Metro Director, for \$300 a month, including the use of Mr. McLoughlin's office furniture and telephone. During this same period, Mr. McLoughlin's lease with the owner was for \$177.85 a month. In January 1971 Mr. McLoughlin's lease was assigned to the Consortium; the Consortium then paid the owner the monthly rental fee of \$177.85 for the same space.

In March 1971 the owner remodeled one of the rooms occupied by the Consortium and increased the monthly rental to \$310.41. The rent was again increased in May 1972 to \$324.85. For austerity, the Consortium, in June 1973, moved to new office space for which the monthly rental was \$150.

Insurance--\$8,204. Premiums of \$7,481 were paid to State Farm Insurance through one of its agents, Ramon Castillo, for automobile, life, health, fire, and casualty insurance. An additional \$723 was spent for employee security bonds.

In May 1972 the Consortium obtained automobile liability insurance coverage of \$1 million, which, at the advice of its attorney, was increased to \$5 million in September 1972. The Consortium obtained the insurance as protection against potential lawsuits which could arise if a Consortium vehicle were involved in a serious accident while transporting trainees.

Beginning in June 1971 each Consortium director had life insurance coverage of \$70,000 to \$75,000. Employees were given life insurance coverage of \$5,000 to \$20,000 and medical insurance.

Legal services--\$10,246. The Consortium paid legal fees totaling \$10,246 to a Tucson law firm. Harrison Dickey, an attorney with the firm, handled the Consortium's account. Mr. Dickey's services included assisting the Consortium in its incorporation, attending board meetings and preparing the related minutes, and making approved changes to the Articles of Incorporation and bylaws. Mr. Dickey said that he also reviewed all JOBS contracts and modifications, prepared sub-contracts and leases, reviewed the Consortium's tax status, and kept abreast of all applicable laws. He said he was providing an average of 10 hours of service a month.

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The law firm billed the Consortium \$40 for each hour of service except for July 1972 through February 1973, when the Consortium paid the firm a monthly retainer fee of \$400. Neither the Consortium nor the law firm's records showed the type and extent of services provided.

Consultant fees-\$1,503. This cost consisted mainly of fees paid to (1) public relation consultants, (2) representatives of Indian tribes for advice in preparing an Indian program proposal to be submitted to OEO, (3) consultants to determine the feasibility of expanding the JOBS program to other areas, and (4) a psychologist for providing two supervisory and human relations training seminars to program employers. The psychologist's fee of \$125 could be classified as a support service cost rather than an administrative cost.

Automobile--\$26,620. This cost consisted of \$24,566 for purchasing automobiles (net after trade-in allowances), \$515 for operating and maintaining these automobiles, and \$1,539 for parking employee and Consortium automobiles. Additional automobile operation and maintenance costs were included in the BankAmericard charges; however, the amount involved could not be determined from available records.

From November 1971 through March 1973, the Consortium purchased six new vehicles, of which three were still owned at the time of our review.

<u>Purchase date</u>	<u>Description</u>	<u>Disposition</u>
Nov. 1971	1972 Dodge Dart	Traded in on new vehicle Mar. 1973
Nov. 1971	1972 Dodge Station Wagon	Traded in on new vehicle Mar. 1973
July 1972	1972 Oldsmobile Cutlass	Traded in on new vehicle Jan. 1973
Jan. 1973	1973 Ford LTD	
Mar. 1973	1973 Ford LTD	
Mar. 1973	1973 Chevrolet Carryall	

Consortium officials stated that one vehicle was used mainly by Fenster School for transporting trainees and two were used by Consortium personnel for job development activities and other necessary program functions.

Certain Consortium employees and directors were allowed to take the vehicles to their homes after business hours. Consortium officials said this was allowed to protect the vehicles and to eliminate parking expenses incurred from commercial parking lots after business hours.

Miscellaneous expense--\$10,833. The largest miscellaneous expenses were:

- Approximately \$2,400 to a consulting firm for developing a JOBS program in Flagstaff and an English-as-a-second-language program in Nogales.
- Remodeling and repairing leased office space amounting to approximately \$2,200 (for items not provided by the landlord).
- Contributions of approximately \$2,000 to NAB's summer youth-employment program.

BankAmericard charges--\$7,448. The Consortium started using a BankAmericard credit card to make miscellaneous purchases during the latter part of 1971. According to a Consortium official, five credit cards were in use for the same account--three by Consortium directors and two by top Consortium employees. Use of the cards was on the honor system. As of May 31, 1973, the Consortium had paid \$7,448 for BankAmericard purchases.

The Consortium did not retain the customer's copy of the charge slips, and in most cases the BankAmericard monthly statements were not available. We, therefore, were unable to determine with any certainty the purpose or type of expenditures incurred with the credit card. The bank handling the Consortium's BankAmericard account did not maintain records of individual purchases. Our review of the few monthly statements maintained by the Consortium indicated that the purchases were generally for meals, lodging, and vehicle expenses.

Questionable Consortium billing practices

MA-6 contract terms required that a contractor submit certified monthly invoices to Labor based on the total days for which trainee wages were paid under each job category

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times the fixed unit price per trainee per day set forth in the contract for that job category.

We reviewed at random the support for \$86,945 of the \$904,637 in MA-6 reimbursement claims submitted to and paid for by Labor and found that \$18,376, or 21 percent, was inadequately supported. More specifically, we found that the Consortium did not have documentation showing that trainees were paid wages for 316 out of 4,872 OJT days and 880 out of 890 support services days it claimed for reimbursement.

Concerning the 316 unsupported OJT days, Consortium officials stated that, to expedite the billing process, they verbally obtained the number of days trainees worked from the various employers who later certified the data in writing. The officials speculated that the receipts documenting the hours trainees worked were either misplaced by the Consortium or never submitted by the employers.

Consortium officials said that most of the support services days were not documented because they billed Labor for all unused support services days negotiated for a particular job slot once all negotiated OJT days had been exhausted, without ascertaining from the employers whether wages had been paid to the trainees for these days.

Both Labor and Consortium officials attribute this to an apparent misunderstanding of Labor instructions. At the request of Labor, the Consortium obtained additional information from applicable employers and made an analysis which showed that it would have to return approximately \$15,200 to Labor. Labor said it plans to test the accuracy of the Consortium's analysis on a sample basis to insure that the correct amount of money is returned.

Reasons for the Consortium's reserve

The Consortium's certified public accountant reported that the Consortium had accumulated reserves of \$153,953 and \$149,852 as of April 30, 1972 and 1973, respectively. The reserves accumulated primarily because the Consortium spent less than the amounts negotiated for support services under the MA-6 fixed-unit-price contracts. Accumulation of the reserves did not violate the terms of these contracts.

From the inception of the program through the MA-6 contract series, the JOBS contracts have been fixed-unit-price agreements negotiated with individual employers or with consortiums. Under the contracts, Labor was supposed to pay the employers' extraordinary costs of providing training and support services. Labor's decision to contract on a fixed-unit-price basis was made on the premise that (1) fixed-unit-price contracting would result in fewer administrative problems associated with recordkeeping and cost ascertainment during postaudits of contractors' records and (2) the JOBS program could be promoted more readily with employers because fixed-unit-price contracts would minimize Government redtape.

In a March 1971 report on the JOBS program (B-163922), GAO stated that fixed-unit-price contracting was not generally appropriate for the JOBS program for several reasons.

--Prospective contractors and Labor contract negotiators, in many instances, arrived at firm fixed prices for training and support services before the employers had any cost experience in training disadvantaged persons; as a result, contracts provided for excessive reimbursements for both training and support services.

--Fixed-unit-price contracts for training and support services were agreed upon before the trainees were selected. Since disadvantaged persons have varied degrees of need for training and support services, the persons subsequently selected for training frequently did not require either the quantity or the type of training and support services provided for in the contracts.

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--Labor's request for proposals by prospective contractors required little data in support of training cost estimates, and its contracting procedures specifically directed its contract negotiators not to analyze or evaluate the cost data or to otherwise determine the basis for proposed training costs.

--In many instances, when either the contractors did not provide or the trainees did not need the amount of training and/or support services specified in the fixed-unit-price contracts, it did not appear practicable or feasible to recover the excessive payments.

Our review of the Consortium's MA-6 fixed-unit-price contracts disclosed contracting problems similar to those discussed in the 1971 GAO report. For example, Labor negotiators did not require the Consortium to support its support services cost estimates. Instead, during 1970 and 1971, all support services, except child care, were negotiated at the maximum rates set forth in Labor guidelines even though Labor-monitoring reports indicated that many trainees were not receiving support services. (See p. 18.)

Since January 1972 the amounts included in the fixed unit prices for some of the support services have been negotiated at less than the allowable maximums. However, two factors continued to contribute to excessive revenue over expenses under MA-6 contracts.

--Trainees were not provided all the support services negotiated by the Consortium and Labor. On the basis of our interviews with selected trainees, we found that many did not receive or did not need one or more of the support services.

--As discussed in the preceding section, the Consortium billed Labor for all negotiated support service days in its contracts. However, the Consortium did not reimburse the employers for the wages earned by the trainees during any remaining unused support services days; nor did it reimburse Fenster School \$2.69 per training day for the support service days in question, as provided in the agreement between the Consortium and the school. As a result, the Consortium received

income but did not incur the related expenses for the days in question.

At the conclusion of our review Labor and the Consortium were attempting to reach an agreement on the reserve's disposition. The alternatives they were considering included (1) applying the reserve toward amounts due the Consortium under existing and/or future JOBS contracts, (2) allowing the Consortium to use the funds to operate another manpower program, and (3) returning the funds to Labor immediately or upon dissolution of the Consortium.

CONCLUSIONS

Our review of the Consortium's disbursements showed that, although the expenditures for certain items could have been more conservative, there was no evidence that the Consortium violated the terms of the MA-6 contracts in its use of JOBS funds. We did find, however, that the Consortium was using improper billing procedures in claiming reimbursement from Labor and that the terms of the MA-6 contracts made it possible for the Consortium to accumulate a large reserve of unspent program funds.

The MA-7 contracting guidelines Labor issued in January 1973 should help prevent recurrence of the problems noted. Under the revised procedures, JOBS contractors will be paid on the basis of actual hours of OJT and support services provided and administrative costs will be limited to 10 percent of the invoiced costs of OJT and support services each reporting period.

RESULTS OF THE CONSORTIUM'S JOBS PROGRAM

From its inception through May 1973, the Consortium had 712 hires under its 5 MA-6 contracts. Of these 352 completed training, 358 terminated the program early, and 2 were still in training as of May 31, 1973. Of the 352 hires who completed training, 224 received the total number of negotiated OJT days; the remaining 128 were hired into and completed partially used training slots.

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The 712 hires included persons hired 2 or more times. Our analysis of Consortium records showed that no more than 696 different persons were hired under the MA-6 contracts. (See enc. III for trainee characteristics.)

To obtain an indication of how long trainees were remaining on their jobs after completing OJT, we reviewed the status of the trainees hired by 18 of the 106 OJT employers. Our sample consisted of the 8 employers who received \$10,000 or more and 10 employers randomly selected from the remaining 98 employers. This sample covered 386, or 54 percent, of the 712 hires, and \$215,612, or 58 percent, of the \$371,865 in JOBS funds received by the 106 employers.

The 386 hires in our sample represented 377 different individuals, all of whom were no longer in the JOBS program. The remaining nine hires represented persons hired two or more times. Of the 377 persons hired, 91, or 24 percent, were still working for their OJT employer. Of the remaining 286, 164 terminated the training program early and 122 had completed training but were no longer working for their OJT employer. We compared OJT completion dates to employment termination dates for 113 of the 122 trainees who completed OJT but were no longer with their program employer. This comparison showed that 57 of the 113 trainees stayed with their employer 91 days or more after completing OJT.

Interviews of selected trainees

From our sample of 377 trainees, we randomly selected for interview 44 who were still working for their OJT employer, 11 who had completed OJT but were no longer with their program employer, and 11 who had terminated the program early. The interviews of these 66 trainees showed:

--6 had worked for their OJT employers before participating in the JOBS program, including 4 who worked for the employers immediately before participating in the program. A Consortium official accounted for this latter situation by stating that, on occasion, a Consortium member was allowed to hire a trainee before the effective date of a JOBS contract or modification if the employer needed an employee then. The employer's reimbursement of 50 percent

of the wages earned began, however, on the effective date of the contract or modification.

--58 trainees were satisfied with the OJT they received.

--13 of the 22 persons no longer working for their OJT employer were not employed elsewhere at the time of our interview. However, of the 13 trainees, 4 were going to school or enrolled in a training program. Of the 22 persons, 9 were employed elsewhere; however, none were working in the same skill area for which they were trained under the JOBS program.

We also asked the selected trainees questions about their awareness of, their need for, and the availability of support services. Of the 66 trainees interviewed:

--42 said the availability or lack of support services had no impact on their success or failure in the program.

--22 said the availability of support services helped them to complete the training.

--2 said the lack of support services influenced their terminating the program early.

Enclosure IV has a more detailed account of their experiences with support services.

Employers' opinions of the program

We interviewed representatives of the 18 employers included in our sample and obtained the following opinions and information.

--17 employers believed the JOBS program was worthwhile. Two employers stated, however, that they would not participate in the program again because of too much redtape.

--9 employers had job openings for their trainees and 7 employers created jobs for their trainees. Two employers had job openings and also created jobs for trainees.

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--16 employers said their trainees met regular company hiring standards.

--12 employers indicated that the performance of their trainees was comparable or superior to the employees not participating in the program. Five employers considered their trainees' performance inferior to their other employees'. One employer's trainees' performances were inferior and some were superior in comparison to the regular employees.

--7 employers did not believe that their trainees needed support services and 7 believed that the services were an essential part of the program. Four employers were not aware that support services were available to trainees.

The fact that 16 of the 18 employers said that the JOBS trainees met their regular company hiring standards raises a question as to whether (1) these trainees needed assistance under the JOBS program and (2) their employers incurred any extraordinary training costs for which they were paid a 50-percent labor cost subsidy.

Amount of support services provided
not determinable

Under an agreement with the Consortium, Fenster School was responsible for providing orientation, special counseling, medical and dental, and transportation assistance to enrollees of the Consortium's JOBS program. Fenster School and the Consortium also had a verbal understanding that the school would arrange for child care assistance for trainees when needed.

We were unable to determine the degree to which Fenster School fulfilled the terms of the agreement because of incomplete records. According to the agreement, the school was to provide the Consortium with daily and weekly program reports which were to include (1) counselor assessments of each trainee, (2) the amount of transportation assistance, orientation, and counseling provided each trainee, and (3) the number of hours each student was present at Fenster School each week.

In reviewing Consortium and Fenster School records, we found weekly progress reports for June 1971 through August 1972. The reports were discontinued in August 1972 because school officials believed that the time devoted to preparing the reports and keeping related records could be better spent in providing more and better support services. Consortium and school officials could not recall why weekly progress reports were not prepared before June 1971.

The reports which were available, however, did not show the amount of transportation, medical and dental, and child care assistance provided nor the amount of time each trainee spent at Fenster School. In most cases they also did not show the number of orientation and counseling hours provided each trainee. As a result, we could not determine the amount of support services provided. This lack of data also precluded Labor from accurately determining the degree of services provided trainees. Such data could have aided future negotiation of contracts and modifications and brought rates more in line with service costs.

The JOBS contracts and modifications awarded to the Consortium, from its inception through January 27, 1972, provided funds for 40 hours of orientation for each job slot. The agreement between the Consortium and Fenster School stipulated that the school would provide no fewer than 40 hours of orientation to each trainee. Consortium and school officials advised us that 40 hours of orientation were provided to each trainee during the early stages of the program. This practice, however, was virtually eliminated in early 1971 because (1) employers complained of needing their trainees on the job and (2) trainees lacked interest in receiving 1 week of orientation. As a result, school officials decided to give orientation as needed and did not attempt to document the hours provided.

Job-related education not provided
during first year of program

The MA-6 contracts and modifications awarded to the Consortium through January 1972 provided funds for 160 hours of job-related education for each job slot. According to the Consortium's proposals for contracts awarded in August 1970 and 1971, the Tucson Skills Center was to provide job-related education to trainees. The Center, however, never

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agreed to do this, for reasons unknown to the Consortium. Therefore, job-related education was not available to trainees until October 1971 when Fenster School began offering English as a second language to trainees in the Nogales area.

Consortium and school records indicated that job-related education, for which the school was paid \$45,000, was provided to three groups of trainees, as follows:

- 65 nursing assistant students at a Tucson hospital each received 160 hours of classroom education.
- 8 trainees working for an air-conditioning firm each received 24 hours of classroom education in the principles of sheet metal work.
- 29 trainees working in the Nogales area attended English-as-a-second-language classes. The number of classes attended by the trainees ranged from 1 to 59.

Consortium and Fenster School officials stated that, to their knowledge, no other trainees needed or received job-related education.

Monitoring and evaluation activities

State employment service personnel assigned to the NAB office in Tucson were responsible for monitoring the Consortium JOBS program for Labor. In reviewing the monitoring reports, we found that, through June 26, 1973, monitors had interviewed approximately 22 percent of the trainees hired by Consortium members. The reports indicated that, of 144 trainees interviewed, 103 had not received job-related education, 132 had not received transportation assistance, 100 had not received medical and dental assistance, 93 had not received child care assistance, and 8 had not received counseling. The reports, however, did not indicate whether the trainees who did not receive support services were aware or in need of support services.

State personnel's periodic evaluation reports of the Consortium's performance generally gave it good marks. The only exception was in job-related education, where in some cases the Consortium's efforts were considered minimal.

Also, the State personnel believed that Fenster School did a good job in providing support services.

CONCLUSIONS

Although we obtained certain information on the results of the Consortium's JOBS program as requested, we did not make a comprehensive evaluation of its effectiveness. Our interviews with program participants indicated that most were satisfied with their OJT. The data obtained from employers indicated, however, that many of the trainees may not have needed assistance under the program; particularly those who met the employers' regular hiring standards. In this regard, there is a question as to whether the employers of these trainees incurred any extraordinary training costs for which they received a 50-percent labor cost subsidy. This matter has been brought to the attention of Labor Region IX officials for their consideration in monitoring and evaluating the Consortium's program performance.

ENCLOSURE II

CONSORTIUM DIRECTORS AND OFFICERS
FROM INCEPTION THROUGH MAY 31, 1973

<u>Name</u>	<u>Position</u>	<u>Duration</u>	<u>Reimbursement</u>
William J. DeLong (note a)	Director	June 1970 to Mar. 1972	
		Aug. 1972 to Oct. 1972	
		Dec. 1972 to ^c Present	
	President	June 1970 to Mar. 1972	
		Feb. 1973 to ^c Present	
	Treasurer	June 1970 to May 1971	
		Aug. 1972 to Oct. 1972	\$12,825
Louis C. Gasper (note a)	Director	June 1970 to May 1973	
	Vice president	June 1970 to Mar. 1972	
	Secretary	June 1970 to Mar. 1972	
	Secretary	Feb. 1973 to May 1973	
	President	Mar. 1972 to Jan. 1973	8,825
	Director	June 1970 to Mar. 1971	1,800
Erland G. Johnson Peter D. Wright	Director	Apr. 1971 to Jan. 1973	
	Treasurer	May 1971 to Jan. 1972	600
Donald L. DeMent (note a)	Director	Jan. 1972 to ^c Present	
	Treasurer	Jan. 1972 to Mar. 1972	
	Vice president	Mar. 1972 to ^c Present	
	Secretary	Mar. 1972 to Jan. 1973	5,790
Glen P. Brovont	Director	Mar. 1972 to ^c Present	
	Treasurer	Mar. 1972 to Aug. 1972	
		Oct. 1972 to ^c Present	2,900
			<u>\$32,740</u>

^aThese persons occasionally worked full time for the Consortium.

^b\$890 of the \$5,790 was earned as an employee before becoming a director and officer of the Consortium.

^cPresent as of May 31, 1973. May no longer be associated with Consortium as of the date of this report.

CHARACTERISTICS OF TRAINEES HIREDUNDER MA-6 CONTRACTS

	<u>Percent</u>
SEX:	
Male	70
Female	<u>30</u>
	<u>100</u>
RACE:	
White	^a 85
Black	11
American Indian	<u>4</u>
	<u>100</u>
FAMILY SIZE:	
1 to 2	41
3 to 5	38
6 to 9	18
10 or more	<u>3</u>
	<u>100</u>
FAMILY INCOME:	
None to \$999	21
\$1,000 to \$1,999	29
\$2,000 to \$2,999	22
\$3,000 to \$3,999	12
\$4,000 to \$4,999	8
\$5,000 and above	6
Not indicated	<u>2</u>
	<u>100</u>
GRADES OF EDUCATION:	
8 years and less	22
9 to 11	35
12	13
Over 12	2
Not indicated	<u>28</u>
	<u>100</u>