

## DOCUMENT RESUME

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Employment Programs in Buffalo and Erie County under the Comprehensive Employment and Training Act Can Be Improved. B-163922; HRD-77-24. February 18, 1977. 62 pp.

Report to Rep. Jack Kemp; by Elmer B. Staats, Comptroller General.

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During a 2-year period, about \$40.8 million was provided to the city of Buffalo and Erie County for unemployment programs, which need several improvements.

Findings/Conclusions: A random sample of people being paid unemployment money indicated that an average of 11 percent for the two areas concerned were ineligible and were being paid because of interviewer error. Prime sponsor officials screened applications and made a conscious effort to hire persons specified in the act for special consideration. However, neither area had formal procedures to make sure that these groups did receive special consideration. Investigation of nepotism practices resulted in the dismissal of several participants from the programs. Neither prime sponsor required applicants to furnish information on relatives working for local governments. Financial reporting records for the programs were not accurate. Buffalo's records did not provide information needed to determine if the funds budgeted for costs other than wages and employment benefits were reasonable, nor was the money used as required in some cases. Detailed accounting information was not provided by either prime sponsor about the number of participants in retirement plans. Title II and VI jobs, generally public service jobs, were filled above the expected levels, but moving participants into nonsubsidized positions was not successful. Recommendations: The data collected on potential recipients should be screened more carefully to insure proper use of funds, and corrective action against existing ineligible participants should be taken. Prime sponsors should obtain data identifying preference category applicants and adopt formal procedures to insure priority consideration to preference groups. Enough information should be gathered to combat nepotism. Department of Labor overseers should require the prime sponsor to be more accurate in all phases of accounting and

record keeping and the regional Labor offices should more carefully review prime sponsors' planned and actual expenditures shown in grant applications. (Author/SS)



*REPORT OF THE  
COMPTROLLER GENERAL  
OF THE UNITED STATES*

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Employment Programs  
In Buffalo And Erie County  
Under The Comprehensive  
Employment And Training Act  
Can Be Improved

Department of Labor

Employment programs funded under titles II and VI of the Comprehensive Employment and Training Act have provided jobs and other benefits to residents of Buffalo and Erie County, New York. But several factors have lessened the programs' effectiveness, including:

- Participants who were ineligible.
- Lack of formal procedures to make sure specific groups get special considerations.
- Violations of Labor Department regulations on nepotism and political activities.
- Problems in Buffalo's reporting of administrative costs, including purchases of supplies and equipment.
- Relatively few participants obtaining permanent unsubsidized jobs.

This report recommends ways the Secretary of Labor can improve the program.



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20543

B-153922

The Honorable Jack Kemp  
House of Representatives

Dear Mr. Kemp:

In accordance with your March 25, 1975, request, subsequent discussions with your office, and your letters of January 23 and March 12, 1976, we reviewed the employment programs in Buffalo and Erie County, New York, funded under titles II and VI of the Comprehensive Employment and Training Act.

Permission has been obtained from your office to furnish copies of this report to specific parties. Therefore, copies are being sent today to the Secretary of Labor; the Chairmen of the House and Senate Committees on Government Operations and on Appropriations; Senator Jacob K. Javits; the Erie County Executive; the Mayor of Buffalo; and the Director, Office of Management and Budget.

Sincerely yours,  
*Thomas A. Starks*

Comptroller General  
of the United States

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ABBREVIATIONS

CETA	Comprehensive Employment and Training Act of 1973
GAO	General Accounting Office

COMPTROLLER GENERAL'S  
REPORT TO THE HONORABLE JACK KEMP  
HOUSE OF REPRESENTATIVES

EMPLOYMENT PROGRAMS IN  
BUFFALO AND ERIE COUNTY  
UNDER THE COMPREHENSIVE  
EMPLOYMENT AND TRAINING  
ACT CAN BE IMPROVED  
Department of Labor

D I G E S T

To help unemployed residents of Buffalo and Erie County, New York, the Department of Labor provided about \$40.8 million from June 30, 1974, through September 30, 1976, for employment programs under titles II and VI of the Comprehensive Employment and Training Act--about \$24.3 million to the city of Buffalo and about \$16.5 million to the Erie County Consortium. The programs need several improvements.

INELIGIBLE PARTICIPANTS

Data on people who were selected at random and who were being paid under the program, showed that 13 percent from Buffalo and 9 percent from Erie County--a consortium of the towns of Cheektowaga, Tonawanda, and others--were unemployed less than the minimum of days required by the act. How did this happen? Interviewers for the programs considered people eligible and hired them even though

- some applications contained information which clearly showed that the required period of unemployment had not been met,
- the exact date of last employment was not always obtained, and
- the date of last employment shown on the application was often not verified. (See pp. 6 to 9.)

The Secretary of Labor should:

- Take corrective action regarding the amounts paid to ineligible participants, including, where appropriate, the recovery of Federal funds.
- Require both prime sponsors to more carefully review job applications for completeness and accuracy.
- Require that the data on application forms be verified for both present and prospective participants so that only eligible persons are enrolled in each prime sponsor's program. (See p. 14.)

NO FORMAL PROCEDURES TO MAKE SURE  
SPECIFIC GROUPS RECEIVE SPECIAL  
CONSIDERATIONS

People from specific groups were usually hired according to plans formulated by Erie County and Buffalo and approved by Labor. Because of the lack of data, GAO could not determine whether the enrollment levels corresponded to the actual unemployment among the groups.

Prime sponsor officials screen applications and make a conscious effort to hire persons specified in the act for special consideration. However, neither Buffalo nor Erie County has formal procedures to make sure that these groups do receive special consideration. Personnel files and discussions with hiring officials showed that ability, rather than need, was the overriding criterion for selecting a person for a job once residency and unemployment criteria were met. (See pp. 9 to 11.)

The Secretary of Labor should encourage both prime sponsors to obtain data which will identify applicants in the preference categories and to adopt formal procedures within their selection systems which will provide that these persons actually do receive priority consideration for Comprehensive Employment and Training Act jobs.

VIOLATIONS OF LABOR REGULATIONS  
ON NEPOTISM

As a result of complaints, the Buffalo and Erie County prime sponsors investigated whether people hired through the program had relatives in positions to influence hiring. As a result, several city and county participants were dropped from the program.

Neither prime sponsor required applicants to furnish information on relatives working for local governments when they applied for jobs. Labor should make sure that enough information is collected to administer regulations regarding nepotism. (See pp. 11 to 13.)

PRIME SPONSORS' FINANCIAL REPORTING  
PROBLEMS

Under titles II and VI, the act limited to 10 percent of all expenditures under each title the Federal funds that could be spent for other than wages and employment benefits related to public service employment.

Buffalo's records did not provide information needed to determine if the funds budgeted for costs other than wages and employment benefits were reasonable or no more than 10 percent of expenditures. Funds allotted for such costs may have exceeded the limitation, as shown by information in Buffalo's grant application and quarterly financial reports submitted to Labor.

Labor took no action to determine if these funds were spent properly. (See pp. 18 to 25.)

Buffalo spent large amounts of money under title VI for supplies and equipment. The supplies and equipment did not appear to qualify under Labor regulations as allowable administrative, fringe benefit, or training expenditures. After examining the quarterly title VI financial status reports Buffalo submitted to Labor, GAO could not clearly see what cost category included the supplies and equipment

expenditures. No training costs were reported, and the report does not break down expenditures for fringe benefits and administrative costs. (See pp. 25 to 28.)

Because programs under the act involve temporary training and employment, Labor discourages enrollment in local government retirement systems. However, such enrollment is not prohibited for public service employees hired for jobs normally covered by the employing agency's retirement system. Detailed accounting information was not available in either Erie County or Buffalo to show how many participants were enrolled in retirement programs. Estimated costs of such enrollments, rather than actual costs, were reported to Labor. Thus, the accuracy of the amounts reported to Labor for total fringe benefit costs is not known. (See pp. 28 to 30.)

The Secretary of Labor should:

- Require the regional office to more carefully review prime sponsors' planned expenditures shown in grant applications and actual expenditures shown in quarterly financial reports to make sure that the act is followed.
- Require prime sponsors to adequately describe and justify activities, other than public service employment, funded under titles II and VI.
- Work with Buffalo to improve its financial reporting system.
- Require Buffalo to keep adequate records of expenditures.
- Require Buffalo and Erie County to maintain adequate records and report accurately the pension benefit costs accrued for program enrollees. (See p. 31.)

## JOBS FILLED

A wide variety of jobs funded under titles II and VI were filled in Buffalo and Erie County. For the most part, the jobs appeared to be providing public services as defined in the act. Rehiring of former regular employees of the city and county appeared minimal.

However, both Erie County and Buffalo programs had participants who worked in the offices of local legislators, a potential violation of Labor's regulations on political activities. (See pp. 33 to 37.)

Labor should examine these activities and take corrective action, including, where appropriate, the recovery of funds and the transfer of the participants to other positions if the positions in question are abolished. (See p. 40.)

The employment programs in Buffalo and Erie County had only limited success in meeting the act's objective of moving participants into non-federally-subsidized employment. (See pp. 37 to 40.)

Because of the severity of unemployment in Buffalo and Erie County, the Secretary of Labor distributed discretionary funds, in addition to regular funds. The prime sponsors then allotted jobs to public and non-profit agencies throughout the city and county. (See pp. 41 to 43.)

Buffalo and Erie County were slow to fill their planned title I jobs for the first quarter of fiscal year 1975. However, by June 30, 1975, they had generally met or exceeded planned enrollment levels. (See pp. 43 to 45.)

## AGENCY ACTIONS

Labor agreed with all of GAO's recommendations and, together with Buffalo and Erie County, indicated that in many cases corrective action had already been taken. (See pp. 15, 31, 32, 40, app. III, app. IV, and app. V.)

## CHAPTER 1

### INTRODUCTION

The system for delivering services for most of the Labor Department's employment and training programs was changed in December 1973 with the passage of the Comprehensive Employment and Training Act of 1973 (CETA) (29 U.S.C. 801). CETA incorporates services previously available under the Manpower Development and Training Act of 1962 (42 U.S.C. 2571) and parts of the Economic Opportunity Act of 1964 (42 U.S.C. 2701), both of which were repealed in whole or in part by CETA. Public employment programs under the Emergency Employment Act of 1971 (42 U.S.C. 4871) continued until June 30, 1975, at which time they essentially were incorporated under CETA. Employment programs established under other legislation, such as the employment security program (Wagner-Peyser Act (29 U.S.C. 49)) and the Work Incentive program (Social Security Act (42 U.S.C. 630)), remain in effect.

The purpose of CETA is to establish a decentralized and flexible system of Federal, State, and local programs for job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons and to see that training and supportive services lead to maximum opportunities and enhance self-sufficiency of participants.

CETA gives State and local authorities a greater voice in planning and managing employment and training programs than the previous programs did. Instead of operating separate programs through almost 10,000 grants and contracts with public and private organizations as in the past, Labor now makes grants to about 440 prime sponsors--generally State or local governments or combinations of local governments--on the basis of plans and programs developed by the prime sponsors and approved by Labor.

The prime sponsor is responsible for program design and execution, and Labor provides technical assistance, approves plans, and monitors prime sponsors' activities through its 10 regional offices. Labor must make certain that employment and training services are available to special groups designated by CETA and that the prime sponsors comply with the act's provisions.

CETA comprises seven separate titles. The law was amended on December 31, 1974, by the Emergency Jobs and Unemployment Assistance Act of 1974 (29 U.S.C. 961) which

added a new title VI. General provisions of the act were redesignated title VII. Title VI was originally authorized for only one year. The Emergency Jobs Programs Extension Act of 1976 (Public Law 94-444, Oct. 1, 1976) extended the title VI program through fiscal year 1977.

Titles II and VI authorized the bulk of funds for federally subsidized employment programs--our area of concentration for this review.

Other CETA titles (1) authorize grants to prime sponsors for comprehensive manpower services, (2) establish employment programs for such special groups as Indians and migrants, (3) authorize research, evaluation, and training programs; a comprehensive system for labor market information; and an automated job-matching system, (4) maintain a federally directed Job Corps program, (5) establish a National Commission for Manpower Policy, and (6) establish the general provisions for carrying out the act.

#### EMPLOYMENT PROGRAMS

Titles II and VI authorize funds for transitional employment of unemployed and underemployed persons in jobs providing needed public services, and for training and other services related to such employment, to enable the participants to move into employment not supported by CETA.

Title II is viewed as a permanent program and contains a number of assurances which the prime sponsors must comply with, including giving preference to special groups, making efforts to increase the employability of the participants, and attempting to find permanent nonsubsidized employment for the participants.

Title VI contains most of the requirements and objectives in title II but is generally viewed as a countercyclical measure for the recent unemployment crisis. Under title VI preference is to be given to unemployed persons who have exhausted their unemployment insurance, who are not eligible to receive unemployment insurance, or who have been unemployed for 15 or more weeks. Disregarded under title VI are certain title II requirements regarding participants' upward mobility and future job potential. Also, the two titles differ in methods of allocating funds.

Only Indian tribes on Federal or State reservations and prime sponsors are eligible for financial assistance under titles II and VI. Prime sponsors may be:

1. A State, but only areas not served by other prime sponsors within the State (referred to as the balance of State).
2. A unit of local government (generally a city or county) with a population of 100,000 or more.
3. A combination of local governments (consortium), as long as one member of the combination has a population of 100,000 or more.
4. A unit or combination of units of local governments without regard to population in certain circumstances.
5. A limited number of existing concentrated employment program grantees serving rural areas.

Funds available under titles II and VI may, at the prime sponsor's option, be used for comprehensive employment service programs and special target group programs authorized under other CETA titles.

Within Erie County, New York, four localities have populations of over 100,000, making them eligible for consideration as prime sponsors. These localities are Buffalo, the towns of Cheektowaga and Tonawanda, and the balance of Erie County.

Two prime sponsors have been formed--the city of Buffalo and the Erie County Consortium comprising the towns of Cheektowaga and Tonawanda and the balance of the county.

Initially, in Buffalo, the Buffalo Civil Service Commission administered the title II program and the city's department of administration and finance administered the title VI program. On April 3, 1975 the entire CETA program was placed under the city's new department of human resources.

The Erie County Office of Manpower Services is responsible for the planning, supportive services, programs and fiscal management of CETA for the Erie County Consortium. The manpower director is assisted by deputy directors for CETA programs in Cheektowaga and Tonawanda.

The Department of Labor provided about \$40.8 million to the Buffalo and Erie County prime sponsors for employment programs under title II of CETA from June 30, 1974, through September 30, 1976, and under title VI of CETA for January 10, 1975, through June 30, 1976.

	<u>Title II</u>	<u>Title VI</u>	<u>Total</u>
Buffalo	\$13,504,237	\$10,814,685	\$24,318,922
Erie County Consortium	<u>8,812,928</u>	<u>7,696,009</u>	<u>16,508,937</u>
Total	<u>\$22,317,165</u>	<u>\$18,510,694</u>	<u>\$40,827,859</u>

During this period Buffalo and Erie County planned to fund about 2,500 jobs.

#### SCOPE OF REVIEW

We made this review to determine whether the employment programs in Buffalo and Erie County authorized under titles II and VI of CETA were being carried out in conformity with the act's provisions and whether Labor and the prime sponsors were administering the programs effectively. More specifically, we focused our review on

- the adequacy of selection procedures,
- financial management of program funds,
- acceptability of the employment positions, and
- allocation of funds and jobs and timeliness of participant enrollments.

We reviewed (1) CETA and its legislative history, (2) Labor regulations, policies, and operating procedures, and (3) pertinent records and documents maintained by Labor and prime sponsors, including budgetary, financial, and staffing data. We interviewed Labor and prime sponsor officials, participants' supervisors, and selected participants about benefits to the participants and the communities and about program administration. We also made a random sampling of participants' applications to verify certain key information, such as the residency and the length of unemployment, to determine whether the applicants were eligible for the programs.

We concentrated on program operations during the first full year of title II and the first half year of title VI--both periods ended June 30, 1975. This was the period when most participants entered the program. We analyzed additional information, including updated reports on enrollments, terminations, and participant characteristics.

Our review was performed primarily at Labor headquarters in Washington, D.C.; Labor's New York regional office; and the Buffalo and Erie County prime sponsors in Buffalo, New York.

## CHAPTER 2

### NEED FOR IMPROVEMENTS IN PRIME SPONSORS'

#### SELECTION PROCEDURES

Eligibility data for randomly selected CETA titles II and VI participants showed that 13 percent of the Buffalo participants and 9 percent of the Erie County participants selected were unemployed less than the minimum number of days required by the act. Intake interviewers determined some persons to be eligible even though (1) applications clearly showed that the required period of unemployment had not been met, (2) the exact date of last employment was not obtained, and (3) the date of last employment shown on the application was not verified. None of our sample cases violated the act's residency requirements.

Buffalo and Erie County officials told us that more attention will be given in the future to information provided by applicants to select only eligible persons for participation in CETA public service employment programs. Eligibility data on the application forms of future applicants will be selectively verified.

Target groups were generally hired according to the plans formulated by the prime sponsors and approved by Labor. With the data available, however, we were unable to determine whether the prime sponsors' planned enrollment levels corresponded to the proportionate incidence of unemployment among the specified target groups in the prime sponsors' jurisdictions.

Prime sponsor officials told us they made a conscious effort to hire persons specified in the act for special consideration. However, neither Buffalo nor Erie County has formal procedures to make certain that these target groups receive special consideration. Our examination of personnel files and discussions with hiring officials showed that the ability to best perform the job, rather than need, was the overriding criteria for selection, once residency and unemployment criteria were met.

Because of complaints, the Buffalo and Erie County prime sponsors investigated possible nepotism in the hiring of CETA participants. This resulted in several participants being terminated from the programs because they had relatives working for local governments. Neither prime sponsors required

applicants for CETA jobs or administrative positions to furnish information on relatives working for local governments, but officials of both told us they would in the future.

#### INELIGIBLE PARTICIPANTS

The act states that persons who are unemployed for at least 30 days or underemployed 1/ are eligible to participate in CETA titles II and VI programs if they live in an area qualifying for assistance. In areas where the unemployment rate exceeds 7 percent, prime sponsors may use title VI funds to provide employment for persons who have been unemployed for at least 15 days. Labor regulations state that the qualifying periods of unemployment (30 or 15 days) must be met before applying to participate.

Subsequent to our review, the act was amended to establish additional eligibility criteria for most title VI openings after September 30, 1976, by aiming employment programs at the long-term, low-income unemployed. (See app. I.)

Buffalo and Erie County had individual selection systems but used similar procedures to select participants. Applicants became aware of the program through various sources-- newspaper advertisements, the State employment service, and local community agencies.

CETA jobs in the city and the county were generally listed with the New York State Employment Service, which then made referrals to the prime sponsors. However, eligibility determinations were generally made by the prime sponsors after examining the individual's application form. Applicants were required to sign a statement declaring that responses on the application were true to the best of their knowledge.

Except for the title VI program in Buffalo, applicants were required to be underemployed or unemployed for at least 30 days when they applied for CETA jobs. Buffalo used title VI funds to provide employment for persons who had been unemployed for at least 15 days. Applicants for both programs were required to live in their respective qualifying areas.

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1/Labor regulations define an underemployed person as working part time but seeking full-time work or working full time but receiving wages, in relation to his or her family size, below the poverty level.

Except for jobs with nonprofit agencies, project directors generally made the selections for filling the CETA jobs in Buffalo. For Buffalo's nonprofit agency jobs and generally for all Erie County jobs, the agency heads of the department or office having the vacancies generally made the final selections. Prime sponsor officials told us the persons selected were usually the individuals believed to be most qualified for the job.

For those persons selected, the Buffalo prime sponsor verified the residence of the applicants to make sure they lived within the area qualifying for assistance. Erie County did not generally verify the reported residence. The reported period of unemployment was generally not verified by either Buffalo or Erie County.

We sent questionnaires to the most recent employers shown on the applications of 175 randomly selected participants hired under titles II and VI. Our comparison of the last day of employment reported by the employers with the date of the participants' application for a CETA job showed that 20 individuals (11 percent) were unemployed less than the minimum number of days required by the act.

	Buffalo		Erie County	
	<u>Title II</u>	<u>Title VI</u>	<u>Title II</u>	<u>Title VI</u>
Number selected at random	70	30	50	25
Number ineligible	13	-	2	5
Percent ineligible	19	-	4	20

The former employers reported that these 20 individuals worked enough hours and earned enough money so as not to qualify as underemployed. The ineligible participants (1) reported that their most recent employment ended earlier than the date reported to us by the employer, (2) reported only the month that their most recent employment ended, or (3) reported accurate information that clearly showed they had not been unemployed the minimum number of days. Examples of each situation follow.

--On September 3, 1974, an applicant in Buffalo reported the date of last employment as July 1, 1974. The person was certified eligible and became a title II participant on November 4, 1974. The employer reported to us that the person was still employed at the time of application for a CETA job.

--A person in Erie County completed an application on November 4, 1974, and reported the date of last employment as October 1974. The person was certified eligible and became a title VI participant on January 14, 1975. The employer reported that the person's last day of employment was October 24, 1974. Thus, the person was unemployed less than 30 days at the time of application for a CETA job.

--A person in Erie County completed an application on February 19, 1975, and reported the date of last employment as February 1975. The person was certified eligible and became a title VI participant on March 6, 1975. The employer reported to us that the person's last day of employment was February 11, 1975. Thus, the person was unemployed less than 30 days at the time of application for a CETA job.

Our questionnaires also requested information on the residence of the employees. We compared residence information shown on the applications of the 175 randomly selected participants with the information shown on the questionnaires. We also compared the information to telephone listings and the census tract street guides for Buffalo and Erie County. We did not identify any cases of persons living outside of the area qualifying for assistance.

Buffalo officials told us that recent reorganizations should permit better supervision of the selection process and prevent future problems of the scale found in our review. They planned to examine the specific cases of ineligibles we found to determine if the problem could be caused by certain intake counselors. Officials of both Buffalo and Erie County said more attention will be given in the future to information provided by applicants to see that only eligible persons are selected to participate in CETA public service employment programs. Eligibility data on the application forms of future applicants will be selectively verified. Erie County officials said an application form was being developed which would provide more specific employment termination dates for determining exact periods of unemployment.

Regional Labor officials told us that all prime sponsors in the region were receiving increased technical assistance and training in the operation of CETA programs, which they believed would minimize future selection problems. Labor also planned to examine the ineligible cases we identified. If regional officials agree with our findings, prime sponsors

will be required to remove those persons from the CETA program and reimburse the Federal Government for the wages and employee benefit costs associated with those participants.

LACK OF FORMAL PROCEDURES TO  
REQUIRE SPECIAL CONSIDERATION

The act requires that job opportunities be available, to the extent practicable, on an equitable basis among major segments of the population of unemployed persons, giving consideration to the relative proportions of unemployed persons in each segment. Prime sponsors identify the population segments to be served in their public service employment plans which Labor must approve.

Regarding titles II and VI programs, the act and Labor regulations require that prime sponsors give assurances that special consideration will be given to (1) unemployed persons who served in the armed forces in Indochina or Korea on or after August 5, 1964, 1/ (2) persons who have participated in manpower training programs for whom employment opportunities would not otherwise be available, (3) unemployed persons who were most severely disadvantaged in terms of lengths of unemployment and prospects for finding employment without assistance, and (4) persons who are receiving welfare benefits. For title VI programs, special consideration is to be given to persons who (1) have exhausted their unemployment insurance benefits, (2) were ineligible for unemployment insurance, or (3) have been unemployed for 15 weeks or more.

The "special consideration" concept is not defined in CETA but apparently means that applicants in these categories are to be favored. The House report on title VI, gives some guidance concerning the significance of the special considerations:

"This provision for preference was added to underline the Committee's concern that jobs be furnished to those most in need of them, but it must be emphasized that the preference is only a preference--not a qualification. It is not a

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1/Labor regulations identify these veterans as "special veterans" and also require special consideration be given to disabled veterans and veterans who have served in the armed forces and were discharged within 4 years before the date of their CETA application.

bar against hiring of persons outside the preference category. \* \* \* The basic purpose of the preference is that, when a number of equally qualified persons apply for a position priority shall be given to those in the preferred category." 1/

Labor regulations do not explain the meaning of "special consideration." Nor does Labor require prime sponsors to demonstrate that applicants in the preferred categories actually receive priority in public service jobs. However, as shown in appendix I, the new eligibility criteria for title VI openings after September 30, 1976, will in many instances limit the hiring of persons to those within the preferred categories.

Grant applications from Buffalo and Erie County that were approved by Labor included descriptions of major segments of the unemployment population they intended to serve, assurances of special consideration, identification of target groups, and planned enrollments for these groups. Both reported that actual enrollments during program year 1975 generally exceeded planned enrollments for the identified target groups. (See app. II.)

From the data available, however, we were unable to determine whether the prime sponsors' planned enrollment levels corresponded to the proportionate incidence of unemployment among the specified target groups in the prime sponsors' jurisdictions.

Prime sponsor officials told us they make a conscious effort to hire persons specified in the act for special consideration. However, neither Buffalo nor Erie County has formal procedures to make certain that these target groups receive special consideration.

The city of Buffalo stated in its original program year 1975 title II grant application approved by Labor that, when basic eligibility is ascertained, applications would be evaluated and weighted according to qualifications and need. Subsequent title II and VI grant applications did not mention such a system. A prime sponsor official told us that no weighted system was used to select participants. Erie County did not provide in its title II or VI grant applications any description of specific steps to provide special consideration.

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1/H. Rept. No. 93-1528, 93d Cong., 2d sess., p. 5 (1974).

Our examination into 175 title II and VI positions filled by both prime sponsors (see p. 7) showed no evidence of a system to make certain that specified target groups received special consideration. Our examination of the files and discussions with hiring officials showed that the ability to best perform the job was the overriding criteria for selection, once residency and unemployment criteria were met.

#### VIOLATIONS OF DEPARTMENT OF LABOR REGULATIONS ON NEPOTISM

Nepotism is the showing of favoritism to relatives, especially in appointments to desirable positions. The act does not specifically address itself to the issue of nepotism in selecting an individual for the CETA program. However, Labor regulations prohibit hiring a person in an administrative capacity, staff position, or employment position, if a relative exercises administrative or operational control over the position.

Buffalo newspapers charged that nepotism was involved in the hiring of certain individuals for the CETA program by the city of Buffalo and the Erie County Consortium. The charges have been investigated by the prime sponsors and by Labor.

#### Buffalo

Shortly after a series of newspaper articles made charges concerning certain aspects of the CETA program, Labor regional office officials requested the Buffalo prime sponsor to report on possible violations of Labor's regulations on nepotism and other matters. On March 26, 1975, the Mayor of Buffalo appointed the commissioner of human resources to head a city investigation into the charges.

The commissioner issued policy and procedural guidelines which included a mechanism for internal inquiry into the alleged violations. Because of the notoriety of the charges of nepotism, the city made a strict interpretation of Labor regulations on this matter. The new policy on nepotism provided that the city would exclude all persons from CETA positions who were relatives of individuals in positions to directly or indirectly influence the supervision and administration of, or to exercise indirect control over, the program by virtue of their position, even when it was not directly linked to the CETA program but was a part of the municipal government. In addition, the commissioner appointed five responsible local persons to a special grievance committee

to provide persons adversely affected by the inquiry with a mechanism to petition for review of their cases.

As part of the investigation into the charges of nepotism, the commissioner distributed certificates to be completed by all CETA participants and administrators. The question as to whether an individual was a relative of an elected official, public official, or administrator of the CETA program had to be answered and its accuracy certified. Other questions on the certification form concerned place of residence and employment outside the program. Prime sponsor officials told us the certifications would be completed by all future CETA participants and administrators.

On April 14, 1975, the Mayor submitted to Labor a final report on the investigation. The report stated that four participants and three CETA administrators had relatives considered to be in positions to influence the hiring procedures.

An additional 11 cases involving possible nepotism violations by 7 participants and 4 administrative staff members were explored, and the commissioner's findings indicated that no action was necessary because the relatives were not in positions which could have influenced the hiring procedures.

After review by an appointed grievance committee, five of the seven persons, previously found in possible violation of the nepotism regulations, were terminated from the program. One participant resigned before the review by the grievance committee, and the committee was of the opinion that one participant's relatives did not occupy a position which could have directly influenced the hiring procedures.

On May 6, 1975, officials of Labor's New York regional office informed Buffalo of their agreement with the prime sponsor's findings and corrective actions. Subsequently, two CETA participants who had been terminated from the program filed formal complaints with Labor stating that their discharges were based on an incorrect interpretation of the CETA regulations on nepotism. Labor agreed with the complainants and told Buffalo in May 1976 to use whatever personnel standards it had adopted to resolve any claims for back pay for the period between their dates of discharge and dates of subsequent employment.

## Erie County Consortium

Persons applying for jobs as CETA participants or administrators were not required to submit information as to whether they had relatives who were elected officials, public officials, or administrators of the CETA program. However, Erie County did not establish a special investigation committee similar to Buffalo's. To monitor adherence to Labor regulations on nepotism, the Erie County Consortium relied primarily on its administrative staff and the local civil service commission to identify, by name association, any CETA applicants who were related to local government or CETA officials.

Individual cases of possible violations of the nepotism regulations brought up by the local newspapers were investigated by the consortium with help from Labor, when appropriate. For example, five participants were determined to be related to local government officials who either were directly involved in the selection and hiring of participants or served the program in an administrative capacity. The five participants were terminated from the program as a result of the investigation.

Prime sponsor officials told us they investigated several other cases involving possible nepotism and determined that no action was necessary because the relatives were not in positions to directly influence the hiring procedures.

Erie County prime sponsor officials said they would obtain information from all future applicants on relatives working for CETA or hiring agencies.

## Our check on nepotism

We interviewed 39 randomly selected participants and examined personnel files of the 175 participants in our sample and did not find any additional nepotism cases. During the interviews, we asked the participants if they were related to anyone who had administrative or operational control over the CETA program. We also asked them if particular political party affiliations influenced their obtaining their jobs. No indication of nepotism or political patronage was found.

## CONCLUSIONS

The systems used by the Buffalo and Erie County prime sponsors for selecting program participants need to be

improved. More careful reviews of job applications and selective verification of eligibility data on the applications are needed to prevent enrolling ineligible participants. Also, Labor should take appropriate action to make sure no financial assistance is provided for CETA activities that involve ineligible participants.

Prime sponsors should obtain data to identify those applicants that are in the preferred categories and adopt formal procedures which will provide that these persons actually do receive priority in obtaining CETA jobs.

Neither prime sponsor obtained sufficient information from applicants to determine if Labor regulations on nepotism were violated. Names and positions of all relatives of the applicant who are employed in any local governments or CETA activities within the prime sponsors' area should be obtained from applicants before they enter the program.

#### RECOMMENDATIONS

We recommend that the Secretary of Labor:

- Take corrective action regarding the amounts paid to ineligible participants, including, where appropriate, the recovery of CETA funds.
- Require the Buffalo and Erie County prime sponsors to (1) carefully review job applications for completeness and accuracy and (2) selectively verify the eligibility data on application forms for both present and prospective participants to make certain that only eligible persons are enrolled in the program.
- Encourage both prime sponsors to obtain data to identify those applicants that are in the preferred categories and adopt formal procedures, within their selection systems, which will provide that these persons actually do receive priority in obtaining CETA jobs.
- Work with both prime sponsors to improve their job application forms so that sufficient information is collected to administer Labor's regulations regarding nepotism.

## AGENCY COMMENTS

Labor agreed with our first recommendation and, in a December 21, 1976, letter, stated that the Employment and Training Administration's regional office in New York City had said it would review in depth the specific cases cited in our report and require a refund from Buffalo and Erie County, where appropriate. (See app. III.)

Erie County, in a December 15, 1976, letter concerning ineligible participants, stated that, although some participants had not been unemployed 30 days at the time of application, in most cases these individuals were unemployed for the full 30 days at the time of employment. (See app. IV.) However, as we have previously stated, Labor regulations require that the qualifying periods of unemployment must be met at the time of application for participation in the CETA employment programs.

Labor also agreed with our second recommendation. Both Erie County and Buffalo are using more detailed application forms. Erie County has established a system of verifying information on the length of unemployment for program participants and Labor will suggest that Buffalo adopt a similar system. Buffalo in a December 20, 1976, letter stated that, as part of its verification process to make sure that all future applicants considered for employment meet the eligibility criteria, letters will be sent to former employers. (See app. V.)

However, Labor said the scope of our random sample of CETA participants was so small as to raise serious questions about its validity. The purpose of our random sample was to evaluate the adequacy of internal controls over the processing of applications for participation in the local public service employment programs. We believe our sample size was sufficient and valid conclusions were reached on the need for improving the procedures established by the prime sponsors to determine the eligibility of applicants.

In commenting on our third recommendation, Labor said both prime sponsors had established systems to make sure that those groups targeted to receive special consideration do, in fact, receive top priority in the filling of CETA jobs. Labor will instruct both prime sponsors to specifically identify in their fiscal year 1977 plans the procedures for achieving their goals for the specified target groups.

Erie County said it was hesitant to assign a point system or quotas to specific groups because it might lead to accusations of discrimination. It added that, since this is a very delicate area and the concept of special consideration is not defined by either CETA or Labor regulations, it would be uncertain on how to implement such a concept. Buffalo said that performance standards had been devised which call for corrective actions when actual hiring does not conform to plans submitted to Labor.

On our fourth recommendation, Labor said that nepotism violations cited in the report had been corrected with the termination of the ineligible participants and that subsequent monitoring had not indicated any further problems. Both prime sponsors said that all new hires would be required to complete applications indicating whether they are related to individuals who are in positions to influence the supervision or administration of the CETA program.

## CHAPTER 3

### NEED FOR IMPROVEMENTS IN THE PRIME SPONSORS'

#### FINANCIAL REPORTING SYSTEMS

To maximize employment opportunities under titles II and VI, the Comprehensive Employment and Training Act limits the amount of funds that can be spent for anything other than wages and employment benefits related to public service employment to 10 percent of total expenditures under each title. The Buffalo prime sponsor's records did not provide information needed to determine if the amount of funds budgeted for costs other than wages and employment benefits were reasonable or within the limitations. However, information in the prime sponsor's grant application and quarterly financial reports submitted to Labor indicated that the funds allotted for such costs may have exceeded the 10-percent limit. But we found that Labor took no action to determine if the amount of funds spent by Buffalo for costs other than wages and employment benefits were within the statutory limit.

Labor regulations provide that under certain circumstances supplies and equipment may be acquired for administration of title VI activities other than public service employment and also may be provided to participants under titles II and VI as fringe benefit costs. Also, Labor regulations provide that the 10 percent of funds for a prime sponsor for public service employment programs, after the 90-percent requirement is met may be used for administration, training, and supportive services, which might include training equipment and materials. The Buffalo prime sponsor spent large amounts under title VI for supplies and equipment. The kinds of supplies and equipment did not appear to qualify under Labor regulations as allowable administrative, fringe benefit, or training expenditures. It was not clear, from our examination of the quarterly CETA title VI financial status reports submitted by Buffalo to Labor, as to what cost category included the supplies and equipment expenditures. No training costs were reported, and the report does not provide for breakdowns for fringe benefits and administrative costs.

Labor regulations provide that, because the programs under CETA involve temporary training and employment, enrollments in local government retirement systems are not encouraged. However, such enrollments are not prohibited on behalf of public service employment participants in positions

normally covered by the employing agency's retirement system. Accounting information for neither Buffalo nor Erie County showed the extent of CETA participants' enrollment in retirement programs. Estimated costs of such enrollments rather than actual costs were reported to Labor. Thus, the accuracy of the amounts reported to Labor for total fringe benefit costs is not known.

#### PROBLEMS IN BUFFALO'S REPORTING OF CETA ADMINISTRATIVE COSTS

Not less than 90 percent of the CETA titles II and VI funds expended for public service employment programs must be for wages and employment benefits of program participants. <sup>1/</sup> However, a prime sponsor may, at its option, use titles II and VI funds for programs (such as work experience and classroom training) authorized under title I and part A of title III of CETA. When prime sponsors exercise this option, Labor regulations provide that a fixed percentage of wages and benefits is not required, but a goal of limiting administrative costs to 20 percent of total expenditures is established.

For the period June 30, 1974, through June 30, 1976, Buffalo submitted financial status reports to Labor which showed that 90 percent of total accrued expenditures for titles II and VI was for wages and fringe benefits and 10 percent was for administration. Erie County, meanwhile, was reporting that administrative costs were only about 2 percent and wages and fringe benefits were about 98 percent of the total accrued expenditures.

We found no problems in Erie County's administrative expenses reporting. However, as discussed below, we did find problems in Buffalo's reporting of administrative costs by activity, major revisions to reported administrative costs, and omission of indirect costs for CETA titles II and VI.

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<sup>1/</sup>The act was amended by the Emergency Jobs Programs Extension Act of 1976 (Public Law 94-444, Oct. 1, 1976), which provides that not less than 85 percent of the funds allocated in accordance with the provisions of titles II and VI which, used by a prime sponsor for public service employment programs under these titles, shall be expended for wages and employment benefits. The remainder of such funds may be used for administrative costs, including rental costs (within such reasonable limitations as the Secretary of Labor may prescribe with respect to the rental of space), and to obtain necessary supplies, equipment, and materials.

### Required financial reports

The CETA budget information summary presents planned expenditures by program objectives for a grant year in a prime sponsor's area. The planned expenditures are broken down by program activity and cost category on this required form. When completed it becomes part of the comprehensive manpower plan.

The CETA financial status report is used to measure accomplishments in achieving objectives in the budget information summary. This report, required quarterly from each prime sponsor, includes the following items.

1. The distribution of total accrued expenditures among program activities and the percent of plan accomplished.
2. Indirect costs for the grant period to date.
3. The distribution of total accrued expenditures to date by cost category.
4. A certification of the correctness of the cost reported.

### Buffalo title II programs

The modified comprehensive manpower plan for Buffalo's grant for title II CETA funds for June 30, 1974, through June 30, 1975, showed that work experience was to be a major program activity, along with public service employment. Employment with nonprofit agencies was classified as work experience, and employment with regular city agencies was classified as public service employment.

Labor regulations state that both public service employment and work experience are subsidized employment with public employers and private nonprofit employers. As defined by Labor regulations, differences include the duration of assignment and the employability of the participant. Work experience is defined as a short-term and/or part-time assignment designed to enhance the employability of individuals who have either never worked or have not been working in the competitive labor population for an extended period; that is, new or recent entrants into the labor force.

The work experience activity, according to Labor regulations, is designed to increase the employability of such individuals by providing them with experience on a job, an opportunity to develop occupational skills and good work habits and an opportunity to develop specific occupational goals through exposure to various occupational opportunities. Labor regulations state that participation in work experience of individuals whose only manpower need is for employment, such as unemployed individuals who have occupational skills and good work habits, is generally inappropriate.

The grant description of Buffalo's title II program for June 30, 1974, through June 30, 1975, did not, in our opinion, adequately differentiate work experience from any public service employment provided by the prime sponsor. For example, the characteristics of the participants and the duration of the activity were not adequately described. Thus, it was not possible to determine whether the employment program with non-profit agencies was properly classified; i.e., work experience rather than public service employment.

The plan, as shown below, projected total expenditures of about \$4.7 million for wages and fringe benefits, or 90 percent of the total projected expenditures of \$5.2 million. However, the planned public service employment program wages and fringe benefits were only 85 percent of the total projected expenditures. Thus, the planned administrative expenditures for the public service employment program exceeded CETA legal limitations. Work experience planned administrative expenditures were 3 percent of the activities' total projected expenditures and were within Labor's goal of a 20 percent ceiling.

Projected Expenditures for  
Buffalo CETA Title II Program  
June 30, 1974, to June 30, 1975

<u>Cost category</u>	<u>Public service employment</u>		<u>Work experience</u>		<u>Total</u>	
	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>
	(thousands of dollars)					
Administration	\$ 433	15	\$ 87	3	\$ 520	10
Allowances	-	-	-	-	-	-
Wages	1,942	69	2,030	86	3,972	76
Fringe benefits	456	16	261	11	717	14
Training	-	-	-	-	-	-
Services	10	-	-	-	10	-
Total	<u>\$2,841</u>	<u>100</u>	<u>\$2,378</u>	<u>100</u>	<u>\$5,219</u>	<u>100</u>

Buffalo's financial status report for the period ended June 30, 1975, showed total program year 1975 accrued expenditures of \$4.704 million, including \$0.987 million for administration. Only 79 percent (compared to the planned 90 percent) of the total accrued expenditures represented wages and fringe benefits. Total reported accrued expenditures for public service employment was \$3.262 million, of which only 79 percent, or \$2.583 million, was for wages and fringe benefits. Thus, the reported actual administrative expenditures for the public service employment activity exceeded CETA limits.

After we questioned the high administrative cost for the 1975 CETA title II program, Buffalo submitted a revised financial status report to Labor, which showed reduced administrative, wage, fringe benefit, and total expenditures and an administrative rate of 10 percent of total expenditures. However, the report did not show how much of the expenditures for administration was for the public service employment program. Thus, it was not possible to determine whether administrative expenditures for both public service employment and work experience were within CETA limits. The prime sponsor could not provide us with information to support either the initial or revised administrative expenditures.

The comprehensive manpower plan for Buffalo's title II grant for July 1, 1975, through June 30, 1976, showed that public service employment was the only planned program. Employment with nonprofit agencies was reclassified from work experience to public service employment for program year 1976. Wages and fringe benefits were 91 percent and administrative costs were 9 percent of the total projected expenditures.

Buffalo's financial status report for July 1, 1975, through June 30, 1976, showed program year 1976 accrued wages and fringe benefits were 90 percent and administrative costs were 10 percent of the total accrued expenditures.

#### Buffalo's title VI programs

The comprehensive manpower plan for Buffalo's modified grant for CETA title VI funds for January 10, 1975, to February 9, 1976, made work experience the major program activity, but some public service employment was also planned. Work experience included public works aides assigned to projects designed to improve the existing conditions of public facilities and equipment within the city.

In our opinion, the prime sponsor did not adequately differentiate work experience from public service employment. For example, the characteristics of the participants and the duration of the employment were not adequately described. Thus, it was not possible to determine whether the employment program involving public works projects was properly classified; i.e., work experience rather than public service employment.

The plan, as shown below, projected a total of about \$3.65 million for wages and fringe benefits or 86 percent of the total projected expenditures of about \$4.25 million. Planned public service employment wages and fringe benefits were 85 percent of the total projected expenditures. Thus, the planned administrative expenditures for public service exceeded CETA legal limitations. Planned administrative expenditures for work experience were 14 percent of the total projected expenditure and were within Labor's goal of a 20-percent ceiling.

Projected Expenditures for  
Buffalo CETA Title VI Program  
January 10, 1975, to February 9, 1976

<u>Cost category</u>	<u>Public service employment</u>		<u>Work experience</u>		<u>Total</u>	
	<u>Dollars</u>	<u>Per-</u> <u>cent</u>	<u>Dollars</u>	<u>Per-</u> <u>cent</u>	<u>Dollars</u>	<u>Per-</u> <u>cent</u>
	(thousands of dollars)					
Administration	\$ 86	15	\$ 506	14	\$ 592	14
Allowances	-	-	-	-	-	-
Wages	439	73	2,699	74	3,138	74
Fringe benefits	72	12	445	12	517	12
Training	-	-	-	-	-	-
Services	-	-	1	-	1	-
<b>Total</b>	<b>\$597</b>	<b>100</b>	<b>\$3,651</b>	<b>100</b>	<b>\$4,248</b>	<b>100</b>

Buffalo's financial status report for January 10 through June 30, 1975, showed that through the first 6 months of the 13-month title VI program accrued expenditures of \$1.333 million included \$0.600 million (45 percent) for administration. With 7 months remaining, actual reported administrative expenditures had already exceeded those planned for the entire 13-month program. The report did not show the expenditures for administration by program activity. Thus, it was not

possible to determine whether administrative expenditures for either public service employment or work experience were within CETA legal limitations, although the overall administrative cost rate of 45 percent indicates that administrative costs for one or both of those activities exceeded CETA and Labor regulations.

After we questioned the basis for the high administrative cost rate for the first 6 months of the CETA title VI program, Buffalo submitted a revised financial status report to Labor which, in effect, transferred most of the administrative expenditures to wages and fringe benefits cost categories. The administrative cost rate was lowered by those accounting transfers to 10 percent of total expenditures. However, the report did not show how much of the expenditures for administration was for the public service employment program. So it was still not possible to determine whether administrative expenditures for both public service employment and work experience were within CETA legal limitations. In addition, the prime sponsor could not provide us with detailed accounting information to support either the initial or revised administrative expenditures.

When additional funding was appropriated for the title VI program in mid-1975, Labor required prime sponsors to submit grant applications to incorporate the increased funding and extension of the program through June 30, 1976. Work experience continued to be the major planned activity, along with some public service employment. Again, work experience was not, in our opinion, adequately differentiated from public service employment. For example, the characteristics of the participants and the duration of the employment were not adequately described.

Costs for public service employment were projected under the modified grant to be \$2.649 million and costs for work experience were projected to be \$6.182 million from July 1, 1975, through June 30, 1976. However, the cost categories shown below were not summarized by program.

Projected Expenditures for  
Buffalo CETA Title VI Program  
July 1, 1975, to June 30, 1976

<u>Cost category</u>	<u>Total</u>	
	<u>Dollars</u>	<u>Percent</u>
	(thousands)	
Administration	\$ 689	8
Allowances	-	-
Wages	6,989	79
Fringe benefits	1,153	13
Training	-	-
Services	-	-
Total	<u>\$8,831</u>	<u>100</u>

Projected expenditures for wages and fringe benefits were 92 percent and administration was 8 percent of total expenditures. However, because cost categories were not summarized by program, it was not possible to determine the amount of administrative expenditures applicable to public service employment or the amount applicable to work experience.

Buffalo's financial status report for July 1, 1975, through June 30, 1976, showed that accrued wages and fringe benefits for work experience and public service employment combined were 90 percent and administrative costs were 10 percent of accrued expenditures.

Buffalo's indirect costs

Direct costs are those which can be identified specifically with a particular objective, such as an organizational unit, function, or object, as well as ultimate objectives, such as specific grants, projects, contracts, and other. Indirect costs are those which are not readily identifiable with a particular function or project but nevertheless are necessary to the general operation of the prime sponsor. Indirect costs are usually grouped into a common pool and are allocated through an indirect cost rate to those activities which benefit from them.

Indirect costs for Buffalo's titles II and VI grants for June 30, 1974, through June 30, 1976, amounted to 3.3 percent of planned total grant expenditures of \$18.2 million, or about \$600,000.

The CETA financial status report includes a section for indirect costs. However, in the reports submitted to Labor for June 30, 1974, through June 30, 1976, Buffalo reported no indirect cost information. Thus, it was not possible to determine the amount of the indirect costs nor to determine if reported administrative expenditures included any indirect costs.

The Erie County grants did not show any planned expenditures for indirect costs.

#### PROBLEMS IN BUFFALO'S REPORTING OF ITS PURCHASES OF SUPPLIES AND EQUIPMENT

CETA provides that the Secretary of Labor shall not provide financial assistance for any program under titles II and VI unless he determines, in accordance with such regulations as he shall prescribe, that the funds will not be used for the acquisition, rental, or leasing of supplies, equipment, materials, or real estate. <sup>1/</sup> However, the act permits a prime sponsor to use titles II and VI funds for programs (such as work experience and classroom training) authorized under title I and part A of title III, which do not contain similar prohibitions. In addition, the act requires titles II and VI employment programs to provide needed training to the extent feasible. Training is an activity which generally requires the purchase of supplies and equipment.

To implement these somewhat conflicting provisions, Labor regulations provide that Federal funds used for any program authorized by title II, title VI, and public service employment under title I shall not be used for supplies, equipment, and materials for administrative purposes. Excepted are training materials, work tools, uniforms, or other equipment ordinarily provided by an employer to his regular employees for the benefit and ownership of the participant. These are acceptable as fringe benefit costs. Labor regulations for title VI specifically provide that if title VI funds are used for programs authorized by title I or part A of title III, other than public service employment programs, the purchase of supplies, equipment, and materials for administrative purposes is allowed. Labor regulations also provide that

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<sup>1/</sup>The act has subsequently been amended (see p. 18) to permit the use of funds allocated for title II and title VI programs for limited purchases of necessary supplies, equipment, and materials.

the 10 percent of funds used by a prime sponsor for public service employment programs authorized by titles I, II, and VI, after the 90 percent requirement is met, (see p. 18), may be used for administration, training, and supportive services, including equipment and materials needed in the training of participants.

Under certain conditions, purchases of supplies and equipment with titles II and VI funds could be reported under administration, fringe benefits, or training costs. Our examination of the title II grant applications for June 30, 1974, through June 30, 1975, and July 1, 1975, through September 30, 1976, and the title VI grant applications for January 10, 1975, through February 9, 1976, did not show any information on planned purchases of supplies and equipment. However, in its title VI grant applications for July 1, 1975, through June 30, 1976, Buffalo provided the following information on planned purchases of supplies and equipment.

<u>Descriptions</u>	<u>Amount</u>
Paint supplies and paint	\$108,691
Maintenance and tools	13,627
Equipment	<u>30,133</u>
Total	<u>\$152,451</u>

The planned purchases of supplies and equipment were included in administrative costs. From the description of the supplies and equipment, it appears that under Labor regulations such purchases should have been classified as either fringe benefit or training costs. The grant application, however, did not describe how the supplies and equipment would be used in the training of participants or in the administration of the program.

The grant application was approved by Labor, but Labor informed Buffalo that:

--Information identifying the kind of equipment to be purchased and the cost per item was not included in the application. Normally, grants are not approved until such information is supplied; however, to avert the disruption of participant employment, Labor approved Buffalo's grant with the provision that this information be supplied later. In addition, no equipment could be purchased without prior regional office approval.

--It was concerned about the amount of money allocated for paint and related supplies and suggested that Buffalo consider whether the funds could be more effective if used for wages of additional CETA participants.

Internal memorandums by officials of the city of Buffalo indicated that large amounts of supplies and equipment were purchased under the CETA grants. A memorandum of October 14, 1975, showed the following information for title VI purchases.

<u>Category</u>	<u>Title VI expenditures</u>	
	<u>Budget</u>	<u>Actual</u>
Maintenance	\$ 41,883	\$ 28,188
Paint and supplies	252,362	111,468
Office supplies	11,219	8,474
Equipment	79,497	71,774
Communication	5,800	-
Vehicles	-	-
Travel and auto	<u>13,470</u>	<u>506</u>
Total	<u>\$404,231</u>	<u>\$220,410</u>

We also found documents prepared by the city and approved by the Labor regional office before June 1975, which described equipment to be purchased with title VI funds. The following are examples of equipment purchased: sand blaster, gantry crane, portable compressor, hi-pressure washer cleaning machines, and air compressor.

When we questioned the purchases of supplies and equipment, Buffalo and regional Labor officials said these items were allowable under Labor regulations because the title VI program in Buffalo was primarily for work experience rather than public service. All purchases of supplies and equipment were made with the approval of regional officials.

Projects to paint and repair public facilities and equipment were viewed by Buffalo and regional Labor officials as a means of providing needed public services and establishing jobs much quicker than by developing individual regular civil service positions. Supplies (such as paint) and equipment were considered training materials. They acknowledged that such expenditures affect the prime sponsor's ability to maximize employment opportunities. However, they believed that the decrease in time required to implement the work experience program was worth the additional costs.

Labor regulations state that training costs include goods and services which directly and immediately affect program participants, and such costs should be those incurred for instruction of participants in either a work environment or classroom. The regulations further provide that goods and services which have direct and immediate impact on participants are limited to those actually involved in participant training as opposed to those which are supportive of that process.

In our opinion, the purchase of paint, paint supplies, and such equipment as a sand blaster, gantry crane, portable compressor, hi-pressure washer cleaning machines, and air compressor used by CETA participants to improve the city's public facilities were only supportive to the training process and should not be classified as training costs. Furthermore, the supplies and equipment were not reported by Buffalo as training costs. The CETA title VI financial status reports submitted by Buffalo to Labor for January 10, 1975, through June 30, 1976, showed no expenditures for training costs.

We could not determine if these purchases were reported as fringe benefit or administrative costs because the CETA financial status report does not require a detailed breakdown of costs within categories. However, we do not believe such supplies and equipment qualify under Labor regulations as either. According to the grant application, the supplies and equipment were used by CETA participants to improve public facilities rather than for administrative purposes. Supplies and equipment that qualify as fringe benefit costs are limited to work tools, uniforms, or other equipment ordinarily provided by an employer to his regular employees. The supplies and equipment purchased under the CETA title VI program did not include work tools or uniforms to be provided to CETA participants.

#### INADEQUATE ACCOUNTING FOR ACCRUED COSTS FOR PARTICIPATION IN LOCAL RETIREMENT SYSTEMS

Labor regulations state that because the programs under CETA involve temporary training and employment, enrollments in local government retirement systems are not encouraged. However, such enrollments are not prohibited on behalf of public service employment participants where such payments are warranted. For example, Labor regulations provide that payments are warranted for persons who are immediately hired as CETA participants into positions normally covered by the employing agency's retirement system.

Labor regulations require that employer's contributions for retirement benefits for CETA participants be reported as fringe benefit costs in the quarterly CETA financial status report. However, both Buffalo and Erie County in their financial reports showed estimated rather than actual costs because detailed accounting information was not available on CETA enrollments in local retirement systems.

The cost of participation will not be known until the State bills the prime sponsors for both regular employees and CETA participants in the New York State retirement system. As of June 30, 1976, the prime sponsor had not received billings from the State for fiscal year 1975 enrollments.

Buffalo officials told us that CETA enrollments in local retirement systems were limited to those persons who had been enrolled at the time they transferred to CETA from the public service employment programs previously authorized by the Emergency Employment Act of 1971. Erie County officials estimated that 40 percent of their CETA participants from June 30, 1974, through June 30, 1975, had been enrolled in local retirement systems.

Erie County officials told us that the State actively pushed for CETA participants to join the retirement system because the entire cost would be borne by CETA funds rather than local government funds, and most of the participants probably would not be employed long enough with local government agencies to attain any vesting interest in the fund. Thus, the financial position of the retirement fund would be improved if there were mass enrollments by CETA participants. They said that application blanks were mailed in bulk to the prime sponsor by the State comptroller.

These officials also said they were required to tell CETA participants of the opportunity to participate in the State retirement system because the act requires that all persons employed in public service jobs be assured of fringe benefits at the same levels and to the same extent as regular civil service employees. Once participants learned that they did not have to contribute to the cost of the system, many of them enrolled in the system.

A New York State law enacted May 7, 1975, which became effective September 1, 1975, has subsequently affected the rights of CETA employees to join the retirement system and to achieve service credit for CETA employment. The State law essentially prohibits a person who is employed in CETA

transitional public employment service from joining the retirement system on or after September 1, 1975. Any persons who are engaged in CETA employment and who joined the retirement system on or before August 31, 1975, may continue in membership and will be entitled to all the rights and benefits of membership.

However, CETA participants hired on or after September 1, 1975, are entitled by the above law to receive some retirement credit as a result of such employment if they join the retirement system at a later date. Specifically, any person who is employed in transitional public employment service and who, at the termination of such service, renders 5 years or more of public service in another position for which service is granted by the retirement system, may obtain credit for up to 4 years of such transitional public employment service. This credit can be granted only if the employee files an application with the retirement system not later than 1 year after completing such 5 years of creditable service and providing the retirement system receives the contribution required by the State law.

## CONCLUSIONS

The limitations on the expenditure of CETA titles II and VI funds for other than wages and employment benefits were placed in the act to maximize the use of available funds for employment opportunities. Buffalo's records did not provide the information needed to determine the appropriateness of the purchases of supplies and equipment or the reasonableness of administrative expenses. However, information shown in Buffalo's grant application and quarterly financial reports should have alerted Labor that CETA's limitations may have been exceeded.

Activities funded under CETA titles II and VI, other than public service employment, have different limitations on administrative costs and expenditures for supplies and equipment. If more than one program is involved, it is necessary to prepare a budget information summary and a financial status report for each program in order to show each program's planned and accrued expenditures by cost category. Expenditures reported by cost category are necessary to determine whether administrative expenditures for each program are within CETA limitations.

We believe that Labor should make a more careful review of planned expenditures on grant applications and of actual

expenditures shown in quarterly financial reports submitted by prime sponsors. Labor should work with Buffalo to seek ways to reduce administrative costs and maximize employment opportunities. Also, Buffalo should be required to maintain adequate records on administrative expenses under CETA, with separate reporting for the various activities.

Neither Buffalo nor Erie County has maintained adequate accounting data necessary to determine accrued costs for enrollments in local retirement programs by CETA participants. Thus, the accuracy of the amounts reported to Labor for fringe benefit costs is not known.

### RECOMMENDATIONS

We recommend that the Secretary of Labor:

- Require its regional office to make more careful reviews of planned expenditures in grant applications and of actual expenditures shown in quarterly financial reports submitted by the prime sponsors to see that CETA requirements are met.
- Require prime sponsors to adequately describe and justify activities, other than public service employment, funded under titles II and VI of CETA.
- Work with Buffalo to seek ways to improve its financial reporting.
- Require Buffalo to keep adequate records of CETA expenditures.
- Require Buffalo and Erie County to maintain adequate records and report accurately the pension benefit costs accrued for CETA enrollees.

### AGENCY COMMENTS

Labor agreed with our first recommendation and said its regional office in New York City was making an indepth review of public service employment programs in Buffalo. The review will include financial management systems, as well as other areas of programmatic concern.

Concerning our second recommendation, Labor said its regulations require that prime sponsors justify the selection of activities and services, other than public service

employment, under titles II and VI of CETA. In the view of the regional office, Buffalo had justified the use of titles II and VI funds for non-public-service employment and had received regional office approval for such activities. In our opinion, the classification of many title II and VI public service jobs as work experience and the large purchases of supplies and equipment under title VI were not adequately justified.

Labor said, in regard to our third and fourth recommendations, that its regional office had recognized the serious deficiencies in Buffalo's financial management system. Labor added that, as a result of the CETA assessment procedures, the city of Buffalo had been rated as an unsatisfactory performer for the past 2 years. Because of this assessment, the city of Buffalo, with technical assistance from the Federal representative, submitted a detailed outline for the reorganization of its CETA fiscal unit which became operational on October 1, 1976.

In addition to reorganizing the CETA fiscal unit, Buffalo prepared a comprehensive fiscal manual and implemented revised accounting procedures. It said these new fiscal procedures had improved the financial reporting system, both internally and in relation to reports for Labor. However, Labor said that monitoring by regional office staff had subsequently pinpointed serious deficiencies in the new system.

Concerning our fifth recommendation, Labor said both prime sponsors report estimated costs of enrollment of participants into the New York retirement system because the State did not bill them on a monthly or quarterly basis. Labor said, however, the inability to adequately indicate the size of enrollment into the retirement system on a timely basis will be brought to the attention of both prime sponsors.

## CHAPTER 4

### ACCEPTABILITY OF THE EMPLOYMENT POSITIONS

The Comprehensive Employment and Training Act of 1973 funded a wide variety of titles II and VI jobs in Buffalo and Erie County. For the most part, the jobs appeared to provide public services as defined in the act. However, both Erie County and Buffalo had participants working in the offices of local legislators, a potential violation of Labor's regulations concerning political activities. Rehiring former employees of the city and county appeared to be minimal.

The objective of the CETA employment programs to ultimately have participants placed in nonsubsidized employment has met limited success in both Buffalo and Erie County during the first 2 years of the program.

### PUBLIC SERVICES PROVIDED

One purpose of the act is to provide employment in jobs providing needed public services. As defined in the act, public service includes, but is not limited to, work in such fields as environmental quality, health care, education, child care, public safety, crime prevention and control, prison rehabilitation, transportation, recreation, maintenance of parks and other public service facilities, solid waste removal, pollution control, housing and neighborhood improvements, rural development, conservation, beautification, veterans outreach, and other fields of human betterment and community improvement.

For June 30, 1974, through June 30, 1975, Buffalo and Erie County reported 2,676 cumulative enrollments under the CETA titles II and VI employment programs. This included 2,206 persons in federally subsidized employment at June 30, 1975, and 470 persons who had participated in the program but had subsequently left for various reasons.

The jobs were in State, county, and local governments, and educational and nonprofit agencies. Participants filled positions as laborers, typists, clerks, and teachers in such fields as education, public works, health, law enforcement, and general administration.

Our analysis of jobs filled at June 30, 1975, showed they were distributed among public service areas, as follows:

<u>Public service</u>	<u>Buffalo</u>		<u>Erie County</u>	
	<u>Title II</u>	<u>Title VI</u>	<u>Title II</u>	<u>Title VI</u>
	(percent)		(percent)	
Public works and transportation	13	63	23	39
Nonprofit agencies	54	3	3	4
Education	3	-	14	18
Parks and recreation	5	11	11	5
Social services	6	1	8	5
Health and hospitals	1	(a)	13	6
Environmental quality	1	10	6	8
Law enforcement	4	1	6	3
Fire protection	(a)	-	-	-
CETA administration	6	2	4	6
Other	7	9	12	6
Total	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

a/Less than 1 percent when rounded to nearest number.

Buffalo used several approaches to provide jobs. Title II funds were split between programs for wide variety of public service jobs in the various city departments and work experience jobs in nonprofit agencies. Under title VI, public service funds were used primarily to finance work experience jobs in public works projects.

Title II public service jobs with various Buffalo city departments had numerous job titles, including general office worker, information aide, housing maintenance aide, park ranger, maintenance man trainee, and report technician aide. Work experience positions with job titles of junior community aide, community aide, and senior community aide were assigned to community-based nonprofit agencies.

Upon receipt of title VI funds, the city of Buffalo initiated public works work experience projects designed to improve public facilities. Public works aides, public works aides supervisors, and administrative aides were the basic job titles of the public works program.

The titles II and VI employment programs of the Erie County Consortium provided public service employment opportunities in the towns and villages in the county, as well as in county departments and nonprofit agencies. Job titles

included laborer, administrative trainee, teacher's aide, clerk typist, social welfare examiner, and parks maintenance man.

To obtain the views of persons directly involved in the CETA program, we interviewed 39 participants and their supervisors. All of the participants believed their jobs provided a needed public service, and 31 felt that participation in CETA had increased their employment opportunities or overall chance for advancement in the future. The supervisors for all but two of the participants thought that the participants were working satisfactorily.

#### MINIMAL REHIRING OF FORMER EMPLOYEES

The act provides that application for financial assistance for public service employment programs under titles II and VI include assurances that public service jobs shall only be in addition to employment which would otherwise be financed by the prime sponsor without CETA assistance. The act further provides that the Secretary of Labor not provide financial assistance unless he determines that the public service employment program will (1) increase employment opportunities over those which would otherwise be available, (2) not displace currently employed workers, and (3) not substitute public service jobs for existing federally assisted jobs. Labor regulations provide that rehiring former employees who lost their jobs due to a bona fide layoff is not prohibited.

Labor requires all prime sponsors to prepare monthly progress reports showing the number of individuals laid off or terminated from regular unsubsidized employment by the prime sponsor or employing agent during the 6 months prior to being rehired into a CETA title II or VI public service job. Individuals are to be included only when they return to the same or a similar position with the prime sponsor or employing agent.

For July 1974 through March 1976, Buffalo reported no rehires and Erie County reported only one. In our examination of the employment histories on the applications of 175 randomly selected participants in Buffalo and Erie County, we identified only one rehire (Erie County).

According to a local newspaper article included with their grant application to Labor, local budget conditions necessitated a steady decline in Buffalo city employees over the past several years. For instance, in 1971, there were

6,500 employees, but on December 29, 1974, there were only 5,676 employees. The budget that went into effect July 1, 1974, eliminated over 800 positions, approximately 500 of which were vacant. No additional layoffs occurred through December 1975.

City employee union officials told us that CETA employees had not replaced any regular civil service employees but that CETA participants were performing the same type of work as that previously done by laid off city employees.

For example, local 264 of the American Federation of State, County and Municipal Employees filed a formal complaint with Labor in June 1975, in which it contended that CETA participants in Buffalo were filling sanitation positions previously held by laid off civil service employees. As a result of a Labor investigation, seven CETA participants were transferred to other city departments.

Union officials in Erie County had somewhat the same view. For example, the union complained that CETA participants were filling positions at State agencies substantially equivalent to those previously held by laid off civil service employees. As a result of the complaints, Erie County transferred the participants to other agencies.

#### POTENTIAL VIOLATIONS OF DEPARTMENT OF LABOR REGULATIONS ON POLITICAL ACTIVITIES

The act provides that the Secretary of Labor shall not provide financial assistance to any CETA program involving political activities. Labor regulations initially provided that no CETA program activities, and neither the program nor the funds provided, nor the personnel employed in the administration of the program, shall be in any way or to any extent engaged in political activities in contravention of chapter 15 of title 5 of the United States Code. Prohibited activities include, but are not necessarily limited to, the assignment of any participant by an eligible applicant or subgrantee or employing agency to work for or on behalf of a partisan political activity; to take part in voter registration activities; or to participate in such other partisan political activities as lobbying, collecting funds, making speeches, assisting at meetings, doorbell ringing, and distributing political pamphlets in an effort to persuade others of any political view.

To clarify what was meant by working for or on behalf of a partisan political activity, revised Labor regulations, effective July 26, 1976, for both the planning and operation of program year 1977 grants provided more specific language on political activities to prohibit the employment of participants in legislators' offices and political positions in the offices of other elected officials.

Both Buffalo and Erie County had CETA participants working in the offices of local legislators. We examined Labor-approved grant applications of the prime sponsors and lists of enrolled participants. From those documents and discussions with prime sponsor officials, we identified 24 CETA participants working for members of the Buffalo Common Council and 8 working in the central office of the Erie County Legislature.

Buffalo officials told us that CETA participants working in the offices of the Common Council were performing needed public services for the entire community rather than satisfying political needs of individual councilmen. Erie County officials said CETA participants in offices of the county legislators were assigned to the clerk rather than individual legislators. These officials said that these CETA jobs did not involve political activities as defined in Labor regulations.

Regional Labor officials told us they would review the CETA positions in city and county legislator offices. They said that, unless Buffalo and Erie County present a very good case, the positions will be abolished and the participants will be transferred to jobs not involving political activities.

#### LIMITED SUCCESS IN TRANSFERRING CETA PARTICIPANTS TO NONSUBSIDIZED EMPLOYMENT

One objective of CETA is to have participants placed in training or employment not subsidized by the act. Labor regulations provide that the annual goal of each prime sponsor, to the extent feasible, is to either (1) place half of the cumulative enrollments in unsubsidized private or public employment or (2) place participants in half of the hiring agents' vacancies which are not filled by promotion from within the agencies.

Legislation states that Labor cannot require that any prime sponsor place into unsubsidized jobs a specific number or proportion of participants. Placement goals must be identified as goals and not requirements. Prime sponsors can

request a waiver of such goals. The request can be granted if the prime sponsor considers the goals infeasible and the Secretary agrees that local conditions warrant a waiver.

Because of high unemployment and general economic conditions, Buffalo requested and received from Labor a waiver of all CETA placement goals. Erie County did not request such a waiver.

As shown in the table below, for June 30, 1974, through June 30, 1975, Buffalo and Erie County reported that only 5 percent of their cumulative enrollments had been transferred to non-federally-subsidized employment. An additional 4 percent were reported as other positive terminations (entered school, the military, or a non-CETA-funded manpower program or transferred from one CETA title to another). Nine percent of the participants were reported as nonpositive terminations (laid off, moved from area, refused to continue, or administrative separation). At June 30, 1975, 82 percent of the cumulative enrollments were still in federally subsidized employment.

Cumulative Enrollments And Positive  
and Nonpositive Terminations  
for CETA Titles II and VI  
Buffalo and Erie County Employment Programs  
During Program Year 1975

	<u>Buffalo</u>		<u>Erie County</u>		<u>Total</u>	
	<u>Number</u>	<u>Percent of enrollment</u>	<u>Number</u>	<u>Percent of enrollment</u>	<u>Number</u>	<u>Percent of enrollment</u>
Cumulative enrollments	<u>1,535</u>	<u>100</u>	<u>1,141</u>	<u>100</u>	<u>2,676</u>	<u>100</u>
Terminations:						
Positive						
Employment	39	3	90	8	129	5
Other	82	5	31	3	113	4
Nonpositive	<u>145</u>	<u>9</u>	<u>83</u>	<u>7</u>	<u>228</u>	<u>9</u>
Total	<u>266</u>	<u>17</u>	<u>204</u>	<u>18</u>	<u>470</u>	<u>18</u>
Enrolled at year-end	<u>1,269</u>	<u>83</u>	<u>937</u>	<u>82</u>	<u>2,206</u>	<u>82</u>

For July 1, 1975, through June 30, 1976, Buffalo and Erie County again reported (see table below) relatively low numbers of persons transferring into non-federally-subsidized employment. Only 7 percent of their cumulative enrollments moved to nonfederally subsidized employment. An additional 42 percent were reported as other positive terminations. Seventeen percent of the cumulative participants

were reported as nonpositive terminations. The relatively high numbers of cumulative enrollments and other positive terminations primarily reflects double counting because of the transfers between titles II and VI to minimize layoffs caused by having insufficient title II funds to subsidize employment of all enrollees for the full program year. In accordance with Labor instructions, persons are counted as other positive terminations when they transfer from one title to another. They are included in the reported cumulative enrollments for both titles.

Cumulative Enrollments and Positive  
and Nonpositive Terminations  
for CETA Titles II and VI  
Buffalo and Erie County Employment Programs  
During Program Year 1976

	<u>Buffalo</u>		<u>Erie County</u>		<u>Total</u>	
	<u>Number</u>	<u>Percent of enrollment</u>	<u>Number</u>	<u>Percent of enrollment</u>	<u>Number</u>	<u>Percent of enrollment</u>
Cumulative enrollments (note a)	<u>3,653</u>	<u>100</u>	<u>2,028</u>	<u>100</u>	<u>5,681</u>	<u>100</u>
Terminations:						
Positive:						
Employment	174	5	230	11	404	7
Other positive	1,722	47	690	34	2,412	42
Nonpositive	<u>319</u>	<u>9</u>	<u>654</u>	<u>32</u>	<u>973</u>	<u>17</u>
Total	<u>2,215</u>	<u>61</u>	<u>1,574</u>	<u>b/78</u>	<u>3,789</u>	<u>b/67</u>
Enrollments at year-end	<u>1,438</u>	<u>39</u>	<u>454</u>	<u>23</u>	<u>1,892</u>	<u>33</u>

a/Includes persons enrolled at June 30, 1975, shown on the schedule on p. 38.

b/Does not foot due to rounding.

On April 15, 1976, a \$1.2 billion urgent supplemental appropriation bill for fiscal year 1976 CETA title II funding was signed by the President to forestall layoffs of federally subsidized workers by prime sponsors about to exhaust their funds in title II areas. However, both Buffalo and Erie County had to take action before the new funds were appropriated. According to their grant applications, Buffalo and Erie County transferred 736 and 537, respectively, title II participants to their title VI program to delay layoffs. However, Erie County subsequently exhausted most of its title VI funds and had to lay off on March 31, 1976, about 550 CETA public job holders. Buffalo had not laid off any CETA participants because of exhausted funds as of June 30, 1976.

## CONCLUSIONS

Both prime sponsors' programs provided diversified jobs to fulfill unmet public service needs. However, some positions could involve political activities. Labor should take appropriate action to make certain that no financial assistance is provided for programs which involve political activities.

Rehiring former regular employees of the city and county appeared to be minimal.

CETA employment programs in both Erie County and Buffalo have had only limited success in having participants transferred into regular non-federally-subsidized employment.

## RECOMMENDATION

We recommend that the Secretary of Labor examine the activities and duties of the participants assigned to the offices of local legislators in Buffalo and Erie County and take corrective action, including, where appropriate, the recovery of CETA funds and the transfer of the participants involved to other positions if it is decided to abolish the positions in question.

## AGENCY COMMENTS

Labor agreed with our recommendation. It said its regional office had advised that the 32 participants identified in our report had been transferred out of those positions, and those positions with the Buffalo Common Council and the Erie County Legislation have been abolished.

Both prime sponsors pointed to the high unemployment and generally dismal economic conditions in the area as reasons for the relatively low numbers of participants being placed in permanent unsubsidized employment. However, Erie County said its administrative staff is intensifying its job development efforts to obtain more unsubsidized job placements for CETA public service participants. Buffalo said adequate training in the area of job development has not been available; but future Labor and locally instituted training sessions in job development should lead to higher placement rates in the future.

## CHAPTER 5

### ALLOCATION OF FUNDS AND JOBS AND

#### TIMELINESS OF PARTICIPANT ENROLLMENTS

Large amounts of Comprehensive Employment and Training Act titles II and VI funds were allocated to the Buffalo and Erie County Consortium prime sponsors in accordance with the act's formula. Because of the severity of unemployment in the area, the Secretary of Labor also distributed discretionary funds to the city and county. The prime sponsors then allotted jobs to public and nonprofit agencies throughout the city and county.

Buffalo and Erie County were slow to fill their planned number of title II jobs for the first quarter of program year 1975. However, by June 30, 1975, Buffalo and Erie County had generally met or exceeded planned enrollment levels for title II and title VI.

#### ALLOCATION OF FUNDS AND JOBS

CETA requires that allocation of 80 percent of the title II funds be based on the number of unemployed persons residing in areas of substantial unemployment in relation to the total unemployed residing in all such areas. The remaining 20 percent may be distributed at the discretion of the Secretary, taking into account the severity of unemployment in these areas.

Any prime sponsor qualifies for financial assistance if it contains an area which has an unemployment rate of 6.5 percent or more for 3 consecutive months. An area must be of sufficient size to maintain a public employment program but may be smaller than an entire political jurisdiction.

Since they both met the criterion, the entire political jurisdictions of Buffalo and Erie County were each designated as areas of substantial unemployment. From June 30, 1974, through September 30, 1976, Buffalo received about \$9.0 million under the title II formula and about \$4.5 million in discretionary funds. For this same period, Erie County received about \$7.8 million under the formula and received about \$1.0 million in discretionary funds.

At least 90 percent of title VI funds is to be allocated among prime sponsors, as follows:

- 50 percent of the funds subject to the formula are distributed in the ratio that the number of unemployed in the prime sponsor's area bears to the number of unemployed in the areas of all prime sponsors.
- 25 percent is distributed in the ratio that the number of unemployed in the prime sponsor's area in excess of 4.5 percent of the labor force bears to the number of unemployed in excess of 4.5 percent in the areas of all prime sponsors.
- 25 percent is distributed in the ratio that the number of unemployed residing in areas of substantial unemployment qualified under CETA title II (i.e., with unemployment of 6.5 percent or more) within the jurisdiction of the prime sponsor bears to the number of unemployed residing in all areas qualifying under title II.

The funds not subject to the formula are to be distributed at the Secretary of Labor's discretion, taking into account changes in the rates of unemployment.

From January 10, 1975, through June 30, 1976, Buffalo received about \$9.9 million under the title VI formula for allocation and about \$0.9 million in discretionary funds. For this same period, Erie County was allotted about \$7.4 million and received about \$0.3 million in discretionary funds.

#### Allocation of jobs

A prime sponsor's application for financial assistance for a CETA public service employment program must include a description of the manpower needs of local governments and of local educational agencies within the area to be served, together with the comments of such governments and agencies and assurances that jobs will be allocated equitably to the governments and agencies, taking into account the number of unemployed within their jurisdictions and each agency's needs.

Both Buffalo's and Erie County's applications contained assurances that jobs would be allocated equitably. The funded jobs for title II from June 30, 1974, through June 30, 1975, and for title VI from January 10, 1975, through June 30, 1975, in Buffalo and Erie County were distributed as follows.

	<u>Number of jobs</u>	
	<u>Buffalo</u>	<u>Erie County</u>
City of Buffalo	852	-
Nonprofit agencies	502	45
Erie County Government	-	319
Town of Cheektowaga	-	142
Town of Tonawanda	-	127
Town of Amherst	-	58
Town of West Seneca/ Orchard Park	-	52
State of New York	-	54
Other towns and villages	-	<u>187</u>
Total	<u>1,354</u>	<u>984</u>

Buffalo and Erie County prime sponsor officials told us that jobs were generally allocated to county, town, village, and city departments and to nonprofit agencies based on responses to their requests for descriptions of possible CETA jobs to fulfill unmet public service needs.

#### TIMELINESS OF PARTICIPANT ENROLLMENTS

From July 1974 through January 1975, Labor approved the prime sponsor plans for using initial formula and discretionary title II program year 1975 funds. During this initial phase of the title II program, the prime sponsors did not enroll the numbers of participants called for in their plans.

Buffalo and Erie County officials told us that CETA administrative staff had to be hired and trained, determinations had to be made on which jobs met public service needs and increased employment opportunities, jobs had to be developed, and applicants had to be screened and processed under regular State civil service procedures. These factors all contributed to a slow filling of jobs at September 30, 1974. <sup>1/</sup>

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<sup>1/</sup>Buffalo commented that (see app. V) the original title II plan submitted to Labor called for implementation on July 1, 1974. They said Labor approved the application on August 28, 1974, causing an initial 2 months delay. However, the grant application was dated July 11, 1974, and approved by Labor on August 3, 1974--less than 1 month later.

Officials in Labor's New York regional office recognized that positions were being filled slowly by the various prime sponsors in their region. During December 1974, Labor officials advised prime sponsors in the region that unless the positions were filled and the funds spent, the prime sponsors' title VI funds due in January 1975 might be jeopardized.

The following schedule shows the cumulative number of individuals planned to be enrolled and the actual number enrolled during program year 1975 for titles II and VI in Buffalo and Erie County from the prime sponsors' quarterly progress reports.

	<u>Buffalo</u>		<u>Erie County</u>	
	<u>Planned enrollments</u>	<u>Actual enrollments</u>	<u>Planned enrollments</u>	<u>Actual enrollments</u>
September 1974 (note a)	189	18	182	61
December 1974 (note a)	260	250	b/523	248
March 1975	1,325	1,290	1,005	942
June 1975	1,376	1,535	1,102	1,141

a/Figures for September and December 1974 are for title II only, since title VI was not implemented until January 1975.

b/Prime sponsor modified operating plan in December 1974, increasing the cumulative enrollment from 241 to 523 for the quarter ending December 31, 1974.

As of September 30, 1974, Buffalo had enrolled only 18 (10 percent) of the 189 planned participants and Erie County had enrolled 61 (34 percent) of the 182 planned participants. By December 31, 1974, Erie County had enrolled 248 (47 percent) of the 523 planned participants. However, as noted in the above footnote, Erie County had modified its plan on December 27, 1974--when Labor approved its grant application for fiscal year 1975 funds--to increase its enrollment from 241 to 523 participants for the quarter ending December 31, 1974. For the same quarter, Buffalo had enrolled 250 (96 percent) of its 260 planned participants.

Buffalo's planned enrollments for the quarter ended December 31, 1974, were much lower than Erie County's because Buffalo's grant application for fiscal year 1975 title II funding was not approved by Labor until January 10, 1975.

Planned enrollment increases resulting from this funding (and fiscal year 1975 title VI funding) were reflected in Buffalo's planned enrollments as of March 31, 1975.

Buffalo and Erie County nearly met their planned enrollment levels for titles II and VI as of March 31, 1975, and were over their planned enrollment levels as of June 30, 1975.

SELECTED PROVISIONS OF THE  
EMERGENCY JOBS PROGRAMS EXTENSION

ACT OF 1976

(PUBLIC LAW 94-444, APPROVED OCTOBER 1, 1976)

--Extend authorization. The law extends CETA title VI through fiscal year 1977 and authorizes the appropriation of such sums as may be necessary.

--Create additional eligibility criteria. Under the new law, all additional jobs above the combined title II and VI enrollment level as of June 30, 1976, that are supported with title VI funds and Emergency Supplemental Appropriation Act funds (Public Law 94-266) will be available only to individuals who are members of households having gross family incomes less than 70 percent of the Bureau of Labor Statistics lower living standard budget (adjusted for regional, metropolitan, urban, rural, and family size differences) and also (1) are recipients of unemployment insurance for 15 weeks or more, (2) are ineligible for unemployment insurance and have been unemployed for at least 15 weeks, (3) have exhausted all unemployment insurance benefits, or (4) are members of families receiving aid to families with dependent children. These criteria also apply to filling one-half of all vacancies occurring in all other public service employment positions supported with title VI and Emergency Supplemental Appropriations Act funds. The remaining one-half can be filled under the original title VI requirements.

--Limit project duration. The new public service jobs created above the June 30 level supported by title VI and Emergency Supplemental Appropriation Act funds are to be devoted to projects and activities lasting no longer than 12 months that are approved by the prime sponsor after consultation with the local planning council. Units of general purpose government, educational agencies, community-based organizations, and other groups may submit project proposals.

--Revise fund restrictions. Not less than 85 percent of both titles II and VI funds used for public service employment must be expended for wages and employment benefits (it was 90 percent), with up to 15 percent being available for administrative costs, rental of space (within limitations

established by the Secretary of Labor) and to obtain necessary supplies, equipment, and materials. (The rental or purchase of supplies, equipment, materials, or real property was previously prohibited.)

--Limit the Secretary of Labor's authority to impose a numerical or percentage limitation on the number of former employees that prime sponsors may rehire under the title VI program.

--Emphasize that the Secretary of Labor can use discretionary title VI funds to prevent layoffs of CETA public service employment program participants.

--Allow use of CETA funds jointly with other public or private funds, so long as CETA monies are used only for purposes set forth in CETA.

--Charge the National Commission on Manpower Policy to undertake a study of how effective public service employment programs under titles II and VI have been in creating jobs.

TITLES II AND VI CUMULATIVE FISCAL YEAR 1975 ENROLLMENTS  
OF MAJOR POPULATION SEGMENTS, ACTUAL COMPARED TO PLANNED,

JUNE 1975

Segments	Buffalo		Title VI		Erie County		Title VI	
	enrollments		enrollments		enrollments		enrollments	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Veterans	*	*	44	136	78	88	80	112
Youths	117	210	*	*	95	177	*	*
Older workers	*	*	*	*	117	159	*	*
Non-English speaking	94	99	14	68	*	*	*	*
Welfare recipients	126	79	44	40	59	40	*	*
Former manpower trainees	66	70	14	16	78	22	*	*
Heads of households	479	537	*	*	272	290	166	158
Women	*	*	85	79	101	259	*	*
Underemployed	87	106	*	*	*	*	*	*
Unemployment insurance exhaustees	*	*	*	*	*	*	1	1
Unemployment insurance claimants	*	*	14	95	*	*	*	*
Unemployment insurance ineligible	*	*	*	*	*	*	100	121
Unemployed 4 months or more	*	*	*	*	*	*	130	153

\* Not identified by prime sponsor as major population segment.

Note: Information includes some persons reported under more than one segment.

U.S. DEPARTMENT OF LABOR  
OFFICE OF THE ASSISTANT SECRETARY  
WASHINGTON

December 21, 1976

Mr. Gregory J. Ahart  
Director  
Human Resources Division  
U. S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Ahart:

This is in response to your letter of November 12, 1976, to the Secretary, transmitting a proposed report to Congressman Jack Kamp entitled, Employment Programs in Buffalo and Erie County Under Titles II and VI of the Comprehensive Employment and Training Act (CETA) Can Be Improved. The comments are keyed to specific issues raised in the report.

1. We recommend that the Secretary of Labor take corrective action regarding the amounts paid to ineligible participants, including, where appropriate, the recovery of CETA funds.

Comment: Concur. The Employment and Training Administration's regional office in New York City has advised us that it will review the specific cases cited in the report in-depth and require a refund from Buffalo and Erie County, where appropriate.

2. We recommend that the Secretary of Labor require the Buffalo and Erie County prime sponsors to (1) make more careful reviews of job applications for completeness and accuracy, and (2) make selective verification of the eligibility data on application forms for both present and prospective participants to insure that only eligible persons are enrolled in the program.

Comment: Concur. While the scope of GAO's random sample of CETA participants was so small as to raise serious questions about its validity, the Department does agree that selective verification of eligibility data is needed. Both Erie County and Buffalo have instituted more detailed application forms. Erie County has established a system of randomly verifying information relative to the length of unemployment for program participants. The adoption of a similar system will be suggested to Buffalo officials.

3. We recommend that the Secretary of Labor encourage both prime sponsors to obtain data which will identify those applicants that are in the preference categories and adopt formal procedures within their selection systems which will provide that these persons actually do receive priority in obtaining CETA jobs.

Comment: Concur. The Department shares GAO's concern regarding the deficiencies of local labor market data. The Department is continuing its efforts to develop a national training program, directed at State Employment Security Agency (SESA) labor market analysts and CETA planners. Both prime sponsors have established systems to ensure that those groups targeted to receive special consideration do, in fact, receive top priority in the filling of CETA jobs. Erie County has instructed its employing agencies to give preference to those veterans referred to them for interviews. However, both sponsors will be instructed to specifically identify in their Fiscal Year 1977 public service employment plans the procedures for insuring the achievement of significant segments goals.

4. We recommend that the Secretary of Labor work with both prime sponsors to improve their job application forms to insure that sufficient information is collected to administer Labor's regulations regarding nepotism.

Comment: Concur. The nepotism violations cited in the report have been corrected with the termination of the ineligible participants. Subsequent monitoring has not indicated any further problems. Both prime sponsors have instituted new application forms. In addition, Buffalo requires each applicant to certify that he/she has no relatives in any position which might constitute a violation of the nepotism regulations.

5. We recommend that the Secretary of Labor require the Labor regional office to make a more careful review of planned expenditures shown in grant applications and actual expenditures shown in quarterly financial reports submitted by the prime sponsors to insure that CETA requirements are met.

Comment: Concur. Our regional office in New York City is performing an in-depth review of public service employment (PSE) programs in Buffalo. The review will include financial management systems, as well as other areas of programmatic concern.

6. We recommend that the Secretary of Labor require prime sponsors to adequately describe and justify activities other than public service employment funded under titles II and VI of CETA.

Comment: Concur. The regulations require that prime sponsors justify the selection of activities and services other than public service employment under titles II and VI of CETA. The city of Buffalo had, in the view of the regional office, justified the use of PSE funds for non-PSE activities and received regional office approval for such activities.

7. We recommend that the Secretary of Labor --

- work with Buffalo to seek ways to improve its financial reporting system.
- require Buffalo to keep adequate records of CETA expenditures.
- require Buffalo and Erie County to maintain adequate records and report accurately the amounts of pension benefit costs accrued for CETA enrollees.

Comment: Concur. The regional office has recognized the serious deficiencies in Buffalo's financial management system. As a result of the CETA assessment procedures, the city of Buffalo has been rated as an unsatisfactory performer for the past 2 years.

As a result of this assessment, and with technical assistance from the Federal Representative, the city of Buffalo has submitted a detailed outline for the reorganization of its CETA fiscal unit. The new unit became operational on October 1, 1976. However, monitoring by regional office staff has, subsequently, pinpointed serious deficiencies in the new system. The city's letter of credit has been suspended pending the implementation of appropriate corrective action measures.

The report indicates that Buffalo exceeded the limitation on administrative costs. During the last quarter of Fiscal Year 1975, the city did erroneously report an excessively high administrative cost rate. A corrected report is on file.

Both prime sponsors report estimated costs of enrollment of participants into the New York retirement system, since the State does not bill them on a monthly or quarterly basis. However, their inability to adequately indicate the size of enrollment into the retirement system on a timely basis will be brought to the attention of both sponsors.

8. We recommend that the Secretary of Labor examine the activities and duties of the participants assigned to the offices of local legislators in Buffalo and Erie County and take corrective action, including, where appropriate, the recovery of CETA funds and the transfer of the participants involved to other positions if it is decided to abolish the positions in question.

Comment: Concur. Our regional office in New York has advised us that the 32 participants, identified in the GAO report, have been transferred out of those positions, and those positions with the Buffalo Common Council and the Erie County Legislation have been abolished.

We appreciate the opportunity to comment on this report. If my office can be of further assistance to you, feel free to contact me.

Sincerely,



FRED G. CLARK  
Assistant Secretary for  
Administration and Management



## County of Erie

EDWARD V. REGAN  
COUNTY EXECUTIVE

OFFICE OF MANPOWER SERVICES  
WILLIAM E. DOERING  
DIRECTOR

CHEEKTOWAGA OFFICE  
SAM LA GRECA  
ASSISTANT DIRECTOR  
683 2200

TONAWANDA OFFICE  
JAMES FINAMORE  
ASSISTANT DIRECTOR  
877 8800

December 15, 1976

Mr. Gregory J. Ahart, Director  
United States General Accounting Office  
Human Resources Division  
Washington, DC 20548

Dear Mr. Ahart:

Thank you for providing me with an opportunity to comment on your preliminary report of our Titles II and VI programs.

First of all, I would like to comment on the confusion resulting from the fact that the City of Buffalo's C.E.T.A. report and the balance of Erie County's C.E.T.A. report were combined.

I would like to point out that these are two separate and distinct programs, and the operations of Buffalo C.E.T.A. are totally unrelated to those of our program. Therefore, may I suggest that the final reports for Buffalo C.E.T.A. and the balance of Erie County C.E.T.A. be prepared separately and independently of one another to avoid any confusion in the interpretation of data by concerned parties.

In regards to ineligible participants, while some participants were not unemployed thirty ( 30 ) days at the time of application, in most cases, these individuals were unemployed for the full thirty ( 30 ) days at the time of employment. An individual's eligibility, in regards to duration of unemployment, can only be initially determined upon the client's completion of an application. New Intake forms now pinpoint an applicant's last date of employment and a sampling of employer's will take place to verify this information under the new Title VI regulations. Verification of duration of last employment from the New York State Employment Service will be a prerequisite for employment for all Titles II and VI applicants in the future. In the specific instance of the individual who's last day of employment ( according to his previous employer ) was February 11, 1975 and was hired on March 6, 1975, please be advised that this person has been terminated from his C.E.T.A. job.

ERIE COUNTY OFFICE BUILDING, 95 FRANKLIN STREET, BUFFALO, N.Y. 14202 Phone: 716-846-8831 or 8820

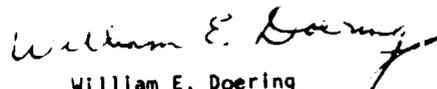
In response to the allegation that we lack formal procedures to insure special considerations, may I state that we are most hesitant to assign a "point system" or quotas to specific significant segment groups since we feel that this would lead to accusations of discrimination against the C.E.T.A. program. Given that this is a very delicate area and due to the fact that the concept of "special consideration" is not defined by either C.E.T.A. or the U.S. Department of Labor regulations, we are extremely uncertain as to how we should go about implementing such a concept.

In regards to violations of Department of Labor regulations on nepotism, our office has devised a form which should eliminate the possibility of such violations. At the time of application, the client will also fill out a form (SEE ATTACHMENT), stating whether or not he/she has any relatives employed by any governmental agency or any agency funded under C.E.T.A. If so, the client must list the name(s) of such relative(s), their relation to the applicant, job title and employing agency. The applicant further certifies that such information is true to the best of his/her knowledge by dating and signing the form.

The fact that relatively low numbers of participants were placed in permanent, unsubsidized employment is a reflection of the very poor economic picture in Erie and surrounding counties. Final figures for September, 1976 from the New York State Department of Labor show the Buffalo SMSA as having an unemployment rate of 9.1%. Since January, 1975, seventeen major firms announced permanent closings in the Buffalo area. This, coupled with the fact that Erie County government has experienced two massive employee lay-offs (and is predicting yet another), makes permanent employment for C.E.T.A. participants extremely difficult. However, despite these unfavorable statistics, our public service employment program is at 77% of its planned permanent placement goal, in that we have so far obtained 10 out of 13 required placements for the quarter ending December 31, 1976. In addition, our administrative staff is intensifying its job development efforts to obtain more unsubsidized job placements for C.E.T.A. public service employment participants.

Once again, I thank you for the opportunity to respond to your report. If I may be of further assistance, please do not hesitate to contact me.

Sincerely,



William E. Doering  
Director of Manpower Services

WED:bab

Attachment

[GAO note: Attachment excluded from this report.]



**CITY OF BUFFALO**  
OFFICE OF THE MAYOR

STANLEY M. MAKOWSKI  
MAYOR

December 20, 1976

Mr. Gregory J. Ahart, Director  
Human Resources Division  
United States Accounting Office  
Washington, D. C. 20548

Dear Mr. Ahart:

I am in receipt of the G. A. O. proposed report on "Employment Programs in Buffalo and Erie County under Titles II and VI of the Comprehensive Employment and Training Act" which was submitted to the City of Buffalo for comments by your office. A review of the proposed G. A. O. report has yielded several ways in which the Buffalo CETA program can be improved.

Enclosed please find a report relating to the corrective action already instituted by the City of Buffalo to improve and correct several areas of concern outlined in the proposed G. A. O. report. These actions have been initiated primarily through an internal review of the CETA program since re-organization under the City's Department of Human Resources in April of 1975, together with consideration of several items brought to light during the G. A. O. review. The corrective action implemented has already led to improved operation and management of the CETA public service employment programs in the City of Buffalo.

The enclosed report should be beneficial to the United States General Accounting Office during the final preparation of the report regarding the City of Buffalo's CETA program.

If any questions arise concerning this matter, please do not hesitate to contact Human Resources Commissioner Robert C. Penn at 1701 City Hall or by calling 716-855-4042.

Very truly yours,

A handwritten signature in cursive script that reads "Stanley M. Makowski".  
Stanley M. Makowski

SMM:RCP:lp

Enclosure

ITEM I

The G.A.O. report (page 8) notes that there was a need to improve the selection procedures utilized by the prime sponsor in order to avoid the possibility of hiring ineligible participants.

CORRECTIVE ACTION: Since January, 1976, the C.E.T.A., P.S.E. program has been in a "hiring freeze" during which no new participants have been brought into the program. However, the anticipation on new monies under Title VI as well as a return to employment levels maintained in June, 1976, may allow the hiring of new participants in the near future.

As reported in the G.A.O. report, the City of Buffalo has planned a strict verification process to insure that all future applicants considered for employment meet the eligibility criteria. This will include verification letters which will be sent to former employers when applicable. Additionally, plans have been discussed with both the New York State Employment Service and the Erie County Department of Social Services in order to provide verification of length of unemployment and status of unemployment insurance benefits and/or welfare status of future participants.

ITEM II

The G.A.O. report (page 9) notes that the prime sponsor conducted an investigation in relation to the charges of nepotism, and took corrective action where necessary.

CORRECTIVE ACTION: As explained in the G.A.O. report, all new hires in the future will be requested to complete informational forms indicating whether they were related to individuals who directly or indirectly were in positions to influence the supervision or administration of the C.E.T.A. program.

ITEM III

The report states (page 17) that the City of Buffalo has no formal procedures to insure that target groups specified in the Act receive special consideration for employment in the programs.

CORRECTIVE ACTION: In recent re-organization of the Manpower Planning Office, the responsibilities of the Management Information Unit has been clarified to include responsibility for monitoring and evaluating the performance of the public service employment programs in this regard.

Performance standards have been devised which call for corrective action when actual hiring does not conform with plans as submitted to the Department of Labor.

ITEM IV

A number of recommendations were presented in the G.A.O. report, in relation to the need to improve financial reporting systems. (page 45-46)

CORRECTIVE ACTION: A review of the Fiscal Unit of the Manpower Office has resulted in a re-organization of that unit. The result has been the preparation of a comprehensive fiscal manual and the implementation of revised accounting procedures.

These new fiscal procedures have improved the financial reporting system, both internally and in relation to submission of reports to the Department of Labor.

ITEM VI

The G.A.O. report notes that C.E.T.A. participants had been working in the offices of members of the Buffalo Common Council. (page 53)

CORRECTIVE ACTION: All participants previously assigned to the Buffalo Common Council have been re-assigned to other departments or agencies or have terminated from the program.

ITEM VI

The G.A.O. report notes that Buffalo has had only limited success in transitioning participants into regular non-federally subsidized employment. (page 58)

CORRECTIVE ACTION: As explained in the G.A.O. report, the City of Buffalo has requested and received from the Department of Labor a waiver of all C.E.T.A. placement goals because of high unemployment and general dismal economic conditions in the Buffalo area.

Additionally, it should be noted that adequate training in the area of job development has not been available. Future Department of Labor and locally instituted training sessions in job development techniques should lead to higher placement rates in the future.

ITEM VII

The G.A.O. report notes that as of September 30, 1974, the City of Buffalo had enrolled only ten percent of the 189 planned participants. (page 64)

CORRECTIVE ACTION: The original Title II plan as submitted to the Department of Labor called for implementation of the grant on July 1, 1974 with planned enrollment on September 30, 1974 of 189 participants.

The Department of Labor approved the Title II grant application on August 28, 1974, causing an initial two month delay in the implementation of the plan.

The first concerns following the approval of the grant were (a) adequate training for administrative staff, (b) adequate time to publicize job openings, (c) a need to screen and evaluate prospective job applicants. Additionally, it was necessary to screen and process program participants through a lengthy series of local Civil Service procedures.

These concerns, particularly in relation to the late approval by the Department of Labor, accounted for the inability of the prime sponsor to meet planned enrollment levels on September 30, 1974.

These problems were resolved during the next quarter as evidenced by the December, 1974, enrollment level of 96 per cent.

GAO note: Page references in this appendix may not correspond to pages of this final report.