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

HUMAN RESOURCES  
DIVISION

B-205036

OCTOBER 9, 1981

The Honorable Raymond J. Donovan  
The Secretary of Labor



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Dear Secretary Donovan:

Subject: The Administration of the Contract Compliance  
Program Has Shown Improvement (HRD-82-8)

The results of our review of the Office of Federal Contract Compliance Programs' (OFCCP) implementation of the contract compliance program since the 1978 consolidation of compliance agencies' functions into the Department of Labor are discussed in the enclosure to this letter. Although our work was done only at headquarters and two regions, we believe the problems identified may be applicable in other regions. Some of our findings correspond to results of studies by OFCCP.

In general, OFCCP experienced some problems after the President's Reorganization Plan No. 1 of 1978 transferred the compliance program functions to it in October 1978. Some of the problems have been resolved, and most of the others are being addressed by OFCCP. However, we found some instances in which the contract compliance manual was not being followed by field staff when conducting compliance reviews. The standardization and uniformity of compliance reviews was an issue that both the President's Civil Rights Task Force and we have addressed, and an issue where improvement is needed. We discussed the results of our work with OFCCP officials, and their comments are included where appropriate.

This report contains a recommendation to you on page 10 of the enclosure. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations

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to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget; the Chairmen of the four above-mentioned Committees; and the Chairmen of the Senate Committee on Labor and Human Resources and the Subcommittee on Employment Opportunities, House Committee on Education and Labor.

Sincerely yours,

*for Edward A. Benmore*  
Gregory J. Ahart  
Director

Enclosure

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### ABBREVIATIONS

AMIS	Automated Management Information System
CAS	Complaint Administration System
CCIS	Construction Compliance Information System
CIDS	Contractor Identification Data System
EDS	Electronic Data Systems Corp.
EEO	Equal Employment Opportunity
EEOC	Equal Employment Opportunity Commission
FPDS	Federal Procurement Data System
GAO	General Accounting Office
GSA	General Services Administration
MIS	Management Information System
OFCCP	Office of Federal Contract Compliance Programs
OMB	Office of Management and Budget
PMM	Peat, Marwick, Mitchell & Co.
RFP	request for proposal

THE ADMINISTRATION OF THE CONTRACTCOMPLIANCE PROGRAM HAS SHOWN IMPROVEMENTBACKGROUND

Contractors doing business with the Federal Government are subject to several requirements for ensuring equal employment opportunity (EEO) in their workplaces.

- Executive Order 11246 prohibits contractors from discriminating against employees based on their race, color, religion, sex, or national origin. The order requires employers with Federal contracts over \$10,000 to take affirmative action in hiring, training, and promoting qualified or qualifiable minorities and women.
- Section 503 of the Vocational Rehabilitation Act of 1973, as amended (29 U.S.C. 793), requires Federal contractors to take affirmative action in hiring and advancing qualified handicapped persons. The law covers employers with a contract of at least \$2,500.
- Section 402 of the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended (38 U.S.C. 2012), requires affirmative action in hiring and advancing Vietnam era veterans as well as disabled veterans of all wars. The act covers employers with a contract of at least \$10,000.

These requirements and their administration are generally referred to as the contract compliance program. The Department of Labor's Office of Federal Contract Compliance Programs (OFCCP), part of Labor's Employment Standards Administration, administers the contract compliance program. In July 1968, the Secretary of Labor issued regulations (41 C.F.R. Part 60) for administering the compliance function.

Contract compliance program

Before the implementation of the President's Reorganization Plan No. 1 of 1978, OFCCP was responsible for directing and coordinating the contract compliance activities of Federal agencies, designated compliance agencies, with responsibility for enforcing the Executive order and Labor's guidelines at an estimated 325,000 contractors employing about 30 million persons. Responsibility for enforcing sections 402 and 503 was not delegated to the compliance agencies.

The President's Reorganization Project's Task Force on Civil Rights, in its 1978 study of EEO programs in the Federal Government, focused on the contract compliance program. The Task Force recommended that the contract compliance program be consolidated in Labor's OFCCP. The President agreed with this recommendation. Executive Order 12086, issued on October 5, 1978, consolidated responsibility for the contract compliance function by transferring the agencies' compliance functions to Labor.

OFCCP, through its compliance officers, conducts compliance reviews and complaint investigations to determine contractors' compliance with the requirements of Executive Order 11246, sections 503 and 402, and the implementing regulations. OFCCP performs reviews to determine whether contractors are fulfilling their obligations in accordance with Federal requirements. A compliance review focuses on a contractor's affirmative action plan, 1/ and can consist of a desk audit and/or an onsite visit to a contractor's plant.

OFCCP performs complaint investigations as a result of discrimination charges filed by individuals. OFCCP attempts to investigate complaints in conjunction with compliance reviews, because it is often possible to resolve a complaint as part of the review. However, individual complaints which are under the jurisdiction of the Equal Employment Opportunity Commission (EEOC) are generally referred to EEOC for investigation under title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e). In general, title VII prohibits employers from discriminating in the hiring, firing, compensation, terms, conditions, or privileges of employment on the basis of race, color, religion, sex, or national origin.

OFCCP carries out its duties through its headquarters in Washington, D.C., 10 Labor regional offices, and 71 area offices in 63 cities. During fiscal year 1980, OFCCP was allotted 1,500 positions and a budget of approximately \$56 million to carry out its activities.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

Our review was performed to determine what type of problems OFCCP experienced with the transfer of contract compliance functions, and how well OFCCP was administering the program since consolidation. Our work covered the activities at Labor and OFCCP headquarters in Washington, D.C., Labor's Atlanta and Philadelphia regional offices, and OFCCP's Atlanta, Miami, Reading, and

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1/An affirmative action plan usually contains those specific steps and procedures--in recruiting, hiring, upgrading, and other areas--which a contractor commits itself to take in good faith to deal with an underrepresentation of minorities and women in its workplace.

Philadelphia area offices. We also interviewed (1) representatives of 29 contractors who had been subject to compliance reviews, (2) officials at EEOC, and (3) representatives of public interest groups.

We used standardized sets of questions and work programs to ensure uniformity in the information requested. We also reviewed policies and procedures of Labor and OFCCP and examined their records to evaluate the administration of the contract compliance program. A basic part of our methodology was to follow up on the issues of duplication and inconsistent compliance determinations between EEOC and OFCCP identified in our June 9, 1978, report "Major Federal Equal Employment Opportunity Programs for the Private Sector Should Be Consolidated" (HRD-78-72), and our September 14, 1978, letter to the Secretary of Labor (HRD-78-167), in which we recommended some ways to improve the administration of the contract compliance program. We also reviewed the progress made in overcoming similar problems identified by the President's Civil Rights Task Force in its February 1978 report "Reorganization of Equal Employment Opportunity Programs."

In addressing the issues of duplication and inconsistent compliance determinations, we selected 30 contractors in Labor's Atlanta and Philadelphia regions who were reviewed both before and after the 1978 consolidation for compliance with Executive Order 11246, section 503, and/or section 402 requirements. We selected these contractors on a judgmental basis, and it was not our intent to project the results of this analysis to all contractors. We examined the available case files for these reviews, the methodologies used and corrective and/or enforcement actions taken. We interviewed 29 contractor representatives concerning improvements made by and/or problems encountered with OFCCP since consolidation (one contractor declined to be interviewed). Where possible, we selected contractors that were also reviewed by EEOC to identify any duplication or overlap between the reviews performed by EEOC under title VII of the Civil Rights Act of 1964 and OFCCP's contract compliance program.

PROBLEMS IN ADMINISTERING THE CONTRACT COMPLIANCE PROGRAM ARE BEING RESOLVED

Several problems were known to exist with the Government's enforcement of Executive Order 11246 from our previous work and the President's Civil Rights Task Force. The consolidation of the contract compliance function in October 1978 was a major step to correcting many of these problems. Although OFCCP experienced some difficulties with the consolidation, most have been resolved. In addition, Labor has taken other steps to improve its performance in enforcing the contract compliance program.

Problems identified in  
previous GAO reports

In our report "Major Federal Equal Employment Opportunity Programs for the Private Sector Should Be Consolidated," we said that contractors were concerned about significant duplication between the compliance agencies in their enforcement of the Executive order, as well as duplication of work between the compliance agencies enforcing the Executive order and EEOC in its enforcement of title VII. We recommended that the two programs be consolidated.

Reorganization Plan No. 1 of 1978 sought, in part, to eliminate the duplication and overlap between the compliance agencies: it consolidated all the contract compliance program functions in Labor's OFCCP.

The other issue we raised in our previous report--the consolidation of the contract compliance program with that of title VII--was addressed differently in the Reorganization Plan. The President did not propose to take this action at the time, instead, stating that he would evaluate that proposal in 1981 after having an opportunity to see how other parts of the Reorganization Plan were implemented. As of August 1981, no action had been taken on further consolidation.

The President's Regulatory Task Force is studying this consolidation issue, along with other regulatory activities. An Office of Management and Budget (OMB) official said that Task Force representatives have not indicated when a proposal would be developed on this issue.

In our September 19, 1978, report to the Secretary of Labor regarding OFCCP's implementation of Executive Order 11246, we expressed our concern on several issues:

- Identifying and targeting contractors subject to the Executive order.
- Following Labor's regulations in conducting compliance reviews.
- Approving contractors' affirmative action programs that were inadequate.
- Difficulty in staffing OFCCP after the consolidation.

Our report to the Secretary of Labor was issued just before the October 1, 1978, effective date of the consolidation. Although we recognized that not all the problems we identified could

be addressed by Labor concurrent with the consolidation of the contract compliance activities, we did recommend that action be taken on our concerns as soon as possible.

Labor, in responding to our report, said that it was taking action to correct the problems we identified. Although subject to some delay, Labor said that it was working with a private contractor and other Federal agencies to develop a file of contractors. It said that OFCCP had obtained a machine readable listing of 400,000 contractor establishments to start with in the interim. Regarding the targeting of contractors for review, Labor said that it developed a computer analysis of contractor-reported EEO-1 data <sup>1/</sup> obtained from EEOC. It also said that it was focusing its compliance activities on several industries having "pervasive equal employment problems."

Labor also said that it was taking several steps to ensure that its regulations were promptly and consistently implemented.

(1) It was developing a Federal Contract Compliance Manual and a training program for each of its compliance officers to take in an effort to educate them in a uniform set of standards and procedures.

(2) Standards have been established for the time necessary to perform compliance reviews and complaint investigations, as well as a system to monitor conformance to these standards.

(3) Two organizational units were established within OFCCP to closely monitor conciliation agreements, sanctions, and the quality of compliance reviews.

Labor recognized that it was experiencing some difficulties in getting staff and space since the consolidation. It said it was working with OMB and the General Services Administration (GSA) to resolve these problems.

Problems noted by the  
President's Task Force

In February 1978, the President's Task Force on Civil Rights reported that it found five significant problems with the contract compliance program:

--Enforcement of the program was not uniform.

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<sup>1/</sup>EEOC requires employers with 100 or more employees to annually submit an EEO-1 report which contains employment data by sex, race, and national origin in nine job categories.



- Compliance agencies failed to follow OFCCP directives.
- Conflict of interest between the compliance agencies' procurement objectives and the contract compliance program.
- Limited effectiveness in the contract compliance program for construction contractors.
- Limited use of enforcement sanctions.

The Task Force recommended to the President that the contract compliance program be solely vested in OFCCP. It believed that this would establish accountability for the success or failure of the program; promote consistent standards, procedures, and reporting requirements; relieve contractors of the burden of being subject to multiple agency reviews; and eliminate the conflict of interest between mission and EEO objectives.

The Task Force's findings and recommendations were the basis for the President's Reorganization Plan No. 1 of 1978.

#### Problems in implementing the consolidated contract compliance program

The lack of personnel and other resources were major problems for OFCCP in promptly maximizing the benefits of the consolidation. Some of these problems were inherited in the consolidation, and continued after the transfer to OFCCP.

#### Difficulties in filling transferred positions

The Civil Rights Task Force reported that 1,571 positions would be transferred to Labor. However, 60 of these positions were not available to the program since they were never funded to the former compliance agencies.

At the time of consolidation, OFCCP had 206 full-time positions. These positions, plus the 1,511 positions transferred, resulted in a total of 1,717 authorized positions in Labor for enforcing the contract compliance program.

OFCCP had many difficulties filling vacant positions. For example, as of December 31, 1980, of the 1,285 positions authorized for the field offices, 215 positions were vacant: 158 compliance officer vacancies and 57 support staff. This represented 15 percent of the authorized compliance officer positions and 24 percent of the authorized clerical positions in the field offices. At the headquarters office during the same period there were few vacancies.

There were several reasons why OFCCP encountered problems in filling vacant positions. Initially, OFCCP froze personnel hiring nationwide until staff transferred from the former compliance agencies were accommodated in OFCCP. In 1980, a Government-wide hiring freeze was imposed. This freeze required that there be four vacancies before one position could be filled.

#### Personnel transferred needed training

One of the most frequently mentioned problems OFCCP officials said that they encountered in implementing the consolidated contract compliance program was the quality of some of the staff transferred from the compliance agencies. OFCCP's posture was that compliance officers through the journeymen level shall acquire general skills and knowledge for all compliance activities, including the Executive order, the handicapped program, and the veterans program, rather than specialize in any program or industry. Before consolidation, some agencies were responsible for contractors in only one industry, and their compliance officers were not knowledgeable in the programs of contractors in other industries. Another reason why transferred personnel did not have experience with all compliance activities was that the compliance agencies did not have responsibility for sections 503 and 402. An OFCCP official said that, in general, compliance officers were not proficient in all three program areas.

One region reported to headquarters that there were many compliance officers who did not have sufficient experience in conducting contractor compliance reviews. One area office director said that only 4 of 10 GS-12 journeymen compliance officers could conduct complete compliance reviews. A supervisor told us that this results in reviews taking more time than they should. For example, it took a GS-12 compliance officer 5 months to conduct a review which the supervisor thought should have taken 1 month. Another area office director said that he had two supervisors and one journeyman compliance officer on his staff who were "ignorant of the program" and "could not operate independently."

In addition to lacking experience in some of OFCCP's programs, some personnel transferred had limited experience in any contract compliance program. In reviewing the personnel files of compliance officers transferred to OFCCP in one regional office, we found that two staff members were reclassified from non-EEO positions to compliance officers within a few months of their transfer to Labor: A supervisor with an engineering background was reassigned to a compliance officer position on June 18, 1978; and a supervisor whose background was in public relations was reassigned on July 8, 1978. Labor's personnel office questioned the qualifications of these transferees, but the issue was not pursued by OFCCP.

OFCCP recognized that its staff had varied backgrounds and that enforcing the contract compliance program was to be different after

consolidation. For example, training needs increased with the promulgation of new and revised regulations and policies, the expansion of duties for compliance officers, the transfer of staff from the compliance agencies, staff performance problems, and new hiring. These factors led to OFCCP's development of a comprehensive training plan for compliance officers.

Subsequently, OFCCP headquarters sponsored three technical training courses for compliance officers--Course A is an overview of contract compliance under the Executive order, Course C deals with the veterans and handicap programs, and desk audit skills teach the approaches and techniques of performing desk audits.

OFCCP officials believe that there is still an urgent need to train compliance officers to increase their productivity. For example, OFCCP estimated that in June 1980 (date of OFCCP's latest training needs estimate) the following training had not been provided to compliance officers in the field:

<u>Course</u>	<u>Staff not trained</u>
Course A	167
Course C	266
Desk audit procedures	570

In addition to the continued need for its staff to take these training courses, OFCCP sees the need for the development of additional training courses. OFCCP headquarters is developing training courses on various aspects of contractor compliance reviews, as well as general investigative skills. For example, a course is being designed to train compliance officers on how to investigate and gather sufficient evidence to better support litigation by Labor's Office of the Solicitor.

#### Inadequate facilities and equipment

OFCCP also experienced problems with the acquisition and adequacy of other resources. OFCCP regional offices reported to headquarters the types of problems they had with inadequate space, lack of GSA cars, insufficient office supplies, and lack of telephone services. For example, in one region in February 1979, the following inadequacies existed in facilities and equipment:

- Seven of the 12 area offices reported their space was inadequate.
- Seven offices lacked sufficient furniture.
- Five offices lacked sufficient GSA cars.

- One office lacked sufficient paper and other office supplies.
- Four offices lacked sufficient telephones.
- One office lacked sufficient file cabinets.
- Two offices lacked sufficient calculators.

Many of these problems have been corrected. However, some still continued in the third quarter of fiscal year 1981, when several regions had inadequate space and/or equipment.

Compliance reviews not complying  
with established procedures

OFCCP issued the Federal Contract Compliance Manual in October 1979, about 1 year after consolidation. The manual was a move toward establishing a standardized approach to compliance reviews, a concern that we and the President's Civil Rights Task Force identified. The manual has undergone several minor changes, and major changes are being considered for sections dealing with conducting construction compliance reviews and resolving instances of noncompliance.

The contract compliance manual is the primary procedural aid of compliance officers. The manual provides detailed procedures which should normally be used by compliance officers in conducting all phases of compliance reviews and complaint investigations. It also provides standards for OFCCP supervisors and managers to judge the adequacy of compliance review files, and serves as a reference manual for compliance review procedures and policies.

We found that OFCCP compliance reviews do not consistently adhere to the procedures outlined in the manual. Our review of 30 selected case files in the Philadelphia and Atlanta regions showed instances in which compliance officers deviated from the manual, including the following:

- Show-cause notices were not always issued when the manual specifies that they should be issued.
- Conciliation agreements between OFCCP and contractors, in which contractors agreed to take specific actions to remedy noncompliance with the Executive order, section 402, or section 503, were not in all cases being monitored.
- Sometimes milestones were not met for completing compliance reviews.

--A determination of whether contractors were covered by the Executive order was not always made before a compliance review was started.

Labor's internal reviews also found that OFCCP's compliance officers were not always following procedures. For example, an OFCCP review of activities in its Seattle region found the following deviations:

--Conciliation agreements were not always negotiated when required by the compliance manual.

--Contractors' collective bargaining agreements and other data indicating promotion sequence were not, in all cases, analyzed.

--Analyses of contractors' good faith efforts to follow Executive Order 11246 were omitted or abbreviated in some cases.

The report concluded that deviations from manual procedures were the rule and not the exception.

### Conclusion

The consolidation of the contract compliance program in OFCCP generally addressed the problems previously identified with the program when it was implemented by the compliance agencies. The transfer of compliance functions to Labor did cause some difficulties, e.g., insufficient and inadequately trained staff and inadequate supporting resources. However, OFCCP has made significant progress in resolving these difficulties.

One aspect of the compliance program that needs further attention is that compliance officers were not in all instances following the procedures in the manual. Both the President's Task Force and our previous reports expressed concern about the lack of consistency and standardization in compliance reviews. The manual was issued, in part, to provide this standardization. Therefore, we believe it is important that compliance officers follow the manual to the extent possible.

### Recommendation

We recommend that the Secretary of Labor direct the Director, OFCCP, to emphasize (1) to compliance officers the need to obtain uniformity in compliance reviews and to follow the procedures contained in the compliance manual and (2) to managers and supervisors the need to ensure that compliance officers are following procedures.

LABOR IS REEVALUATING ITS  
CONTRACT COMPLIANCE PROGRAM  
MANAGEMENT INFORMATION NEEDS

OFCCP's management information system (MIS) consists of several separate systems designed to meet different individual needs. OFCCP planned to replace these systems with an integrated MIS for which it designed a system and awarded a contract for its development. However, during our review we questioned whether OFCCP had determined the need for the system in light of OMB guidance. Subsequently, OFCCP reevaluated its need for an MIS and canceled its contract for implementing the system. It is reassessing its needs for an integrated MIS.

Existing information systems

OFCCP's existing information systems consist of a system it inherited from the Department of Defense (a former compliance agency) and three interim systems it developed to meet its needs after the consolidation, one of which was adopted from an OMB system. The system inherited from Defense is generally used by OFCCP staff in the field, whereas the other three systems are operated in headquarters and reports are periodically sent to field offices.

OFCCP obtained the Automated Management Information System (AMIS) from Defense which includes three parts:

- Automated Management Information System file,
- Contractor Identification Data System (CIDS) file, and
- Tracking file.

The AMIS file stores histories of contract compliance reviews of supply and service contractors. The CIDS file contains contractor universe data and data used to schedule contractor reviews, and the tracking file stores information relevant to the progress of active compliance reviews.

AMIS does not include construction contractor data, nor does it include information on employment discrimination complaints. Therefore, OFCCP developed the Complaint Administration System (CAS) and the Construction Compliance Information System (CCIS) to be used until its proposed MIS was operational. CAS tracks and monitors complaints received under Executive Order 11246, sections 503 and 402. CCIS contains a universe of Federal construction contractors and subcontractors, and is used to monitor construction contractors' compliance.

Problems identified with  
the existing MIS

OFCCP officials in Atlanta and Philadelphia identified two major problems with the existing MIS: in some cases it did not include sufficient data, and they were inaccurate.

The system did not contain a record of construction contractor reviews completed, or in progress. Such information is needed for preparing compliance reviews. Also, OFCCP had not received all compliance records from some former compliance agencies. An OFCCP official stated that many files were not and probably never will be found. Hence, a significant amount of data from past compliance reviews are not available to OFCCP.

Several regional officials told us they were concerned about inaccurate data in the existing system. Some regional staff did not use the system because of inaccuracies, while others supplemented the data with manual records. For example, the 30 contractors we selected for review were, according to AMIS, reviewed before and after the consolidation. Subsequently, we found that one of the contractors had not been reviewed after consolidation. Key punch errors and improperly completed input documents contributed to inaccurate data being placed in the system.

In addition to these elements of its existing information systems, OFCCP also uses an OMB-developed system to identify contractors that are subject to the Executive order. In 1978 we reported that OFCCP needed to improve its process of identifying contractors subject to the Executive order. Since that report was issued, OFCCP began to use OMB's Federal Procurement Data System (FPDS) for collecting, developing, and disseminating selected procurement data. FPDS contains data on Federal contracts over \$10,000, the dollar criteria Executive Order 11246 specifies for contractors subject to the order.

Some problems related to identifying contractors, however, still remain. OFCCP staff said FPDS is considered untimely in some instances because it is generated on a quarterly basis. Also, in some instances the data generated contained inaccuracies, which raises questions about the data's usefulness.

Proposed MIS

With the consolidation of the contract compliance program, OFCCP identified a need for an interim information system and a comprehensive MIS system to store, process, and analyze data pertaining to Federal contractors subject to Executive Order 11246 and sections 402 and 503.

The interim system, as discussed above, has inherent weaknesses because of the limited programs it was designed to serve and its inaccuracies. The proposed system was to have subsystems for construction contractors' compliance, correspondence control, discrimination complaint administration, procurement control, enforcement litigation, and evaluating contractors' performance.

#### Design of OFCCP's proposed MIS

Recognizing the shortcomings in its current information systems, OFCCP took a three-phase approach to meeting its information needs. It decided to identify its information needs (phase I), design a system to provide its information needs (phase II), and develop the system (phase III) designed in phase II. In October 1977, OFCCP awarded a contract to Peat, Marwick, Mitchell & Co. (PMM) for phase I. PMM completed this study in April 1978, and was subsequently awarded a contract for phase II. This phase was completed with the delivery of a report "Design of a Management Information System (MIS)" to OFCCP on August 6, 1979. The phase II design consisted of six subsystems and related specifications, which formed the basis for a request for proposal (RFP) which OFCCP issued July 29, 1980, to solicit vendors' proposals to develop the system specifications for phase III. On October 3, 1980, OFCCP awarded a contract to Electronic Data Systems Corp. (EDS) to begin this task.

#### Problems with OFCCP's system development process

When PMM started its work in October 1977, Labor had not established procedures for implementing OMB Circular A-109, Major System Acquisitions. The Circular, issued on April 5, 1976, outlines the major decision points and steps to be followed by agencies in acquiring major systems, some of which include

- evaluation and reconciliation of needs in context of an agency's mission, resources, and priorities;
- approval of mission need;
- appointment of a project manager;
- exploration of alternative systems;
- selection of viable alternative concepts for competitive demonstrations;
- selection of concept(s) for development, test, evaluation, and initial implementation;



- full-scale development, test, evaluation, and initial implementation; and
- authorization of full implementation.

The Circular also directs the heads of agencies to establish procedures governing its use and application. However, Labor did not issue procedures until November 11, 1977. Although Labor issued the procedures about 40 days after OFCCP started phase I, it did not revise or terminate the phase I contract to apply the Circular's guidelines to the system's development process.

Labor, after recognizing Circular A-109 should apply to the development of OFCCP's MIS, directed--after phase II was completed--that a mission needs statement be developed and approved. PMM completed the mission needs statement on May 28, 1980, based to a large extent on the design that had been completed. Because the mission needs statement was developed after the system design was completed, we questioned whether the spirit and intent of the Circular was followed, e.g., had a "true" needs determination been made.

We also questioned one of the assumptions used in designing MIS and in proceeding to phase III. OFCCP based the design of MIS in part on OMB's approval of a new data gathering form (an annual statement contractors were to submit to OFCCP). This form was designed to provide OFCCP with contractors' EEO profile data, such as compensation and promotion information, that were not available in a format readily usable by OFCCP. Although OMB did not approve the form's use, on July 29, 1980, OFCCP issued the RFP soliciting proposals to develop MIS's design specifications. On October 3, 1980, OFCCP awarded the contract to EDS.

As we looked further at the proposed MIS, we identified some potential problems in its design. For example:

- The annual statement contractors were to submit was not to be available, and the data were to be replaced by existing information available from EEOC, which was not as comprehensive and not as useful.
- The subsystem to target contractors for review needed to be revised because it was to use information from the annual contractor submission, which would not be available.
- The system was changed from an on-line interactive process to batch processing.
- The preaward and enforcement/litigation subsystems needed significant improvement.

Another aspect of the MIS project that concerned us was that Labor did not appoint a project manager until January 1981. Circular A-109 provides that a project manager should be appointed after the approval of the mission needs statement, e.g., with the completion of phase I for the MIS project. The project manager would have been responsible for keeping the MIS design current, as changes occurred, during the 16 months from the completion of phase I to the time OFCCP awarded the phase III contract in October 1980.

We brought these problems to Labor's attention in meetings in February, March, and April 1981. Labor officials agreed that OFCCP's MIS project did not meet all the Circular's requirements, and that the need for OFCCP's MIS required reevaluation. Upon completion of its evaluation, Labor terminated the phase III contract and directed that work on the MIS project be stopped. Labor concluded that there would be no adverse affect on OFCCP's data needs in the short run, and that several of OFCCP's existing systems could be upgraded and made available to its field offices through terminal equipment. In addition, Labor said that substantial cost savings would be realized by not proceeding with the current MIS project.