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

CIVIL DIVISION

JAN 7 1970



Dear Dr. Weber:

The General Accounting Office has made a survey of two Department of Labor (DOL) contracts awarded to the Chicago Urban League (CUL) for the purpose of promoting on-the-job (OJT) training in the Chicago area under the Manpower Development and Training Act of 1962, as amended. Our survey was directed primarily to CUL's contract performance during the period from September 15, 1968, to May 31, 1969, but also included some review of CUL's OJT contract operations prior to this period. Our survey was made pursuant to authority contained in the Budget and Accounting Act, 1921 (31 U.S.C. 53) and the Accounting and Auditing Act of 1950 (31 U.S.C. 67) and to specific authority contained in the contracts.

CUL has received two contracts from DOL, the first dating back to June 30, 1965. The first contract called for CUL to subcontract with local business and industry for the training of a minimum of 300 unemployed or underemployed persons in entry-level, skill improvement or skill conversion type positions during the period from June 30, 1965, through July 31, 1966. The contract amount was \$237,324. Six modifications were made to the contract which extended the contract period to September 15, 1967, and increased the number of trainee positions to 525 with no increase in the contract amount.

The second contract called for CUL to subcontract for the training of 900 unemployed and underemployed persons, primarily in entry-level positions, at a cost of \$421,712 during the period September 15, 1967, to September 15, 1968. Additional funds of \$84,000 from the Office of Economic Opportunity were provided for administration in connection with a separate CUL agreement with The Woodlawn Organization. This agreement was incorporated into the basic DOL contract and allocated 500 of the 900 OJT positions for training of youths from the target area of The Woodlawn Organization. The Illinois State Employment Service (ISES) was responsible under this contract for certifying the eligibility of persons participating in the OJT program.

CUL's second contract was subsequently modified to extend the contract period from September 15, 1968 through September 15, 1969, while reducing the number of training positions to 522 and DOL funds to \$343,817. The contract was again modified in September 1969 to extend the contract to December 31, 1969 to allow for fulfillment of the contract.

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RESULTS OF GAO SURVEY

It appeared to us, on the basis of the work we performed, that CUL's contract performance during the period covered by our survey (September 15, 1968, to May 31, 1969) fell far short of reasonable expectations under the contract terms. We found that CUL had developed only 65 positions during the eight and one-half month period from September 15, 1968 through May 31, 1969, and had placed only 36 persons in training during this same period. The remaining 29 positions had not been filled at the time of our review. We found also that about 99 percent of the \$91,000 expended during this period was for administrative costs of the CUL.

Our comparisons of performance during the first contract period with performance during the latter part of the second contract period showed that, (1) the average number of OJT positions developed per month had dropped from about 31 to 7.6, (2) the average number of trainees enrolled per month had decreased from about 27.5 to 4.2, (3) the average number of persons completing training per month had decreased from about 21 to less than one, (4) the average cost per enrollee had increased from about \$300 to more than \$2,500, and (5) the average cost per trainee completing or in training had increased from about \$390 to about \$4,300.

Of the 36 persons enrolled in OJT through CUL's efforts during the period of September 15, 1968, to May 31, 1969, we found that: (1) 5 were ineligible for such training based on the eligibility criteria stipulated in governing contractual provisions, and (2) the eligibility of 21 participants could not be ascertained by us because of missing, incomplete, or conflicting information on the eligibility certification forms in use, or because certification forms were not on file at CUL. The remaining 10 participants appeared to be eligible for the OJT program.

We noted that various CUL officials whose entire salaries were being paid from DOL funds were engaged in outside activities not connected with the OJT program. Certain officials were giving lectures during the working day at various schools in Chicago on such topics as "Situation of the black Man in Chicago", "Nat Turner's Revolt", and "Afro-American History." Time spent on these matters appeared to be at the expense of OJT program activities. In addition to the professional staff time spent on preparing and presenting lectures and other non-OJT activities, we noted that the clerical staff had also been diverted for typing the lecture material and reports on these activities.

Under the terms of CUL contracts with DOL, CUL staff was to provide pre-OJT orientation and after-placement counseling as needed. The contract extension dated October 21, 1968, which was specifically directed to the training of unemployed disadvantaged, required CUL to provide supportive services and motivational counseling to ensure successful completion of training and retention by the employer. As a result of the lack of guidelines and the absence of documentation of services provided, we were unable to discern the extent and quality of the counseling services provided to disadvantaged trainees by the CUL project staff.

As a result of our survey we questioned payments totaling about \$2,000 which were made to subcontractors for (1) periods when trainees were not on the job, (2) training which was apparently not received by the trainees, and (3) trainees who were apparently never employed by the subcontractors to whom reimbursements were made. An additional \$5,800 was paid to subcontractors for training certain persons under The Woodlawn Organization agreement who were not connected with that organization. These payments were made in contravention of DOL requirements placed on The Woodlawn Organization subcontract. We found also that, although CUL's first contract had terminated on September 15, 1967, an unexpended balance of about \$1,300 had been retained by CUL as of July 17, 1969.

We noted that prior to awarding subcontracts for OJT, CUL did not ascertain either the number of employees normally trained by the subcontractors or the subcontractors' precontract level of expenditures for training. We believe that there is a need to establish the level of the subcontractors' prior efforts, to help avoid the payment of training expenditures that subcontractors should bear under the maintenance-of-effort requirements of their contracts.

We believe that a number of the weaknesses which we found in CUL operations in Chicago, as discussed above, could have been identified and corrected earlier if more effective monitoring had been performed by DOL. Our survey showed that the Regional Manpower Administration OJT staff devoted most of its time to administrative matters and that up until the initiation of our review only one monitoring visit had been made of the OJT contracts with CUL.

Monitoring responsibilities, as defined by DOL, generally involve site inspections and reviews of reports submitted by the contractors. The objective of such monitoring, it is stated, is to ensure compliance with the OJT contract provisions and with the Department's instructions, procedures, and policies, and to recommend program and administrative improvements where necessary.

In June and July 1969, we discussed our findings with officials of CUL, the ISES, and the Regional Manpower Administrator.

Regional Manpower Administration officials agreed with most of our findings and outlined certain corrective actions planned. The DOL Regional Manpower Administrator and OJT staff stated that the CUL-OJT program had been decreasing in effectiveness and attributed this decrease, in part, to the non-OJT activities carried out by the CUL project staff.

CUL project officials advised us that, in their opinion, the contract, as modified on June 11, 1969, permitted the enrollment of non-Woodlawn Organization youth. They also advised us that eligibility certification was the responsibility of the employment service and they did not question its determinations. ISES officials informed us that they determined eligibility

on the basis of criteria established by various DOL manpower directives and gave no consideration to any special terms that might be included in an OJT contract.

We believe it is incumbent on CUL, as program manager, to monitor efforts of the employment service and perform in-house evaluations for the purpose of ensuring the enrollment of eligible individuals.

Regional Manpower Administration officials informed us that they would discuss the need for adherence to eligibility criteria with CUL officials. We were advised by the CUL project director that the necessary counseling was provided, but he agreed, as did DOL officials, that more definitive guidelines and specific responsibilities should be established.

We discussed the limited monitoring coverage of CUL operations with Regional Manpower Administration officials who agreed that the monitoring provided was inadequate. The officials informed us, however, that DOL had only two OJT field representatives to monitor over 200 OJT contracts in the State of Illinois and expressed the belief that they could not be expected to provide in-depth monitoring with such a workload.

CONCLUSIONS AND RECOMMENDATIONS

On the basis of the foregoing, we believe that the Department should reexamine its present contractual arrangements with CUL and determine whether improvements in CUL's performance can be effected to bring results up to a level that would sufficiently satisfy program objectives at a reasonable cost.

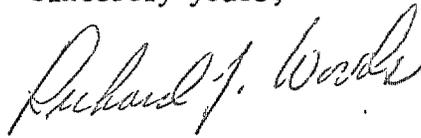
We recommend that the Department of Labor take appropriate steps to apprise CUL of its contractual obligation to (1) devote staff time exclusively to the furtherance of the OJT program where such time is charged to contract costs, (2) make appropriate eligibility determinations on OJT enrollees and document such determinations, (3) provide adequate counseling to enrollees, (4) give appropriate consideration to potential subcontractors' existing level of training effort before entering into OJT agreements, and (5) review the questionable payments described above and effect appropriate recoveries of overpayments made to subcontractors. We presented the details of our findings concerning the questionable payments to both CUL and the Regional Manpower Administration OJT staff during our survey. Also, we recommend that the Department of Labor improve its monitoring of CUL-OJT activities to ensure early identification and correction of weaknesses found in CUL's operations.

We would appreciate being advised of your views on the matters presented in this letter as well as any action taken or contemplated as a result of our recommendations.

We wish to acknowledge the cooperation given to our representatives during this survey.

Copies of this letter are being sent today to the Secretary of Labor, the Assistant Secretary of Labor for Administration, and to the Administrator of the Manpower Administration.

Sincerely yours,

for 
Henry Eschwege
Associate Director

The Honorable Arnold R. Weber
Assistant Secretary for Manpower
Department of Labor