

# REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES



## More Benefits To Jobless Can Be Attained In Public Service Employment

Department of Labor

Much good has come from public service employment programs under the Comprehensive Employment and Training Act. They provide jobs and other benefits to participants and communities. But several factors lessen the effect of the good things done:

- Too little money, in relation to unemployment, was provided.
- Funds were not always used to create new job opportunities.
- Relatively few participants obtained permanent, unsubsidized jobs.
- Some program objectives were compromised due to the recession.
- Ineligible participants got into the program.

This report contains many recommendations to the Secretary of Labor and the Congress for improving the programs.

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COMPTROLLER GENERAL OF THE UNITED STATES  
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To the President of the Senate and the  
Speaker of the House of Representatives

This is the third in a series of reports on our review of the Department of Labor's implementation of the Comprehensive Employment and Training Act of 1973. Prepared because of interest expressed by many committees and Members of Congress, it discusses public service employment programs under titles II and VI of the act.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Labor.

A handwritten signature in black ink, reading "Louis A. Stastis".

Comptroller General  
of the United States

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

MORE BENEFITS TO JOBLESS CAN  
BE ATTAINED IN PUBLIC SERVICE  
EMPLOYMENT

D I G E S T

The Department of Labor public service employment programs received \$5 billion in 2 years to create more jobs for unemployed people and to provide services to the community. The programs have encountered many problems, despite the Government's good intentions. On the other hand, those served--the communities and the roughly 300,000 program participants--were pleased with benefits provided by the program.

The Comprehensive Employment and Training Act of 1973 opened a new era for employment and training programs for economically disadvantaged, unemployed, or underemployed people. Planning and managing of the programs shifted from Federal to State and local governmental units (called prime sponsors), arousing widespread interest and controversy.

GAO reviewed the effects of these programs on unemployment, participants, and communities and took a close look at program administration in Arizona, California, Massachusetts, Michigan, and Ohio.

LIMITED IMPACT IN RELATION  
TO SIZE OF PROBLEM

Much money has been appropriated for public service employment programs, but they have not reduced unemployment very much. Although unemployment idled between 7.1 million and 8.4 million people during 1975 and early 1976, these programs annually averaged only about 298,000 people. Many of the participants did not come from the rolls of the unemployed but from predecessor programs. Other factors also limited the effectiveness of these programs. (See p. 7.)

## NEW FUNDS FOR SOME OF THE SAME OLD JOBS

Probably the most serious threat to the programs is "maintenance of effort" violations. These violations--using Federal funds for jobs that should be financed with State and local funds--can easily destroy one of the act's major objectives: relieving unemployment by creating new jobs. This happens when

- program participants fill vacant full-time positions;
- participants fill temporary, part-time, and seasonal positions formerly financed with local funds;
- laid-off, former employees are rehired; and
- participants fill jobs normally contracted out. (See p. 8.)

Although the act prohibits the substitution of Federal funds for local funds, the Department of Labor did not have the time or the staff to administer maintenance-of-effort provisions. (See p. 16.) Labor had been requiring data to justify the rehiring of former employees and began requiring data on filling vacant positions. Data was still not required on the other two categories. (See p. 17.)

Data submitted to justify rehiring employees was not sufficient for Labor to determine whether the local governments' proposed actions complied with regulations. Sometimes the supporting data was not available because Labor did not require that data be kept. (See p. 19.)

Among the actions needed for better maintenance-of-effort administration are:

- Requiring prime sponsors to justify all activities which relate to using public service employment funds to provide services previously funded by State or local resources.

- Requiring that supporting documentation used to justify the use of funds in such cases be kept for a reasonable period of time.
- Generally requiring that public service employment funds be used to create new job opportunities when a prime sponsor anticipates a current unencumbered budget surplus.
- Exploring ways to discourage prime sponsors from misusing funds. (See p. 22.)

#### PLUSES AND MINUSES FOR PARTICIPANTS

Most participants in these programs hope to find permanent employment, but relatively few find jobs not supported by Federal funds. A provision of the act states that Labor cannot require any prime sponsor to place into unsubsidized jobs a specific number or proportion of participants. This provision, coupled with high unemployment in the private sector and the tight financial conditions of some prime sponsors, may make future prospects for permanent employment dim. Some persons have remained in federally subsidized public service employment since 1971 or 1972. (See p. 26.)

Data reported by prime sponsors on participants who leave the program is misleading. Correct data is essential. (See p. 30.)

Most participants received only minimal formal training other than their normal on-the-job training. Support services, such as child care and transportation, were not generally provided. However, most participants believed they benefited from the programs. (See pp. 31 and 32.)

Prime sponsors must identify in the program plans the groups to be served. Some groups-- notably veterans from Indochina or Korea since August 4, 1964; persons with limited-English-speaking ability; and females--were not served, as planned, at some locations.

Because of the lack of data, GAO could not determine whether the program plans adequately identified unemployed persons from the groups. Also, certain prime sponsors' application forms did not require enough information to permit them to identify job applicants as members of these groups. (See p. 34.)

Some participants were from families where another member of the family was the principal wage earner, and some new enrollees were members of families with substantial incomes. Although Labor requires data on personal or family income, it was inadequate for determining eligibility. Consideration should be given to extending the preferential treatment accorded persons from low-income families under 1976 amendments to the act to all public service employment jobs. (See p. 36.)

#### LOSING SIGHT OF THE OBJECTIVES OF TITLE II

Overall, public service employment programs have benefitted both the communities and persons involved in the programs. Originally, the public service employment component of the act (title II) was viewed as a permanent program, aimed at enabling unemployed and underemployed persons to improve their station in life through employment and/or training. However, with the deepening recession, the act was amended to provide emergency job programs (title VI), which was viewed as a counter-cyclical program.

Faced with increasing unemployment and losses of local revenues, distinctions between the two titles became blurred in the eyes of local officials and questions arose as to whether the two titles were to be viewed as permanent manpower development programs or counter-cyclical programs. In reality, the distinctions were lost, and the programs were administered as one program--basically, counter-cyclical. (See p. 37.)

### BENEFITS FOR COMMUNITIES

Although the program plans often poorly spelled out the public service needs of the communities, local officials were pleased with the benefits provided under the programs. Existing government services were continued or augmented, but some new services were also provided. The jobs filled were in such areas as education, environmental quality, public works and transportation, law enforcement, and social services. (See p. 43.)

Generally, local governments retained a larger portion of jobs for their own agencies, when jobs might have been more evenly allotted to State or other public agencies. Participants' chances for permanent placement may have been hampered by the total exclusion of State jobs at some locations. (See p. 46.) In some cases, activities of questionable public benefit were funded. (See p. 49.)

### SKIMMING THE CREAM

Normal hiring practices were generally followed, with heads of public service departments selecting participants. Although priority systems generally were set up to favor the act's target groups, department heads generally hired the best qualified rather than the most needy. (See p. 55.)

### SERVING INELIGIBLES

To qualify, potential participants must meet residency and length of unemployment criteria. However, ineligible people were hired at some locations. Most prime sponsors did not regularly verify the eligibility of participants selected. The reasons given varied, and sometimes prime sponsors did not understand who was primarily responsible for making the verification. (See p. 58.)

Different locations inconsistently enforced residency requirements--length of time

applicants must live in the area before becoming eligible for the program. This is unfair to potential participants. (See p. 62.)

Political patronage influenced hiring at two locations; nepotism, at seven locations. (See p. 63.)

#### NEED TO INCREASE FEDERAL MONITORING

Monitoring by Labor was limited during fiscal year 1975. Preoccupation with getting the program started, ineffective monitoring tools, and insufficient staff have all been offered as reasons for the sparsity of monitoring. Generally, State and local governments had not monitored subgrantees under their jurisdiction firsthand, on the site. However, some had established the mechanics for such monitoring. (See p. 66.)

Prime sponsors are supposed to establish procedures for periodically reviewing the progress of participants, but Labor was not monitoring this, as required. Reviews of the progress of participants by State and local governments varied from location to location. Steps have been taken or planned, however, by Labor and prime sponsors to improve this. (See p. 71.)

Labor procedures are supposed to guarantee that participants do not receive wages and unemployment compensation benefits at the same time, but procedures have not always been followed and dual payments have been made. Similar safeguard procedures did not exist to make sure participants who might be collecting welfare are not improperly receiving payments. (See p. 73.)

#### WHAT GAO RECOMMENDS

Recommendations in this report to the Secretary of Labor for improving program administration include

- improving maintenance-of-effort administration by having prime sponsors fully justify their use of Comprehensive Employment and Training Act funds to provide services previously funded by nonfederal sources (see pp. 22 and 23);
- improving benefits to participants by actively seeking out unsubsidized job opportunities, for example (see pp. 40 and 41);
- improving benefits to communities by such measures as funding only those activities which clearly will result in public service benefits (see p. 53);
- improving the participant selection process by requiring prime sponsors to uniformly apply residency requirements for eligibility, for example (see p. 65); and
- improving other aspects of program administration, such as increased monitoring by Labor's regional offices and prime sponsors (see p. 77).

Labor generally agreed with GAO's recommendations, except for the uniform residency eligibility requirements and including the salaries of participants in reported administrative costs. (See pp. 23, 41, 54, 65, and 77 and app. VII.) Comments from prime sponsors were also considered in preparing this report.

GAO recommends that the Congress (1) limit the time an enrollee can remain in the programs, to encourage the participants to seek other employment when economic conditions warrant and (2) extend the preferential treatment accorded members of low-income families under the 1976 amendments to the act to all public service employment jobs. (See p. 42.)

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ABBREVIATIONS

CETA	Comprehensive Employment and Training Act of 1973
EEA	Emergency Employment Act of 1971
GAO	General Accounting Office

**TO THE READER:**

**SEVERAL PAGES OF THE FOLLOWING MATERIAL  
MAY BE ILLEGIBLE BECAUSE OF THE POOR  
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## CHAPTER 1

### INTRODUCTION

Most of the Department of Labor's employment and training programs were changed with enactment of the Comprehensive Employment and Training Act of December 1973 (CETA) (29 U.S.C. 801). CETA incorporated services under the Manpower Development and Training Act of 1962 (42 U.S.C. 2571) with services under the Economic Opportunity Act of 1964 (42 U.S.C. 2701), and it repealed both acts in whole or in part. Public employment programs under the Emergency Employment Act of 1971 (EEA) (42 U.S.C. 4871) continued until June 30, 1975, when they were essentially incorporated under CETA. Employment and training programs 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.

CETA was enacted to establish a decentralized and flexible system of Federal, State, and local programs to provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons and to make sure that such training and support services lead to maximum opportunities and the improved self-sufficiency of program participants.

CETA gives State and local authorities a greater role than in previous programs in planning and managing employment and training programs. Instead of operating manpower programs through almost 10,000 grants to and contracts with public and private organizations, Labor now makes grants to over 400 prime sponsors--generally State or local governments. Under CETA the sponsor must design and execute the program and Labor must provide technical assistance, approve plans, and monitor sponsors' activities through the 10 regional offices. Labor must also make sure that services are available to target groups identified in CETA and that the sponsors comply with the act.

CETA presently has seven titles:

--Title I authorizes grants to sponsors for comprehensive employment services.

--Titles II and VI authorize most funds for public service employment.

--Title III, part A establishes employment and training for special groups, such as Indians and migrants, and

part B authorizes research, evaluation, and training programs; a comprehensive labor market information system; and an automated job-matching system.

--Title IV maintains the federally operated Job Corps program.

--Title V establishes a National Commission for Manpower Policy.

--Title VII establishes provisions for implementing the act.

#### PUBLIC SERVICE EMPLOYMENT

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

Generally viewed as a developmental manpower program, title II contains a number of provisions with which the sponsors must comply. These provisions include (1) giving special consideration to certain groups, (2) trying to increase the employability of participants, and (3) attempting to find permanent, unsubsidized employment for participants. (App. I lists provisions the sponsors must consider and include in their plans.)

Title VI contains many similar requirements and objectives but is generally viewed as a countercyclical measure passed during the recent recession and was originally authorized only for 1 year. One difference between the two titles is in their methods for allocating funds to sponsors. (See p. 4.) Also, under title VI preferred consideration should be given to unemployed persons who (1) have exhausted their unemployment insurance, (2) are not eligible to receive unemployment insurance, or (3) have been unemployed

for 15 or more weeks. 1/ For title VI programs, sponsors serving areas with unemployment rates over 7 percent 2/ may hire persons who have been unemployed for only 15 days, as opposed to the 30 days normally required. Requirements on participants' upward mobility and job potential may also be disregarded. Under both titles, the goal of transition into unsubsidized jobs or training can be waived.

Public service employment program objectives under both titles generally are to:

- Relieve unemployment--Employment opportunities should be increased. Sponsors should maintain the same level of effort in services and employment that they would have without CETA funds.
- Benefit participants--Participants should get jobs, training, and support services that enhance their transition into unsubsidized jobs, advancement opportunities, and upward mobility. Special consideration should be given in hiring specified target groups, such as certain veterans, previous manpower program participants, chronically unemployed persons, welfare recipients, and population segments sponsors identify as most in need of employment.
- Benefit the community--Sponsors should assign priorities to unmet public service needs of local governments and agencies within their jurisdictions, describe the work to be performed, and fill the jobs with CETA participants.

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1/The Emergency Jobs Programs Extension Act of 1976 (Public Law 94-444) limited eligibility for title VI public service jobs, in addition to those existing on June 30, 1976, and 50 percent of all subsequent vacancies in title VI positions existing on June 30, 1976, to (1) persons receiving unemployment compensation for 15 weeks or more, (2) persons ineligible for such benefits and unemployed for 15 weeks or more, (3) persons who have exhausted unemployment compensation benefits, or (4) persons whose family is receiving aid to families with dependent children; and persons not members of a household which has a current gross family income (excluding unemployment compensation and other public payments) which is over 70 percent of the lower living standard income level.

2/Under certain circumstances, other areas may qualify for the exceptions.

## ALLOCATION OF FUNDS

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

- States (areas not served by other prime sponsors within the State are referred to as the balance-of-State).
- Units of local government (usually a city or county) with a population of 100,000 or more.
- Combinations of units of local governments (consortia), providing one member of the combination has a population of 100,000 or more.
- Units or combinations of units of local governments without regard to population in exceptional circumstances.
- Nonprofit organizations in rural areas.

Funds appropriated for title II are to be used to provide public service employment programs in areas with 6.5 percent or more unemployment for 3 consecutive months. Labor is required to allocate 80 percent of the funds among sponsors according to the number of unemployed persons residing in areas within a sponsor's jurisdiction, in comparison to the number of unemployed persons residing in all such areas nationwide. The remaining 20 percent may be distributed at the discretion of the Secretary of Labor considering the severity of unemployment within such areas.

For title VI, at least 90 percent of the funds should be allocated among prime sponsors as follows.

- 50 percent to all sponsors, based on total unemployment.
- 25 percent to all sponsors, based on unemployment in excess of 4.5 percent.
- 25 percent to title II sponsors, based on the total number of unemployed persons living in areas with 6.5 percent or more unemployment.

The rest of the funds (up to 10 percent) should be allocated at the discretion of the Secretary of Labor.

For fiscal years 1974-76, almost \$5 billion was appropriated for public service employment programs authorized under titles II and VI as shown below. 1/

	Fiscal year <u>1974</u>	Fiscal year <u>1975</u>	Fiscal year <u>1976</u>	<u>Total</u>
----- (000,000 omitted) -----				
Title II	<u>a/\$370</u>	\$ 400	<u>b/\$1,700</u>	\$2,470
Title VI	<u>-</u>	<u>875</u>	<u>1,625</u>	<u>2,500</u>
Total	<u>\$370</u>	<u>\$1,275</u>	<u>\$3,325</u>	<u>\$4,970</u>

a/Funds used primarily for fiscal year 1975 programs because they were not appropriated until June 8, 1974.

b/Includes \$400 million from regular Labor appropriations, \$1.2 billion from the Emergency Supplemental Appropriation Act and \$100 million for July 1, 1976, to September 30, 1976,--the transition quarter between fiscal year 1976 and fiscal year 1977.

Funds were available through June 30, 1976, for title VI programs and through September 30, 1977, for title II programs. However, \$1.2 billion of fiscal year 1976 appropriations for title II was available only through January 31, 1977. According to Labor, these funds were to be used to continue title VI programs.

(App. II lists previous reports on CETA and public service employment.)

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1/An additional \$250 million was appropriated to continue public service employment authorized under EEA until June 30, 1975.

## CHAPTER 2

### LIMITED IMPACT OF PUBLIC SERVICE JOBS

#### ON REDUCING UNEMPLOYMENT

One major objective of the Comprehensive Employment and Training Act public service employment programs is to increase employment opportunities. The Congress has appropriated much money for and many people have been involved in these programs. However, considering overall unemployment, public service employment programs have done little to reduce unemployment.

Between 7.1 and 8.4 million people were unemployed during 1975 and early 1976. Yet during the same period, Labor reported public service employment programs under CETA titles II and VI averaged only about 298,000 participants--with a high of about 342,000. Shortly after implementation of CETA, in May 1975, the unemployment rate hit 8.9 percent--about 8.4 million unemployed Americans. This was the highest level since the end of the depression.

Another factor which reduced program impact was the transfer of many former Emergency Employment Act participants into CETA programs when the program ended. There are other factors to consider. Prime sponsors are supposed to use CETA funds to create more jobs, not use them to substitute for State and local funds--which is commonly called maintenance of effort. Consequently, CETA funds should increase employment opportunities in areas where they are allocated.

The jobs created through CETA have generally increased employment opportunity in the sponsor jurisdictions reviewed. However, the impact of the program was reduced because sponsors employed CETA participants to (1) fill vacant full-time positions; (2) fill temporary, part-time, and seasonal positions formerly financed with local funds; and (3) provide services normally contracted. Also, CETA funds were used to rehire laid-off, former employees.

Maintenance-of-effort provisions are difficult to administer. A time-consuming, detailed analysis is usually required to determine if violations have occurred; in many cases, a sponsor's overall financial, staffing, and other data must be examined.

Labor regulations required sponsors to submit data to justify rehiring former employees. Sometimes this data was insufficient for Labor to determine if proposed actions complied with regulations, and sometimes the supporting data was unavailable for later examination by Labor because sponsors were not required to keep it. Revised regulations, effective July 26, 1976, required that supporting data be submitted when sponsors planned to employ CETA participants in vacant full-time positions. Data on the use of CETA funds for temporary, part-time, or seasonal positions or for contract activities was still not required.

IMPACT ON REDUCING  
UNEMPLOYMENT HAS BEEN LIMITED

During high unemployment, public service employment programs have a minimal effect on unemployment rates unless unusually large amounts of funds are appropriated. Over \$1.6 billion, for example, was available for public service employment programs under titles II and VI for the first full year of program operations--fiscal year 1975. <sup>1/</sup> Labor estimated, however, that over \$7 billion would have been needed to provide jobs to reduce the unemployment rate by 1 percent. Some economists believe that appropriating large sums of money to create public service jobs would have inflated the economy.

As mentioned previously, another factor retarding the creation of new job opportunities was the transfer of many former EEA participants into CETA programs. As of June 30, 1975, the reported enrollment under CETA titles II and VI was about 280,000 persons, including former EEA participants.

While no national data on the number of EEA transfers into CETA exists, we gathered information on the transfers at locations reviewed. EEA transfers in Detroit, Michigan, for example, were 454 of the 3,561 title II and VI participants served from August 1, 1974, through March 31, 1975. As of June 30, 1975, Pontiac, Michigan, estimated 44 of the 536 title II and VI participants were EEA transfers.

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<sup>1/</sup>An additional \$250 million was appropriated to continue public employment under EEA through fiscal year 1975.

The number of EEA tranfers as of June 30, 1975, at locations reviewed in Labor's San Francisco region are shown below.

	<u>Number of CETA participants</u>	<u>Estimated former EEA participants</u>	<u>Percent</u>
San Francisco, Calif.	2,312	411	17.8
Contra Costa County, Calif.	783	20	2.6
Phoenix/Maricopa County, Ariz.	975	57	5.8
Sutter, Shasta, and Del Norte Counties, Calif.	<u>672</u>	<u>96</u>	14.3
Total	<u>4,742</u>	<u>584</u>	12.3

A California balance-of-State official advised us in late 1976 that the State had adopted a policy that no participant shall remain in a public service employment position for more than 18 months unless transition is assured in the immediate future.

PROBLEMS IN INCREASING  
JOB OPPORTUNITIES

CETA requires that public service employment programs (1) increase employment opportunities, (2) not displace currently employed workers, (3) not impair existing contracts for services or substitute Federal funds for other funds, and (4) not substitute public service jobs for existing federally assisted jobs.

The act allows the rehiring of laid-off employees under certain circumstances. The Conference Report (H. Rept. 93-737) on CETA states its provisions are:

"\* \* \* not \* \* \* to preclude the rehiring of persons who have been laid-off for bona fide reasons, nor is it intended to prevent the filling of jobs vacated because of bona fide layoffs."

The provisions regarding rehiring are to prevent paper layoffs--laying off employees to refill the positions using CETA funds, thereby substituting Federal for State and local funds.

CETA assigns the Secretary of Labor responsibility for prescribing regulations to implement these maintenance-of-efforts provisions. Labor's initial regulations generally reiterated the act's language and required assurances from sponsors that CETA funds would be used to supplement other available funds.

Following are examples of situations that reduced the effect of public service employment programs. Many examples are questionable, considering CETA provisions and implementing regulations. Others are included to show situations where sponsors did not increase job opportunities.

Filling vacant full-time positions

Several sponsors used CETA participants to fill budgeted municipal positions. This practice allowed sponsors to continue public services without using local funds.

Boston, Massachusetts, made widespread use of CETA funds to fill these positions. A review of staffing levels showed that many positions listed as vacant as of December 31, 1974, were still vacant at the end of April 1975, while CETA participants were hired in the same positions, as shown in the following table.

<u>Department</u>	<u>Budgeted vacant positions (note a)</u>	<u>CETA positions (note b)</u>
Auditing	Senior accounting clerk (1)	Senior accounting clerk (1)
Parks and recreation	Tree climber (1)	Tree climbers (7)
	Maintenance men/painter (1)	Maintenance men/painters (4)
Fire	Maintenance mechanic welder (1)	Maintenance mechanic welder (1)
Police	Junior building custodians (7)	Junior building custodians (20)
	Principal clerk typists (5)	Principal clerk typists (23)

a/Numbers in parentheses indicate vacancies as of December 31, 1974, and April 1975.

b/Numbers in parentheses show the number of people hired under CETA for the same position.

In other instances, participants filled positions similar to those vacant although the job titles were not the same. One Boston official said, although he had the money, he was not attempting to fill his department's vacancies because he was using two CETA workers.

A review of staffing trends and discussions with officials at the Hampden, Massachusetts, manpower consortium revealed that vacancies created through attrition were not filled because CETA participants were available. The Springfield, Massachusetts, superintendent of public parks stated, for example, that he had not filled any of 24 positions vacant since September 1974 because he had used CETA participants. The department also opened a new civic center and staffed it mostly with CETA participants.

Performing temporary, part-time,  
and seasonal work

In Concord, California, CETA participants provided services normally performed by part-time workers. The assistant personnel director said hiring CETA participants eliminated the need for some city-funded, part-time employees, and he added that the city funds made available by this action were used to purchase equipment for program participants. The city's financial director said the budget was prepared before the CETA program was funded and the part-time funds could be used for the equipment purchases. He contended that this procedure did not violate maintenance-of-effort regulations.

In Redding, California, the city parks, streets, waste collection, and engineering departments budgeted \$11,500 to \$19,000 in fiscal year 1975 for temporary, full-time employees. In fiscal year 1976 no funds were budgeted for temporary personnel in these departments. City officials said CETA funds were used to pay for CETA participants to perform work normally done by temporary employees. After we discussed this questionable use of CETA funds with county program officials, CETA participants were laid off and the county did not allow the city to refill the positions.

Cities and towns in Massachusetts also used CETA funds to eliminate or reduce their temporary and summer positions. In Lynn, Massachusetts, the city auditor department had one vacant clerk typist position. It had been filled from July to November 1974 with an emergency temporary appointment. In November the temporary appointment ended, and the duties were handled by a CETA participant.

In fiscal year 1975, Lynn's public works department spent about \$50,000 for temporary and emergency positions. In fiscal year 1976, however, no temporary or emergency laborer positions were funded for the department although 18 CETA participants were assigned to it.

Another example of CETA funds being used for activities normally covered by local funds involved the 1975 Massachusetts census. Massachusetts requires that each city and town conduct a census every 10 years. Early in 1975 the Secretary of the Commonwealth of Massachusetts sent a memorandum to communities encouraging use of CETA participants to conduct the census.

Because this letter was sent to each municipality in Massachusetts, we had Labor request data from State sponsors to determine the use of participants for the census. The following table shows the CETA participants used for the census and the hours charged to CETA grants.

<u>Prime sponsor</u>	<u>Participants</u>	<u>Hours</u>
Balance-of-State	16	15,773
Boston	-	-
Cambridge	79	55,853
Hampden consortium	31	15,914
Lowell consortium	2	54
New Bedford consortium	13	2,573
Worcester consortium	-	-
<b>Total</b>	<u>141</u>	<u>90,167</u>

Using the then minimum hourly wage of \$2.10 per hour, at least \$189,000 in CETA funds were used to conduct the census. Labor officials agreed that this use was questionable because it reduced the number of employees that would have been hired. However, when Labor requested refunds from sponsors that used participants for the census, some sponsors said they did not believe they were violating the act's requirements.

During 1975 the income tax division of Pontiac, Michigan, used all its CETA participants for seasonal work. In 1974 the city employed eight regular employees and six seasonal employees. In June 1975 the division employed eight regular employees and five CETA participants. Three of these participants had previously worked for the division, were laid off, and were rehired with CETA funds. We were told this was necessary because of budget restrictions.

Two other divisions in Pontiac, which employed many CETA participants, decreased city-funded temporary positions after receiving CETA funds. A review of budgetary material indicated that during budget formulation, the city planned to use CETA participants instead of hiring people with city funds.

Rehiring laid-off former employees

As of December 31, 1975, Labor reported that about 7,647 of 326,826 CETA public service employment enrollees were rehired employees. Nationally, the figure is relatively low, but Labor reports that rehiring has been extensive in some locations, especially in some Middle Atlantic and Midwest cities. The following table shows the number of reported rehires at the locations reviewed.

<u>Prime sponsors</u>	<u>Enrollees</u>	<u>Rehires</u>
Michigan balance-of-State	4,973	101
Detroit, Mich.	3,523	1,773
Oakland County, Mich.	1,935	65
Akron, Ohio	430	-
California balance-of-State	4,006	42
San Francisco, Calif.	2,312	-
Contra Costa County, Calif.	783	-
Phoenix/Maricopa, Arizona	975	-
Massachusetts balance-of-State	9,467	(a)
Boston, Mass.	1,717	112
Hampden County, Mass.	1,633	(a)
Lowell, Mass.	579	-

a/Data was not reported, however, sponsor officials estimated there were no rehires.

Detroit officials extensively used CETA funds for re-hiring. Use of funds to rehire former employees began in February 1975, and by the end of June rehires totaled about 50 percent of program participants. The table below shows the number of CETA positions and rehires at the end of 6 months.

<u>1975</u>	<u>Title II</u>		<u>Title VI</u>		<u>Total</u>	
	<u>Positions</u>	<u>Rehires</u>	<u>Positions</u>	<u>Rehires</u>	<u>Positions</u>	<u>Rehires</u>
Jan.	1,101	-	59	-	1,160	-
Feb.	3,114	-	415	101	3,529	101
Mar.	3,418	1,316	446	112	3,864	1,428
Apr.	3,583	1,516	474	112	4,057	1,628
May	3,586	1,516	549	187	4,135	1,703
June	2,904	1,516	619	257	3,523	1,773

Detroit officials said using CETA funds to rehire laid-off employees helped the city maintain its level of public services. The narrative description in the city's plan for title II explained that the city had been in a financial bind since 1974, primarily because of the energy crisis and a slump in the automobile industry. In a January 28, 1975, letter to Labor, the mayor projected a city deficit of \$23 to \$35 million for fiscal year 1975, because of decreases in anticipated State aid and city income taxes (a result of increasing unemployment). Consequently, the city needed to lay off 1,500 employees.

In his April 15, 1975, message to the city council on the proposed fiscal year 1976 budget, the mayor said Detroit was in a depression and outlined remedial steps. Over 1,600 employees had been laid off to reduce the fiscal year 1975 deficit, and over 4,100 positions had been eliminated from the fiscal year 1976 budget. An 8-percent salary cutback had already been initiated in each department and funds for purchasing cars, welfare services, and prisoner care had been reduced in the proposed budget. Even with these economy steps, the fiscal year 1976 budget estimated a deficit of \$17.6 million.

City officials said Detroit had a hiring freeze in effect since March 1974 and had been laying off employees since January 1975. Only persons providing needed public services requiring specialized knowledge, such as nurses and powerplant operators, had been hired.

Detroit officials contended that rehiring laid-off employees with CETA funds made sense. Most individuals had been returned to their former positions after being laid off for the required time, were already experienced, and the provision of services was not interrupted. We were also told that union pressure had to be considered. If laid-off workers were not rehired and new hires under CETA performed similar work as those on layoff, unions might protest.

Replacing service contracts and  
substitution for other funding

Using CETA funds to provide services normally provided under contracts is another way of not increasing job opportunities. In Massachusetts, for example, we found several instances where CETA participants were used to reduce or eliminate service contracts, as shown below.

--Boston's mayor recommended that the public facilities department appropriation of \$3.1 million for service contracts for fiscal year 1975 be reduced to \$2.6 million for fiscal year 1976. The department's assistant director said much of the work done by the CETA personnel is similar to that previously performed under service contracts.

--The Ludlow engineering department used participants for previously contracted work. A town official said before July 1, 1974, Ludlow did not have an engineer. An engineer was hired, but no provisions were made for staff. The surveying and mapping being performed under the engineer by five CETA participants was formerly done under contract.

--Participants at the Holyoke public works department performed cleaning work previously contracted out.

We also found cases where CETA affected service contracts in California.

--Sutter County used EEA employees to establish a debt collection department. These employees were transferred to the CETA program when EEA expired. This service had been previously performed by a private collection agency. After our fieldwork, State officials advised us this function was absorbed by the county and CETA funds were no longer used.

--Del Norte County had established a program to destroy and remove old buildings and other hazardous materials. Before CETA, the work was done by the county building department and/or private firms. When the county received CETA funds, participants were hired to perform this work. After our fieldwork, State officials advised us that disallowable costs were determined and the funds returned to the CETA program.

Some sponsors used CETA funds to substitute for local funds. In California, the Shasta County personnel director said the county board of supervisors had agreed to support 29 EEA participants with county funds when their EEA grant expired in July 1975. The board of supervisors subsequently reversed this decision, and the EEA participants were transferred into CETA. After our fieldwork, State officials advised us that although this appeared to be a questionable administrative decision, they felt no action could be taken.

In another case, the Phoenix personnel department had budgeted 51 positions--46 city and 5 CETA--in fiscal year 1975. The following year, 52 positions were authorized--39 city and 13 CETA. While the total number of positions remained about the same, eight more positions were supported with CETA funds. A city official said that CETA funds were used for these positions because city funds were not available.

Phoenix officials considered CETA funds as available revenue when budgeting city positions. For example, the city's fiscal year 1976 budget eliminated 180 vacant authorized positions and proposed reducing some services. At the same time, the city planned to use CETA funds for about 200 additional police positions and improve fire fighting and emergency medical services. The following statement is taken from the budget adopted July 15, 1975.

"The base position reduction alone would not make possible all of the preceding major budget additions and service improvements. In fact, of equal importance is the proposal to make the best possible use of new Public Service Employment positions to get these regular City jobs done. The second round of Public Service Employment funding \* \* \* is anticipated to be authorized at the Federal level soon. This funding would make available about 182 additional positions proposed to be assigned to regular City jobs."

One city official believed the city was only making the most effective use of CETA.

Our review in Brockton, Massachusetts, showed the city intended to use CETA funds in lieu of local funds. In a December 13, 1974, letter to employers, Brockton's public service employment director stated:

"\* \* \* positions created by this program must not be used to lower the present agency budget; where

this program is designed to assist you, is in lowering your future agency budget; that is, if your town has contemplated the need of X number of additional employees, this program could forestall the use of agency funds to hire these additional employees."

Similarly, the Boston fiscal affairs deputy director said there was less pressure to increase departmental staffing because CETA had provided personnel in many departments where the workload increased and the program had helped alleviate difficulties caused by the city's austerity program.

#### DIFFICULTY OF ADMINISTERING MAINTENANCE-OF-EFFORT PROVISIONS

Several factors make precise administration of maintenance-of-effort provisions difficult. First, sponsors' intentions for using CETA funds must be examined. Labor does not have the staff or expertise to do this, and a large staff would be necessary to do an effective job.

When a sponsor wants to use CETA funds for rehiring laid-off former employees, for example, Labor must determine if a bona fide layoff was involved. Two case studies we made in Toledo, Ohio, and Wilmington, Delaware, showed that a large amount of time was required to examine such items as budget revenue and expenditure data, salary line items, and staffing levels over a period of time. In general, we also found it necessary to examine the overall financial and staffing level of a sponsor.

Local prerogatives must also be considered in any decentralized program. For example, is it reasonable to allow a sponsor to rehire laid-off, former employees when a current surplus is anticipated, even if the prime sponsor projects a deficit in future years? Or, should a sponsor not be allowed to fill vacant positions when minimum levels of service involving the vacant positions cannot be maintained? These are difficult decisions to make.

Examples of possible maintenance-of-effort violations have been shown in this chapter. Where Labor had determined that a violation had occurred, action was planned or being taken to recover the funds involved--as permitted by the act. However, no additional disciplinary action is normally taken.

Following is a brief summary of Labor guidance on maintenance of effort and two case studies which indicate some difficulties involved in administering these provisions.

## Labor guidance

Labor's original regulations for public service employment under title II restated the language of CETA. Only broad guidance was provided on administering the maintenance-of-effort provisions. Regulations issued in January 1975, however, for title VI programs provided additional requirements designed to cope with economic difficulties some governments were experiencing. These regulations included the following provisions.

- Sponsors and their subgrantees were not to terminate, lay off, or reduce normal working hours of employees for the purpose of hiring individuals with CETA funds. Rehires were allowed if a bona fide layoff was involved.
- Sponsors were required to submit with their plans estimates of jobs to be filled by recalling former employees. Also required were fiscal and budgetary documents and explanatory materials which established that terminations or layoffs were not done to utilize Federal funds in lieu of local funds. (Prime sponsors were not required to retain supporting documentation to justify using CETA funds to rehire.)

The only other reference for data submission was that Labor's regional offices have the power to request budgetary expenditure documentation, revenue statements, and other information related to determining maintenance of effort. Information was not required on the number of vacant positions to be filled; the effect on temporary, part-time, or seasonal positions; or on service contracts.

By contrast, under EEA programs, Labor's regulations required that in cases where funds would be used to pay for work which had been performed at any time during the past 6 months, or to fill positions vacant for less than 6 months before filing of a grant application, clear evidence had to be submitted to show that without EEA assistance, the work would not have been performed at Federal, State, or local expense.

It also had to be shown that any such actions would not displace currently employed workers or impair existing contracts for services.

Labor's May 1975 revised regulations for title II, were basically the same requirements on maintenance of effort as

for title VI. In March 1976, however, Labor issued a memorandum to its regional offices setting forth policy and more specific guidelines on some maintenance-of-effort issues. Consequently, Labor issued new regulations on maintenance of effort under title II, effective July 26, 1976.

Labor's March 1976 memorandum and July 1976 regulations included new requirements on rehiring and filling vacant positions. In essence, the regulations allowed 10 percent of the CETA participants to be rehires. The 1976 amendments to CETA limited, however, the authority of the Secretary of Labor to impose a numerical or percentage limitation on the number of rehires. Also, any person laid off since June 30, 1976, because of any such limitation by Labor may be reinstated. At the same time, the Congress supported the act's maintenance-of-effort provisions.

The new regulations required that CETA participants not be placed or remain in positions almost equivalent to positions which are vacant because of a hiring freeze unless the prime sponsor can show that

- the freeze resulted from lack of funds to sustain the former staffing levels and the positions were not established because CETA funds were available and
- the promotional opportunities of regular employees have not been infringed upon.

Sponsors must notify Labor regional offices of layoffs or hiring freezes in departments or agencies where CETA participants are employed in positions which are almost equivalent.

The March 1976 memorandum added guidelines on data that may be included in a local budgetary review by Labor's regional offices. For example, analyses of prior-year budgets and minutes of city council meetings were suggested. The memorandum also provides minimal budgetary and fiscal standards for assessing if layoffs and hiring freezes are valid. These include examining (1) tax revenue changes, (2) diversion of funds, (3) personnel cutbacks, (4) changes in the status of regular personnel which may create situations where the employees could be rehired with CETA funds, and (5) the jobs performed by CETA participants in relation to vacant positions.

Case studies involving  
maintenance of effort

In addition to the sponsor and subgrantee activities discussed in this report, we have issued other reports on the rehiring of former employees using CETA funds. 1/

Insufficient data required by Labor

Wilmington, Delaware, officials submitted a plan to a Labor regional office for funding 96 positions, of which 29 would be filled by rehired, laid-off employees. The city's justification for rehires was declining tax revenues and rising costs. The justification data consisted of (1) the mayor's 1976 budget message to the city council, (2) two letters to Labor from the mayor explaining the city's proposed actions, (3) an internal city memorandum on planned layoffs, and (4) a newspaper article citing the city's plan to reduce city jobs. The data was very general and basically a narrative justification for the proposed rehiring. No detailed data on revenue, expenditures, or surpluses/deficits was provided.

Without requesting more data or analyzing the city's financial situation or personnel level trends, Labor approved the application. Labor's regional officials said the data was supplemented through telephone conversations with sponsor officials, and the officials believed their efforts conformed with headquarters' policy.

In Toledo, Ohio, officials submitted a plan for using 206 CETA participants, of which 107 would be rehired, laid-off employees. City officials advised Labor the layoff was necessary to balance the 1975 budget and provided them summary revenue and expenditure data for the two fund categories where layoffs were planned--the general and street funds.

The information Labor was given consisted of (1) a statement of estimated resources for the general and street funds for 1975, (2) an itemized breakdown of budget needs for the general fund and the total budget needs figure for the

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1/These reports were "Public Service Employment in Delaware Under Title VI of the Comprehensive Employment and Training Act," (MWD-76-61, Jan. 23, 1976) and "Using Comprehensive Employment and Training Act Funds to Rehire Laid-off Employees In Toledo, Ohio," (MWD-76-84, Mar. 19, 1976).

street fund for 1975, and (3) a letter from the city management services office explaining the city's financial situation and the need to lay off people in these two categories. Labor approved the city's plan to use CETA funds for rehiring.

Although both cities gave Labor some data to justify using CETA funds for rehiring, this data was insufficient for Labor to determine their overall financial situations. Wilmington, for example, did not give Labor detailed budgetary data to justify rehiring. City officials did advise Labor that revenue sources had been exhausted and economy measures, such as reducing the regular city workforce, had been implemented. Our review of city records showed the city had, in fact, instituted economy measures. It also showed, however, that the city anticipated a \$1.6 million surplus when Labor was approving its rehiring plans--a surplus which city officials said was needed to balance future years' budgets. Labor subsequently agreed with us that it should have obtained more data on this situation.

Although the data Toledo gave Labor was more detailed, it was also insufficient for making a conclusion. It focused on and projected a deficit for two funds where layoffs were planned. Our review showed, however, that the city had an additional \$1 million available in general revenue sharing funds that could have been used to partially offset these proposed deficits. A city official said these accumulated funds were available because they had not been spent as originally intended. Labor again agreed that it should have obtained more data in this situation.

#### Time-consuming analyses

In performing these reviews, we found that many analyses at prime sponsor locations were required. The reviews included analyses of

- the overall and departmental budgeted revenues and expenditures over 3 to 5 years to note trends,
- salary line items and staffing levels to note trends,
- surpluses and deficits over a period of time to determine the trends and financial position of the sponsor,
- the use of Federal revenue sharing funds,
- vacancies filled by the sponsor, and

--interviews with city officials and CETA supervisors and participants.

Since Labor used the justification data to decide whether rehiring would be permitted, we focused on this data in our analyses to determine if the data represented a fair assessment of the prime sponsor's financial condition at a given point in time.

The analyses were very time-consuming and complicated. Personnel data, for example, was not always available and the levels of personnel had to be manually computed. The frequent changing of cities' budgetary format and the re-programing of funds made yearly comparisons difficult. Also, since sponsors were not required to retain documentation justifying rehires, there were problems in assessing if these rehires were reasonable. Most importantly, the day-to-day decisions regarding the extent and type of government services that should be provided is the responsibility and prerogative of local governments. Whether a locality should increase taxes to obtain more revenue can be debated forever. To use the words of one city official:

"The Labor Department is put in the position of having to gather the facts on the finances of local jurisdictions and make judgments on management policies and discretionary action taken to control municipal finances. Without some comprehensive knowledge of the locality, including a sense of what is considered responsible government, any determination made could be considered infirm."

## CONCLUSIONS

Public employment programs have increased job opportunities. These opportunities are diminished, however, when departments or agencies use CETA participants to fill vacant, temporary, part-time, or seasonal positions; rehire laid-off, former employees using CETA funds; and use CETA participants to provide service normally contracted out. The frequency of these activities cannot be determined with available data.

Precise administration of the present maintenance-of-effort provisions would involve an immense staff. Much time is needed to determine if sponsors correctly and reasonably use CETA funds. Local prerogatives in applying available resources must also be considered. However, certain steps can be taken for more effective administration.

Labor should require sponsors to fully justify in their plans any activity which may involve using Federal funds to provide services previously funded by nonfederal resources. Our review showed that the data justifying rehires is not always sufficient for Labor to determine if such action was valid and it is not always available for examination because Labor did not require prime sponsors to keep their supporting documentation. Also, no data was required to justify using CETA participants to fill temporary, part-time, seasonal positions or to perform duties previously contracted out.

Labor should analyze the data provided, but sponsors should provide conclusive evidence to justify their activities. Labor should not approve plans with inadequate data. When a sponsor anticipates a current unencumbered surplus, Labor should consider disapproving the use of CETA funds unless new job positions will be created or the sponsor can demonstrate the proposed use of funds is justified.

When maintenance-of-effort violations are detected under present procedures, Labor can reduce the sponsor's CETA grant by the amount used for unauthorized positions. This action, in effect, penalizes those who should benefit from the program by reducing the number of positions which could be made available or by shortening the duration of these positions. Labor should continue to detect violations and seek recovery, but it should also explore the possibility of establishing new policies and procedures to discourage misuse of funds. Labor could seek, for example, legislation to penalize sponsors that violate maintenance-of-effort provisions.

Labor should give more publicity to cases where sponsors are found in violation of the act's provisions and funds are recovered, point out the detrimental effect of the loss of funds on the community and its residents, and cite specific reasons why the funds were recovered. Local papers could be given news releases and reports sent to interested State officials and Members of Congress. Also, Labor should examine the cases presented in this chapter and take appropriate action, if it has not already done so, on violations.

#### RECOMMENDATIONS

We recommend that the Secretary of Labor:

- Require prime sponsors to fully justify in their plans activities which may involve using public service employment funds to provide services previously funded by non-Federal resources. Included is any situation

where CETA participants will be used to fill vacant full-time, temporary, part-time, or seasonal positions or to perform work usually contracted, as well as the rehiring of laid-off employees.

- Disapprove plans if the sponsor has not submitted conclusive evidence showing that the proposed activity is fully allowed.
- Require sponsors to keep for a reasonable time all supporting documentation used to justify their use of CETA funds in such cases.
- Require that all public service employment funds be used to create new job positions when the sponsors anticipate a current unencumbered surplus, unless the sponsor can demonstrate that such use is not feasible.
- Explore ways to discourage sponsor misuse of CETA funds, in addition to recovering funds through reductions in grants, by methods such as penalizing sponsors and publicizing violations to show the adverse effects on the community and its residents.
- Examine the cases presented in this chapter and take appropriate action, where necessary, on violations.

#### AGENCY COMMENTS AND OUR EVALUATION

Labor, in a letter dated December 27, 1976, agreed with our first four recommendations relating to the approval of sponsors' plans to use public service employment funds to provide services previously funded by nonfederal sources and the need to have sponsors provide conclusive evidence that the proposed use of funds fully meets the requirements of the maintenance-of-effort provisions. (See app. VII.) Labor stated that its December 10, 1976, regulations--relating to the extension of title VI programs--addressed these issues. Labor's regulations used language similar to that in our recommendations. Also, Labor agreed with our sixth recommendation to examine the cases presented in the report and to take appropriate action where violations have occurred.

Although Labor agreed that it should explore ways to discourage sponsors from misusing CETA funds (our fifth recommendation), it disagreed with one of our suggestions--the publication of violations to show adverse effects on the community and its residents. We continue to believe that Labor should explore all feasible methods of discouraging

possible violations of the act, including fully publicizing such violations and their adverse effects.

The State of Massachusetts, in commenting on these recommendations agreed that there were numerous areas in need of reform but expressed reservations about the administrative burden which would result from our recommendations. While not wishing to impose additional administrative requirements, we believe that in situations which may involve possible maintenance-of-effort violations, the burden of proof must be on the sponsor and not Labor.

### CHAPTER 3

#### EFFECT OF PROGRAM ON PARTICIPANTS

Some Comprehensive Employment and Training Act participants have moved into unsubsidized employment or left the program in some other positive way, such as to be full-time students. Many nonpositive terminations have been reported, however, for other reasons including poor health, moving from the area, and refusal to continue in the program.

Most prime sponsors assigned personnel to find permanent jobs for their enrollees. However, some sponsors exerted little effort to find unsubsidized employment. Officials said transitions would probably be limited by the high unemployment in the private sector and their own tight financial conditions.

Some people feel that CETA enrollees seeking permanent employment may have been adversely influenced by the attitudes of Emergency Employment Act enrollees transferred to CETA. Some EEA enrollees have been federally supported since 1971 or 1972. (See ch. 2.)

The transition data reported by sponsors was, in some instances, inconsistent and did not reflect the true status of program enrollees. In one case, a sponsor transferred participants from title II to title VI and vice versa and reported these transfers as other positive terminations. Another sponsor transferred participants from one title to another but reported the terminations as nonpositive. In neither case was it indicated that the participants were still in the program.

Only a small percentage of participants received other than on-the-job training. Prime sponsors generally looked for individuals best qualified to perform the job and selected persons who were prepared for employment.

Sponsors generally did not provide support services, such as child care and transportation, to CETA participants. Officials said they did not provide support services because (1) CETA was viewed as an employment program with limited funds, (2) participants were handled like regular employees, (3) they felt it was not an urgent problem, and (4) it would impose too much of an administrative burden.

Although participants received little formal training, they generally believed the on-the-job training and experience they were receiving would increase their opportunities

for obtaining permanent employment. Supervisors added that CETA participants benefited from a regular pay check and the prospect of future employability.

Sponsors generally served the target populations at the levels specified in their Labor-approved plans. Some groups, however, especially special veterans, persons with limited English-speaking ability, and females, were not served as planned. It cannot be determined if the planned goals adequately responded to the needs of these groups because (1) local data on the groups is inadequate and (2) application forms often did not request information to identify the applicant with a particular group.

According to officials, some CETA participants were secondary wage earners and members of families with large incomes. The data as collected appeared to be of little value for eligibility determination. We believe the 1976 title VI amendment addresses, in part, preferential treatment to unemployed individuals who are not members of families with large incomes. This consideration should be broadened to include all public service employment.

Sponsors generally operated their title II and VI programs with the same objective--to reduce unemployment. As a result, the legislative objective that the title II program aid the structurally unemployed 1/ was sometimes disregarded.

#### NEED TO ENCOURAGE POSITIVE TERMINATIONS

One objective of CETA is to move participants into training or unsubsidized employment. Labor requires each sponsor, to the extent possible, to have as an annual goal to either (1) place half of the participants in unsubsidized private or public employment or (2) place participants in half of the sponsor's suitable vacancies.

Nevertheless, current legislation states that Labor cannot require a sponsor to place a specific number or proportion of participants into unsubsidized jobs. Further, placement goals must not be identified as requirements. Sponsors can request a waiver of such goals if the sponsor considers them infeasible and the Secretary agrees that local conditions warrant a waiver.

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1/Those who experience chronic difficulties in competing for jobs even during periods of low unemployment.

Progress in placing CETA participants

Although reported data shows that many participants obtained unsubsidized employment or were positively moved out of public service employment, many others were reported as nonpositive terminations. The following table shows nationwide data on participants served and terminations for titles II and VI during fiscal year 1975.

	Title II		Title VI		Total	
	Number	Percent of enrollment	Number	Percent of enrollment	Number	Percent of enrollment
Enrollees served in fiscal year 1975	229,021		159,509		388,530	
Terminated during year						
Positive (note a)	40,731	18%	15,669	10%	56,400	15%
Nonpositive	32,769	14%	18,924	12%	51,693	13%
Total terminations	73,500	32%	34,593	22%	108,093	28%
Enrolled as of June 30, 1975	155,521		124,916		280,437	

a/About 2 percent of the positive terminations occurred after the participant received only assessment and job referral by the prime sponsor.

During the same period, the 12 sponsors reviewed reported 40,044 participants enrolled, some of whom had left the program, as shown below. (See apps. III and IV for more details on each sponsor.)

	Title II		Title VI		Total	
	Number	Percent of enrollment	Number	Percent of enrollment	Number	Percent of enrollment
Enrollees served in fiscal year 1975	21,806		18,238		40,044	
Terminated during year						
Positive (note a)	1,929	9%	1,822	10%	3,751	9%
Nonpositive	3,490	16%	1,952	11%	5,442	14%
Unreported	-		50	b/	50	b/
Total terminations	5,419	25%	3,824	21%	9,243	23%
Enrolled as of June 30, 1975	16,387		14,414		30,801	

a/About 1 percent of the positive terminations occurred after the participant received only assessment and job referral by the prime sponsor.

b/Less than 1 percent of the participants.

The proportion of positive terminations to total participants varied among programs and by sponsor in the locations reviewed. For title II, the rate varied from 3 percent in Detroit, to 33 percent in Phoenix; for title VI, from zero in Detroit to 20 percent in the Michigan balance-of-State program. About 42 percent of those who terminated positively were reported to have enrolled in school, joined the Armed Forces, or entered another manpower program. They had not moved into unsubsidized employment.

As the table shows, many participants who left the programs were reported as nonpositive terminations for reasons such as poor health, moving out of the area, and refusal to continue the program.

Many areas reviewed were experiencing high unemployment rates. Some sponsors said finding private sector job openings was difficult. Also, limited budgets made it difficult to bring CETA participants into the sponsors' own organizations.

Of the 12 sponsors reviewed, 9 had established job development to help place participants in unsubsidized jobs. The other three put forth little effort to help participants make positive transitions.

San Francisco job counselors, for example, kept current information on civil service positions available in their city, the Federal Government, and surrounding cities and counties. Qualified CETA participants were encouraged to apply for these positions and were given paid time off for testing and interviews. However, because of limited job opportunities and competition, the chances for a CETA participant to obtain a civil service job appeared to be remote, and the sponsor had made only a limited effort to find private sector employment for the participants.

An Akron, Ohio, official said a system for placing CETA participants had not been established, and if a system were established, it would be set up after the economic conditions improve.

Detroit's progress in placing CETA participants had been limited because of the city's deficit and a high unemployment rate. For title II, Detroit had placed in unsubsidized employment or training only 110 (3 percent) of the 4,093 participants enrolled during fiscal year 1975 by June 30, 1975. For title VI, the city obtained a waiver of participant placement goals from Labor and by June 30, 1975, no participants had been positively placed.

The Hampden County, Massachusetts, consortium had some success in placing its CETA participants. Of the 947 title II participants in fiscal year 1975, the sponsor reported that 110 participants (12 percent) had been placed into unsubsidized jobs or training. The consortium received a transition goal waiver from Labor for title VI. Of the 1,368 title VI participants, only 78 (6 percent) had moved into unsubsidized jobs or training by June 30, 1975.

Most participants placed by the Hampden County consortium were placed or found jobs with public organizations, such as the police and fire departments and the municipal hospital. Although officials generally found CETA participants to be satisfactory workers, they expected to be able to place only a few more.

The Phoenix/Maricopa County, Arizona, consortium also had some success in placing CETA participants. Of the 441 title II participants during fiscal year 1975, the sponsor reported that 147 (33 percent) had obtained unsubsidized jobs or training by June 30, 1975. Most obtained jobs with public organizations, such as the city. An official said Phoenix planned to place most CETA participants in regular city positions because as the economy improved and revenues increased the city should be able to fund additional positions.

For title VI, the consortium received a transition goal waiver from Labor. However, the prime sponsor had placed 125 (12 percent) of the 1,058 participants in unsubsidized jobs or training. Most participants found jobs with public organizations.

#### Former EEA enrollees continued in public service employment

CETA requires that sponsors' plans assure that persons who have participated in other employment and training programs be considered for enrollment. Consequently, some sponsors reviewed had CETA enrollees who terminated from the EEA program. This can limit the number of new enrollees to benefit from CETA participation.

Some former EEA enrollees, currently employed under CETA, have been federally supported since 1971 or 1972. One sponsor official said some of these individuals have become complacent and are not really looking for another job. This official added that the attitudes of former EEA participants could discourage CETA participants from actively seeking other employment. The sponsor was planning to limit participation under CETA to encourage all participants to seek other work.

In Detroit, where 454 EEA participants were transferred to CETA, a sponsor official said that the city had attempted to place former EEA enrollees in employment outside city organizations. City efforts failed because for some jobs, salaries offered outside city organizations were lower than those offered by the city, and comparable outside jobs carried increased job responsibilities.

#### Problems with data reported to Labor

Prime sponsors report enrollment and termination data to Labor through monthly and quarterly progress reports. The quarterly reports identify individuals who have left the program as either positive or nonpositive terminations.

We found cases where sponsors transferred participants from one title of CETA to the other and reported these transfers as other positive or nonpositive terminations. An official said these transfers were made so that CETA funds would be spent in accordance with Labor directives.

For example, to meet Labor's Chicago region directive to speed up hiring under title II, Akron, Ohio, transferred 43 participants from title VI to title II. Subsequently, as title II funds ran low, these same participants were transferred back to title VI. In the process, both titles received credit on the quarterly reports for 43 other positive terminations.

As of August 31, 1975, the Detroit title II monthly report showed 2,542 terminations, of which 1,650 were transfers to title VI because title II funds were not sufficient to pay these participants. Also, 173 participants were transferred to title I. Detroit indicated these terminations were nonpositive on quarterly reports to Labor.

As shown in these two examples, almost 2,000 CETA participants were moved from one title to another and reported as terminated without any indication that they were still in a CETA program. Labor's guidelines did not instruct sponsors on reporting such transfers until September 1975 when sponsors were instructed to count participants who moved from one CETA title to another as "other" positive terminations. Labor officials told us this was done to have only two classifications--positive and nonpositive.

## TRAINING AND SUPPORT SERVICES PROVIDED

One objective of the act is to provide participants, wherever feasible, training and manpower services. The act requires the Secretary of Labor to have the sponsor, when appropriate, provide education, training, and support services which complement the work being performed.

### Training

Only 19 of 162 participants interviewed received other than on-the-job training. Prime sponsor officials said participants usually were hired by department or office heads who sought the individuals best qualified to perform the job. In some cases, the individuals already had the training to perform the job.

The Hampden County, Massachusetts, consortium for example, hired a lawyer to handle property damage cases and Tuscola County, Michigan, hired teacher aides who already had their State teaching certificates. In other cases, the sponsors placed participants in unskilled labor positions, such as trash collectors and laborers, which required minimal training or skills.

Two sponsor officials said that CETA participants were handled like regular unsubsidized employees. To show preferential treatment to CETA participants, by providing additional training, would anger the local unions, said one official.

Participants sometimes received training required to perform their assigned duties. However, this training would have been provided to anyone filling the positions. For example, law enforcement officers hired by Livingston County, Michigan, were trained at the police academy before assuming their duties.

Sometimes training was provided to improve CETA participants' skills and enhance their potential for future advancement. In Holyoke, Massachusetts, CETA clerical workers were offered a typing and secretarial course and a high school equivalency course at night. Of 22 participants who took the equivalency course, 11 successfully completed it, and of 28 participants who took the typing course, 11 successfully completed it.

Summit County, Ohio, offered participants training so they could take the civil service test. Of the 36 participants, 23 took advantage of this opportunity provided during

working hours. These participants had been hired outside of the State's civil service system and had to pass the test before they could move in to unsubsidized employment with the agency.

### Support services

Prime sponsors and subgrantees generally did not provide support services to CETA participants because

- CETA was viewed as an employment program with limited funds to be used to hire as many persons as possible,
- support services were not provided to regular employees, and thus should not be provided to CETA participants, and
- participants did not urgently need the services.

A California balance-of-State subgrantee official said, however, that the lack of support services, such as child care and transportation, made it difficult to recruit the hardcore unemployed.

Sponsors not providing support services referred participants to agencies that did provide such services. According to a San Francisco official, referring participants to agencies providing support services has not necessarily solved the problem because some services, such as child care, have limited availability, are in high demand, and have long waiting lists. Another sponsor said child care and medical services were not provided because the large number of people would make administration difficult.

Some sponsors did provide limited support services to CETA participants. Detroit officials provided title VI participants with bus tickets and advice on handling child care or health and personal problems. The Lowell, Massachusetts, sponsor provided child care at an established day care center or by private baby sitters for participants with small children. Lowell also provided physical examinations when necessary for a job.

### HOW SUPERVISORS AND PARTICIPANTS VIEW THE PROGRAM

The act states that sponsors should see that jobs funded under CETA lead to unsubsidized employment for participants. Each sponsor must monitor the participants' progress. Participants and their supervisors were interviewed to obtain their views on the impact the program has had on participants.

Supervisors saw many benefits to the participants, including a regular pay check and the opportunity to increase their employability. Supervisors believed future employability would naturally stem from current employment and training under CETA.

Although most participants received only on-the-job training, they believed their public service employment experience would help them obtain future employment. We interviewed 162 participants to determine if their present CETA jobs were (1) comparable to jobs held in the past and (2) in areas they would pursue in the future. Of the 121 responding, 71 were working in positions held in the past, while 50 were working in jobs not related to prior experience. Of 153 participants responding, 119 were working in areas they hoped to pursue in the future, while 34 were not.

One Lowell, Massachusetts, participant was employed as a police dispatcher whose duties included dispatching cruisers, receiving and logging calls, and operating a teletype. According to the individual's supervisor, the participant's performance equaled or exceeded that of regular personnel. The participant obtained experience in a sensitive job and had potential for transition into regular employment.

A Springfield, Massachusetts, participant employed by the public buildings department prepared blueprints for parking and play areas and supervised the areas' installation. The position allowed the participant to be innovative and obtain valuable experience. His supervisor said he performed well and transition into regular employment would be attempted.

A Detroit participant worked as a powerplant helper in keeping the plant operating properly. He wants to be an engineer and he believes he has received valuable on-the-job training for that position. His supervisor said this participant was being given the opportunity to become a licensed engineer without going through the customary apprenticeship.

Some participants did not take advantage of CETA experience and performed poorly. For example, a Massachusetts balance-of-State subgrantee employed a participant as a custodian. The individual's punctuality and attendance was very poor and, according to the supervisor, the participant's attitude was that the world owed him a living.

Contra Costa, California, hired a CETA participant as a clerk typist whose on-the-job performance was poor. According to the supervisor, the participant was a slow worker with careless work habits and a poor attendance record.

## PARTICIPANTS RECEIVING BENEFITS

We examined two categories of participants served by public service employment: members of certain population segments and secondary wage earners.

### Population segments

The act requires that job opportunities be available, to the extent practicable, on an equitable basis to certain segments of the unemployed population, in proportion to the number of unemployed persons in all segments. Labor must approve the population segments prime sponsors identify in their public service employment plans.

Regarding titles II and VI programs, CETA and implementing regulations require that sponsors give special consideration to (1) unemployed persons who served in the Armed Forces in Indochina or in Korea on or after August 5, 1964, <sup>1/</sup> (2) persons who participated in manpower training programs and for whom employment would not otherwise be available, and (3) chronically unemployed persons. For title VI programs, special consideration is to be given to persons who (1) have exhausted their unemployment insurance benefits, (2) are ineligible for unemployment insurance, or (3) have been unemployed for 15 weeks or more. Labor's regulations also state that special consideration should be given to persons receiving welfare benefits.

Labor's guidance provides sponsors instructions on developing information to determine the segments to be served. It directs sponsors to data sources, such as census data and reports from the State employment service, and provides a framework for analyzing the data. Labor does not, however, require specific information on the client intake form or on the application form--it leaves gathering this information to the discretion of the sponsors.

Most sponsors had established procedures to enroll applicants from the various population segments. However, some prime sponsors were not able to identify if an applicant was a member of a certain population segment because application forms did not request all the information necessary to categorize the applicants. For example, the form used by :

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<sup>1/</sup>Labor regulations call them special veterans and require that special consideration also be given to disabled veterans and veterans who served in the Armed Forces and were discharged within 4 years of the date of their CETA application.

subgrantee of the Akron consortium did not require applicants to provide information on participation in previous manpower programs or receipt of welfare benefits.

Sponsors that had procedures to identify members of certain segments generally used a point system to rank applicants based on their characteristics and qualifications. Department or agency officials usually reviewed the applications, interviewed applicants, and recommended hiring those persons they believed were best qualified. Consequently, the applicant's population segment was considered during job referral, but it was generally not considered in hiring. (See ch. 5 for details on how participants were selected.)

Many sponsors listed most of the required special groups as population segments in their plans and reported their progress in serving these segments in quarterly progress reports. However, one sponsor had difficulty in determining which groups should be classified as segments. California balance-of-State officials said identifying their segments was based on demographic data the State employment development department supplied, but when the data was inaccurate, they used their own information. Shasta and Del Norte County officials said "educated guesses," based on past experience, were often used to identify the segments.

The sponsors generally served most segments at and above the levels established in their plans for both titles II and VI during fiscal year 1975. However, some segments, such as special veterans, limited English-speaking persons, and females, were not served at the levels planned.

For example, the special veterans, a segment identified by sponsors and specifically cited in CETA for special consideration in obtaining public service employment, were not served as planned by 5 of the 12 sponsors. <sup>1/</sup> Also, four of six title II sponsors and two of three title VI sponsors identified limited English-speaking people as a segment but failed to meet plans.

Females were served at or near planned levels by seven of eight sponsors identifying them for title II. For title VI, however, four of six sponsors identifying females failed to meet their plans. (See app. V.)

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<sup>1/</sup>Two of the seven sponsors that met their plans identified veterans as a segment, which made it impossible to determine from reported data if special veterans were adequately served.

Because of the lack of data, we could not determine if planned enrollment levels in sponsors' plans actually corresponded to the incidence of unemployment among segments in the sponsors' jurisdictions.

### Secondary wage earners

Several CETA participants reported they were from families where another family member was the principal wage earner or from families with large incomes. We found this to be true, and some sponsors' officials verified this. They added that these individuals were employed because they appeared to be the best qualified for available positions, and Labor's regulations do not prohibit these individuals from program participation.

We could not determine the extent of this situation at the various sponsors because of the instructions Labor gave on collecting information about participants. Labor instructed the sponsors to obtain the participant's or his family's total income for the past 12 months, including items such as EEA wages.

Labor officials advised us that they require this data for evaluation purposes. Also, we noted in Labor's regulations that, in certain instances, this data can be used to determine a person's eligibility for participation in the program. 1/

Therefore, no one can tell if the salary reported represents that of the CETA participant or the entire family. Since the data is for the past 12 months, it does not convey the status of the potential participant at the time of application or the anticipated family status during the next 12 months.

The data, as reported, can be extremely misleading. A family may have had two wage earners who both lost their jobs 30 days before applying for CETA and still report large incomes for the past 12 months. One enrollee may be reporting only his or her income while another may be reporting the total family income. A young dependent may also be receiving little or no income from his parents even though the total family income may be large.

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1/An underemployed person can qualify for public service employment. Labor's regulations define an underemployed person as one who is working full-time or part-time and seeking full-time employment but whose family income during the past 12 months was lower than the poverty level established by the Office of Management and Budget.

At the time of our review, neither CETA nor Labor regulations prohibited the employment of members of families with large incomes. The 1976 amendment to CETA (Public Law 94-444) gives preferential treatment to several groups, including persons from households whose current gross income, when annually adjusted (exclusive of unemployment compensation and other public payment), does not exceed 70 percent of the lower living standard income level. This applies to all jobs over the June 30, 1976, CETA enrollment level for title VI and to 50 percent of all subsequent vacancies in title VI positions existing on June 30, 1976.

Although excluding persons with sizable family incomes from public service employment might appear to be discrimination, consideration should be given to whether the preferential treatment accorded persons from low income families by the 1976 amendments should be extended to all public service employment jobs.

Such an approach is advocated by the National Commission for Manpower Policy which was established by title V of CETA to identify manpower goals and the needs of the Nation and to assess how the programs under CETA and related acts meet such goals and needs. In its Second Interim Report to the Congress, the Commission stated:

"It is inequitable to have individuals in families with secondary wage earners competing with unemployed family heads without regard to the total financial needs and resources of their respective families." 1/

The Commission recommended that a family or household income ceiling be established to determine persons eligible for public service employment. Regardless of the approach, Labor's present methods of gathering this data and the purpose for it should be more clearly spelled out.

NEED TO DISTINGUISH BETWEEN  
TITLE II AND TITLE VI PROGRAMS

CETA was enacted as a comprehensive reform of national manpower programs. The public service employment provisions

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1/"Public Service Employment and Other Responses to Continuing Unemployment," Report No. 2, National Commission for Manpower Policy. (Washington, D.C., U.S. Government Printing Office, June 1975), p. 2.

of the original act--essentially title II--were included because the Congress believed that training programs must be supplemented with employment programs. House Report 93-659 on CETA stressed that the purpose of manpower programs was to secure economic independence through employment and made clear that the function of manpower programs was not only to train but to provide employment.

Title II was directed at persons disadvantaged in terms of length of time unemployed or in prospects for obtaining unsubsidized employment without assistance. It was designed to aid these structurally unemployed persons in gaining work experience and training so they could hold unsubsidized jobs.

When CETA was enacted, the unemployment rate was below 5 percent. From October 1973 to November 1974, the seasonally adjusted unemployment rate rose from 4.6 percent to 6.5 percent. A new title VI was added to CETA on December 31, 1974, by the Emergency Jobs and Unemployment Assistance Act as a direct response to this increasing unemployment. It was designed as a countercyclical tool to get unemployed people back to work, and the Congress made it clear that the new program was specifically designed for the economic emergency of that time and would not affect the program under title II.

Most sponsors reviewed, however, did not distinguish between the title II and title VI programs. A Pontiac, Michigan, official said, for example, that the title II and VI programs were generally viewed the same except for certain provisions, such as the length of unemployment necessary to be considered eligible (the requirements differ under each title). A Boston official said no distinction was made between programs when CETA participants were enrolled. A Boston region Labor official said the programs under the two titles differed little in the way they were implemented.

We also found cases where sponsors transferred title II participants into title VI and vice versa to meet Labor instructions or to spend available funds. For example, a Contra Costa County, California, official said he anticipated moving CETA participants from one program to another depending on funds availability to avoid laying participants off. The Akron, Ohio, consortium transferred participants between titles to meet instructions issued by Labor's Chicago region that title II funds be spent by June 30, 1975.

Also, a comparison of nationwide data reported by Labor on the characteristics of participants, such as educational level and economic condition, showed little difference between

participants in the two titles. We sampled a large number of titles II and VI participants' files and found no major difference in the length of time the participants served by each title were unemployed before CETA employment.

Labor acknowledged that the initial expectations of title II serving as a developmental manpower tool were diverted because of national changes in program emphasis and funds caused by the rapidly increasing number of unemployed persons. The National Commission for Manpower Policy also expressed its concerns about this problem. It recognized and supported public service employment as a manpower development tool for the chronically unemployed. It noted, however, that special requirements were needed when the program was used as a countercyclical device, but these generally were not applied under such circumstances.

The problem of administering title II as a manpower development tool directed at the structurally unemployed has been compounded by subsequent legislation. The original authorization legislation for title VI expired June 30, 1976. <sup>1/</sup> To avoid laying off all title VI participants, funds were provided under title II. As sponsors ran out of title VI funds, these participants were transferred into title II. However, title VI was a countercyclical tool and not specifically directed toward the structurally unemployed, so when the title VI participants were transferred into title II, the objectives of that title were further diluted.

## CONCLUSIONS

Moving CETA participants from federally funded jobs to unsubsidized employment or training needs to be stressed. Although the emphasis on transition was lessened with the high level of unemployment created by the economic downturn and by changes made by the 1974 CETA amendments, sponsors must strengthen transition efforts if participants are to obtain lasting program benefits.

Likewise, retaining persons in public service employment for several years without frequent turnover will result in CETA benefiting few new enrollees or necessitate increased Federal funding. Labor should also improve instructions for sponsors on reporting transitions so that it can have more accurate data to assess the effectiveness of these programs.

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<sup>1/</sup>Authorization for title VI was extended through Sept. 30, 1977, with the passage of Public Law 94-444, Oct. 1, 1976.

It is not always possible to determine if special target populations are served at levels proportionate to their unemployment rate. Good local data on special groups comprising the unemployed is scarce, and data relevant to determining if potential program participants fall into a group designated for special consideration by the act or in sponsors' plans is not always submitted with the individual's initial application. In addition, some population segments, such as special veterans, were not served by some sponsors at the levels planned.

According to sponsor officials, some participants, were secondary wage earners and members of families with substantial incomes. Extending the preferential treatment for low income families contained in the 1976 title VI amendments to all public service employment jobs should be considered. Also, the income data collected by Labor was of little use for determining program eligibility.

Sponsors should distinguish between public service employment programs operated under titles II and VI to preserve the objectives of both.

#### RECOMMENDATIONS

We recommend that the Secretary of Labor:

- Urge prime sponsors to actively seek unsubsidized job opportunities for CETA participants in the public and private sectors to facilitate the transition of more enrollees from CETA jobs to unsubsidized positions.
- Revise Department guidelines on reporting terminations so that data will accurately show individuals actually terminated from the programs and provide a better basis for measuring program results.
- Insure that prime sponsors serve the population segments specified in program plans.
- Insure that the target goals adequately represent the proportionate share of those actually unemployed in the prime sponsor's jurisdiction by developing better local data on these groups.
- Insure that the prime sponsor's application forms require enough information to permit identification of applicants as target group members.

- Insure that the data on individual or family income is reported on a standardized basis so that it is useful for determining eligibility. Estimates of anticipated earnings should also be obtained from potential participants.
- Insure that title II program objectives are attained by requiring sponsors to design and operate title II programs as employment and training manpower tools directed at the structurally unemployed.

#### AGENCY COMMENTS AND OUR EVALUATION

Concerning our first recommendation, Labor says it has and will continue to encourage intensive efforts of sponsors to maximize unsubsidized job opportunities for CETA participants.

Pertaining to the second recommendation, Labor agreed that the Department's guidelines on reporting terminations should be revised. Its present policy is to report inter-title transfers as other positive terminations, but it is revising its summary reports to include a new item, "completed program objectives not involving unsubsidized employment," under the heading "other positive terminations."

The goal of titles II and VI is to provide employment which enables participants to move into unsubsidized jobs. When individuals are transferred from title II to title VI, they have not left the CETA program. Labor's practice of reporting such transfers as other positive terminations in any manner does not provide accurate information; the individuals are still in the program. We believe Labor's regulations should be revised to provide more accurate information.

Labor agreed with our third and fourth recommendations on identifying and adequately serving target population segments. It is planning nationwide training to encourage coordination between the State employment security agencies and the sponsors to improve labor market information systems. Labor's regional offices have been instructed to make sure equitable service is provided to these population segments in CETA jobs through such procedures as the grant approval process, regular monitoring, technical assistance, and special reviews.

Labor agreed with our fifth recommendation--that the sponsors' application forms should obtain adequate information to identify applicants as members of target groups. Labor's

December 10, 1976, revised regulations require sponsors to obtain adequate information from applicants with regard to their socioeconomic characteristics and work history. Since Labor does not plan to prescribe the method of maintaining this information, we believe it should closely monitor application procedures to make sure that sponsors are obtaining sufficient information to identify applicants as members of target groups.

In its January 24, 1977, letter Labor concurred in our sixth recommendation that income be reported on a standardized basis. (See app. VII.) However, it did not outline specific measures to eliminate problems, such as the enrollment of secondary wage earners in public service employment programs. Labor is planning to change its guidelines for sponsors and, for purposes of determining eligibility, will have them obtain from applicants only the sum of money received by the family. However, Labor did not see a reason for obtaining data concerning the anticipated future earnings of potential participants. We believe that information on both current and anticipated income would provide an additional perspective of a potential participant's need since past income may not always be an adequate measure of need.

With regard to our last recommendation, Labor stated in its January letter that it believes that the extended funding of title VI will enable the Department to work expeditiously toward the elimination of the countercyclical nature of title II, thereby returning it to its original objectives and enhancing services to the structurally unemployed.

#### RECOMMENDATIONS TO THE CONGRESS

To encourage participants to seek other employment, we recommend that the Congress amend CETA to limit the time an enrollee can remain in the programs. Although the 1976 title VI amendment covers, in part, our belief that preferential treatment should be given to unemployed individuals who are not members of families with substantial incomes, we recommend that the Congress extend the preferential treatment to all public service employment jobs.

## CHAPTER 4

### COMMUNITY BENEFITS

Public service needs identified in some prime sponsor plans often consisted of general, brief descriptions of jobs to be filled under the Comprehensive Employment and Training Act. In some cases, methods used to establish these needs were not documented and often priorities were not established or justified. These needs were often merely a compilation of requests for positions from departments and subgrantees. Prime sponsors gave several reasons, such as the short time allowed to develop plans, for inadequately identifying needs in their plans.

Generally, sponsors kept a much larger share of CETA jobs for their own agencies than for State and other public agencies. Participants' chances for permanent placement may have been hampered by the total exclusion of State jobs at some locations.

Although some new services were provided, CETA was used mostly to continue or augment existing government services. The jobs filled were predominately in the areas of education, environmental quality, public works and transportation, law enforcement, and social services.

Many public service benefits were gained from CETA. Some could not be measured; in other cases, communities received large monetary benefits, such as increased tax collections, from the work of CETA participants. However, some CETA funds were used for activities that were questionable because a public benefit could not be identified.

### IDENTIFYING NEEDED PUBLIC SERVICES

One purpose of title II is to provide needed public services. Titles II and VI state that the Secretary of Labor will provide financial aid to sponsors for jobs providing needed public services. Yet, sponsors need to improve in identifying, establishing priorities among, and allocating public service positions.

#### How needs were identified

CETA requires that sponsor plans for public service employment include descriptions of unmet public service needs and their priority. Labor regulations require that the plans also show the relationship between jobs selected and needed public services.

The Boston sponsor stated in its title II plan its needed services, in order of importance, as follows:

1. Social services and human needs.
2. Halting public facility deterioration.
3. Increasing city administrative efficiency.

These areas were further divided into seven more specific priorities, and jobs were identified to meet most of these needs.

However, some sponsors did not list their unmet, needed services by order of priority. When priorities were established, they were often so vague that almost any position under CETA could fill the stated need. For example, the first priority in Lowell was to increase administrative and regulatory efficiency of the local government with better managerial and service personnel.

The Contra Costa County, California, sponsor only stated public service needs in brief, narrative statements. The title II grant application stated

"\* \* \* most public agencies in Contra Costa county have unmet public service needs in the area of general and administrative personnel."

The title VI grant application stated

"\* \* \* the needs of the community will be met in that each agency will determine its own needs in order to better serve its populace and use its funds accordingly."

Other sponsors listed needs for many general governmental services, and some listed the positions to be funded.

Some balance-of-State and consortia sponsors did not make their plans a comprehensive statement of priority public service needs of the area they were serving. The California balance-of-State's statements of needs were basically compilations of the needs expressed by each county subgrantee. One county simply listed the jobs to be funded by CETA as its statement of needs. The Phoenix/Maricopa consortium's titles II and VI statement of needs was a list of positions requested by the participating subgrantees.

For four of the seven locations visited in Massachusetts, the methods used in establishing needs were not documented. The Boston, Lynn, and Brockton plans did not explain the methods used in establishing their needs, and Boston officials could not give us data to document these needs. Hampden County consortium officials said the public service needs and priorities in their plans were based on surveys of the consortium communities. However, according to officials, this information could not be documented because the survey results had been lost.

Needs identified

Needed public services included many local governmental functions. In Detroit, public service needs were identified in almost all areas, such as public protection, cultural and recreational activities, municipal services, human services, and staff support services.

Generally, the needs were services that had been curtailed or discontinued because of inadequate local funds. The most frequently cited public service needs and the number of sponsors or subgrantees which listed those needs are shown below.

<u>Category</u>	<u>Number of prime sponsors or subgrantees</u>
Law enforcement	14
Administrative and clerical	12
Health and hospitals	11
Maintenance	11
Social services	10
Education	8
Parks and recreation	7
Public works and transportation	7
Fire protection	5
Environmental	4
Housing	4
Other	5

In addition to considering needs, other factors influenced the selection of positions. Sponsors had only a limited time to plan and implement title VI programs compared to the longer time used to select and hire title II participants. Such limitations as the \$10,000 salary ceiling for each position and the prohibition on purchasing or renting equipment, supplies, and materials, affected the types of positions selected.

Springfield, Massachusetts, placed about 200 participants in its public parks department to perform general maintenance and cleanup work. Springfield's mayor and the title VI director said that with more time to plan, the participants could have been used more effectively.

Several officials said the \$10,000 salary limit was a definite consideration in cities which could not afford to pay the excess over \$10,000. The Detroit board of education, for example, did not use CETA funds to hire needed teachers because the board would have had to pay the salaries and benefits over \$10,000. A Maricopa County, Arizona, official said the county did not hire many needed, highly skilled professionals who had lost their jobs in private industry because of the salary limit.

Concord, California, did not use CETA employees for needed road paving because it could not afford to buy the asphalt. Akron, Ohio, could not use CETA employees for its priority needs because it could not afford to buy tools and heavy equipment.

#### Job distribution

Labor's regulations require that sponsors allocate funds and jobs equitably among the State and local public agencies and subdivisions, such as educational agencies, within their jurisdictions. The regulations further state that sponsors shall consider (1) the number of unemployed persons within each area, (2) their needs and skill levels, (3) agency needs, and (4) the ratio of jobs in the area at each governmental level.

Generally, sponsors retained a much larger share of CETA jobs for their own agencies than for State or other public agencies because (1) some State agencies did not want to participate in the program and (2) planning and implementing time was limited.

California, for example, initially did not want to participate in San Francisco's title II program, so virtually all the title II jobs were in city departments and agencies. The State did participate in the title VI program but received only 8 percent of the jobs although it actually employed 31 percent of public sector workers living in the city.

Boston, Detroit, Pontiac, Michigan balance-of-State, and the Akron, Ohio, consortium allocated few or no jobs to their

State governments. Lowell, Massachusetts; Contra Costa County, Shasta County, and San Francisco, California; and the Phoenix/Maricopa County, Arizona, consortium shared their CETA jobs with State agencies.

Some city governments are experiencing financial difficulties and are reducing their workforces. Consequently, it is unlikely that CETA participants will gain unsubsidized employment. State governments are often in better financial condition and, therefore, would be in a better position to place CETA participants in unsubsidized jobs. However, if State jobs are excluded from the city's program, participant transitional prospects are lessened.

Sponsors generally shared their CETA jobs with local governments and other public or private nonprofit agencies within their jurisdictions. Job allocations under title II were based on the number of unemployed persons in the subgrantees' jurisdiction in comparison to the number unemployed in the entire jurisdiction. For title VI, sponsors used factors similar to those used in Labor's formula for allocating funds.

#### TYPES OF SERVICES

Generally, CETA funds were used to continue or increase existing activities or services and, in some cases, new services were provided.

An analysis was made to find out the services CETA participants provided because Labor reports did not contain such data. As of March 31, 1975, when the public service programs were for the most part implemented, the 9 sponsors and subgrantees reviewed in Labor's Chicago region employed 5,045 participants in 9 general categories. Most participants were employed in education (25%), environmental quality (13%), public works and transportation (13%), law enforcement (12%), and social services (10%). (See app. VI.)

#### Continuing or increasing existing services

When the local jurisdiction's budget was tight, many CETA positions were used to continue services. In Detroit, for example, participants were used to resume the level of services reduced by insufficient funds. An official said that without CETA funds the city would have eliminated many services. The title II funds were used to hire employees to fill slots vacated through attrition or to rehire city employees previously laid off. The title VI funds were used

for short term projects and new positions and were not used as much for rehiring laid-off employees.

CETA also enabled expansion of existing services. Boston's youth activities commission, which had about 180 CETA participants, was able to expand operations to 7 additional neighborhoods. Many participants were assigned to specific neighborhoods to help youths obtain employment, return to school, or solve personal problems.

Participants at the Holyoke, Massachusetts, council on aging helped the council continue operating three drop-in centers providing recreational activities. The council also started a center to provide information on city services, bus routes, and housing for the elderly. Lowell used CETA workers to help the Lowell House, a rehabilitation center, to continue counseling services. The Boston bicentennial project employed participants in information booths and as tour guides.

Other CETA participants were employed as:

- Library employees in San Francisco to extend hours and keep libraries open on Sunday.
- Workers in the Contra Costa County district attorney's office to help locate absent fathers of families on welfare.
- Recreation directors in San Francisco to supervise activities at public parks.
- Contra Costa County social services department employees to direct welfare recipients to free community resources.
- Administrative personnel to enable Concord, California, to release more police officers for patrol work.
- Teaching aides in the Mt. Diablo, California, school district to help students with reading problems.

#### New services provided

Although CETA funds were generally used to continue or increase existing services, they were also used to provide new services or short term projects. California balance-of-State counties used CETA participants to (1) assist the Kiwanis Club in constructing a salmon fish hatchery and (2) clear a 10-mile canal of debris so that

it could be used by farmers and help control floods in the rainy season. Pontiac, Michigan, opened a new community center and conducted an inventory of all capital assets for the first time in 40 years. A Michigan balance-of-State county used CETA funds to hire a probation officer.

San Francisco developed a special public employment program for artists to employ a large number of them and to make the arts more available to all people in the city. These participants (1) taught workshops and performed before groups that ordinarily had little access to these programs, (2) painted murals for public areas, (3) set up a recycling center to provide materials for schools and community art workshops, and (4) established and developed gardening projects.

#### PROGRAM BENEFITS

Some community benefits of public service employment were measurable while others were not because CETA workers were usually integrated with other departmental workers or the work performed was unmeasurable. We found one example of CETA funds used for a questionable activity and some CETA participants were employed in positions which provided little or no community benefit.

Detroit used CETA participants to inventory the tax status of about 12,000 parcels of property owned by the Department of Housing and Urban Development. As a result, Detroit billed that department for over \$1.4 million in delinquent taxes, interest, and penalties.

In January and February 1975, Boston assigned three participants to prepare legal files on property tax liens. A comparison of the 4 months from February through May for 1974 and 1975 showed collections increased by \$874,985.

Boston also employed participants to update property owner address files. The number of undeliverable property tax bills was reduced from 10,000 to 1,000. The Boston treasurer estimated that these identified property owners were billed about \$500,000. These participants have improved the department's cash investment policies, reduced record backlogs, and reconciled multimillion-dollar checking accounts. Some of these accounts had not been reconciled in 2 or 3 years.

With CETA funds, Lowell, Massachusetts, hired a tax title specialist, an accountant, and an attorney to help collect delinquent real estate taxes. A city official

said that between June 1974 and May 1975, about \$374,000 more than in the previous year was collected as a result of participant efforts.

San Francisco's office of aging was assigned 12 CETA participants to handle regular office work allowing the regular employees to complete an application for a \$200,000 State grant within a tight deadline. CETA employees at the San Francisco art commission collected \$30,000 in license fees from street artists, and CETA probation officers collected about \$190,000 in fines and about \$175,000 in restitution.

The Springfield, Massachusetts, solicitor's office assigned a CETA-funded lawyer to collect damage claims due the city. Such claims increased by about \$20,000 a year, and the department was able to appeal more cases.

Many other instances of participants providing public service benefits were noted. For example, CETA workers with the Boston housing authority rehabilitated uninhabitable city-owned apartments. Participants who worked on this project included plasterers, painters, electricians, plumbers, and other skilled workers. When the project is completed, 260 apartments will be available for low-income residents. In addition, the central warehouse established by Lowell and staffed by CETA workers enables the city to save money through bulk purchasing.

Several Massachusetts police departments were assigned CETA personnel as dispatchers which released police officers for operational duties. Police officials said more officers on patrol helped reduce crime. They were not, however, able to provide any statistics supporting this benefit. CETA participants in the Springfield, Massachusetts, water department were responsible for sealing city water meters. A department official believed there were large revenue losses because of unsealed meters, but he could not provide an estimate.

Boston's community housing improvement program gives owner-occupants rebates equal to 20 percent of the cost of improvements to their dwellings, as an incentive to preserve and improve Boston neighborhoods. The 48 CETA participants assigned to this program were employed as (1) rehabilitation specialists who assessed the cost and type of work to be done and certified that the work was completed satisfactorily, (2) finance specialists who arranged the improvement loans, and (3) clerical assistants.

Some Lowell participants were city library and research department workers. The four library workers were employed to establish a Spanish language library and provide historical information services. The three full-time research department workers performed special projects for the city manager and council, including a comparative analysis of water rates of cities in Massachusetts.

The Tuscola County, Michigan, social services department employed a volunteer service coordinator to locate and match volunteer workers with needy people. Services volunteers provided included transporting the needy to doctors or clinics, visiting homebound persons, and making the food stamp program more accessible. The volume of activity was too great for the volunteer coordinator, so an aide was hired with CETA funds. The aide helped the coordinator with all program aspects, but primarily she matched volunteers with people needing assistance.

Handy Township in Livingston County, Michigan, has many hazardous, narrow roads with brush alongside. The brush was previously kept under control through spraying. However, the spray was banned as an environmental hazard and so the township requested and received one CETA job position so it could hire someone to cut the brush.

#### Questionable program activities

CETA regulations prohibit using CETA funds to support construction or other work which primarily benefits a private profitmaking organization. Labor's San Francisco regional office issued a bulletin further clarifying this regulation by stating that (1) demolition of buildings is considered construction activity and (2) any employment activity which primarily benefits an individual or a profit-making organization as opposed to the general public is prohibited.

Del Norte County, California, used title VI funds for eight participants who demolished old buildings and removed materials from property at the owner's request when such materials were considered eyesores or unsafe. The county provided this service 86 times in 4 months without charging the owners--only 3 of the property owners were nonprofit owners. Before CETA, this service was provided three to four times a year, only after a laborious legal process, and each property owner was charged about \$400.

The 58 pieces of property the service was provided for include

<u>Property</u>	<u>Number</u>
Residential	40
Commercial	7
Farmland	7
Church property	2
Underdeveloped land	1
County-owned land	<u>1</u>
Total	<u>58</u>

This activity appears even more questionable considering the extensive property holdings of some of the persons receiving the services. One person owned property valued at over \$600,000. After our fieldwork, the sponsor investigated the program and attempted to recover program funds used for this project. According to the sponsor, the investigation resulted in the disallowance and recapture of funds used for the activities performed on private property. The functions performed for private nonprofit organizations were allowed.

#### Activities of little or no community benefit

In some instances participants provided little or no community service. Cities placed these persons in departments where no increase in service was expected, and a reduction in workload for regular personnel resulted. For example, the Brockton, Massachusetts, health department employed 18 CETA workers to assist in the department's special pickup trash collections--a service in addition to the collection of routine domestic wastes or garbage. This did not result in increased community benefits because no additional routes were added and trash was not picked up more often. Although the department head said better service was provided, he was unable to explain the basis for this statement. The Brockton sanitation department also employed two participants to assist regular sanitation crews in routine garbage collections. As with the health department, no additional routes or services were provided. By employing participants without any change in workload, these departments allowed their regular employees to do less work.

The Brockton water department had 13 CETA workers--8 laborers and 5 assistant treatment plant operators. The department head told us that CETA participants were performing normal or routine functions for the most part; however, due to shortages of materials and equipment, they

often represented surplus labor in the department. He added that although they were assigned tasks daily, these tasks have involved routine, repetitive cleaning duties in the maintenance shop and other discretionary duties.

### CONCLUSIONS

Descriptions of public service needs in sponsor plans should be more specific to make sure that a proper analysis of unmet needs has been made and that maximum community benefits will be realized from public service jobs. Listing job positions does not adequately fulfill this requirement. Also, priorities should be clearly established among the unmet needs, and the methods used to establish priority needs should be adequately explained in sponsors' plans.

Although sponsors attempted to allocate jobs to other agencies within their jurisdictions, their own interests took precedence. Retaining most CETA positions within their own agencies, rather than distributing some to State agencies, reduced chances for participants to find unsubsidized employment, especially in financially distressed areas.

Many benefits have resulted from public service employment. Some identified activities were, however, questionable while other activities provided little or no community benefits. Labor should make sure that only activities clearly providing public service benefits are funded.

### RECOMMENDATIONS

We recommend that the Secretary of Labor require that:

- Prime sponsor plans explain unmet public service needs in detail, clearly establish priorities among such needs, and fully document the methods used to decide priority needs.
- Public service employment jobs be allocated equitably among government levels to improve participant employment prospects.
- Prime sponsors fund only those activities clearly providing public service benefits.
- Funds for questionable projects be recovered where Labor regulations were violated, as noted in this chapter.

## AGENCY COMMENTS AND OUR EVALUATION

Labor concurred in the first two recommendations. On the recommendation pertaining to unmet public service needs, Labor stated that current guidance in the Forms Preparation Handbook requires sponsors to implement this recommendation. We believe that Labor should ascertain that sponsors adequately implement these procedures. On the recommendation pertaining to the allocation of jobs, Labor stated that its regional offices would continue to scrutinize the equity of the allocation of jobs between State and local governments. Labor also agreed with our last recommendation--to review projects of a questionable nature and recover refunds where appropriate.

Labor agreed with our third recommendation that sponsors fund only those activities which clearly indicate public benefits. However, Labor believed our conclusion was based on only one case and, therefore, did not appear to be warranted. During our review, we noted the questionable use of CETA participants at other locations and these cases were brought to the attention of regional Labor and prime sponsor officials. We offered the case of Brockton only as an illustration of this problem.

## CHAPTER 5

### SELECTING PARTICIPANTS

Although recruitment and selection procedures varied with location, procedural similarities did exist. Normal hiring practices were followed, except when the rehiring of large numbers of persons, as noted in chapter 2, resulted in some prime sponsors not following normal procedures.

Applicants were usually ranked according to test scores or other qualifications and then another listing was prepared to give various weights to the population segments the act specifies. However, as discussed in chapter 3, agencies normally hired applicants they deemed to be best qualified regardless of other considerations.

Generally, officials of the agencies with the job vacancies actually made the selection. There were some exceptions, however, as in Boston where large numbers of persons were selected for unskilled jobs through a lottery process.

Examination of randomly selected cases showed ineligible participants to be a serious problem at some locations, while no problems surfaced at others. As a rule, most sponsors did not regularly verify the eligibility of participants selected for such reasons as an assumption that State employment service agencies had verified eligibility, the limited time for hiring participants, the lack of personnel, and the belief that no efficient way existed to verify participant eligibility.

We also found inconsistencies among sponsors in the time a CETA applicant must have resided in the qualifying area before being eligible for the program. Problems involving political patronage and nepotism also existed.

#### SELECTION PROCESS

The Comprehensive Employment and Training Act states that applications for funds from prospective sponsors should explain methods to be used to recruit and select persons for jobs and specific eligibility criteria are to be included. Descriptions of two sponsors' hiring procedures follow.

##### Detroit

In Detroit most participants were hired by the city and the Detroit board of education. The city's public service

employment program workers were not subject to the normal hiring practices for entry into the CETA program because they were already working for the city. By March 31, 1975, of 2,816 enrollees hired, 1,428 were rehires and 454 were transfers from the Emergency Employment Act program.

Under the city civil service system, a prospective city employee filled out an application for a particular job classification. An applicant was able to apply for more than one job, but an application for each job classification had to be submitted. Eligible applicants took a written civil service examination, which varied with the job classification. At the time of testing, the applicant was required to show evidence, usually a valid driver's license or a utility bill with his address, of city residency. The applicant's length of unemployment was also verified. Successful applicants were ranked on an eligibility list based on test scores by job classification.

From this initial ranking, the city personnel identified applicants to meet the city's affirmative action goals for increased representation of blacks, females, Spanish-speaking persons, and Indians.

When a CETA position was to be filled, they selected, to the extent practical, individuals identified as members of special target populations, who met CETA eligibility requirements. If no one was eligible for the position at that time, it remained open until someone met the criteria.

After selecting a person for CETA participation, the personnel department offered that person the position. If the offer was accepted, a CETA intake form was prepared.

### Boston

Most CETA applicants in Boston were referred by the State employment service or social service agencies, or they applied directly because of local program publicity. City personnel asked applicants for skilled and unskilled positions how long they had been unemployed and their residency. Applicants were reviewed by a staff member and assigned points according to which population segment the applicant belonged. Those with the most points were considered to have the greatest need for, or barriers to, employment.

The point system was supposed to be used to determine the applicants to be selected for referral. Boston, however, filled unskilled positions using a lottery. Each applicant was assigned a number and, regardless of skill level,

was eligible for an unskilled position. When jobs became available, applicants' names were selected through a lottery for subsequent referral for job interviews. Individuals chosen in the lottery and with the most points were referred to the departments first. If a person with a specific skill refused an unskilled position, the application would be returned to the file and that person could be considered for other positions.

All referrals to job openings were channeled through the mayor's office of training, employment, and personnel. According to a letter from the mayor to Labor, the staff had particular expertise in personnel matters and would match applicants with jobs and refer them to hiring departments. Labor's interviews with members of this staff showed that none had expertise in personnel matters.

After completion of our fieldwork, Boston officials took exception to our inclusion of the statement that members of the staff of the mayor's office of training, employment, and personnel who were interviewed by Labor did not appear to possess personnel expertise. As previously noted, these were observations of Labor's review team.

While unskilled positions were filled through the lottery, the selection of applicants to be interviewed by the mayor's office for skilled positions differed between titles II and VI. For title II, Boston CETA staff members said they reviewed applicant files and selected candidates based on segments of the population they planned to serve and the applicant's skill level. The applicants were interviewed by the mayor's staff and referred to the department with the vacancy. Labor, in discussions with Boston's CETA staff, found that Boston never used the point system for selection.

For title VI, the Boston CETA staff did not select applicants to be sent to the mayor's office. Instead, hiring departments sent representatives to select applicants. These representatives had no training in CETA guidelines, yet they were allowed to select individuals with minimal supervision from the CETA staff.

#### PROBLEMS IN SELECTING PARTICIPANTS

The act states that only persons residing in areas meeting unemployment rates and other criteria shall be hired into the program. Area boundaries do not, however, necessarily coincide with the geographic boundaries of the governmental jurisdiction receiving the grant.

Generally, the prospective participants also must be underemployed or unemployed for at least 30 days or 15 days under title VI when the area experiences unemployment over 7 percent. Ultimate responsibility for selecting participants and judging eligibility rests with the prime sponsor.

### Ineligible participants

Our review of eligibility was based on a random selection of participants whose number varied with the size of the program. Telephone directories, city directories, 1/ State employment service records, and other sources were used to check participant eligibility based on residency and length of employment. In interviews with participants selected from this sample, we checked additional data, such as driver's licenses and utility bills, and contacted previous employers.

Review results are shown in the following table. The primary reason for ineligibility was the failure to meet the length of unemployment.

Prime sponsor/ subgrantee (note a)	Size of sample	Number of ineligibles	Percent ineligible
Massachusetts balance-of-State (Brockton, Lynn)	43	-	-
Lowell, Mass.	26	2	7.7
Hampden County, Mass.	62	-	-
Detroit, Mich.	127	11	8.7
Pontiac, Mich.	15	-	-
Akron, Ohio	20	1	5.0
Michigan balance-of-State (Livingston and Tuscola)	27	2	7.4
Phoenix/Maricopa County, Ariz.	39	4	10.3
San Francisco, Calif.	77	2	2.6
Contra Costa County, Calif.	43	2	4.7
California balance-of-State (Sutter, Shasta, and Del Norte Counties)	<u>36</u>	<u>b/1</u>	<u>2.8</u>
Total	<u>515</u>	<u>25</u>	<u>4.9</u>

a/Participant eligibility in Boston was not examined because Labor was already reviewing this area.

b/After our fieldwork, California officials advised us that the one ineligible participant in the balance-of-State program was terminated.

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1/The city directory lists at least the name, marital status, occupation, and address of each adult resident.

Other situations, where ineligible participants seemed to be a serious problem, follow.

The Detroit public library hires employees on its own rather than going through the regular city system. Review of the library's CETA activities showed that, of 112 employees laid off and rehired with CETA funds, 10 were ineligible because they lived outside the qualifying area.

A Detroit official said that during the rush to employ these persons under CETA, no one considered residency. This official further said that after recognizing the situation, the city informally requested Labor to waive the residency requirement and after receiving no response decided not to do anything about the situation.

Of 31 persons hired under title VI in the balance-of-county program in Summit County, Ohio, 22 residents of Akron, Ohio, were inadvertently hired. Officials attributed this problem to the haste to begin hiring and failure to verify residency. The situation was rectified through a Labor-approved arrangement whereby the ineligible persons were transferred to public service employment under the title I program, which had less stringent eligibility requirements.

Labor also found a considerable number of ineligibles when it conducted an extensive analysis of Boston CETA hires during 1975. Labor interviewed 225 of about 1,700 participants hired. These participants were interviewed because of allegations received and a review of the files for suspect cases. Of the 225, Labor determined that 62 were ineligible-- 47 were not unemployed long enough and 8 lived outside the city. The other seven were full-time students and did not meet the definition of unemployed. Through computer analysis of applications, Labor found 88 more participants ineligible because they did not meet length of unemployment requirements. A total of 150 participants were found to be ineligible.

Labor regional officials in Boston attributed the problem to poor administration and an unprofessional, haphazard selection process.

Boston officials advised us that about 100 of the ineligibles who were hired were unemployed 30 days before being hired by the city but that they did not meet Labor's requirement that they be unemployed 30 days before applying for a CETA job. They added that this forever forecloses a title II opportunity to persons aggressive enough to apply early.

Although the act states that a person must be unemployed for 30 days to be eligible for a title II position, Labor's implementing regulations state that the prospective participant must be unemployed 30 days before application.

#### Lack of eligibility verification

Although applicants were generally asked if they met the residency and period of unemployment criteria of the act, it was not a regular practice to verify this information. Of 23 sponsors and subgrantees reviewed, only 7 effectively verified residency and only 3 effectively verified the length of unemployment. Several other subgrantees limited residency verification to determining that the address given was in the qualifying area, rather than requiring firm proof that the address given by the applicant was his actual residence. Verification procedures used at selected locations follow.

Except for Detroit, none of the sponsors and subgrantees reviewed in Michigan and Ohio made it a regular practice to verify the applicant's length of unemployment. For example, a Tuscola County, Michigan, official thought the State employment service performed the verification when it referred the applicant; therefore, applicants were assumed to be eligible. Discussions with Michigan employment service officials indicated that office did not verify any data on referrals. CETA officials in Pontiac and Akron said length of unemployment was not routinely verified because there is no efficient way to verify it.

Although Detroit had a high ineligibility rate, the city regularly verified length of unemployment through its procedures to solicit work experience data on applicants for city jobs. After an applicant successfully passed the civil service examination, the city sent a form letter to the applicant's last known employer requesting such data as the period of employment with that employer, the type of work performed, the reason for leaving, and job performance. The application also certified the participant's being unemployed for the required time.

In most cases, some type of residency verification was accomplished at locations in Michigan and Ohio before applicants were hired under CETA. More effective means required applicants to provide proof of residency by showing a driver's license, utility bill, or other identification. Other locations established only that the addresses provided by applicants were in the qualifying area and two counties in Michigan's balance-of-State program made no attempt to

verify residency. Pontiac, for example, checked the applicant's address against the city voter directory, Akron checked an automated listing of all city addresses by census tract, and Summit County checked a street directory.

Under the title II program in Springfield, Massachusetts, previous employment was checked for all applicants who indicated about 30 days of unemployment. Spot checks were made on those who indicated longer unemployment. No formal residency checks were made. The program director said he relied on his familiarity with the city. Lowell hardly ever verified the information given by participants unless there was a reason to be suspicious of it. Holyoke title II staff made spot checks concerning the length of unemployment.

The title VI programs operated by Springfield, Lynn, and Holyoke, Massachusetts, generally depended on the State employment service to determine participant eligibility. State employment service officials said verification included checking unemployment insurance records. The Holyoke title VI director said the State employment service was supposed to certify eligibility, but the service only took information from the applicant. After the participants were hired, the Holyoke staff requested they sign statements stating that they had no other employment and that the information provided on their applications was correct.

Virtually none of the sponsors and subgrantees reviewed in California and Arizona had established formal eligibility verification procedures. California and Arizona officials said the following procedures were used.

- Shasta County essentially took the participants' word that the data on the application was accurate.
- Sutter County verifications were not made because the subgrantee did not have the time or money, and it believed that the State employment service should perform this function. After our fieldwork, California balance-of-State officials advised us that plans for corrective action were being developed.
- Contra Costa County did not verify the application information unless there were obvious discrepancies.
- A Maricopa County, Arizona, official said the county sometimes interviewed prospective participants but only if the information on the application appeared to be inconsistent or misleading.

--The Phoenix public service employment office prepared eligibility and residency certificates for CETA enrollees, but eligibility was only spot-checked.

The San Francisco mayor's office of manpower required each applicant to prove residency with a driver's license, library card, or other identification. The staff checked with applicants and orally confirmed unemployment for at least 30 days. Staff members did not try to verify unemployment status with an outside source unless dishonesty was suspected. They said the need to hire people quickly prevented time-consuming procedures, such as checking with the State employment service or former employers.

#### Lack of uniform residency requirements

Labor's regulations stipulate that prospective CETA participants shall reside in the area qualifying for assistance at the time of application and selection but do not comment on the length of time required for such residency.

Sponsors and subgrantees established different area residency periods. For example, persons in Akron, Ohio, must have been a resident for at least 1 year. For most counties under California's balance-of-State program, living there for 1 day constituted residency. Thus, one person, on his way through California from Oregon in searching for a job, established residency in Del Norte County, California, and after about 4 weeks was hired to fill a highly skilled CETA position. A young woman moved from Sacramento to Del Norte and was hired as an administrative assistant within 3 to 4 weeks after moving.

#### Other selection problems

CETA provides that funds shall not be provided for any program involving political activities and that neither the program, the funds provided, nor personnel employed in its administration shall engage in political activities. Labor regulations on political activity for those involved in program administration generally apply during normal working hours.

CETA also prohibits discrimination because of political affiliation. Labor regulations also prohibit selecting or advancing employees as a reward for political services or as a form of political patronage, regardless of whether the political service or patronage is partisan in nature.

The regulations specify that no sponsor or subgrantee shall hire or permit the hiring of any person in a CETA position if a member of that person's immediate family is employed to select, hire, or supervise participants under the program. Also included in the regulations are restrictions on persons related to elected and appointed officials involved in obtaining or approving the grant and officials with influence or control over program administration, such as the project director, deputy director, and unit chiefs. Where local nepotism requirements are stricter than Federal requirements, local requirements must be followed.

#### Political patronage

Boston and Lynn, Massachusetts, were the only locations reviewed where political activities appeared to influence the hiring process.

In Boston, Labor found that a coordinator for the mayor's neighborhood political survey referred about 45 persons for employment and about 25 were hired. From 15 to 20 of the persons hired had participated in the survey before or after they were hired. A title II codirector told Labor officials that he asked all CETA staff members supervised by him to work in the mayor's election campaign. This case was referred to the solicitor's office at Labor headquarters, which, in turn, requested additional information from the Boston region.

The Lynn CETA director said the mayor during our fieldwork gave him a list of persons he wanted hired. The director said that by April 1975, at least 19 persons recommended by the mayor had been employed. This matter is being reviewed to see how much money the State will recover from Lynn.

#### Nepotism

At seven locations, there were also some nepotism problems. In one Michigan balance-of-State county, the daughter of the superintendent of schools was selected as a CETA participant. This case was brought to the State CETA administrator's attention because the superintendent had overall responsibility for the CETA program in the school system. The administrator determined this to be nepotism and directed that corrective action be taken.

In Pontiac, Michigan, three relatives of the mayor were employed under CETA. In this situation, the local requirements were stricter than Federal requirements and thus applied. By the end of our review, the city attorney was reviewing the matter.

Two nieces of the CETA job developer were hired under the title VI program in Springfield, Massachusetts. Labor's regulations on immediate family includes nieces. By the time of our visit, they had left the program.

In its report on Boston, Labor identified several cases of nepotism. Participants hired included (1) a brother of a CETA deputy director, (2) an uncle of the CETA manpower director, and (3) a nephew hired by the department where his uncle had hiring responsibility. By the end of our visit, the city advised Labor that some participants had been terminated. Labor also planned to reduce the city's next grant to recover funds associated with nepotism.

The San Francisco General Hospital was allocated a CETA position for a junior management assistant. The person selected to fill the position was the son of the deputy director of the San Francisco Department of Public Health. Labor said the individual later resigned from the program.

In June 1975 several charges of nepotism were made against the Phoenix/Maricopa County consortium. Labor investigated the allegations and some violations were identified. Consequently, three CETA participants were terminated.

Shasta County, California, hired a CETA applicant whose father was a member of the county board of supervisors. Shasta program officials terminated him when we brought this to their attention.

### CONCLUSIONS

A systematic method is needed for verifying the eligibility of CETA applicants. The applicant's address can be verified by simply checking his driver's license and other readily available identification. Although this method is not foolproof, it would be a step in the right direction.

The applicant's length of unemployment can be verified by checking local unemployment insurance records and by contacting the applicant's last employer. Responsibility for verification should be clearly placed with the sponsor. As the unemployment situation improves and as the high unemployment target areas get smaller, ineligibility could become a more serious problem unless measures are taken to effectively administer requirements.

The length of time sponsors use in establishing residency to qualify for CETA should be uniform. Political patronage and nepotism problems can be minimized by questioning prospective participants about their affiliations and

close program monitoring by sponsors and Labor. But the integrity of applicants and administering officials is of primary importance in preventing problems in these areas.

#### RECOMMENDATIONS

We recommend that the Secretary of Labor:

- Establish a selective, systematic approach for verifying eligibility of CETA participants.
- Require prime sponsors to fulfill their responsibilities of making sure that participants meet CETA eligibility requirements.
- Require prime sponsors to uniformly apply residency requirements for CETA eligibility as stipulated in Labor's regulations.
- Require the regional offices to follow up on the possible cases of political patronage and nepotism cited in this report.

#### AGENCY COMMENTS AND OUR EVALUATION

Labor agreed with our first two recommendations relating to sponsors verifying eligibility of CETA participants. Its December 10, 1976, regulations provided some guidelines regarding arrangements and procedures that sponsors may utilize in the verification of participant eligibility and emphasized sponsors' liabilities for payments made to ineligible participants. We noted that the regulations referred to are applicable to the title VI program. We believe Labor should require that sponsors have similar arrangements for verifying the eligibility of title II applicants. Regarding the fourth recommendation, Labor agreed to investigate the possible cases of political patronage and nepotism cited in the report.

Labor disagreed with our third recommendation--that it require sponsors to uniformly apply residency requirements for CETA eligibility. Labor stated that the current regulations adequately cover this issue. During our review, we noted cases where sponsors were requiring that individuals must have resided in their communities for different periods of time to be eligible for CETA jobs. We believe this practice leads to inequitable treatment of CETA applicants. Therefore, Labor should ascertain that sponsors are properly applying requirements for CETA applicants.

## CHAPTER 6

### NEED FOR IMPROVED

#### PROGRAM ADMINISTRATION

Although program monitoring is the primary way of demonstrating the strong Federal presence required by the Comprehensive Employment and Training Act, the Department of Labor inadequately monitored the operations of prime sponsors during fiscal year 1975. Labor gave these reasons for limited monitoring: (1) initial concentration on program implementation, (2) preoccupation with title I programs, (3) lack of effective monitoring methods, and (4) insufficient staff. Recognizing the need for improvements, Labor planned to increase monitoring.

Generally, sponsors did not conduct onsite monitoring of the subgrantees under their jurisdictions. Some did, however, establish the systems for such monitoring.

There was no evidence that Labor monitored sponsors' activities in establishing procedures for periodic review of participant progress, as required by CETA. Sponsor review of participant progress varied with location.

Labor established procedures to ascertain that CETA participants did not receive wages and unemployment insurance concurrently, but these procedures were not always followed and dual payments were made. Similar safeguard procedures did not exist to make sure that CETA participants entitled to welfare benefits did not receive improper payments.

Administrative expenses reported by sponsors were often understated because the salaries of CETA participants performing administrative functions were not included in reported expenses.

#### NEED FOR BETTER MONITORING BY LABOR

CETA requires a strong and active Federal role in all program stages, including reviewing the sponsor's plan, assessing plan implementation, and providing technical assistance to make certain a program complies with the act and Labor regulations.

Monitoring should be a continuous effort to assess program progress and compliance with requirements. It may involve desk monitoring which is essentially comparing quantitative or narrative data on program operations with approved plans or goals. However, primary methods of monitoring are interviews, data collection, and onsite observations at sponsors' or subgrantees' locations. Through effective monitoring, problem areas can be identified and timely corrective action can be taken.

Inadequate monitoring of sponsors' operations appeared to be the direct result of Labor intentionally concentrating its fiscal year 1975 efforts on program implementation. After this first grant year, Labor recognized the need for and established new priorities requiring the regions to concentrate on monitoring sponsors' operations and on providing them with technical assistance during fiscal year 1976.

#### Types of program monitoring

During fiscal year 1975, Labor's Chicago region, for example, used three methods to monitor the program with the most common method being desk reviews of periodic reports submitted by sponsors. More limited use was made of site visits by field representatives and special reviews.

#### Desk review of reports

Labor required all sponsors to submit quarterly reports for titles II and VI to the regional offices. These reports contained quantitative data, such as the number of participants served and currently in the program, characteristics of participants served, and expenditures. With passage of title VI, monthly reports on enrollments and terminations were required for both programs.

Labor's Chicago field representatives reviewed the quarterly reports to evaluate each sponsor's actual performance versus its planned performance. These reports were also used to compile national program statistics at Labor's headquarters.

One major result of the desk reviews was recognizing that sponsors were slow in getting participants into the title II program from August through December 1974. During this period the national unemployment rate was rapidly increasing. At the start of calendar year 1975, Labor strongly encouraged sponsors to fill all funded job positions as rapidly as possible and to spend all title II funds before June 30, 1975.

Chicago regional officials said field representatives spent much of their time on desk reviews and on reviewing and approving several operating plans from sponsors in fiscal year 1975. The large number of operating plans were submitted for approval because Labor had to allocate fiscal years 1974 and 1975 funds under title II in a short time. Shortly thereafter, title VI funds had to be allocated.

#### Visiting prime sponsors

Generally the purpose of onsite visits is to allow Labor to assess the adequacy of a sponsor's day-to-day operations. Such reviews looked at participant eligibility, target groups served, the adequacy of management information systems, and program assessment by the sponsor.

Chicago regional officials said the considerable time spent on desk reviews and reviewing operating plans did not allow field representatives to make many onsite visits. Review of several months' travel records of one State's field representatives showed that they generally made limited visits to sponsor locations. For one case, however, the representative made weekly visits to a sponsor location. Labor officials said the field representatives also extensively used the telephone to keep in contact with the sponsors.

#### Special studies

The Chicago region devised an extensive questionnaire for field representatives to use in supplementing the quarterly reports submitted by the sponsors. A review of the files, however, showed that the forms were used only for title I, not for titles II and VI. The questionnaire was instrumental in deciding to hold back for several months full-year funding for 22 of the 88 sponsors because of marginal performances under title I.

The Chicago region also scheduled eligibility reviews of participants enrolled under titles II and VI for the fourth quarter of the 1975 grant year.

#### Other Labor monitoring activities

Concerning the limited monitoring, Chicago regional officials said they lacked effective monitoring methods and, therefore, contracted with a private firm to have them developed. They also said the region lacked the staff and expertise to monitor maintenance-of-effort provisions.

In Labor's San Francisco region the grant applications included program descriptions and assurances related to maintenance of effort. A Labor official said, however, that Labor's Federal representatives generally had not reviewed or monitored the public service employment programs for compliance with maintenance of effort. Representatives performed limited onsite monitoring of the San Francisco and California balance-of-State programs. However, their monitoring reports appeared to be superficial. With these exceptions, Labor's regional records contained no other program evaluations. Labor officials said they concentrated on monitoring the title I program.

Except for the major review of Boston's titles II and VI programs (see p. 59), monitoring by Labor was limited in the Boston region. In March and April of 1975, one or two Labor field representatives performed compliance reviews lasting 2 days at sponsor locations in Massachusetts. Labor officials said these reviews did not concentrate on each of the 26 assurances cited in the act, but they covered overall compliance areas, such as determining if sponsors established procedures to make sure population segment goals were met or evaluating participants' training.

Labor's Boston region officials agreed that monitoring was limited and that it was difficult to cover areas, such as maintenance of effort, within 2 days. They said the staff was too small and better monitoring methods were needed.

Labor has, however, taken some steps to improve its monitoring system. In April and May 1976, Labor conducted a special assessment of sponsors' implementation of CETA title II during fiscal year 1976 to use this information as one basis for approving fiscal year 1977 sponsors. To provide for some uniformity among the regions, Labor headquarters issued a memorandum setting forth basic assessment criteria and procedures. The document also established ratings of satisfactory, marginal, and unsatisfactory for the sponsors.

Boston and Detroit were rated unsatisfactory in the assessment. A Labor headquarters official said sponsors rated unsatisfactory would be permitted to use fiscal year 1976 funds but that fiscal year 1977 grants would not be made until the sponsors met the required standards.

Labor has also developed a CETA monitoring handbook for its regional offices and sponsors. Use of the handbook is

optional; it is intended to give regional offices a systematic method for planning, conducting, and following up on onsite monitoring visits. It contains instructions to Federal representatives on onsite data collecting and reviewing and on developing corrective action plans. It gives formats for (1) specifying and scheduling required corrective action, (2) analyzing worksheets to summarize the status of each functional area after the onsite visit, and (3) preparing a quarterly assessment to summarize overall program performance.

Labor's headquarters has also evaluated selected sponsors' activities. The basic objective of these evaluations, according to a Labor official, is to determine the success in moving participants into unsubsidized employment and public service benefits received by the sponsors. The evaluations made included 66 sponsors in fiscal year 1975 and 60 in fiscal year 1976. The official said, however, that data collected was not sufficient to constitute a meaningful evaluation. Consequently, Labor plans to redirect its approach to these evaluations.

#### NEED FOR BETTER MONITORING OF SUBGRANTEES BY PRIME SPONSORS

Like Labor, sponsors were more concerned with implementing titles II and VI and resolving related problems than with assessing overall program performance. Under CETA regulations, sponsors' assessment and evaluation responsibilities require that they systematically examine program performance in meeting planned goals and objectives and measure the effectiveness and impact of their programs in resolving identified manpower problems.

CETA regulations do not specify the program assessment system sponsors should use, but Labor does require that they submit several reports generated from their financial and management information systems. In addition, Labor gave the sponsors a technical assistance guide to help establish and implement program assessment systems which would provide more detailed information on program results. Labor, through its technical assistance guide, encourages desk reviews and on-site visits.

Except for the Michigan balance-of-State program, in Labor's Chicago region, sponsors performed only limited program results reviews. They did, however, give Labor quarterly program data reports, which showed the extent sponsors served target groups. To some extent, the reports also showed if sponsors adhered to some of the 26 assurances in CETA. For example, the participant characteristics showed the number of special Vietnam veterans in the program.

The Michigan balance-of-State sponsor did monitor the program operations of its 56 counties. At the time of our fieldwork, the sponsor's administrators had made onsite reviews in 34 counties. These reviews covered most program aspects and generally involved 2 or 3 days at each site. The Michigan balance-of-State director said the reviews were sufficient for forming an impression on program administration.

The subgrantees of sponsors reviewed in Labor's San Francisco region were provided funds for their own public service employment programs. The sponsors, however, generally did not perform onsite monitoring of the subgrantee's programs. After our fieldwork, California balance-of-State officials told us that monitoring procedures which had been developed were being implemented and that all subgrantees were expected to be monitored by the middle of fiscal year 1977.

Contra Costa County had 32 subgrantees in its title II program and 31 in its title VI program. At the time of our fieldwork, and except for audit of subgrantee expenditures, the sponsor had not monitored subgrantee program operations. Officials said that they planned to initiate a monitoring program and hire someone to administer it.

The Phoenix/Maricopa consortium had not designated anyone to monitor subgrantee programs; the administrator said lack of personnel and time constraints prevented establishing effective monitoring procedures.

#### NEED FOR BETTER MONITORING OF PARTICIPANTS' PROGRESS

CETA states that Labor shall establish procedures for an appropriate agency to periodically review the status of each person in public service employment to make certain prospects for advancement or suitable continued employment are being provided. Labor requires the sponsors to review participants' status to make sure their jobs offer such potential, and Labor is required to review implementation of these procedures at 6-month intervals.

There was no evidence that Labor regional offices periodically reviewed these implementation procedures. However, Labor headquarters has underway a nationwide study at over 147 locations which includes an evaluation of participant progress over several years. Sponsor monitoring of participant progress varied with location as follows.

As of July 1975, San Francisco's counseling staff of 18 had 4 major responsibilities: (1) periodically evaluating participants' performance and referring them for needed support services, (2) helping participants improve their job skills and chances for future employment, (3) helping participants find unsubsidized employment, and (4) coordinating language and vocational education courses for participants. Participants' supervisors were required to prepare semiannual performance evaluations for the enrollees. These evaluations were sent to the counselors. Additionally, counselors were urged to contact their clients at least once every 4 to 6 weeks. Actual frequency of these contacts varied according to participant needs.

Some counselors, particularly those with large caseloads, were unable to comply with these guidelines. The public health department counselor, for example, said because her 350 client workload was completely unmanageable, she had been seeing only those participants with serious problems. Another counselor, with responsibility for 400 laborers, said all his efforts were directed toward resolving work-related problems and keeping participants on the job.

Our interviews with participants confirmed that the counselors did not reach all participants. Of 26 titles II and VI San Francisco participants interviewed in June and July 1975, only 11 had talked to a counselor. The other 15 reported no contact although they all had been in the program at least 4 months.

The California balance-of-State sponsor had no procedures for monitoring its participants, and the three counties reviewed had not formally monitored participant activities. One county had just started a monitoring system to (1) have supervisors evaluate participants' performance every 3 months and (2) have participants evaluate program effectiveness every 6 months.

All locations reviewed in Massachusetts had systems to monitor participant progress, but the systems and the status of implementation varied with location. Lynn's system, implemented in September 1975, provided for meetings of participants, job developers, and counselors; alternative civil service appointments for the disadvantaged; participant time off for job interviews; and counselor aid to participants preparing for such interviews.

At the time of our fieldwork, Boston was establishing an outreach program concerned with monitoring participants'

training and placement. Monitoring had begun and was generally aimed at verifying that job positions were filled quickly, that supervision was proper, and that participants were receiving fair treatment.

A Lowell official said activities of participants in towns of the consortium were reviewed regularly. Review and counseling was patterned after the consortium's job development system, and the staff attempted to eliminate participant complacency by emphasizing that the CETA job was not permanent and that the participant should seek an unsubsidized job.

NEED TO PREVENT PARTICIPANTS FROM  
COLLECTING UNEMPLOYMENT INSURANCE AND  
IMPROPER WELFARE PAYMENTS

On March 4, 1975, Labor issued General Administrative Letter 1-75 setting forth procedures for coordination between CETA sponsors and State employment security agencies so that CETA participants do not receive wages and unemployment insurance benefits concurrently. <sup>1/</sup> To avoid dual payments sponsors must give the central office of each State employment security agency a monthly list of all new hires and terminations in CETA jobs. The list should include the name, social security number, and date of hire or termination. The State employment service is expected to cross-match the list against claim records of unemployment insurance benefits.

Labor's policy, however, does not require sponsors to submit the names of participants to welfare offices when it seems a similar check should be made to make sure that CETA participants do not collect improper welfare benefits.

Most Massachusetts sponsors did check for participants receiving concurrent CETA wages and unemployment insurance payments. Labor's review of Boston, which did comply with the requirements, showed that about 140 participants claimed benefits after they were employed under CETA. Of the 140, Labor interviewed 120 and found that 109 received overpayments. Of the 109 overpayments, 30 were under \$100, 50 were between \$100 and \$500, 35 were between \$500 and \$1,000, and 14 were over \$1,000. These 140 cases were referred to the

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<sup>1/</sup>Labor's fiscal year 1977 regulations contained similar requirements.

State attorney general's office, which estimated that 40 to 70 cases would be prosecuted.

Of a random sample of 77 San Francisco CETA participants, we made a check of 17 participants who reported they had received unemployment insurance while they were being considered for CETA employment. Four of these participants collected dual payments for several months.

Where systems for enforcing Labor's procedures on unemployment insurance do not exist or are ineffective, there is potential for dual payments. Many persons reported receiving unemployment insurance up to the time they were enrolled in CETA as illustrated below by the sponsors reviewed in Michigan.

CETA Participants Who Reported Receiving  
Unemployment Insurance  
Benefits Up to the Time They Were Hired  
(As of June 30, 1975)

<u>Prime sponsor</u>	<u>Title II</u>	<u>Title VI</u>	<u>Total</u>
Detroit	1,478	107	1,585
Pontiac	75	55	130
Michigan balance-of-State	<u>486</u>	<u>1,291</u>	<u>1,777</u>
	<u>2,039</u>	<u>1,453</u>	<u>3,492</u>
Total program participants	7,299	5,073	12,372
Percent of total participants	28%	29%	28%

Detroit officials did not give the State reports on CETA participants because they believed the reports would serve no useful purpose. Virtually all participants receiving unemployment insurance benefits when hired into CETA were receiving such benefits from the city; not the State, they said, and the city was self-insured. We found, however, that some participants received unemployment insurance from the State; therefore, such reports would have served their intended purposes. After our fieldwork, Labor officials told us they contacted Detroit and a listing of all new employees was sent to the State employment service.

Michigan balance-of-State subgrantees reviewed gave the State employment service the data as required. This was done in several steps. The initial screening and referral systems include State employment service notification of

CETA hires. When the service refers a job seeker to a CETA employer, a referral card is prepared and sent to the employer. The employer records on this card whether the job seeker was hired or not and returns it to the employment service. This procedure allows the determination of whether unemployment insurance benefits should be discontinued.

Oakland County, the prime sponsor for Pontiac, gave the State employment service one report shortly after the requirement was implemented. A program official said the sponsor simply forgot about the requirement and had not submitted any more reports, but he said reports would be submitted in the future. After our fieldwork, the county did submit a complete listing of public service employment jobs to the State employment service, but the county advised us that the check had not been made because of the employment service's staffing shortages.

A Labor official, acknowledging that dual payments involving unemployment insurance were a concern, said the problem appeared to be failure to enforce existing procedures. Similar abuses with welfare recipients, he added, would not be as severe since a person could be enrolled in CETA and receive welfare benefits at the same time. Still, the benefits would have to be adjusted.

#### USE OF ADMINISTRATIVE FUNDS

CETA and Labor regulations require sponsors to spend 90 percent of their public service employment funds on participants' wages and fringe benefits. <sup>1/</sup> The remaining 10 percent is the maximum normally allowed for administrative, training, and support service costs. While the sponsors reviewed complied with these regulations, they generally understated their reported administrative expenses by using CETA participants to help administer the program. In at least one case, if the costs of participants were added to the administrative costs, the 10 percent limit would have been exceeded.

In Labor's San Francisco region, sponsors' reported administrative expenditures varied from as little as 1 percent for San Francisco's title II program (\$66,000 of \$5.6 million) to as much as 8 percent for the California balance-of-State's title VI program (\$428,000 of \$5.2 million).

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<sup>1/</sup>Public Law 94-444 of October 1, 1976, modified this provision to state that not less than 85 percent of funds under both titles should be used for wages and fringe benefits.

If the salaries of CETA participants used by San Francisco in program administration had been included, fiscal year 1975 administrative costs would have increased \$22,300 for title II and \$2,400 for title VI. When added to reported administrative expenses, these costs are still less than 3 percent of program expenditures. We projected, however, that for fiscal year 1976 these CETA participants' salaries would be about \$111,400 for title II and about \$91,800 for title VI, which would represent a large increase in administrative expenditures. Another reason San Francisco's reported administrative expenditures were low is that many staff members' salaries were charged to EEA until January 1975.

Other sponsors also used participants to help administer the program. During our fieldwork, for example, four of Phoenix's CETA staff of eight were participants and, at one time, three of Contra Costa County's staff of five were participants. The locations reviewed in Massachusetts had the following number of CETA participants on their administrative staffs.

<u>Locations</u>	<u>Titles II and VI administrative staff</u>	<u>Participants on administrative staff</u>	<u>Percent</u>
Boston	29	12	41
Brockton	14	5	36
Holyoke	21	7	33
Lowell	24	15	63
Lynn	8	2	25
Springfield	17	4	24

The reported administrative costs were generally understated because the salaries of CETA participants were not included.

### CONCLUSIONS

Monitoring is the primary way of demonstrating the Federal presence in CETA. Labor should increase the monitoring of sponsor program operations, including periodically reviewing sponsors' procedures for assessing CETA participants' progress.

Desk reviews serve a useful function, but they should not be relied on to the extent they have been in the past. Rather, more effective monitoring should result from more onsite visits and special reviews. More effective monitoring would permit timely adjustments to correct program deficiencies and would alleviate many of the problems discussed in this report.

Sponsors need to increase the monitoring of subgrantee activities and strengthen the assessing of participant progress.

Existing procedures for making sure that CETA participants do not concurrently collect unemployment insurance should be enforced. Safeguards should be adopted so that only proper payments are made to CETA participants receiving welfare payments.

Reported administrative costs were generally understated because the salaries of CETA participants employed to help administer the CETA program were not included in the reported figures. While using participants in administrative positions does not violate the act or regulations, including participants' salary costs in administrative costs would give Labor more accurate data on overall administrative costs.

#### RECOMMENDATIONS

We recommend that the Secretary of Labor:

- Instruct regional offices to increase the monitoring of prime sponsors' programs through more onsite visits and special reviews.
- Require prime sponsors to establish and implement procedures for effectively evaluating the performance of subgrantees under their jurisdiction.
- Monitor the procedures established by prime sponsors to assess participant progress.
- Enforce existing procedures to make sure CETA participants do not collect unemployment insurance and establish similar procedures to assure only proper payments are made to participants receiving welfare payments.
- Require that prime sponsors include in their administrative costs the salaries of CETA participants employed in program administration and show a breakdown of regular and CETA participants' salary costs in administrative costs.

#### AGENCY COMMENTS AND OUR EVALUATIONS

Labor generally agreed with our recommendations relating to (1) increased monitoring of sponsors through increased onsite visits and special reviews, (2) sponsors' establishing

and implementing procedures to evaluate subgrantees, and (3) monitoring of sponsors' procedures for assessing participants' progress. Labor stated that its regulations and increased emphasis on such activities by Labor during fiscal year 1977 should address these recommendations.

Labor also agreed with our recommendation that it enforce existing procedures so that participants are not concurrently collecting unemployment insurance or welfare. Its December 10, 1976, revised regulations for title VI provide for coordination between the sponsor and the State employment security agencies and the welfare departments and are an important measure to minimize such abuses.

Labor disagreed with our recommendation that sponsors include the salaries of CETA participants associated with program administration in their administrative cost. Labor stated that this would be counterproductive, duplicative, and would serve no useful programmatic purpose. In our view, the current method of reporting costs does not show the actual cost of administering the CETA program. We believe that Labor should require sponsors to include salaries of CETA participants involved in administering the program to more accurately report the program's administrative costs.

## CHAPTER 7

### SCOPE OF REVIEW

This review was primarily made to examine the effectiveness of public service employment authorized under titles II and VI of the Comprehensive Employment and Training Act of 1973. We wanted to know if public service employment programs have complied with CETA and if Labor and prime sponsors have administered the programs effectively. Our review focused on

- the program's impact on unemployment,
- the program's effect on the participants and communities involved, and
- Labor's effectiveness in administering the program, including the review and approval of program plans and the monitoring of program implementation.

We reviewed (1) CETA and its legislative history, (2) Labor regulations, policies, and operating procedures, and (3) records and documents, including budgetary, financial, and staffing data, maintained by Labor and sponsors. We interviewed Labor and sponsor officials, participants' supervisors, and selected participants concerning benefits to the participants and communities and program administration. We also reviewed a random sample of participants' applications to verify eligibility.

Our review concentrated on program operations during the first full year of title II programs and the first half year of title VI programs, with both periods ending on June 30, 1975. During this time, most participants came into the program. We supplemented this work by obtaining and analyzing additional information, including updated reports of enrollments, terminations, and participant characteristics.

Our review was performed primarily at Labor headquarters in Washington, D.C.; Labor regional offices in Boston, Chicago, and San Francisco; and 12 CETA sponsors in 5 States. The sponsors reviewed covered the East coast, the mid-West, and the West coast and included different types of sponsors, such as States, consortia, and local governments. In all we covered 23 locations, of which some were run by sponsor subgrantees--local governments or private nonprofit agencies. The list of locations follows.

<u>State</u>	<u>Prime sponsor</u>	<u>Locations</u> <u>(note a)</u>
Arizona	Phoenix/Maricopa consortium	Phoenix, Maricopa County
California	San Francisco Contra Costa County Balance-of-State	San Francisco Contra Costa County Del Norte County Shasta County Sutter County
Massachusetts	Boston Hampden consortium Lowell consortium Balance-of-State	Boston Springfield, Holyoke Lowell, Billerica Brockton, b/ Lynn
Michigan	Detroit  Oakland County Balance-of-State	Detroit, Detroit Board of Education Pontiac Livingston County Tuscola County
Ohio	Akron consortium	Akron, Medina County, Portage County, Summit County

a/Subgrantee areas, except those indicated as prime sponsors.

b/Before completion of our review, Brockton became a prime sponsor.

PROVISIONS REQUIREDBY THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACTTO BE INCLUDED IN PRIME SPONSORS' PLANS

CETA requires prime sponsors to include the following provisions in applications for public service employment funds under titles II and VI. For title VI programs, provisions 4, 6, 16, and 19 may be disregarded if (1) the unemployment rate in the area served exceeds 7 percent and (2) the sponsor certifies to Labor and advises the public that disregarding the provisions is necessary to provide sufficient job opportunities.

The provisions must set forth:

1. Assurances that the activities and services, for which funds are sought, will be administered by or under the supervision of the applicant, 1/ and identify any agency or institution designated to carry out such activities or services under such supervision.
2. A description of the area to be served by such programs; a plan for equitably and effectively serving the significant segments of the population; and data indicating the number of potential eligible participants, their income, and employment status.
3. Assurances that only persons residing within the areas qualifying for assistance will be hired to fill jobs created and that the public services provided by such jobs shall, to the extent feasible, be designed to benefit the residents of such areas.
4. Assurances that special consideration will be given to filling jobs which will provide prospects for advancement or suitable continued employment by providing complementary training and manpower services designed to (a) promote participants' advancement to employment or training opportunities, (b) provide participants skills for which there is an anticipated high demand, or (c) provide participants self-development skills.

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1/In this appendix applicant refers to the unit of government applying to be a prime sponsor.

5. Assurances that (a) special consideration in filling transitional public service jobs will be given to unemployed persons who served in the Armed Forces in Indochina or in Korea on or after August 5, 1964, and who received other than a dishonorable discharge; a description will be provided for the specific steps to be undertaken during such fiscal year to provide such special consideration and of the types of jobs to be made available to such veterans, with special emphasis on developing jobs that will use, to the maximum extent feasible, the skills veterans acquired in their military training and service and (b) the applicant shall (1) make special efforts to acquaint such veterans with the program and the public service jobs available under this act and (2) coordinate efforts in behalf of such veterans with those activities authorized by chapter 41, title 38, United States Code, or carried out by other public or private organizations or agencies.
6. Assurances that, to the extent feasible, public service jobs shall be provided in occupational fields that most likely will expand within the public or private sector as the unemployment rate recedes.
7. Assurances that special consideration in filling transitional public service jobs will be given to unemployed persons who are the most severely disadvantaged in terms of the length of time they have been unemployed and their prospects for finding employment without assistance, but such special consideration shall not authorize hiring any person when any other person is on lay-off from the same or any substantially equivalent job.
8. Assurances that no funds received will be used to hire any person to fill a job opening created by an employer in laying off or terminating the employment of any regular employee in anticipation of filling the vacancy by hiring a CETA employee.
9. Assurances that due consideration will be given to persons who have participated in other manpower training programs and for whom employment opportunities would not be otherwise immediately available.
10. A description of the methods to be used to recruit, select, and orient participants and programs to prepare the participants for their job responsibilities.

11. A description of unmet public service needs and a statement of priorities among such needs.
12. A description of jobs to be filled, a list of the major kinds of work to be performed and skills to be acquired, and the approximate time participants will be assigned to such jobs.
13. The wages or salaries to be paid persons employed in public service jobs and a comparison with the wages paid for similar public occupation by the same employer.
14. The education, training, and support services, including counseling and health care services, which complement the work performed.
15. The planning for and training of supervisory personnel in working with participants.
16. A description of career opportunities and job advancement potentialities for participants.
17. Assurances that procedures established pursuant to section 207(a) 1/ will be followed.
18. Assurances that agencies and institutions to which financial assistance is made available have undertaken, or will undertake, analyses of job descriptions and reevaluations and, when necessary, revisions of qualification requirements at all levels of employment, in accordance with regulations prescribed by the Secretary, to remove artificial barriers to public employment of those whom it is the purpose to assist.
19. Assurances that the applicant will, when appropriate, maintain or provide linkages with upgrading and other manpower programs to (a) give persons employed in public service jobs, who want to pursue

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1/Section 207(a) requires the Secretary of Labor to establish procedures for an appropriate agency to review the status of participants for suitability of the public service employment job in providing prospects for advancement or continued employment opportunities.

the same or similar work with the employer, opportunities to do so and to find permanent, upwardly mobile careers in that field and (b) give persons so employed, who do not wish to pursue permanent careers in such field, opportunities to seek, prepare for, and obtain work in other fields.

20. Assurances that all persons employed under any such program, other than necessary technical, supervisory, and administrative personnel, will be selected from among unemployed and underemployed persons.
21. Assurances that the program will help eliminate artificial barriers to employment and occupational advancement.
22. Assurances that not more than one-third of program participants will be employed in a bona fide professional capacity, except for participants employed as classroom teachers (the Secretary may waive this limitation in exceptional circumstances).
23. A description of local governments' and local educational agencies' manpower needs in the area to be served, with the comments of such governments and agencies, when appropriate, and assurances that jobs will be equally allocated to such governments and agencies considering the number of unemployed within their jurisdiction and the needs of the agencies.
24. Assurances that the jobs in each category will in no way infringe upon the promotional opportunities that would otherwise be available to persons currently employed in unsubsidized public service employment jobs and that no job will be filled in other than an entry level position in each category until applicable personnel procedures and collective bargaining agreements have been complied with.
25. Assurances that jobs funded are an increase over those that would be funded by the sponsor without CETA assistance.
26. Other such assurances, arrangements, and conditions that the Secretary deems necessary.

OTHER GAO REPORTS ON THE  
COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

1. Report to the Congress on the progress and problems in allocating funds under titles I and II--Comprehensive Employment and Training Act, Department of Labor (MWD-76-22, Jan. 2, 1976).
2. Report to Congressman Pierre S. du Pont on public service employment in Delaware under title VI of the Comprehensive Employment and Training Act, Department of Labor (MWD-76-61, Jan. 23, 1976).
3. Report to Congressman Delbert L. Latta on using Comprehensive Employment and Training Act funds to rehire laid-off employees in Toledo, Ohio, Department of Labor (MWD-76-84, Mar. 19, 1976).
4. Report to the Congress on formulating plans for comprehensive employment services--a highly involved process, Department of Labor (HRD-76-149, July 23, 1976).
5. Report to the Secretary of Labor on public service employment in southwestern New York State, Department of Labor (HRD-76-135, Sept. 2, 1976).
6. Report to Congressman Jack Kemp on employment programs in Buffalo and Erie County under the Comprehensive Employment and Training Act can be improved, Department of Labor (HRD-77-24, Feb. 18, 1977).

DATA ON TITLE II PARTICIPANTS SERVED  
DURING FISCAL YEAR 1975  
FOR PRIME SPONSORS REVIEWED

<u>Prime sponsor</u>	<u>Total participants</u>	<u>Terminated participants</u>			<u>Total</u>
		<u>Entering unsubsidized jobs (note a)</u>	<u>Other positive (note b)</u>	<u>Non-positive (note c)</u>	
Akron consortium, Ohio	311	7	d/48	30	85
Boston, Mass.	1,502	64	37	127	228
California balance-of-State	2,875	308	116	609	1,033
Contra Costa County, Calif.	732	54	73	149	276
Detroit, Mich.	4,093	100	10	1,169	1,279
Hampden County consortium, Mass.	947	97	13	158	268
Lowell consortium, Mass.	437	e/61	5	44	110
Massachusetts balance-of-State	5,372	e/189	87	471	747
Michigan balance-of-State	2,755	139	232	356	727
Oakland County, Mich. (including Pontiac.)	451	16	8	46	70
Phoenix/Maricopa County consortium, Ariz.	441	34	113	90	237
San Francisco, Calif.	<u>1,890</u>	<u>83</u>	<u>35</u>	<u>241</u>	<u>359</u>
<b>Total</b>	<b><u>21,806</u></b>	<b><u>1,152</u></b>	<b><u>777</u></b>	<b><u>3,490</u></b>	<b><u>5,419</u></b>

a/Participants who were placed in, or obtained on their own, unsubsidized employment.

b/Participants terminated from CETA who enrolled full-time in an academic or vocational school, entered the Armed Forces, or enrolled in another manpower program.

c/Participants who terminated for reasons other than those mentioned in footnotes a or b, such as being ill, moving from prime sponsor's jurisdiction, or refusing to continue in the program.

d/Includes 43 transfers from title VI to title II.

e/Includes 44 participants at both locations who were placed in unsubsidized employment after receiving only intake, assessment, or job referral under CETA.

DATA ON TITLE VI PARTICIPANTS SERVEDDURING FISCAL YEAR 1975FOR PRIME SPONSORS REVIEWED

<u>Prime sponsor</u>	<u>Total partici- pants</u>	<u>Terminated participants (note a)</u>			<u>Total</u>
		<u>Entering unsub- sidized jobs</u>	<u>Other positive</u>	<u>Non- positive</u>	
Akron consortium, Ohio	275	6	b/45	20	71
Boston, Mass.	515	15	2	55	72
Detroit, Mich.	942	-	-	99	99
Contra Costa County, Calif.	388	23	4	34	61
California balance- of-State	2,719	341	19	417	777
Hampden County consortium, Mass.	1,368	75	3	336	414
Lowell consortium, Mass.	324	22	-	-	c/72
Massachusetts balance-of-State	5,600	234	60	506	800
Michigan balance- of-State	3,959	213	580	221	1,014
Oakland County, Mich. (inclu- ding Pontiac)	172	2	10	8	20
Phoenix/Maricopa County consor- tium, Ariz.	1,058	35	90	162	287
San Francisco, Calif.	<u>918</u>	<u>28</u>	<u>15</u>	<u>94</u>	<u>137</u>
Total	<u>18,238</u>	<u>994</u>	<u>828</u>	<u>1,952</u>	<u>c/3,824</u>

a/See appendix III for explanation of terms.

b/Includes 43 transfers from title VI to title II.

c/This column does not equal the sum of the individual columns because Lowell only reported how 22 of its 72 terminated participants were placed.

ACTUAL ENROLLMENT LEVELS VERSUS PLANNEDLEVELS FOR VARIOUS POPULATION SEGMENTS AT SELECTEDPRIME SPONSORS FOR FISCAL YEAR 1975 (note a)

<u>Prime sponsor</u>	<u>Enrollment levels</u>					
	<u>Title II</u>			<u>Title VI</u>		
	<u>Planned</u>	<u>Actual</u>	<u>Per-</u> <u>centage</u>	<u>Planned</u>	<u>Actual</u>	<u>Per-</u> <u>centage</u>
	<u>Special veterans</u>					
Lowell consor- tium, Mass.	44	38	86	9	29	320
Massachusetts balance-of-State	894	703	79	747	673	90
Oakland County, Mich. (including Pontiac)	55	43	78	43	19	44
Phoenix/Maricopa County consortium, Ariz.	75	113	151	356	266	75
San Francisco, Calif.	210	174	83	140	123	88
	<u>Limited-English-speaking persons</u>					
Boston, Mass.	21	11	52	-	-	(b)
California balance- of-State	541	475	88	518	397	77
Detroit, Mich.	111	58	52	84	14	17
Phoenix/Maricopa County consor- tium, Ariz.	25	18	72	-	-	(b)
	<u>Females</u>					
California balance- of-State	759	1,175	155	1,175	664	57
Detroit, Mich.	1,669	1,641	98	949	411	43
Oakland County, Mich. (including Pontiac)	107	188	176	77	57	74
Massachusetts balance-of-State	638	528	83	380	227	60

a/Quarterly progress reports submitted by prime sponsor to Labor.

b/For this title, prime sponsor did not list as a population segment.

CATEGORIES OF PUBLIC SERVICE EMPLOYMENT JOBS  
FILLED BY PARTICIPANTS IN SELECTED CHICAGO  
REGION LOCATIONS AS OF MARCH 31, 1975

<u>Category</u>	<u>Number of participants</u>				<u>Total</u>
	<u>Title II</u>	<u>Title VI</u>	<u>Subtotal</u>	<u>Detroit (note a)</u>	
Education	161	90	251	1,034	1,285
Environmental quality	13	4	17	638	655
Public works and transportation	151	83	234	410	644
Law enforcement	35	22	57	541	598
Social services	72	87	165	344	509
Parks and recrea- tion	80	58	138	266	404
Health and hospi- tals	22	16	38	187	225
Fire protection	12	1	13	158	171
Other	59	111	170	384	554
<b>Total</b>	<u>611</u>	<u>472</u>	<u>1,083</u>	<u>3,962</u>	<u>5,045</u>

a/Detroit's CETA program could not identify the number of participants in each category by title.

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

December 27, 1976

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

Dear Mr. Ahart:

This is in response to your letter of October 29, 1976, to the Secretary, transmitting a proposed report to the Congress, entitled, Public Service Employment--Considerations for More Effective Programs. The comments are keyed to the specific issues raised in the report.

1. We recommend that the Secretary of Labor require prime sponsors to fully justify in their plans the basis for any activity which may relate to using public service employment funds to provide services previously funded by nonfederal resources. This includes any situation where CETA participants will be used to fill vacant full-time positions or provide services normally done by temporary, part-time, or seasonal workers or contracted out, as well as to the hiring of laid-off employees.

Comment: Concur. This issue is adequately addressed in the regulations for the extension of title VI programs, published in the Federal Register on December 10, 1976. Sections 99.34(h) and 96.24(j) provide that prime sponsors, who utilize title VI and title II funds, respectively, to hire persons to fill positions previously supported by non-CETA funds or to provide services which are normally provided by temporary, part-time or seasonal workers or which are normally contracted out, prepare and maintain adequate documentation that such use of title VI funds does not constitute a violation of the Department's maintenance of effort provisions. Such documentation must be maintained and be made readily available for the inspection of the Regional Administrator. Prime sponsors shall, at the direction of the Regional Administrator, submit such documentation or any budgetary expenditure records, revenue statements, and other information relevant to the justification of such proposed activities.

2. We recommend that the Secretary of Labor disapprove any plans where the prime sponsors have not submitted conclusive evidence that the proposed activity is fully allowed.

Comment: Concur. Sections 99.34 and 96.24 of the revisions to the title VI regulations stipulate that the Regional Administrator shall not approve any plan unless prime sponsors have submitted, at the direction of the Regional Administrator, conclusive evidence that the proposed use of funds fully meets the requirements of the maintenance of effort provisions.

3. We recommend that the Secretary of Labor require prime sponsors to keep for a reasonable period of time all supporting documentation used to justify their use of CETA funds in such cases.

Comment: Concur. Sections 99.34 and 96.24 of the regulations require prime sponsors to make such documentation available for the inspection of the Regional Administrator for a period of not less than 1 year subsequent to the filling of such positions.

4. We recommend that the Secretary of Labor require that all public service employment funds be used to create new job positions when the prime sponsors anticipate a current unencumbered surplus, unless the prime sponsor can conclusively demonstrate that such use is infeasible.

Comment: Concur. Sections 99.34(a) and 96.24(a) stipulate that public service jobs funded under title VI shall only be in addition to employment which would otherwise be financed by the prime sponsor without assistance from CETA.

5. We recommend that the Secretary of Labor explore ways to discourage prime sponsors from misusing CETA funds, in addition to recovering funds through adjustments to grants, such as penalizing prime sponsors and publicizing violations to show adverse effects on the community and its residents.

Comment: Concur. We agree with the recommendation that the Department explore ways of discouraging prime sponsors from misusing CETA funds and penalizing those who violate the maintenance of effort provisions. However, we disagree that these methods should include the publication of violations to demonstrate adverse effects on the community or its residents.

6. We recommend that the Secretary of Labor examine the cases presented in this chapter and take appropriate action, where it has not already been taken, for those cases where violations have occurred.

Comment: Concur. The Department will investigate the cases cited in the report and take appropriate action.

7. We recommend that the Secretary of Labor urge prime sponsors to actively seek out unsubsidized job opportunities for CETA participants in the public and private sectors to facilitate the transition of more enrollees from their CETA jobs to unsubsidized positions.

Comment: Concur. The Department has and will continue to encourage intensive efforts on the part of prime sponsors to establish public service jobs with maximum potential for transition into unsubsidized jobs in the public sector, and to establish cooperative relationships with existing resource agencies, such as the State Employment Security Agencies, to provide maximum exposure to private sector job opportunities.

8. We recommend that the Secretary of Labor revise the Department's guidelines on reporting terminations so that data will accurately show how many individuals actually terminated from the programs and provide a better basis for measuring program results.

Comment: Concur. The Forms Preparation Handbook provides that on the CETA Program Status Summary Report, terminations which are the result of Intertitle Transfer should be recorded under the heading "Other Positive Terminations." Additionally, ETA is in the process of revising the CETA Program Status Summary Report to include a new item under the heading "Other Positive Terminations," entitled "Completed program objectives not involving unsubsidized employment."

9. We recommend that the Secretary of Labor insure that prime sponsors meet goals of serving the members of significant population segments enumerated in their program plans.

Comment: Concur. The Department continues to emphasize prime sponsors' responsibilities in assuring that public service employment programs are designed and operated to ensure equal services to significant segments of the population, i.e., persons and groups who experience unusual difficulties in obtaining employment and who are most in need of services provided by CETA. Special attention has recently been paid to the low female participation rates in a few

prime sponsors' public service employment (PSE) programs. Regional offices have been advised of their role in ensuring equitable service in public service employment programs through the grant review and approval process, regular monitoring and special reviews, and technical assistance and corrective action initiatives.

10. We recommend that the Secretary of Labor insure that the target goals adequately represent the proportionate share of those actually unemployed in the prime sponsor's jurisdiction through the development of better local data on these groups.

Comment: Concur. As has been noted in response to a previous GAO report entitled Formulation of Plans for Comprehensive Employment Services--A Highly Involved Process, the Department is continuing its efforts in assisting prime sponsors in developing more complete, current and accurate labor market data. A nationwide training effort, directed at both the State Employment Security Agency (SESA) labor market analyst and the CETA planner, will be implemented during Fiscal Year 1977. This training effort will encourage the necessary coordination and cooperation between the two parties for a more effective and comprehensive labor market information system.

11. We recommend that the Secretary of Labor insure that the prime sponsor's application forms require enough information to permit the prime sponsor to identify applicants as members of target groups.

Comment: Concur. Section 98.18 of the regulations sets forth the types of information which must be maintained on each applicant for CETA-funded positions. The Forms Preparation Handbook provides general instructions for the collection and maintenance of information on all applicants, participants, and trainees of CETA-funded programs. The Department has stipulated no required method of maintaining this information, nor does it plan to mandate such a method, at this time.

12. We recommend that the Secretary of Labor require that prime sponsor plans explain unmet public service needs in detail; clearly establish priorities among such needs; and fully explain the methods used to decide which needs are the most pressing.

Comment: Concur. The Forms Preparation Handbook requires that prime sponsors in the program narrative for PSE programs provide a description of the unmet public service needs as described in section 701(a)(7) of the act in each of the area(s) to be assisted and state priorities among such needs (section 205(c)(11)). Further, they are to provide a description of the major types of jobs within the public service areas to be filled as they relate to the needs described above and whether they are in expanding occupational fields.

13. We recommend that the Secretary of Labor require that public service employment jobs are allocated equitably among various levels of government to help improve future employment prospects for participants.

Comment: Concur. As the report notes, the Secretary's regulations require that jobs be allocated among State and local public agencies and subdivisions thereof, such as educational agencies within the prime sponsor's jurisdiction, taking into account the number of unemployed persons within each area, their needs and skill levels, the needs of the agencies and the ratio of jobs in the area at each governmental level. The ultimate responsibility for the distribution of jobs lies with the prime sponsor. ETA's regional offices, through their grant review and monitoring functions, are responsible for insuring compliance with the provisions of the act and the regulations. The regional offices will continue to scrutinize the allocation of jobs between State and local governments.

14. We recommend that the Secretary of Labor require that prime sponsors fund only those activities which clearly indicate that public service benefits will be realized.

Comment: Concur. While the Department agrees with CAO's desire to require prime sponsors to fund only those activities which clearly indicate that public service benefits will be realized (current regulations cover the matter sufficiently), the presentation of such a conclusion, based upon one incident in 23 locations, does not appear to be warranted.

15. We recommend that the Secretary of Labor require that funds are recovered in connection with projects of a questionable nature as noted in this chapter where there has been a violation of Labor's regulations.

Comment: Concur. ETA's regional offices will review the cases cited in the report and require refunds, where appropriate.

16. We recommend that the Secretary of Labor --

- establish a selective systematic approach to be taken in verifying eligibility of CETA participants;
- require prime sponsors to fulfill their responsibilities for insuring that participants meet the act's eligibility requirements.

Comment: Concur. Although prime sponsors are responsible for assuring the eligibility of CETA participants, section 99.43 of the December 10, 1976, regulations provides some guidelines regarding arrangements and procedures that prime sponsor may utilize in the verification of participant eligibility. This section further emphasizes that prime sponsors shall be liable for any payments made to participants determined ineligible during program audits or reviews.

17. We recommend that the Secretary of Labor require prime sponsors to uniformly apply residency requirements for CETA eligibility as spelled out in Labor's regulations, regarding residency at the time of application and selection to insure equitable treatment to all CETA applicants.

Comment: Disagree. Current regulations relative to residency prescribe adequate conditions for eligibility for PSE programs. Section 96.26 states that, at the time of both application and selection, program participants shall reside in an area of substantial unemployment within the jurisdiction for which funds have been designated.

18. We recommend that the Secretary of Labor require Labor's regional offices to follow-up on the possible cases of political patronage and nepotism cited in this report.

Comment: Concur. Our regional offices will investigate the possible cases of political patronage and nepotism cited in this report and take appropriate action.

19. We recommend that the Secretary of Labor instruct regional offices to place more emphasis on monitoring the programs of prime sponsors through increased on-site visits and special reviews, as warranted.

Comment: Concur. The Department shares CAO's concern about the frequency of on-site monitoring and special reviews. Increased emphasis on such activities will be stressed during Fiscal Year 1977.

20. We recommend that the Secretary of Labor require prime sponsors to establish and implement procedures for effectively evaluating the performance of subgrantees under their jurisdiction.

Comment: Concur. Section 98.31 of the regulations sets forth prime sponsor responsibilities relative to monitoring and evaluating the effectiveness of subgrantees' performance. Additionally, section 98.6 requires that prime sponsors conduct, at least once every 2 years, an independent audit of each contractor or subgrantee providing activities and services amounting to \$100,000 or more during one grant year. Audits of those subgrantees or contractors providing activities and services under \$100,000 may be conducted on a sample basis.

21. We recommend that the Secretary of Labor monitor the procedures established by prime sponsors to assess the progress of the participants.

Comment: Concur. Increased monitoring activities by regional office staff during Fiscal Year 1977 will include the monitoring of prime sponsor's procedures for assessing the progress of CETA participants.

22. We recommend that the Secretary of Labor enforce existing procedures to insure that CETA participants are not concurrently collecting unemployment insurance and establish similar procedures to assure improper payments are not made to participants who might be receiving welfare payments.

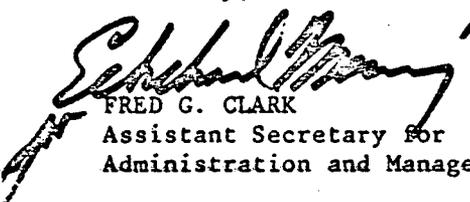
Comment: Concur. The Department agrees with GAO's concern in this matter. The regulations of December 10, 1976, relative to the verification eligibility information with the State Employment Security Agency (SESA) and welfare departments are an important measure in the Department's efforts to minimize this abuse.

23. We recommend that the Secretary of Labor require that prime sponsors include, in their administrative costs, the salaries of CETA participants associated with program administration and show a breakdown of administrative costs between regular costs and that of CETA participants.

Comment: Disagree. It is our belief that the inclusion of salaries paid to CETA participants associated with program administration in overall grant administrative costs would be counterproductive, duplicative, and serve no useful programmatic purpose.

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

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

January 24, 1977

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

Dear Mr. Ahart:

This is in further response to my letter of December 27, 1976, regarding the proposed GAO report, entitled, Public Service Employment--Considerations for More Effective Programs. Responses to two recommendations in the report were inadvertently omitted.

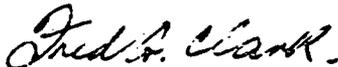
1. We recommend that the Secretary of Labor insure that the data on individual or family income are reported on a standardized basis in order for this data to be useful for eligibility and program evaluation purposes. Estimates of anticipated future earning should also be obtained from potential participants.

Comment: Concur. The reporting of income for prospective PSE participants is currently being done on a standardized basis. The determination of eligibility for PSE programs (economically disadvantaged and under-employed) must be based on family income. While Chapter VI of the revised Forms Preparation Handbook, dated September 1976, requests data on the sum of money received by the applicant or the family from all sources, it in no way obviates prime sponsor's responsibilities to obtain total family income in determining program eligibility. However, in an attempt to clarify basic data needs, the above-mentioned chapter will be revised to obtain only the sum of money received by the family. The Department sees no valid reason or need in obtaining data relevant to anticipated future earnings from potential participants.

2. We recommend that the Secretary of Labor insure that the program objectives of title II are attained by requiring prime sponsors to design and operate title II programs as employment and training manpower tools directed at the structurally unemployed, as opposed to counter-cyclical tools.

Comment: Concur. As noted in the report, it is our belief that the extended funding of title VI will enable the Department to work expeditiously toward the elimination of the counter-cyclical nature of title II, thereby returning it to its original objectives and enhancing services to the structurally unemployed.

Sincerely,



FRED G. CLARK  
Assistant Secretary for  
Administration and Management

PRINCIPAL DEPARTMENT OF LABOR OFFICIALS  
RESPONSIBLE FOR ADMINISTERING ACTIVITIES  
DISCUSSED IN THIS REPORT

	<u>Tenure of Office</u>	
	<u>From</u>	<u>To</u>
<b>SECRETARY:</b>		
Ray Marshall	Jan. 1977	Present
W. J. Usery, Jr.	Feb. 1976	Jan. 1977
John T. Dunlop	Mar. 1975	Jan. 1976
Peter J. Brennan	Feb. 1973	Mar. 1975
<b>ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING (note a):</b>		
William B. Hewitt (acting)	Feb. 1977	Present
William H. Kolberg	Apr. 1973	Jan. 1977

a/Before November 12, 1975, this title was Assistant Secretary for Manpower.

DIGEST

HRD-77-53

B-163922  
4777

MORE BENEFITS TO JOBLESS  
CAN BE ATTAINED/IN  
PUBLIC SERVICE EMPLOYMENT /  
DEPARTMENT OF LABOR

Report ~~to the Congress~~ pursuant to requests from three congressional committees and many members of Congress. We reviewed the effects of public service employment--authorized by titles II and VI of the Comprehensive Employment and Training Act--on unemployment, participants, and communities and took a close look at program administration.

*We reported that:*

*INDENT* 1. Public employment programs have increased job opportunities. These opportunities were diminished, however, when departments or agencies used CETA participants to fill vacant, temporary, part-time, or seasonal positions; rehired laid-off former employees using CETA funds; and used participants to provide services normally contacted out.

*INDENT* 2. Most participants hoped to find permanent employment, but relatively few found jobs not supported by Federal funds. Some persons have remained in federally subsidized public service employment since 1971 and 1972. Some participants were members of families with substantial incomes. Although the legislative objective of title II is to aid those who experience chronic difficulties in competing for jobs, sponsors generally operated their title II and VI programs with the same objective--to reduce unemployment.

*INDENT* 3 Local officials were pleased with the benefits provided under the programs. Existing government services were continued or augmented

and some new services were provided. However, some activities of questionable public benefit were funded.

*advent* Most prime sponsors did not regularly verify the eligibility of participants selected and ineligible people were hired at some locations. Labor monitoring was limited. State and local governments had not monitored subgrantees under their jurisdiction.

*128* Among the many recommendations, the Secretary of Labor needs to (1) require sponsors to justify all activities which relate to using public service employment funds to provide services previously funded by State or local resources; (2) urge prime sponsors to actively seek unsubsidized job opportunities for participants in the public and private sectors to facilitate the transition of more enrollees from CETA jobs to unsubsidized positions; (3) insure prime sponsors fund only those activities clearly providing public service benefits; (4) require prime sponsors to fulfill their responsibilities of making sure that participants meet CETA eligibility requirements; and (5) instruct regional offices to increase the monitoring of prime sponsors' programs through more onsite visits and require prime sponsors to establish and implement procedures for effectively evaluating the performance of subgrantees under their jurisdiction.

We recommended that the Congress (1) amend CETA to limit the time an enrollee can remain in the programs to encourage participants to seek other employment, and (2) extend the preferential treatment--

accorded, in part, by the 1976 title VI amendment to unemployed individuals who are not members of families with substantial incomes-- to all public service employment jobs.

~~MORE BENEFITS TO JOBLESS  
CAN BE ATTAINED IN  
PUBLIC SERVICE EMPLOYMENT~~

~~5-108922  
4-6-77~~

~~EMPLOYMENT AND TRAINING ADMINISTRATION~~

~~DEPARTMENT OF LABOR~~

ALL  
CAPS

→ Employment and Training Programs

Comprehensive Employment and Training Act

Impact on reducing unemployment has been limited

Difficulty of administering maintenance-of-effort provisions -- *using*  
Federal funds for jobs that should be financed with state or local funds  
Need to encourage positive terminations -- *moving participants into*  
*training or unsubsidized employment*  
Need to identify and serve significant population segments  
adequately

Need to distinguish between title II, and title VI programs  
*(public service employed) (emergency job program)*

**E**  
Need to explain and establish priorities for unmet public  
service needs

Need to improve selection procedures

Need to improve program administration

LEGISLATION SUGGESTED

Labor, Department of :  
Employment and Training Administration  
amend Comprehensive Employment and Training Act  
to limit the time as individuals can remain in the program