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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

MANPOWER AND WELFARE
DIVISION

JUL 25 1974

Mr. Fred G. Clark
Assistant Secretary for
Administration and Management
Department of Labor



Dear Mr. Clark:

Pursuant to a request of Senator George McGovern, we examined the financial activities relating to the cost-reimbursement contract awarded by the Department of Labor to the Jobs For Veterans, Inc., Arlington, Virginia. The contract was awarded to provide technical and administrative assistance to the Chairman of the National Committee, Jobs For Veterans, which had been established by the President to seek improved employment and training opportunities for former servicemen--particularly Vietnam-era veterans.

In general, Jobs For Veterans, Inc., undertook a large scale publicity campaign to encourage public officials and employers to assist veterans in obtaining priority in employment opportunities. It urged the formation of Job Fairs, Opportunity Days, Job Clinics, Job Information Marts and Veterans Assistance Days to provide the means for employers to meet personally with veterans. The contract was signed on February 2, 1971, and funded in the amount of over \$842,000 through its expiration date of March 31, 1974.

Our review was directed primarily to determining whether funds were expended in accordance with terms of the contract. We obtained a record of expenditures for the period February 2, 1971, through February 28, 1974, and tested selected accounts to determine their accuracy. Our work was performed at the Jobs for Veterans office in Arlington, Virginia and at the Manpower Administration in Washington, D.C.

We found (1) errors in accounting records and in monthly cost reports submitted to Labor, (2) reimbursement for travel expenses not in accordance with the contract, (3) questionable procurement practices by the contractor, (4) expenses for legal services rendered outside the contract period, (5) problems in the contractor's internal control, and (6) no onsite monitoring of the contractor's fiscal management by the Department of Labor. While many of the dollar amounts involved in these areas are small, we believe they indicate weaknesses in contract administration by the Department which should be corrected. Details of our findings are included in enclosures I and II.

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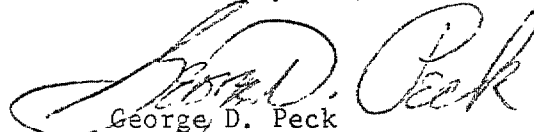
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We discussed the contents of this report with a Department of Labor official who concurred in the facts developed.

Copies of this report are being sent to Senator George McGovern and to the Senate Committee on Veteran Affairs.

We would appreciate your views on any action taken or contemplated as a result of this report. We wish to acknowledge the cooperation given to our representatives during this review.

Sincerely yours,



George D. Peck
Assistant Director

Enclosures

cc: Secretary of Labor
Assistant Secretary for Manpower
Mr. Muessig (OASA)

THE JOBS FOR VETERANS PROGRAM

In October 1970, the President established the National Committee, Jobs For Veterans, and assigned to it the goal of seeking improved employment and training opportunities for former servicemen--particularly Vietnam-era veterans. Mr. James F. Oates, Jr., former Chairman of the Board, Equitable Life Assurance Society of the United States, was appointed Chairman of the Committee. He was to be assisted by a National Advisory Committee composed of 112 leaders from government, business, labor and other organizations. The Departments of Labor, Defense, and Commerce and the Veterans Administration were to provide staffing and administrative support for the national effort.

The goals of the Committee were:

- To increase national awareness of the veteran as a job candidate by emphasizing the skills he brings to the civilian employment market.
- To improve utilization of existing programs that can link the veteran with job and training opportunities.
- To stimulate the formation of action groups at the State and local level to marshal available resources for assisting veterans.
- To encourage public and private employers to seek out and hire veterans.

The Committee began its program with a mailout campaign directed to Members of Congress, governors, mayors of major cities, city managers, and county executives. The campaign adopted the mail as a means of conveying the urgent "jobs for veterans" message. The mailout included suggestions for formation of Task Forces, and suggestions on what community groups, businessmen, local unions, churches, newspapers, TV and radio, and trade associations can do. Sample spot announcements and editorials were also included.

After the Committee had been operating for a short period of time the Chairman determined that additional technical and administrative assistance was needed. To accomplish this, the Department of Labor contracted on February 2, 1971, with a newly formed corporation, Jobs For Veterans, Inc., (JFV) to fund the additional costs in the amount of \$241,025 for a period of one year. The contract was subsequently amended 13 times increasing the total funding to \$842,029 and extending the expiration date to March 31, 1974. Facilities, supplies, and

services not provided for in the contract were to be supplied without cost by the Departments of Labor, Defense and Commerce and the Veterans Administration as well as other Federal agencies.

JFV agreed to:

- Encourage private and public employers, labor, and other organizations, as well as representatives of the Federal, State and local governments to participate in providing training programs and preferential employment opportunities to veterans.
- Engage in a nation-wide campaign to publicize the educational training and employment needs of veterans and to create the employability awareness of veterans and educate them with respect to their capabilities and problems.
- Assist disabled veterans to receive the highest possible hiring priority and the maximum feasible opportunity to participate in such program.

JFV urged the formation of Job Fairs, Opportunity Days, Job Clinics, Job Information Marts and Veterans Assistance Days to provide the means for employers to meet personally with veterans. In general, these efforts were to give the veteran improved opportunities (1) to seek out the employer for jobs and (2) to contact the Veterans Administration or the U.S. Employment Service for job opportunities and methods of job seeking, occupational counseling, training options, and veterans benefits available under GI and other Federal legislation. The Committee sponsored 126 Job Fairs throughout the United States in 1971; 238 in 1972; 148 in 1973; and 7 through March 31, 1974.

As the Jobs For Veterans program in the United States progressed it was decided to develop the concept of overseas job fairs in an effort to bring the latest available job market information to servicemen stationed abroad. These fairs sought to impress four points on those attending.

1. Training opportunities available in programs sponsored by various Federal agencies.
2. Reemployment rights, increased wages, and other benefits that have been added since the veteran terminated his former employment.
3. Services and benefits offered by local Employment Service or Civil Service offices.

4. Information available at the Veterans Administration on education, on-the-job training, business loans, and home-buying benefits.

JFV co-sponsored with the Department of Defense three overseas Job Information Fairs in 1972 which brought representatives from the private sector in contact with servicemen in Germany, Japan, Korea, Okinawa, the Philippines, England, and Italy; and three in 1973 for servicemen in England, Germany, Alaska, Korea, Okinawa, Hawaii, and Spain.

Although the contract between Labor and JFV was terminated March 31, 1974, the program will continue with its functions carried out by a JFV Interagency Advisory Committee--which included representatives of the various Federal agencies and the National Alliance of Businessmen. Labor will have the prime responsibility for the Committee and its Chairmanship.

The National Alliance of Businessmen will be responsible for conducting a publicity program to promote jobs for Vietnam-era veterans. The Alliance and Labor will sponsor Job Fairs throughout the United States. The Alliance will also join with the Department of Defense in co-sponsoring overseas Job Information Fairs. Defense will continue to fund the cost of overseas travel in connection with overseas Job Information Fairs; and will have the responsibility for conducting Job Fairs on military installations in the United States.

COSTS OF JFV PROGRAM

As shown in enclosure II, total estimated program cost through February 28, 1974, was \$1,371,051. Costs under the JFV contract through the same date totaled \$758,735. We selected for an in-depth financial examination the amounts expended in November and December 1973 and certain other selected expenditures, which totaled \$92,883.

A description of the major contract expenditures from inception through February 28, 1974, follows.

Salaries--\$255,836. These costs consisted of salaries and wages paid to JFV employees under the contract. A list of the positions and annual salaries authorized under the contract follows.

Special Assistant to the Chairman	\$36,000
Secretary-Treasurer	16,760
Director, Field Operations	15,715
Editor, JFV Report	14,665
Associate Director, Public Relations	13,620
Associate Editor, JFV Report	13,620

Secretary/Stenographer	9,950
Stenographer	9,950
Administrative Aide/Typist	9,430
Bookkeeper/Typist	9,430

Fringe Benefits--\$14,455. These costs consisted of the employer's share of social security taxes, unemployment compensation taxes, and employee group insurance.

Travel--\$99,996. These costs consisted of travel and per diem expenses incurred by program staff, program officials and industry volunteers in the performance of project related duties and functions. Our analysis of these expenses for 1973 is shown below.

<u>Reason for travel</u>	<u>Amount</u>
Job Fairs	\$26,144
Administrative meetings and fact gathering for monthly publication	9,917
Meetings with local communities or organizations, award presentations to State officials, and national conventions	9,181
Local taxi fares	<u>3,254</u>
Total	<u>\$48,496</u>

Miscellaneous Supplies--\$52,769. These costs were for postage and office supplies.

Advertising Council--\$136,945. These costs were for a subcontract with the Advertising Council, Inc., of New York for promotional campaigns.

Reproduction--\$177,815. These costs were for printing the JFV monthly and annual reports, certificates, bumper stickers, booklets, newsletters, reprinting of current material, and film. Our analysis of these expenses for 1973 is shown below.

<u>Expense category</u>	<u>Amount</u>
Radio and television tapes, film fees	\$20,701
Monthly JFV Report	20,306
Booklets, folders, pamphlets	15,784
Bumper stickers	12,207
Annual report	4,640
Lapel pins	3,095
Photos	2,337
Mailing services	1,838
Letters, news releases	1,518
Certificates, commendations, recognition cards	1,193
Envelopes	1,184
Signs	781
Hard hat decals	754
Office stationery	519
Scroll work	362
Advertisements	101
Total	<u>\$87,320</u>

Veterans Organizations--\$19,897. These costs were for subcontracts for promotional campaigns in veterans organizations' publications.

RESULTS OF GAO AUDIT

We found (1) errors in accounting records and monthly cost reports submitted to Labor, (2) reimbursements for travel expenses not in accordance with the contract, (3) questionable procurement practices by the contractor, (4) expenses for legal services rendered outside the contract period, (5) problems in the contractor's internal control, and (6) no onsite monitoring of the contractor's fiscal management by Labor.

Errors in accounting records and monthly cost reports

JFV's general ledger balances showing the total amounts of cost expenditures at the end of each month were often incorrect resulting in inaccurate monthly cost reports being submitted to Labor. These reports were used as the basis for determining the amount Labor advanced to the contractor for the next 60-day period under terms of the cost-reimbursement type contract.

JFV submitted a report to Labor each month listing all the cost expenditures for the month and the cumulative cost expenditures to date, by account classification. The amounts reported were based on general ledger accounts and adjustment worksheets developed from these accounts.

We compared the costs reported during the period February 1971 through February 1974 with the costs shown in the general ledger and found that 12 of the 37 reports submitted were in error. The dollar differences ranged from an overstatement of \$3,299 to an understatement of \$241.

These errors were primarily due to mistakes in maintaining the general ledger account balances. After we brought these errors to the attention of the Secretary-Treasurer a correct report of costs, as of February 28, 1974, was submitted to Labor.

We also found a few other minor accounting errors which were corrected after we brought them to the attention of the Secretary-Treasurer.

Reimbursement for travel expenses

The contract provided for reimbursement of local and out of state travel not to exceed standard government limitations. Standardized Government Travel Regulations provided for travel within the continental United States, at a per diem rate not to exceed \$25. The Regulations also prescribe varying maximum rates of per diem by country for travel in foreign areas. In addition, authorization or approval for reimbursement of actual subsistence expenses is required to be limited to specific travel assignments where, due to the unusual circumstances of the assignment, the maximum per diem allowance would be much less than the amount required to meet the necessary expenses of a traveler.

The Regulations further provide that persons who use commercial air carriers for transportation on official business should use less than first-class accommodations unless lower than first-class accommodations were not available or that use of superior accommodations were authorized or approved by the head of the agency concerned or his designee.

We found the following reimbursements for travel expenses which were not in accordance with the Regulations.

- JFV reimbursed its Chairman on the basis of actual subsistence expenses for travel within the continental United States. The actual subsistence reimbursed exceeded the \$25 per diem limitation by about \$900.
- JFV reimbursed members of the National Advisory Committee at a rate not to exceed \$40 per diem. The difference between the amount reimbursed and the amount authorized by the contract totaled about \$300.
- JFV reimbursed travelers for overseas travel at erroneous per diem rates obtained from the Department of Defense. In computing per diem rates for reimbursement of overseas travel JFV telephoned a travel office at the Pentagon and obtained the per diem rates for the country involved.

JFV did not verify these rates with the published Department of State Standardized Regulations which list the applicable per diem rates. We compared the per diem rates used by JFV with the Standardized Regulations and found JFV overpaid some travelers and underpaid others, resulting in a net overpayment of about \$600.

--JFV reimbursed its Chairman and certain employees, and members of the National Advisory Committee for travel at first-class instead of tourist-class air rates. The difference between the amounts reimbursed over the amount computed using the rate authorized by the contract amounted to about \$4,300.

We brought these matters to the attention of the Executive Director, JFV who stated that verbal approval had been given by Labor for the Chairman and members of the National Advisory Committee to be provided first-class travel accommodations and reimbursement for out-of-pocket expenses. The Executive Director furnished us a letter from the Director, Office of National Programs dated March 15, 1974, retroactively authorizing the reimbursement for first-class travel and out-of-pocket expenses for the Chairman and members of the National Advisory Committee. The letter stated that it was considered by Labor to have been the policy in effect throughout the life of the contract.

We believe that retroactive approval of expenses already incurred such as those for first-class travel and out-of-pocket expenses is not the best way to conduct the Government's business. Written approval of the contracting officer should be required before expenses are incurred.

Questionable procurement practices

According to Government Printing and Binding Regulations, printing services may not be obtained from private sources without being approved under requirements established by the Joint Committee on Printing. The regulations define printing as reproduction in excess of 5,000 copies of one page or 25,000 copies in the aggregate of multiple pages. This provision, however, was not included in the Labor contract with JFV.

The monthly JFV Report (over 25,000 pages in the aggregate) was printed by a private company at a total cost of \$57,298 through December 1973. The Secretary-Treasurer advised us that efforts were made to have Defense Printing Service and the Department of Labor Printing Office print the monthly JFV Report, but due to unworkable arrangements--lack of editorial control by JFV, printer's mistakes, and time delays--it was decided to use private sources.

For the printing of its 1974 report to the President (over 25,000 pages in the aggregate), JFV solicited bids from two private sources. The printing companies submitted estimates of \$4,710 and \$6,662 respectively, to perform the work. The printing was done by the higher bidder at a total cost of \$9,648, which included additional charges for overtime, composition, and additional requirements.

A JFV official stated that he had made efforts to contact both printers to discuss a final printing agreement, however, only the printer which had submitted the higher bid responded. The official also stated that the time element to publish the report was so urgent that it had to have the work done by the higher bidder.

On August 1, 1973, Labor issued procedures which required a clause to be included in all contracts which require printing and duplicating services. Under the clause contractors are required to obtain authorization for these services, in excess of quantities specified in the Government Printing and Binding Regulations. Apparently through an oversight this clause was not included in the four amendments to the JFV contract made after August 1, 1973.

Expenses for legal services provided outside contract period

On January 31, 1974, JFV was billed for legal services in the amount of \$2,000 covering the period January 1971 through January 1974. The bill showed that these services were for the filing of Articles of Incorporation of Jobs For Veterans, Inc.; preparation of corporate by-laws; conduct of an organizational meeting and preparation of minutes; review of contracts with Labor; review of various contract problems; obtaining a tax exemption ruling from the Internal Revenue Service; and reviewing steps necessary for dissolution of the corporation. No itemization was shown on the bill which could be related to the various legal services performed.

The general provisions in the contract prohibited costs that were incurred either before or after the contract period. Since the bill covered January 1971--the month before the contract was signed--payment for some of the legal services would require a specific contract amendment to cover this month.

JFV received a notice from Labor on March 13, 1974, which authorized it to expend no more than \$2,000 for legal services rendered. On March 27, 1974, Labor amended the contract, retroactively authorizing the expenditures for legal services. No change was made in the effective date of the contract.

Problems in internal control

The duties and responsibilities relative to the receipt of cash and check disbursement were not separated among employees to insure proper internal control. The Secretary-Treasurer received all monies for the corporation, deposited the funds, and supervised the recording of the financial transactions in the accounting records. He signed all checks without requiring a counter signature by another officer of the corporation. In his absence checks were signed by the Director of Field Operations.

JFV did not maintain records of non-expendable property on loan from the Department of Defense. The property involved such items as desks, chairs, typewriters, and an adding machine. A record of such property should have been made in order to establish appropriate internal control to safeguard the Government's property.

No onsite monitoring of contractor's fiscal management

During the approximately 3 years that the JFV contract was in effect, Labor had made no onsite monitoring visits to review the contractor's fiscal operations. We discussed this matter with the Labor official in charge of the national office responsible for administering the contract who said that monitoring should have been done but that his office did not have sufficient staff with the expertise to review fiscal matters.

The Government Authorized Representative for the JFV contract advised us that he had not made any onsite monitoring visits to JFV offices because he had confidence in the JFV Secretary-Treasurer's ability to manage the fiscal matters. He also stated that since Labor had assigned one of its employees to assist JFV, he believed it was not necessary for him to make personal visits.

TOTAL COSTS OF THE JOBS FOR VETERANS PROGRAM
FOR THE PERIOD
FEBRUARY 2, 1971, THROUGH FEBRUARY 28, 1974

<u>Account</u>	<u>JFV Contract Costs</u>				<u>Total Contract Costs</u>	<u>Estimated Administrative Support</u>	<u>Estimated Total Program Costs</u>
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>			
Salaries	\$44,767	\$74,638	\$111,630	\$24,801	\$255,836	\$494,512 ^{a/}	\$750,348
Fringe Benefits	2,159	3,680	7,544	1,072	14,455	-	14,455
Travel	17,498	25,990	48,496	8,012	99,996	52,109 ^{b/}	152,105
Project Facilities	-	-	-	-	-	65,695 ^{c/}	65,695
Miscellaneous							
Supplies	8,040	21,479	15,707	7,543	52,769	-	52,769
Advertising							
Council	44,238	81,106	10,896	705	136,945 ^{d/}	-	136,945
Insurance	113	205	72	32	422	-	422
Reproduction	18,277	54,985	87,320	17,236	177,818	-	177,818
Bonding	206	206	185	-	597	-	597
Veterans Organizations	-	14,731	4,686	480	19,897	-	19,897
Total	<u>\$135,298</u>	<u>\$277,020</u>	<u>\$236,536</u>	<u>\$59,881</u>	<u>\$758,735^{d/}</u>	<u>\$612,316</u>	<u>\$1,371,051</u>

^{a/} Represents salaries paid to personnel assigned from the Departments of Labor, Defense, and Commerce and Veterans Administration.

^{b/} Represents cost of overseas travel provided by the Department of Defense to representatives from JFV, the military and private industry to attend overseas Job Information Fairs.

^{c/} Represents space and telephone services provided by the Department of Defense.

^{d/} Includes \$5,000 contributed by the President's Committee on Employment of the Handicapped.