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**REPORT TO THE
SELECT SUBCOMMITTEE ON LABOR
COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES**

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**Technical Assistance Contracts
Awarded To
Project MAP, Incorporated**

B-163922

Department of Labor

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

AUG. 1, 1972

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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R Dear Mr. Chairman:

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In response to your request of November 16, 1971, we are reporting on the results of our review of the technical assistance contracts awarded to Project MAP, Incorporated, by the Department of Labor.

The Ford Foundation and Project MAP, Incorporated, have not been given an opportunity to examine and comment on the contents of this report. We did discuss the matters included in the report with Department of Labor officials, and we received their formal views in a letter from the Assistant Secretary for Manpower dated July 12, 1972. The Department's views have been incorporated in the report where appropriate.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

Comptroller General
of the United States

The Honorable Dominick V. Daniels
Chairman, Select Subcommittee on Labor
Committee on Education and Labor
House of Representatives

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ABBREVIATIONS

CEP Concentrated Employment Program

GAO General Accounting Office

MAP Project MAP, Incorporated (formerly Manpower Assistance Project, Incorporated)

NYC Neighborhood Youth Corps

RFP request for proposal

USTES U.S. Training and Employment Service

WIN Work Incentive program

D I G E S T

WHY THE REVIEW WAS MADE

The Subcommittee Chairman requested the General Accounting Office (GAO) to review technical assistance contracts awarded by the Department of Labor to Project MAP (manpower assistance project), Incorporated. GAO was specifically requested to review (1) the adequacy of Labor's actions in awarding, administering, and monitoring the contracts and (2) the scope and extent of the financial audit of MAP being carried out by Labor auditors.

Background

MAP was established as a nonprofit corporation. Its purpose was to alleviate the scarcity of proficient personnel in the manpower field, particularly at the local level. Labor awarded to MAP five contracts for \$2.2 million. The Ford Foundation granted MAP \$811,000 in connection with three contracts. (See p. 5.)

The first and third contracts provided for combining technical assistance with a program to recruit, select, and train interns for leadership positions. The second and fourth were for MAP to provide technical assistance to various manpower program sponsors. The fifth provided for MAP to recruit and train minority individuals for operating roles in manpower programs. (See p. 7.)

FINDINGS AND CONCLUSIONS

Contract award and administration

Weaknesses were noted in the procedures and practices followed by the Labor Manpower Administration in awarding and administering the MAP contracts. Some of the weaknesses involved deviations from the Federal Procurement Regulations and Labor's procurement policies and instructions.

Prior to award of the first three contracts, the Administration did not adequately evaluate and determine whether MAP possessed enough technical and financial capacity to effectively perform the work. The Administration's basis for determining MAP's responsiveness on the last two contracts improved as it gained additional experience with MAP. (See p. 9.)

The Administration had no system for adequately determining the technical assistance needs of prospective recipients and no guidelines for use in

AUG. 1, 1972

designing the scope of work, performance standards, and services to be procured through technical assistance contracts. As a result the work to be done by MAP was not adequately identified prior to awarding the first three MAP contracts. (See p. 13.)

Justification for use of the negotiated sole-source method of procurement (for four of the five contracts) was not adequately documented, as required by the Federal Procurement Regulations. (See p. 17.)

The Administration's headquarters office did not adequately monitor the first three MAP contracts; however, monitoring improved on the last two contracts. (See p. 20.)

Operation of technical assistance and
intern training program by MAP

The MAP performance under the first two contracts appeared to have been less than satisfactory. Performance appeared to improve in the later contracts as MAP gained experience. (See p. 35.)

MAP trained 105 interns for management and leadership positions in manpower, and 104 completed the training. A MAP followup made in January 1972 indicated that 94 had success in securing employment and in improving their income.

Of the 94, 81 were employed in the manpower field after training. The remaining 13 interns obtained jobs outside the manpower area.

Many of the interns were employed as, or became, private manpower consultants--including 12 who were employed by MAP itself. MAP's inability to place more interns under the first and third contracts in local, State, or Federal manpower agencies, as had been intended, was criticized by Labor. However, under the fifth contract MAP's placement record improved. (See p. 38.)

Evaluation of MAP by Department

The Administration conducted its own evaluation of the technical assistance program, including the MAP contracts. It found

- no rational system for determining the needs for technical assistance,
- no effective system for controlling selection of technical assistance contractors and for evaluating contractor performance,
- technical assistance project officers had been provided no guidelines as to how to manage contracts,
- MAP's performance under the first contract was not completely satisfactory. (See pp. 23 to 25.)

At the Administration's request limited financial audit work was done by Labor's Division of Contract and Grant Audit. This principally disclosed improper cost allocations by MAP and weaknesses in controls over travel and equipment.

A comprehensive audit of MAP contracts was not started until November 1971 and was not completed as of May 23, 1972. The Division of Contract and Grant Audit completed work on three of the five contracts and disclosed significant weaknesses in financial management controls, practices, and procedures. The auditors have also questioned about \$87,000 in costs. (See p. 28.)

Conclusions

MAP's performance on some contracts was not wholly satisfactory under the technical assistance program and was less than satisfactory in its placement of interns in the manpower field at the Federal, State, or local levels.

In view of MAP's unique and innovative program and the problems and difficulties which could be anticipated, Labor should have provided more extensive assistance and closer supervision.

The weaknesses and problems in MAP contracts could have been minimized if this had been done. (See p. 41.)

AGENCY ACTIONS

In February 1970 the Manpower Administration established a new Office of Technical Assistance and Training which is responsible for

- planning, organizing, and conducting all technical assistance activities,
- insuring that contracts are awarded in accordance with the Federal Procurement Regulations and the Department's regulations, and
- monitoring performance by the contractors. (See p. 25.)

The Administration has also issued new guidelines and standards reemphasizing the need for increased competition in awarding technical assistance contracts and for closer and more frequent supervision of contractor performance. (See p. 26.) The Division of Contract and Grant Audit has been requested to make a financial audit of all five contracts. (See p. 29.)

Administration actions indicate an awareness of the problems and a desire to see that the interests of the Government are protected.

CHAPTER 1

INTRODUCTION

Project MAP (manpower assistance project), Incorporated, is a private, nonprofit corporation, which was awarded a number of contracts by the Department of Labor to provide technical assistance and training to Federal, State, and local organizations operating various manpower training programs.

Pursuant to a request from the Chairman, Select Subcommittee on Labor, House Committee on Education and Labor, dated November 16, 1971, and a subsequent meeting with the Subcommittee's staff on December 1, 1971, we reviewed Labor actions in (1) awarding the contracts to MAP, including the adequacy of the preaward surveys, evaluation of the contractor's financial and management capabilities, and adherence to prescribed contracting procedures, and (2) administering the contracts, including the adequacy of Labor's monitoring of the contractor's performance and adherence to the contract terms and conditions. We also reviewed the scope and extent of the audit of the MAP financial transactions and records being carried out by the Labor Division of Contract and Grant Audit.

Our review included an examination of pertinent documents, records, and reports in the official contract and other administrative files. We compared DOL actions in awarding and administering the contracts against applicable Federal Procurement Regulations and Labor procurement and administrative policies, regulations, and procedures. We also held discussions with Labor and MAP officials responsible for awarding, administering, monitoring, and auditing the contracts. Our review was made at the Labor headquarters office in Washington, D.C.

ESTABLISHMENT OF MAP

MAP was established on June 5, 1968, in Washington, D.C., as a nonprofit corporation. Its stated purpose was to alleviate the problems caused by the scarcity of proficient personnel in the manpower field, particularly at the local

level. The scarcity was in a large part caused by the broadening opportunities created by the increase in manpower programs that had grown out of the enactment of the Manpower Development and Training Act of 1962 and subsequent legislation, such as the Economic Opportunity Act of 1964. Federal expenditures for manpower programs increased from about \$70 million in fiscal year 1963 to about \$2.1 billion in fiscal year 1968.

According to Labor and Ford Foundation reports, in the early years, technical assistance was provided by Labor. As the number and complexity of programs increased, Labor became less and less able to provide the required technical assistance in either the quantity or types needed. With limited in-house resources because of budgetary and employment ceiling limitations, Labor turned to outside contractors to meet training and technical assistance needs. MAP was created as one of the sources for such assistance.

To accomplish the objective of developing manpower talent and personnel, MAP came up with a new approach of combining the delivery of technical assistance with an intern training program. The two elements were intended to reinforce each other; the delivery of technical assistance was to provide the training ground for the intern program; and reciprocally, interns would provide technical assistance while serving their apprenticeships.

FUNDING OF MAP

During the period July 1968 to January 1972, MAP, under five cost-reimbursable-type contracts awarded by Labor, provided technical assistance and training to Federal, State, and local organizations operating various manpower programs. The first contract was awarded under title I-B of the Economic Opportunity Act; the second under title IV, part C, section 432(c) of the Social Security Act; and the remaining three contracts under section 309 of the Manpower Development and Training Act of 1962.

The Ford Foundation granted additional funds to MAP in connection with three contracts to support a manpower internship program designed to train individuals in the design and operation of comprehensive manpower systems. For two of

the contracts, the Foundation's funds were used primarily to pay the salaries and travel costs of the interns participating in the programs. The Ford Foundation's funds were used primarily to pay MAP's staff for the other contract.

The following schedule shows the amounts to be provided under MAP's five contracts with Labor and the extent of participation by the Ford Foundation.

<u>Contract number</u>	<u>Contract period</u>		<u>Amount to be provided by</u>		
	<u>From</u>	<u>To</u>	<u>Labor</u>	<u>Ford Foundation</u>	<u>Total</u>
1. G9-99001-99	7-15-68	10-15-69	\$ 688,465	\$267,066	\$ 955,531
2. G9-9017-99	1-15-69	9-14-69	67,400	-	67,400
3. 09-0-0401-000	10-16-69	1-31-71	1,057,988	393,962	1,451,950
4. 11-1-0430-000	5-28-71	10-15-71	74,217	-	74,217
5. 11-1-0424-000	5-28-71	1-14-72	<u>299,995</u>	<u>150,067</u>	<u>450,062</u>
Total			<u>\$2,188,065</u>	<u>\$811,095</u>	<u>\$2,999,160</u>

Contracts 1 and 3 provided for a combined program of technical assistance to Federal, State, and local agencies and an intern training program. Contract 2 called for MAP to provide technical assistance to program personnel carrying out the Work Incentive (WIN) program, and contract 4 provided for MAP to provide training and technical assistance to sponsors of the Neighborhood Youth Corps (NYC) out-of-school component. Contract 5 called for an intern training program for minority groups.

In addition to the above contracts, in June 1970, the Office of Economic Opportunity awarded MAP a contract for about \$508,000 to provide technical assistance to community action agencies. Subsequent modifications to the contract increased the cost to about \$1.7 million.

DEPARTMENT ORGANIZATIONS RESPONSIBLE
FOR ADMINISTERING AND REVIEWING CONTRACTS

The Manpower Administration, under the direction of the Assistant Secretary for Manpower, has responsibility for administering the training and technical assistance activities, including the technical assistance contracts with MAP. The Bureau of Work-Training Programs' Washington, D.C., office

was responsible for awarding and administering the first two contracts to MAP. In March 1969, the Bureau was discontinued and a new entity within the Department, the U.S. Training and Employment Service (USTES) assumed the Bureau's functions, including responsibility for awarding and administering MAP's contracts.

In February 1970 an Office of Technical Assistance and Training was established in USTES and assumed responsibility for the MAP contracts and other technical assistance activities. In December 1971, USTES was discontinued and the Office of Technical Assistance and Training was placed in the Manpower Administrator's office.

The Assistant Secretary for Manpower has a Special Review Staff which is responsible for making (1) investigations into alleged fraud, criminal malfeasance, and gross mismanagement in operating manpower programs and (2) reviews of identified Manpower Administration problems in financial accountability and program administration. On the basis of its reviews and investigations, the staff prepares reports to the Assistant Secretary recommending needed improvements in policies, standards, and procedures for manpower programs and on actions needed in cases of alleged fraud, malfeasance, and mismanagement.

The Division of Contract and Grant Audit in the Office of the Assistant Secretary for Administration and Management is responsible for making financial audits of contractor and grantee operations and for preparing reports to top Labor management on the results of the reviews.

CHAPTER 2

CONTRACT AWARD AND ADMINISTRATION

Our review revealed weaknesses in the contracting procedures and practices followed by the Manpower Administration in awarding and administering MAP contracts for technical assistance and intern training. Some weaknesses involved deviations from the Federal Procurement Regulations and from Labor procurement policies and instructions. Specifically the weaknesses related to

- inadequate preaward evaluations and determinations of MAP's responsibility,
- inadequate identification of specific needs for technical assistance services prior to awarding contracts,
- inadequate documentation of the justification for awarding sole-source contracts, and
- inadequate monitoring of some contracts.

INADEQUATE PREAWARD EVALUATIONS AND DETERMINATIONS OF MAP RESPONSIBILITY

Before the first three contracts were awarded, Labor did not adequately evaluate and determine whether MAP possessed the technical and financial capacity to effectively perform the work contemplated by the contracts. Labor's basis for determining MAP's responsibility on the last two contracts improved as it gained additional experience with, and knowledge about, MAP.

The Government's policy is that contracts shall be awarded only to responsible prospective contractors. The Federal Procurement Regulations describe a responsible contractor as one which has adequate financial resources for performance; the necessary experience, organization, technical qualifications, skills, and facilities; the ability to comply with the proposed or required time of delivery or performance schedule; a satisfactory record of integrity,

judgment, and performance; and the qualifications and eligibility to receive an award under applicable laws and regulations.

The Regulations state that no contract shall be awarded to any person or firm unless the contracting officer first has determined that the person or firm is a responsible prospective contractor. It is necessary, therefore, that a contracting officer obtain up-to-date information on a prospective contractor's organizational, financial, and technical qualifications and on the adequacy of its accounting system and internal controls. The last two items are especially important when a cost-reimbursement contract is to be awarded--such as those awarded to MAP--to insure that the prospective contractor has the ability to accurately identify and control contract costs that will be borne by the Government.

First contract

Labor's preaward evaluation of MAP prior to awarding the first contract was limited to an evaluation of the caliber of the prospective staff. Other than biographical sketches on nine prospective staff members submitted by MAP, Labor records did not indicate how Labor had determined that the proposed staff was technically competent to provide various kinds of technical assistance to widely varying programs.

Because MAP was formed only 1-1/2 months before the contract started, an evaluation of its past experience and a survey of the adequacy of its accounting system and internal controls were not performed. However, the contract did contain a special provision on fiscal responsibility and accounting that required MAP to submit a statement from an independent accountant on the adequacy of the accounting system and internal controls. The required statement was not submitted.

However, the project officer informed us that he was satisfied with the financial statements and reports submitted by MAP.

Second contract

MAP's second contract, which ran concurrently with the latter portion of the first contract, was originally intended to be a modification to the first contract. However, because of administrative problems related to funding, a separate contract was negotiated.

Because the services to be provided were similar to those provided under the first contract and because Labor was apparently satisfied with MAP's performance, it did not make a formal preaward evaluation for the second contract. This contract also contained a special provision on fiscal responsibility and accounting similar to that included in the first contract. Labor again failed to enforce this provision.

Third contract

In its preaward evaluation for MAP's third contract, Labor relied heavily on an assessment by Labor's project officer of the MAP performance under its first contract. The project officer's report stated that his evaluation was based primarily on monitoring the MAP performance; conversations with national, regional, and local project staffs; and on replies from various Manpower Administration national and regional officers, and local project officials, on their evaluations of the MAP performance. The project officer concluded, in general, that (1) the MAP performance was excellent, (2) MAP had brought about significant improvements in a number of local manpower programs, and (3) a majority of the national, regional, and local officials were favorably disposed toward the contractor. The project officer recommended in August 1969 that the contract be extended for another year.

We noted various criticisms of the project officer's evaluation of MAP. For example, the Chief of the Office of Evaluation and Reports in the Manpower Administration commented in a memorandum dated September 9, 1969, that the overall performance of MAP (not necessarily on specific projects) had been rather mixed and that the project officer's report largely reflected performance on specific projects rather than an overall performance. He had talked,

he said, with those whose reactions had been listed as favorable in the project officer's report and got a different picture of MAP's overall performance. Despite the criticisms concerning the project officer's evaluation, the third contract was awarded to MAP in October 1969.

Although Labor had never received the accounting system certification required under the first two contracts, Labor, in its preaward evaluation for the third contract, concluded that MAP's accounting system was adequate. Labor records did not show the basis for this conclusion or indicate that Labor had reviewed the accounting system. Furthermore, Labor audit work in late 1970 and early 1971 on the third contract disclosed accounting system inadequacies, which resulted in the improper allocation of costs among MAP's three sponsors--Labor, Ford Foundation, and the Office of Economic Opportunity--and other weaknesses. (See pp. 28 and 29.)

Fourth and fifth contracts

Before the fourth and fifth contracts were awarded, Labor had gained additional experience with, and knowledge about, MAP and was in a better position to evaluate MAP's capabilities for carrying out further contracts. A Special Review Staff evaluation and limited audit work (see ch. 3) materially contributed to Labor's knowledge about MAP. As a result of the audit work, corrective action was promised by MAP in the accounting area and the Assistant Secretary for Manpower insisted that the cost allocations be corrected before MAP would be considered for another contract.

Unlike the other contracts which were awarded on a sole-source basis (see p.17), the fourth contract was awarded on the basis of a competitive proposal submitted by MAP under a request for proposal (RFP). The MAP proposal was evaluated against proposals from several other firms and was judged best.

INADEQUATE IDENTIFICATION OF
SPECIFIC NEEDS FOR TECHNICAL ASSISTANCE
SERVICES BEFORE AWARDS

We found that the Manpower Administration had no system for determining the technical assistance needs of the prospective recipients of these services and no guidelines for use in designing the scope of work, performance standards, and services to be procured through technical assistance contracts. As a result specific technical assistance needs and the work to be done by MAP were not adequately identified before awarding the first three MAP contracts.

The Federal Procurement Regulations state, in general, that the technical requirements or desired performance characteristics of the supplies or services needed and to be procured should be clearly and accurately described. The determination of needs or requirements is probably the most important process because everything that comes after will be predicated upon it.

First contract

Our review revealed that the statement of work in the first MAP contract was a general statement which asked MAP to (1) provide technical assistance to federally funded manpower programs for the disadvantaged and to the agencies which conduct them, (2) design and conduct such training activities for personnel engaged in manpower programs for the disadvantaged as the Manpower Administrator directed, and (3) identify and train a limited number of manpower interns for leadership roles in manpower and related areas. The contract did not specify the type or scope of technical assistance to be given, the programs to be covered, or the locations where the assistance was to be given.

The Labor project officer for the contract advised that a search for specific projects needing technical assistance was not made until after the contract was awarded to MAP. He stated that specific technical assistance assignments were given to MAP weekly for the duration of the contract.

Second contract

MAP's second contract was basically an expansion of the first contract and provided for technical assistance services in the Work Incentive (WIN) program area. During contract negotiations MAP and the Manpower Administration agreed to a memorandum of understanding which purported to outline the services MAP was to provide. With some modification this memorandum became the basis for the contract statement of work.

According to the work statement, in general terms MAP would develop training and recruiting materials, would provide training and staff assistance for WIN teams in 200 projects, would develop a plan to use WIN clients in the program, and would continue to assist and consult in training personnel on WIN projects. Neither the contract nor the memorandum specified the type, scope, quantity, or location of technical assistance or training to be provided. We found that, for the most part, the specific work to be accomplished had been determined during the term of the contract.

The vagueness and lack of specifics in the contract led to a misunderstanding and disagreement between MAP and the project officer during the course of the contract. The project officer's interpretation of the contract terms was that MAP was to use its manpower specialists, rather than its interns, in providing technical assistance on the WIN program. The project officer also believed that MAP personnel were not productive on most assignments and were not available a considerable part of the time and that several writing assignments were requested from MAP which were not submitted.

The project officer refused to authorize payment on the second voucher submitted by MAP, totaling about \$17,000, because he believed that MAP's performance was not in compliance with contract terms.

The Executive Director, MAP, disagreed with the project officer and stated that what Labor and MAP originally intended to have was a flexible working relationship to insure WIN of contracted MAP services whenever needed and that

the amount of money contracted in no way could be construed to have provided for a specific number of full-time MAP personnel to service WIN.

Meetings between MAP and Labor failed to solve the disagreement. The Solicitor's office at Labor finally issued an informal opinion on the matter during December 1969 and the project officer authorized final payment of \$67,400 to MAP on the basis that:

1. Apparently both parties had misinterpreted the express language of the contract. Each proceeded on the basis of what might have been originally intended and discussed informally before the execution of the contract.
2. MAP's rebuttal was just as strong as the arguments made by the project officer.
3. There was no evidence of misrepresentation by MAP insofar as services performed or costs invoiced.

Third contract

Despite the problems that occurred during the second contract, the third contract also did not contain detailed work statements. The contract contained rather vague and general work statements such as:

1. Technical assistance to Cooperative Area Manpower Planning System.
2. Work in planning area on a number of areas for Comprehensive Work Training Program.
3. Participation in the final preparation of a manpower support package to train Concentrated Employment Program (CEP) management.
4. Other related assistance and onsite technical assistance.
5. In the NYC area, train staff and implement the redesign of the out-of-school program.

6. Technical assistance to Operation Mainstream and Senior Citizen projects.

We noted that, although planning for use of MAP's services had begun several months before the third contract was awarded, the plans for a substantial majority of the work were not finalized until the contract had started. For example, on October 16, 1969, the same day the contract started, the Chief, Division of Work-Experience Programs, submitted the first draft of the plans for 25 man-years of MAP service in the NYC program.

Fourth and fifth contracts

We found that more specific and definite work statements and performance standards were developed and included in the fourth and fifth contracts awarded to MAP. The fourth contract--which was competitively awarded to MAP on the basis of its response to a RFP--provided for certain specific types of technical assistance to specified NYC projects.

MAP's fifth contract was for training 34 interns, mostly minority-group persons, for operating roles in the manpower field and for developing manuals and other materials for use by Labor in hiring and training minority-group persons. The contract provided for a Labor working committee, for MAP personnel to recruit and select the interns to be trained, and for training material to be developed under close supervision by Labor.

INADEQUATE DOCUMENTATION OF
JUSTIFICATION FOR AWARDING
SOLE-SOURCE CONTRACTS

We found that the justifications for use of the negotiated sole-source method of procurement for four of the five contracts awarded to MAP were not adequately documented as required by the Federal Procurement Regulations.

The Federal Procurement Regulations (41 CFR 1.3.1) require that purchases of more than \$2,500 be made by formal advertising to the maximum extent feasible. The regulations allow sole-source procurements; however, such negotiated procurements must be fully justified by a determination and findings statement documenting the facts and circumstances to clearly and convincingly establish that the use of formal advertising would not have been feasible or practicable.

Labor procurement regulations state that the Labor basic policy is that selection of contractors shall be based on competition between responsible suppliers and that negotiated procurements must be competitive to the fullest extent practical. Labor regulations state also that, to insure that Labor conforms fully with the basic policy prescribing competitive procurement, any proposed sole-source procurement must be fully justified and approved in accordance with the Federal Procurement Regulations mentioned above.

MAP's first contract (awarded in July 1968), its second contract (awarded in January 1969), and its third contract (awarded in October 1969) were all awarded on a sole-source basis.

The findings and determination statement justifying the first contract merely stated that:

"the contemplated contract is for developmental work and calls for the practical application of investigative findings and theories of a technical nature."

The justification statements for the second and third contracts generally stated that the exact nature, scope, extent, and cost of the work to be performed under the proposed contract could not be established in advance or that the specific nature of services to be provided could not be adequately specified or detailed to secure other bids or allow advertised procurement. We found no other reasons, statements, or information in the official control files that detailed why sole-source procurement was justified.

In April 1970 the Associate Manpower Administrator for USTES, Manpower Administration, wrote to MAP advising it that Labor's policy would be to provide for open, competitive bidding on its future technical assistance needs through RFPs which would be developed and advertised to obtain proposals from potential contractors. This policy was reaffirmed by the Assistant Secretary for Manpower in a letter to MAP dated October 23, 1970, in which he stated that, to serve the best interests of the Manpower Administration, the RFP approach would be used for future technical assistance contracts. In line with this policy, MAP's fourth contract, totaling \$74,000 for technical assistance in the NYC program area, was awarded in May 1971 on the basis of competitive proposals.

Despite its announced policy to use the competitive procurement approach on future technical assistance contracts, Labor in May 1971 awarded its fifth contract to MAP on a sole-source basis. The findings and determination statements stated that a sole-source basis was used because the specific nature and extent of services to be provided could not be accurately defined and because the unusual urgency was the compelling factor for not securing competitive proposals. The contract files cited no other reasons why the RFP procurement method was not used instead of the sole-source method.

However, in reviewing the contract files for the fifth contract, we noted that, in a memorandum dated May 21, 1971, to the Deputy Assistant Secretary of Manpower, the Assistant Secretary for Manpower, stated that:

"I have been advised that the Ford Foundation has granted \$150,000 to MAP to continue the

intern program, and that Ford's participation in this program was predicated on the fact that our letters of May 3 and March 23 indicated that we intend to enter into a contract with MAP. Hence all in all, I think we have little choice but to proceed with such a contract on a sole source basis."

INADEQUATE MONITORING OF SOME MAP CONTRACTS

The Manpower Administration's Washington, D.C., headquarters office was responsible for monitoring Labor contracts with MAP. This responsibility, in our opinion, was not adequately carried out on MAP's first three contracts. The monitoring did appear to improve on the last two contracts.

Monitoring responsibilities generally involve maintaining contact with the contractors through onsite inspections or visits, reviews of periodic reports submitted by the contractors, and evaluations of contractor performance. The objective of such monitoring is to insure compliance with the terms and conditions of the contracts and with Labor instructions, procedures, and policies and to recommend program and administrative improvements, where necessary.

A project officer in the Bureau of Work-Training Programs was assigned responsibility for monitoring MAP's first contract. He also functioned as the liaison between Labor and MAP and was responsible for total administration and supervision of the contract.

Our review revealed that monitoring was not performed adequately on the first contract and that it was performed mostly on an informal basis. We found very little information in the contract files concerning the extent of the monitoring, how the monitoring was performed, and how the project officer determined that MAP was performing satisfactorily under the contract.

The project officer stated that he held weekly meetings with the MAP staff to review progress under the contract, to issue new assignments, and to receive weekly written reports. However, our review showed that the reports consisted of short descriptions of the progress of technical assistance at each location MAP was servicing and contained little information which would enable the project officer to evaluate the adequacy of the MAP performance.

For example, a MAP status report for the week ended March 29, 1969, included the following comment on the Cleveland CEP:

"MAP staff worked during the week on the assignments given by the MAR (Manpower Authorized Representative) and BWTP (Bureau of Work Training Programs) representative. Training sessions will take place during the week of April 7 and MAP will conduct the sessions. With the exception of the storage retrieval system for the Job Council, MAP figures the balance of this assignment will be completed in three to four weeks."

The second contract was monitored by two different project officers from USTES. As in the first contract, we were unable to determine the extent of the monitoring from our review of the contract files. We found no evidence indicating how and when the monitoring was performed or whether onsite visits to MAP or its jobsites were made.

From our discussions with the two USTES project officers--the individual initially assigned to monitor the contract and his replacement--and from a review of the contract file, we found that monitoring had been done mostly on an informal basis. Both project officers were not satisfied with MAP's performance on some phases of the contract, they said.

In the third contract, among other things, MAP would provide technical assistance in the NYC and Prison Inmate Program areas, would develop and operate a conference for Manpower Development and Training Act national contractors, and would conduct an intern training program. A different project officer in USTES was assigned responsibility for overall administration and monitoring of this contract.

In our review of the contract files, we found little information indicating the extent of the project officer's monitoring of the contract or how he had determined whether MAP's performance of the contract was satisfactory. The files contained only progress reports on MAP services to NYC projects and other information on the MAP involvement in the Prison Inmate Program and national contractors conference. We found very little information about the MAP performance in CEP, the Cooperative Area Manpower Planning System, and Operation Mainstream program areas.

The project officer was on an overseas assignment and was unavailable for discussion at the time we completed our review. Other USTES officials who worked with MAP told us and indicated in various documents that they were generally satisfied with the MAP performance on the NYC and prison inmate phases of the contract. We found indications, however, that the MAP service in support of the national contractors conference was less than satisfactory.

The monitoring of the last two MAP contracts appeared to be improved. The USTES project officer assigned to monitor the fourth contract visited MAP frequently, prepared reports on his visits, and evaluated MAP's progress and compliance with the terms of the contract.

For the fifth MAP contract, Labor established a working committee consisting of a representative from each of the six Labor offices involved in the program to oversee the MAP performance under the contract. The working committee participated, in a supervisory and an advisory role, with the MAP staff in (1) recruiting and selecting the interns to be trained, (2) reviewing the training plans and intern progress, (3) determining intern assignments, (4) reviewing periodic reports and participating in weekly review sessions, and (5) developing permanent job slots for interns. The interns were assigned to train with various Labor national and regional offices and therefore were under their constant supervision and evaluation. The project officer responsible for overall administration of this contract stated that she was generally satisfied with MAP services rendered under the contract.

CHAPTER 3

LABOR REVIEWS OF MAP

AND ACTIONS ON FINDINGS

In addition to our review of MAP, the Labor Special Review Staff reviewed the MAP performance under its contracts, and the Labor Division of Contract and Grant Audit made financial reviews of MAP contracts. These organizations noted weaknesses in the MAP performance in both the programmatic and financial management area.

The significant findings of their reviews are summarized below, together with Labor actions on its findings and on those noted in our review.

REVIEWS BY SPECIAL REVIEW STAFF

Review of technical assistance program

In early calendar year 1970, the Special Review Staff made a review of various technical assistance contracts, including those awarded to MAP, to identify any major weaknesses in the Manpower Administration's then-current procedures and practices for identifying needs and providing for technical assistance services. The staff issued a report dated April 17, 1970, and cited the major weaknesses in the technical assistance program as follows:

1. There was a lack of a rational system for determining the needs for technical assistance and for assessing in-house capability to perform such services.
2. There was rarely a common understanding among the headquarters office, the regional office, the contractor, or the sponsors who carry out manpower programs, on the proper role of a given technical assistance contractor.
3. There were no uniformly applied standards in the design of technical assistance contracts regarding cost factors, scope of work, and performance standards.

4. There was no effective system for controlling selection of technical assistance contractors and for evaluating contractor performance.

"For example, considering the magnitude of criticisms heard about MAP, it seems unlikely that a documented record of previous performance would have supported the recent letting of [the third contract] to that firm." (Underscoring supplied.)

5. Technical assistance project officers were provided no guidelines on management of contracts.
6. There were no formally promulgated or commonly understood guidelines for monitoring a technical assistance contract.

The Special Review Staff in its report made a series of recommendations to correct the above problems. The staff also recommended that an Office of Technical Assistance be established which would be responsible for conducting all technical assistance activities in the Manpower Administration. (See p. 25)

Review of MAP contracts

In August 1970 the Special Review Staff, after receiving two highly critical complaint letters (one from an ex-employee of MAP and one from a contractor for whom MAP performed technical assistance), undertook a review of the Manpower Administration's preaward evaluation process in awarding MAP the third contract. A report to the Assistant Secretary for Manpower stated, in part, that:

1. The manner in which MAP's performance on its first contract was judged was questionable because:
 - a. The regional comments made on MAP's performance were mostly negative but the project officer concluded that the majority of the regions were favorably disposed toward MAP.

- b. The project officer secured a small sample of local project responses on MAP--only nine local project responses of more than 29 involved--but he made a general statement that all local projects responding were strongly favorable to MAP.
2. The Labor office responsible for administering the contracts disregarded the suggestion of the Assistant Secretary of Manpower that Labor use competitive RFP procedures for future technical assistance contracts, including MAP contracts.
3. The same office appeared to be violating the Federal Procurement Regulations by awarding personal-service-type contracts to MAP on a sole-source basis.
4. The MAP contract performance should be subject to a Labor audit, and the scope of work should include the first and third contracts.

The report recommended that (1) future MAP evaluations be performed outside the Labor offices connected with this project, (2) a Labor audit be made of MAP contracts, (3) a determination be made of how well MAP performed in the problem areas of coordination with the regional offices, the MAP intern program, and submission of up-to-date reports by MAP, and (4) formal procedures be developed for the evaluation of technical assistance contractor performance.

The report recommended also that the Assistant Secretary for Manpower require a strong justification if the fourth contract remains a sole-source procurement, otherwise it should be let under a RFP.

Corrective action taken by
Manpower Administration

Primarily as a result of the Special Review Staff's review of its technical assistance activities, the Manpower Administration in February 1970 established a new Office of Technical Assistance and Training which is responsible for planning, organizing, and administering all of its technical assistance activities. The new Office developed a handbook which is to be issued shortly and which will include procedures and guidelines for

- determining the Manpower Administration's technical assistance needs;
- establishing standards for contracts;
- reviewing and evaluating the responsibility of prospective contractors in terms of their technical, financial, and organizational capacities to perform proposed technical assistance contracts;
- aiding the national and regional offices involved to award contracts on a more competitive basis; and
- monitoring technical assistance contracts, such as those made to MAP.

In June 1971 the Associate Manpower Administrator for USTES issued a memorandum to project officers emphasizing their roles and responsibilities in monitoring USTES contracts to insure that the contractors satisfactorily performed the contracts. In addition, in July 1971, Labor issued a Comprehensive Regional Monitoring Handbook, which provides system and program guides for periodic review of manpower programs and contracts and includes a minimum frequency schedule for onsite visits to contractors.

On February 28, 1972, the Assistant Secretary for Manpower issued a memorandum to the Manpower Administration staff reiterating his intent that the Manpower Administration would contract on a competitive basis for technical assistance, that sole-source contracts would be used for emergencies only, and that when sole-source contracts were used, the Manpower Administrator must be notified and must approve the contract before any commitment for noncompetitive contracting could be made. The memorandum also reiterated the need for contracting personnel to comply with the Federal Procurement Regulations and transmitted a basic guide to assist contracting officers in negotiating contracts in accordance with the Regulations.

Effective implementation of the new handbooks' provisions and requirements and the Assistant Secretary's instructions should aid Labor in adequately evaluating prospective contractors' ability to effectively and efficiently

perform technical assistance contracts and should enable Labor to more adequately evaluate and monitor future technical assistance contracts.

FINANCIAL AUDITS BY
DIVISION OF CONTRACT AND GRANT AUDIT

No financial audits or reviews of MAP contracts were made until a limited examination of certain allegations was initiated in September 1970, at the request of the Special Review Staff. The first comprehensive financial audit of MAP was not undertaken until after the Special Review Staff requested the audit in November 1971 shortly after the hearings were held before the House Select Subcommittee on Labor where MAP was discussed.

Audit activity at MAP

An official of the Division of Contract and Grant Audit told us that generally Manpower Administration cost-reimbursable contracts above \$100,000, including those for technical assistance, were to be audited by Labor or a public accountant. As previously noted, three of the five cost-reimbursable contracts awarded to MAP exceeded \$100,000, with one contract totaling about \$1 million.

The Special Review Staff in a memorandum dated August 28, 1970, stated that, on the basis of its evaluation of MAP's first contract, there was a pressing need for an audit by Labor. Despite the large dollar amount of MAP contracts, the audit division had not made any financial audits or examinations of MAP contracts as part of its regularly scheduled audit work.

Limited audit work on MAP's third contract was initiated when the Special Review Staff, in its memorandum of September 1, 1970, requested an examination into the validity of certain allegations concerning ineffective MAP support at the national conference on the Manpower Development and Training Act of 1962 and the possible misuse of Government funds by MAP personnel. The audit, which was completed in October 1970, disclosed several examples of misuse of travel funds; improper control over and use of travel authorizations and leased automobiles; lack of control over Government equipment; and improper allocation of costs between Labor, the Office of Economic Opportunity, and the Ford Foundation. As a result of the audit, MAP stated that it would refund the misused travel funds and improve its controls over equipment and travel authorizations.

Because of its findings on improper cost allocations, the audit division was again requested by the Special Review Staff to audit MAP activities. This audit was limited to a review to verify the propriety of MAP's allocation of certain administrative costs between Labor and its contract with the Office of Economic Opportunity and its grant from the Ford Foundation for the Labor contract. The review, completed in March 1971, showed that (1) MAP accounting records were not being currently maintained and (2) the costs invoiced to Labor for December 1970 were found to be inflated resulting from an excess distribution of certain costs to Labor which should have been prorated among the three funding organizations. Subsequently MAP reallocated its costs and reduced its charges to Labor by about \$60,000.

The first comprehensive financial audit of MAP's contracts was not undertaken until November 1971, shortly after the hearings held before the House Select Subcommittee on Labor where MAP was discussed. The Special Review Staff requested an audit immediately to cover the last three contracts awarded to MAP. The audit work was started in December 1971. No mention was made of auditing the first two contracts.

Our review of the first two MAP contracts indicated certain questionable personnel costs charged against the contracts and improper allocation of costs. After we discussed these matters with the Director of the Special Review Staff, he requested that the audit division also audit the first two MAP contracts and that the scope of audit cover the questionable items noted above plus the adequacy of the accounting system being used by MAP.

Audit division officials advised us that the principal reasons for the lack of more prompt audit efforts on MAP contracts were (1) other higher priority work, (2) the lack of sufficient staff, and (3) the failure of the Manpower Administration to inform them of all the contracts being awarded in the manpower area. The officials stated that they now receive more complete information on Manpower Administration's contracts through an automatic data processing listing and other information which should enable Washington and regional offices to promptly review and select contracts for audit.

Status of audits

On May 23, 1972, the audit division told us that (1) audit work on the third contract had been completed and a report was issued to the Director of the Special Review Staff on May 12, (2) audit work on the fourth and fifth contracts had also been completed and reports were issued to the Director on May 5 and 8, respectively, and (3) audit work on the first and second contracts had not been started. The audit division also told us that it would probably be necessary to use a public accountant firm to reconstruct the records to effectively audit MAP's activities under the first and second contracts.

Report on audit of third contract

In its May 12 report on this contract, the audit division reported numerous weaknesses in MAP fiscal management controls, practices, and procedures and questioned \$78,151 in costs incurred by MAP under the contract. Because of the inadequacy of the books and records and the lack of internal controls prevalent during the existence of this contract, the audit division stated it was necessary to extend normal audit procedures to include a comprehensive analysis and reconstruction of MAP cash receipts and disbursements to determine whether any of the costs in the books of original entry could be allocable to this contract. The audit division concluded that:

"Due to the ineffective accounting procedures and internal controls which were in existence during the term of this contract, particularly in the areas of salaries and travel, coupled with the vagueness of several of the contract provisions, it is not feasible or practical for us to render an opinion as to the propriety of costs charged to this contract, particularly in these two areas."

Questionable costs--MAP had been advanced \$1,057,988 under the third contract and the auditors were questioning \$78,151 of the costs incurred by MAP. About \$61,585 of the \$78,151 was related to expenditures by MAP which had not been authorized under the terms of the contract including

- \$28,046 in fees paid to consultants;
- \$19,698 in supply expenditures;
- \$7,686 for employment of a librarian on MAP's staff and payments to a staff accountant in excess of authorized rate; and
- \$6,155 for alterations, remodeling, and painting MAP's leased office space.

Of the remaining \$16,566 in questioned costs, \$12,554 related to expenditures for travel, transportation, and consulting services for which the auditors were unable to find supporting justification and documentation; \$3,036 related to expenditures for various items which had been incurred by MAP prior to the starting date of its contract with labor; and \$976 related to other miscellaneous expenditures.

The report stated that the questioned costs were not discussed with MAP because the Project Director and other chief executive officers had resigned and departed prior to the completion of the audit.

Fiscal management practices and procedures--The auditors' review of MAP fiscal management, controls, practices, and procedures revealed the following weaknesses.

1. MAP's accounting system in effect during the course of the contract was inadequate and incomplete, and the system had no formal procedures which could be construed as guidelines for orderly accumulation, recording, and allocation of costs among the various contracts.
2. MAP's accounting records and supporting documentation were frequently misplaced, nonexistent, or confusing.
3. MAP's personnel files were extremely sketchy, and, in some instances, nonexistent.
4. MAP failed to control travel by its staff which resulted in, among other things, indiscriminate and

unorderly issuance and use of airline flight checks, and extensive use of rented vehicles by the staff.

5. MAP authorizations failed to specify the services to be rendered by the consultants, and its available documentation failed to support the services actually performed by the consultants.
6. MAP did not properly identify or inventory Federal property and equipment it had obtained from Labor.
7. MAP had incurred reproduction or duplicating charges contrary to the provisions of the contract.
8. MAP had commingled its Federal funds received under the Labor contract with its other funds, contrary to the terms of its contract with Labor.
9. MAP did not have adequate documentation to support and identify telephone expenses as properly relating to the Labor contract.
10. MAP's contract provisions were vague, which in some cases precluded the auditors from verifying the validity of certain costs relative to the contract.

The report included specific recommendations for corrective actions to be taken by Labor, and it also stated that it was presenting the information for the guidance of the contracting officer in the event there are any future negotiations with MAP.

Report on audit of fourth contract

In its May 5 report on this contract, the audit division concluded that, except for \$3,886 in questionable expenditures for staff salaries and travel, MAP had properly accounted for the \$74,217 in Federal funds advanced to it by Labor under the terms of the contract.

The report also commented on the following weaknesses in MAP's accounting system and fiscal management practices and procedures.

1. Supportive documentation for claimed costs, in many cases, was nonexistent or so vague as to purpose that it was difficult to relate or identify costs as being proper charges against the program.
2. MAP books indicate that Federal and other MAP funds have been commingled, contrary to the contract provisions.
3. MAP did not maintain adequate inventory control over its equipment, making it difficult for the auditors to determine the extent and identity of equipment purchased by MAP under this contract.

The report recommended that the project officer instruct MAP to correct the above weaknesses.

Report on audit of fifth contract

In its May 8 report on this contract, the audit division concluded that, except for \$5,347 in questionable expenditures, MAP had properly accounted for the \$214,397 in Federal funds advanced by Labor under the contract. The report stated that, of the \$5,347 in questioned costs, \$4,700 related to expenditures not authorized under the terms of the contract, including \$4,462 for the purchase of various office equipment and furniture, telephone and film services, office supplies, and food. The remaining \$647 in questioned costs involved payment by MAP of fringe benefits to its staff in excess of the Labor-approved budget.

The report also stated that the review revealed MAP fiscal management practices and procedures adequate for the protection of Federal funds, except for the following areas.

1. MAP failed to pay \$81,140 in Federal withholding and social security taxes and \$11,193 in State income taxes for various periods during 1971.
2. MAP failed to properly document and support travel expenditures in some instances.
3. MAP commingled Federal funds received under the contract with its other funds.

4. MAP failed to adequately control and inventory its equipment.

The report recommended that MAP take immediate action to correct deficiencies 1 and 2 mentioned above, and it referred to the recommendations on items 3 and 4 made in its May 5 report on MAP's fourth contract.

Corrective actions taken on audit findings

The audit division requested the Director of the Special Review Staff to respond to the three audit reports and show the reason for, and the proposed action taken on, each item of questioned costs and the corrective actions taken on the findings and recommendations on the fiscal management procedures and practices.

On June 9, 1972, the Director of the Special Review Staff told us that the audit reports had been forwarded to the contracting officer who had the responsibility for insuring that the questioned costs were satisfactorily resolved. The Director also informed us that about \$66,300 was being withheld from MAP pending final disposition of the audit report findings.

CHAPTER 4

OPERATION OF TECHNICAL ASSISTANCE AND

MAP INTERN TRAINING PROGRAMS

Of the five MAP contracts, two (the first and third) provided for combining technical assistance with a program to recruit, select, and train interns for leadership or management positions in the manpower field. The second and fourth contracts were for MAP to provide technical assistance to various Labor program sponsors. The fifth provided for MAP to recruit and train minority individuals for operating roles in manpower and to develop teaching and intern training materials for Labor. In all, MAP received about \$3 million under these contracts.

On some of the contracts, MAP did not carry out its technical assistance program satisfactorily and was less than satisfactory in its placement of interns in the manpower field at the Federal, State, and local levels.

MAP PERFORMANCE ON TECHNICAL ASSISTANCE PROGRAM

The MAP performance under the technical assistance contracts with Labor appeared to have been less than satisfactory on the first two contracts. As MAP gained experience in providing the technical assistance services and Labor gained experience in administering the contracts, the MAP performance appeared to improve on the later contracts.

To ascertain the MAP performance under its technical assistance program contracts, we reviewed the available evaluation, monitoring, and progress reports and related documents prepared on MAP activities and discussed the MAP operation with Labor project officers and other program officials who worked with MAP.

Our discussions and reviews indicated that the MAP performance under its first contract was considered as being good by some Labor program officials and less than satisfactory by others. For example, the project officer

concluded on the basis of his evaluation that MAP's performance generally was satisfactory and that a majority of regional offices were favorably disposed toward the contractor. However, as we point out on pages 11 and 24 of this report, other Manpower Administration officials disagreed with these findings and conclusions and criticized MAP's performance as being less than adequate.

Additional evidence of dissatisfaction with the MAP performance was contained in a memorandum dated August 11, 1969, by the Labor Acting Assistant Director for Manpower Delivery Systems in which he summarized responses secured from the CEP program staff on MAP involvement with seven CEP sponsors during the first contract. The MAP performance was judged as unsatisfactory for three of the CEPs, partly unsatisfactory for another CEP, and satisfactory for only two CEPs. No opinion was given on the remaining CEP because it was considered too soon to judge the MAP performance.

For example, the Pittsburgh, Pa., CEP evaluated the MAP input "poor," and according to the memorandum the Labor region had to spend many months gearing down the unrealistic goals and policies MAP had established in restructuring CEP. The memorandum also stated that an official of the regional office was not at all satisfied with the proposal MAP had developed for refunding the St. Louis, Mo., CEP and that he had to go back and spend about 2 weeks straightening out the budget developed by MAP.

Conversely, MAP was rated "good" for its services to the San Francisco, Calif., CEP. The memorandum stated that MAP was the first group who seemed to be familiar with manpower, CEP, and the community action agencies and that it was program oriented and had been of value in relating knowledge learned from other CEPs to the situation and problems in San Francisco.

On the second MAP contract, as we reported on page 14, the project officer believed that the MAP performance in providing technical assistance on the WIN program was not in compliance with some of the terms of the contract and refused to authorize payment. The project officer and his replacement advised us that MAP had satisfactorily performed in a few areas such as training and technical assistance to local operations.

Labor officials who worked with MAP on the third contract told us that they were generally satisfied with MAP services on NYC and Prison Inmate Program phases of the contract. As noted on page 22, we found indications, however, that the MAP performance was less than satisfactory in developing and supporting the national Labor contractors conference under the Manpower Development and Training Act.

According to Labor officials, the generally satisfactory performance of MAP on the third contract was an important factor in deciding to award MAP the fourth contract under competitive conditions. MAP's performance on its fourth contract--for technical assistance to NYC sponsors--was generally considered satisfactory by the Labor project officer and NYC program personnel.

MAP INTERN TRAINING PROGRAM

A total of 105 individuals participated in the MAP program to recruit and train interns for management and leadership positions in manpower under three MAP contracts (the first, third, and fifth). According to MAP records 104 of the 105 interns enrolled in the program completed the training.

Interns were to be recruited from colleges, manpower projects, unions, businesses, State and local governments, community action agencies, and various groups concerned with poverty programs. Of the 105 interns who participated in the program, 94 were high school graduates and 58 were college graduates. Of the remaining 11 interns, four had some high school education and for seven information was not available on their education.

The MAP training program for the first and third contract provided that internship would consist of formal academic training, on-the-job training by MAP staff, and work on specific technical assistance assignments performed in coordination with MAP staff assignments. On the fifth contract intern training was not combined with technical assistance; however, the interns were to receive a broad exposure to all manpower programs at the national, regional, State, and local levels. A major portion of the formal academic training consisted of seminars and courses on many aspects of poverty and manpower programs.

The work performed by the interns in their on-the-job training included providing technical assistance to specific projects such as: revising the NYC program in Jacksonville, Fla., to include more counseling, job development, and basic education; developing guidelines, standards, and a handbook for the redesigned NYC program; participating in a joint WIN/Human Resource Development Task Force to produce a WIN technical assistance handbook; and providing technical assistance to the Philadelphia, Pa., CEP in areas of intake and placement, basic education, and skills training.

The internship averaged about 26 weeks under the first contract, about 29 weeks under the third contract, and about 18 weeks under the fifth contract. While in the program

the interns received a weekly salary of about \$200 (\$10,000 annually) under the first and third contracts and a weekly salary of \$150 (\$7,800 annually) under the fifth contract. Under the first, third, and fifth contracts, the interns also received a daily per diem travel allowance of \$30, \$27, and \$14 per day, respectively.

A MAP followup report issued in January 1972 stated that the interns appeared to have had success in securing employment and in improving their incomes. The following schedule shows information on the interns enrolled, on those completing training, and on their income before and after training.

<u>Contract</u>	<u>Number enrolled</u>	<u>Completed training</u>	<u>Average salary</u>	
			<u>Before intern-ship</u>	<u>After intern-ship</u>
First contract	34 ^a	34 ^a	\$8,600	\$12,600
Third contract	37	37	8,800	13,500
Fifth contract	<u>34</u>	<u>33</u>	8,400	10,900
Total	<u>105</u>	<u>104</u>	8,600	12,400

^aThis number includes five students from Antioch College, Yellow Springs, Ohio, who received academic credit for participating in the program and who returned to college after completing the training.

Ninety-four of the interns were employed after completing training, and the average salary per intern increased by almost \$4,000. Our review showed that 81 of the interns were employed in the manpower field after training with the remaining 13 employed outside the manpower area. Furthermore, 22 of the 81 employed in the manpower field were employed as, or became, private manpower consultants--including 12 employed by MAP itself.

However, MAP's placement of interns during the first and third contracts was questioned by Labor. For example, in commenting on MAP's intern program in a memorandum to the Assistant Secretary for Manpower during October 1970, the Associate Manpower Administrator for USTES stated:

"The Technician-Intern program as presently structured has a poor placement record at the community level where it was mostly directed to supply manpower staff. Most have been hired by MAP and other lucrative consultants and private firms. Only two interns were placed with the Department of Labor."

"The MAP-Intern salary structure (over \$10,000 per year to start) mitigates against placement in the Department of Labor and in local and State jobs. Also their trend is to move highly educated interns including masters level, rather than off-the-street or entry level potentials."

Under the fifth contract the MAP placement record improved. Of the 34 interns, 13 went with Labor, 15 went with local manpower organizations, one went with a state manpower agency, one went with a consultant firm, and one set up his own minority business. Of the remaining three, two had no jobs after training and one chose to terminate from the program.

CHAPTER 5

CONCLUSIONS

MAP has received about \$3 million from Labor and the Ford Foundation to provide technical assistance and intern training in the manpower area. It appears that MAP's performance on some contracts was not wholly satisfactory and was less than satisfactory in its placement of interns in the manpower field at the Federal, State, or local manpower level.

Our review revealed weaknesses in the Labor award and administration of the MAP contracts and its controls over MAP's expenditure of contract funds.

Labor also failed to adequately monitor MAP's performance under the first three contracts and it did not make prompt comprehensive financial audits of MAP contracts. Most important, even though serious problems occurred in the early contracts, a critical review and evaluation of MAP contracts was not made until the Special Review Staff became involved in the middle of the third contract.

In view of the unique and innovative nature of the MAP program and the problems and difficulties which could be anticipated under such a program, we believe that Labor should have provided more extensive assistance and closer supervision from the earliest stages of the contracts with MAP. We believe that the deficiencies and problems in MAP contracts discussed in this report could have been minimized through better administration and more adequate monitoring by Labor.

We recognize that, as MAP contracts progressed, Labor became aware of problems in its administration of the contracts and in its technical assistance program and took action to improve the administration and monitoring on the last two MAP contracts. This awareness came primarily as a result of the Special Review Staff's reviews and the audits of MAP by the Division of Contract and Grant Audit and indicates the advantages of program evaluations by persons not responsible for the operation of those programs.

As a result of the Special Review Staff's efforts, Labor established a new Office of Technical Assistance and Training to coordinate and be responsible for all technical assistance activities, including insuring that contracts are awarded in accord with Labor regulations and the Federal Procurement Regulations and are adequately administered to insure satisfactory performance by the contractors. The Manpower Administration has also issued new guidelines and standards reemphasizing the need for increased competition in awarding technical assistance contracts and for closer and more frequent monitoring of contractors' performances.

We believe that the actions taken by Labor on the last two MAP contracts and its plans to make a financial audit of all five contracts indicate an awareness of the problems and a desire to see that the interests of the Government are protected.

We believe also that the establishment of the new Office of Technical Assistance and Training and the proposed new standards, procedures, and guidelines--if properly implemented--should serve to improve the effectiveness of the technical assistance program and administration of contracts awarded under this type of program in the future.